UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

Commission File Number 001-31539

SM ENERGY COMPANY
(Exact name of registrant as specified in its charter)

Delaware	**41-0518430**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 Sherman Street, Suite 1200, Denver, Colorado	**80203**
(Address of principal executive offices)	(Zip Code)

(303) 861-8140
(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 26, 2011 the registrant had 63,734,209 shares of common stock, $0.01 par value, outstanding.

Table of Contents

SM ENERGY COMPANY
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Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SM ENERGY COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share amounts)

	June 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 101,080	$ 5,077
Accounts receivable	173,557	163,190
Refundable income taxes	3,134	8,482
Prepaid expenses and other	32,281	45,522
Derivative asset	28,985	43,491
Deferred income taxes	7,086	8,883
Total current assets	346,123	274,645
Property and equipment (successful efforts method), at cost:		
Land	1,526	1,491
Proved oil and gas properties	3,799,844	3,389,158
Less - accumulated depletion, depreciation, and amortization	(1,532,670)	(1,326,932)
Unproved oil and gas properties	89,317	94,290
Wells in progress	245,650	145,327
Materials inventory, at lower of cost or market	15,915	22,542
Oil and gas properties held for sale (note 3)	130,077	86,811
Other property and equipment, net of accumulated depreciation of $17,550 in 2011 and $15,480 in 2010	61,831	21,365
	2,811,490	2,434,052
Other noncurrent assets:		
Derivative asset	10,624	18,841
Other noncurrent assets	51,656	16,783
Total other noncurrent assets	62,280	35,624
Total Assets	**$ 3,219,893**	**$ 2,744,321**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 413,048	$ 417,654
Derivative liability	70,100	82,044
Deposit associated with oil and gas properties held for sale	—	2,355
Total current liabilities	483,148	502,053
Noncurrent liabilities:		
Long-term credit facility	—	48,000
3.50% Senior Convertible Notes, net of unamortized discount of $7,209 in 2011 and $11,827 in 2010	280,291	275,673
6.625% Senior Notes	350,000	—
Asset retirement obligation	72,273	69,052
Asset retirement obligation associated with oil and gas properties held for sale (note 3)	92	2,119
Net Profits Plan liability	133,419	135,850
Deferred income taxes	496,405	443,135
Derivative liability	38,233	32,557
Other noncurrent liabilities	16,866	17,356
Total noncurrent liabilities	1,387,579	1,023,742
Commitments and contingencies (note 7)		
Stockholders' equity:		

Common stock, $0.01 par value - authorized: 200,000,000 shares; issued: 63,764,421 shares in 2011 and 63,412,800 shares in 2010; outstanding, net of treasury shares: 63,683,354 shares in 2011 and 63,310,165 shares in 2010	638	634
Additional paid-in capital	215,704	191,674
Treasury stock, at cost: 81,067 shares in 2011 and 102,635 shares in 2010	(1,544)	(423)
Retained earnings	1,144,972	1,042,123
Accumulated other comprehensive loss	(10,604)	(15,482)
Total stockholders' equity	1,349,166	1,218,526
Total Liabilities and Stockholders' Equity	**$ 3,219,893**	**$ 2,744,321**

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

Table of Contents

SM ENERGY COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except per share amounts)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Operating revenues and other income:				
Oil, gas, and NGL production revenue	$ 333,934	$ 175,887	$ 610,247	$ 388,774
Realized hedge gain (loss) (note 10)	(6,330)	9,329	(7,705)	11,924
Gain on divestiture activity (note 3)	30,019	7,021	54,934	127,999
Marketed gas system and other operating revenue	20,250	19,460	35,726	43,135
Total operating revenues and other income	377,873	211,697	693,202	571,832
Operating expenses:				
Oil, gas, and NGL production expense	53,342	45,168	119,154	93,508
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	115,382	79,770	220,738	157,535
Exploration	9,603	14,498	22,315	28,396
Abandonment and impairment of unproved properties	1,237	2,375	4,316	3,279
General and administrative	27,310	25,398	53,171	48,884
Change in Net Profits Plan liability	(13,984)	(6,599)	211	(33,871)
Unrealized and realized derivative (gain) loss (note 10)	(43,876)	(2,087)	44,553	(9,822)
Marketed gas system and other expense	17,152	16,385	37,009	39,383
Total operating expenses	166,166	174,908	501,467	327,292
Income from operations	211,707	36,789	191,735	244,540
Nonoperating income (expense):				
Interest income	227	54	355	183
Interest expense	(14,550)	(6,343)	(24,264)	(13,130)
Income before income taxes	197,384	30,500	167,826	231,593
Income tax expense	(72,851)	(12,432)	(61,796)	(87,347)
Net income	**$ 124,533**	**$ 18,068**	**$ 106,030**	**$ 144,246**
Basic weighted-average common shares outstanding	63,638	62,917	63,543	62,855
Diluted weighted-average common shares outstanding	66,909	64,566	66,695	64,493
Basic net income per common share	**$ 1.96**	**$ 0.29**	**$ 1.67**	**$ 2.29**
Diluted net income per common share	**$ 1.86**	**$ 0.28**	**$ 1.59**	**$ 2.24**

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

Table of Contents

SM ENERGY COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (UNAUDITED)
(In thousands, except share amounts)

	Common Stock		Additional Paid-in	Treasury Stock		Retained	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Earnings	Income (Loss)	Equity
Balances, January 1, 2011	**63,412,800**	**$ 634**	**$ 191,674**	**(102,635)**	**$ (423)**	**$ 1,042,123**	**$ (15,482)**	**$ 1,218,526**
Comprehensive income, net of tax:								
Net income	—	—	—	—	—	106,030	—	106,030
Reclassification to earnings	—	—	—	—	—	—	4,878	4,878

Total comprehensive income								110,908
Cash dividends, $ 0.05 per share	—	—	—	—	—	(3,181)	—	(3,181)
Issuance of common stock under Employee Stock Purchase Plan	22,373	1	1,121	—	—	—	—	1,122
Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings, including income tax benefit of RSUs	18,836	—	(644)	—	—	—	—	(644)
Sale of common stock, including income tax benefit of stock option exercises	310,412	3	10,595	—	—	—	—	10,598
Stock-based compensation expense	—	—	12,958	21,568	(1,121)	—	—	11,837
Balances, June 30, 2011	**63,764,421**	**$ 638**	**$ 215,704**	**(81,067)**	**$ (1,544)**	**$ 1,144,972**	**$ (10,604)**	**$ 1,349,166**
Balances, January 1, 2010	**62,899,122**	**$ 629**	**$ 160,516**	**(126,893)**	**$ (1,204)**	**$ 851,583**	**$ (37,954)**	**$ 973,570**
Comprehensive income, net of tax:								
Net income	—	—	—	—	—	144,246	—	144,246
Change in derivative instrument fair value	—	—	—	—	—	—	53,765	53,765
Reclassification to earnings	—	—	—	—	—	—	(782)	(782)
Minimum pension liability adjustment	—	—	—	—	—	—	4	4
Total comprehensive income								197,233
Cash dividends, $ 0.05 per share	—	—	—	—	—	(3,144)	—	(3,144)
Issuance of common stock under Employee Stock Purchase Plan	27,456	—	799	—	—	—	—	799
Issuance of common stock upon vesting of RSUs, net of shares used for tax withholdings, including income tax cost of RSUs	34,588	1	(545)	—	—	—	—	(544)
Sale of common stock, including income tax benefit of stock option exercises	148,902	1	3,054	—	—	—	—	3,055
Stock-based compensation expense	—	—	11,149	24,258	715	—	—	11,864
Balances, June 30, 2010	**63,110,068**	**$ 631**	**$ 174,973**	**(102,635)**	**$ (489)**	**$ 992,685**	**$ 15,033**	**$ 1,182,833**

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

Table of Contents

SM ENERGY COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	For the Six Months Ended June 30,	
	2011	**2010**
Cash flows from operating activities:		
Net income	$ 106,030	$ 144,246
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on divestiture activity	(54,934)	(127,999)
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	220,738	157,535
Exploratory dry hole expense	49	327
Abandonment and impairment of unproved properties	4,316	3,279
Stock-based compensation expense	11,837	11,864
Change in Net Profits Plan liability	211	(33,871)
Unrealized derivative (gain) loss	24,160	(9,822)
Amortization of debt discount and deferred financing costs	11,294	6,657
Deferred income taxes	52,241	78,820
Plugging and abandonment	(1,430)	(6,222)
Other	(5,888)	2,937
Changes in current assets and liabilities:		
Accounts receivable	(10,370)	7,628
Refundable income taxes	5,348	9,558
Prepaid expenses and other	15,692	(148)
Accounts payable and accrued expenses	(2,530)	26,299
Excess income tax benefit from the exercise of stock awards	(6,791)	(938)
Net cash provided by operating activities	**369,973**	**270,150**
Cash flows from investing activities:		
Net proceeds from sale of oil and gas properties	97,952	247,998
Capital expenditures	(662,372)	(304,627)
Deposits to restricted cash	—	(19,595)
Other	(2,355)	(6,492)
Net cash used in investing activities	**(566,775)**	**(82,716)**
Cash flows from financing activities:		
Proceeds from credit facility	102,000	204,059
Repayment of credit facility	(150,000)	(392,059)
Debt issuance costs related to credit facility	(8,525)	—
Net proceeds from 6.625% Senior Notes	341,435	—
Proceeds from sale of common stock	4,929	2,916
Dividends paid	(3,181)	(3,144)
Excess income tax benefit from the exercise of stock awards	6,791	938
Other	(644)	(544)
Net cash provided by (used in) financing activities	**292,805**	**(187,834)**
Net change in cash and cash equivalents	96,003	(400)
Cash and cash equivalents at beginning of period	5,077	10,649
Cash and cash equivalents at end of period	**$ 101,080**	**$ 10,249**

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

Table of Contents

SM ENERGY COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

Supplemental schedule of additional cash flow information and noncash investing and financing activities:

	For the Six Months Ended June 30,	
	2011	2010
	(In thousands)	
Cash paid for interest	$ (6,378)	$ (8,152)
Net cash refunded for income taxes	$ 2,543	$ 2,392

As of June 30, 2011, and 2010, $237.9 million, and $105.4 million, respectively, are included as additions to oil and gas properties and accounts payable and accrued expenses. These oil and gas property additions are reflected in cash used in investing activities in the periods that the payables are settled.

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

Table of Contents

SM ENERGY COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 - The Company and Business

SM Energy Company ("SM Energy" or the "Company") is an independent energy company engaged in the acquisition, exploration, exploitation, development, and production of crude oil, natural gas, and natural gas liquids ("NGLs") in North America, with a focus on oil and liquids-rich resource plays.

Note 2 - Basis of Presentation, Significant Accounting Policies, and Recently Issued Accounting Standards

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of SM Energy have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to Form 10-Q and Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements included in SM Energy's Annual Report on Form 10-K for the year ended December 31, 2010, (the "2010 Form 10-K"). In the opinion of management, all adjustments, consisting of normal recurring accruals that are considered necessary for a fair presentation of interim financial information, have been included. Operating results for the periods presented are not necessarily indicative of expected results for the full year. In connection with the preparation of its condensed consolidated financial statements, the Company evaluated subsequent events after the balance sheet date of June 30, 2011, through the filing date of this report.

Other Significant Accounting Policies

The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements in the 2010 Form 10-K, and are supplemented throughout the notes to condensed consolidated financial statements in this report. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in the 2010 Form 10-K. As discussed in Note 10 - Derivative Financial Instruments, as of January 1, 2011, the Company elected to discontinue cash flow hedge accounting on a prospective basis.

Recently Issued Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued new fair value measurement authoritative guidance that clarifies the application of fair value measurement and disclosure requirements and changes particular principles or requirements for measuring fair value. This guidance is effective for annual periods beginning after December 15, 2011. The Company is currently evaluating the provisions of this guidance and assessing the impact, if any, it may have on the Company's fair value disclosures.

In June 2011, the FASB issued new authoritative guidance that states an entity that reports items of other comprehensive income has the option to present the components of net income and comprehensive income in either one continuous financial statement, or two consecutive financial statements. This guidance is effective for annual periods beginning after December 15, 2011. The Company is currently evaluating the provisions of this guidance and assessing the impact it will have on the Company's comprehensive income disclosures.

Note 3 - Divestitures and Assets Held for Sale

Mid-Continent Divestiture

In June 2011, the Company completed the divestiture of certain non-strategic Constitution Field assets located in its Mid-Continent region that were classified as assets held for sale at March 31, 2011. Total cash received, before marketing costs and Net Profits Interest Bonus Plan ("Net Profits Plan") payments, was $35.7 million. The final sale price is subject to post-closing adjustments and is expected to be finalized during the second half of 2011. The estimated gain on this divestiture was approximately $28.5 million and may be impacted by the post-closing adjustments mentioned above. The Company determined that the sale did not qualify for discontinued operations accounting under financial statement presentation authoritative guidance.

Table of Contents

Rocky Mountain Divestiture

In January 2011, the Company completed the divestiture of certain non-strategic assets located in its Rocky Mountain region that were classified as assets held for sale at December 31, 2010. Total cash received, before marketing costs and Net Profits Plan payments, was $45.5 million. The final gain on sale related to the divestiture was $27.2 million. The Company determined that the sale did not qualify for discontinued operations accounting under financial statement presentation authoritative guidance.

Assets Held for Sale

Assets are classified as held for sale when the Company commits to a plan to sell the assets and there is reasonable certainty that the sale will take place within one year. Upon classification as held for sale, long-lived assets are no longer depreciated or depleted and a measurement for impairment is performed to expense any excess of carrying value over fair value less costs to sell. Subsequent changes to estimated fair value less the cost to sell will impact the measurement of assets held for sale for assets for which fair value is determined to be less than the carrying value of the assets.

As of June 30, 2011, the accompanying condensed consolidated balance sheets ("accompanying balance sheets") include $130.1 million in book value of assets held for sale, net of accumulated depletion, depreciation and amortization and a corresponding asset retirement obligation liability is also separately presented. The above assets held for sale and asset retirement obligation liability amounts include certain assets located in Pennsylvania and the Company's South Texas & Gulf Coast region, including our gathering assets as described in Note 12 – Acquisition and Development Agreement. The Company determined that these planned asset sales do not qualify for discontinued operations accounting under financial statement presentation authoritative guidance.

In July 2011, the Company entered into an agreement to divest its Marcellus shale assets located in Pennsylvania that were classified as held for sale at June 30, 2011, for $80.0 million in cash, subject to normal closing and post-closing adjustments. The agreement has an effective date of April 1, 2011, and is anticipated to close in the third quarter of 2011. The closing of this transaction is subject to the satisfaction of certain closing conditions, including the resolution of any title and environmental defects exceeding specified levels.

On August 2, 2011, the Company divested its operated LaSalle and Dimmitt County assets located in its South Texas & Gulf Coast region that were classified as assets held for sale at June 30, 2011. Total cash received, before marketing costs, was $227.4 million. The final sales price is subject to post-closing adjustments and is expected to be finalized in the fourth quarter of 2011. The estimated gain on this divestiture is approximately $196.1 million and may be impacted by the post-closing adjustments mentioned above.

Note 4 - Income Taxes

Income tax expense for the six-month periods ended June 30, 2011, and 2010, differs from the amounts that would be provided by applying the statutory U.S. federal income tax rate to income before income taxes as a result of the estimated effect of the domestic production activities deduction, percentage depletion, the effect of state income taxes, and other permanent differences.

The provision for income taxes consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Current portion of income tax (expense) benefit:				
Federal	$ (2,212)	$ 1,759	$ (9,156)	$ (8,216)
State	(224)	21	(399)	(311)
Deferred portion of income tax (expense)	(70,415)	(14,212)	(52,241)	(78,820)
Total income tax (expense)	$ (72,851)	$ (12,432)	$ (61,796)	$ (87,347)
Effective tax rate	36.9%	40.8%	36.8%	37.7%

On a year-to-date basis, a change in the Company's effective tax rate between reported periods will generally reflect differences in its estimated highest marginal state tax rate due to changes in the composition of income from Company activities among state tax jurisdictions. The cumulative effects of state rate changes are reflected in the period legislation is enacted. Changes in the effective tax rate between periods also occur due to estimates for the domestic production activities deduction, percentage depletion, and for potential permanent state tax items that affect the presented periods differently due to oil and gas price variability and the impact of non-core asset sales. The quarterly rate can also be impacted by the proportion of income earned in reported periods.

Table of Contents

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and in various states. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by these tax authorities for years before 2007. In the first quarter of 2011, the Company received the anticipated $5.5 million refund from its 2006 tax year as a result of a net operating loss carryback claim from the 2008 tax year. In the fourth quarter of 2010, the Internal Revenue Service initiated an audit of the Company for the 2009 tax year. The audit was concluded in the second quarter of 2011 with a $110,000 decrease to the total 2005 refund claim of $25 million. A quick refund claim of $22.9 million from 2005 was received in the third quarter of 2010. The Company's remaining refundable income tax balance at June 30, 2011, includes the remaining $2 million 2005 amount.

Note 5 - Long-Term Debt

Revolving Credit Facility

The Company executed a Fourth Amended and Restated Credit Agreement on May 27, 2011. This amended revolving credit facility replaced the Company's previous facility. The Company incurred $8.5 million of deferred financing costs in association with the amended credit facility. Borrowings under the facility are secured by substantially all of the Company's proved oil and gas properties. The credit facility has a maximum loan amount of $2.5 billion, with current aggregate lender commitments of $1.0 billion, and a maturity date of May 27, 2016. The borrowing base under the credit facility as of the filing date of this report is $1.3 billion, and is subject to regular semi-annual redeterminations. The borrowing base redetermination process considers the value of the Company's oil and gas properties and other assets, as determined by the bank syndicate.

The Company must comply with certain financial and non-financial covenants under the terms of its credit facility agreement, including the limitation of the

Company's dividends to no more than $50.0 million per year. The Company was in compliance with all financial and non-financial covenants under the credit facility as of June 30, 2011, and through the filing date of this report. Interest and commitment fees are accrued based on the borrowing base utilization grid below. Eurodollar loans accrue interest at the London Interbank Offered Rate plus the applicable margin from the utilization table below, and Alternative Base Rate ("ABR") and swingline loans accrue interest at Prime plus the applicable margin from the utilization table below. Commitment fees are accrued on the unused portion of the aggregate commitment amount and are included in interest expense in the accompanying condensed consolidated statements of operations ("accompanying statements of operations").

Borrowing Base Utilization Grid

Borrowing Base Utilization Percentage	<25%	³25% <50%	³50% <75%	³75% <90%	³90%
Eurodollar Loans	1.500%	1.750%	2.000%	2.250%	2.500%
ABR Loans or Swingline Loans	0.500%	0.750%	1.000%	1.250%	1.500%
Commitment Fee Rate	0.375%	0.375%	0.500%	0.500%	0.500%

The Company had no outstanding borrowings under its credit facility as of June 30, 2011. The Company had $48.0 million of outstanding borrowings under its previous credit facility as of December 31, 2010. The Company had $999.4 million available borrowing capacity under this facility as of June 30, 2011. The Company had $629.5 million available borrowing capacity under its previous facility as of December 31, 2010, when the aggregate commitment amount was $678.0 million. The Company has two letters of credit outstanding for a total of $608,000 as of June 30, 2011. The Company had a single letter of credit outstanding in the amount of $483,000 at December 31, 2010. These letters of credit reduce the amount available under the commitment amount on a dollar-for-dollar basis.

6.625% Senior Notes Due 2019

On February 7, 2011, the Company issued $350.0 million in aggregate principal amount of 6.625% Senior Notes Due 2019 (the "6.625% Senior Notes"). The 6.625% Senior Notes were issued at par and mature on February 15, 2019. The Company received net proceeds of approximately $341.4 million after deducting fees of approximately $8.6 million, which will be amortized as deferred financing costs over the life of the 6.625% Senior Notes. The net proceeds were used to repay all borrowings under the Company's credit facility, with the remainder to be used for the Company's ongoing capital expenditure program and general corporate purposes.

Prior to February 15, 2014, the Company may redeem up to 35 percent of the aggregate principal amount of the 6.625% Senior Notes with the net cash proceeds of one or more equity offerings at a redemption price of 106.625% of the principal amount thereof, plus accrued and unpaid interest. The Company may redeem the 6.625% Senior Notes, in whole or part, at any time prior to February 15, 2015, at a redemption price equal to 100% of the principal amount, plus a specified make whole premium and accrued and unpaid interest.

Table of Contents

The Company may also redeem all or, from time to time, a portion of the 6.625% Senior Notes on or after February 15, 2015, at the prices set forth below, expressed as a percentage of the principal amount redeemed, plus accrued and unpaid interest:

2015	103.313%
2016	101.656%
2017 and thereafter	100.000%

The 6.625% Senior Notes are unsecured senior obligations and rank equal in right of payment with all of the Company's existing and any future unsecured senior debt and are senior in right of payment to any future subordinated debt. There are no subsidiary guarantors of the 6.625% Senior Notes. The Company is subject to certain covenants under its 6.625% Senior Notes that limit incurring additional indebtedness, issuing preferred stock, and making restricted payments in excess of specified amounts. The restricted payment covenant limits the payment of dividends on the Company's common stock, provided however, the Company may pay dividends of up to $6.5 million for any given year during the eight-year term of the notes. The Company is in compliance with all covenants under its 6.625% Senior Notes as of June 30, 2011, and through the filing date of this report.

Additionally, on February 7, 2011, the Company entered into a registration rights agreement that provides holders of the 6.625% Senior Notes certain registration rights for the 6.625% Senior Notes under the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to the registration rights agreement, the Company will file an exchange offer registration statement with the Securities and Exchange Commission (the "SEC") with respect to an offer to exchange the 6.625% Senior Notes for substantially identical notes that are registered under the Securities Act. Under certain circumstances, in lieu of a registered exchange offer, the Company has agreed to file a shelf registration statement relating to the resale of the 6.625% Senior Notes. If the exchange offer is not completed on or before February 7, 2012, or the shelf registration statement, if required, is not declared effective within the time periods specified in the registration rights agreement, then the Company has agreed to pay additional interest with respect to the 6.625% Senior Notes in an amount not to exceed one percent of the principal amount of the 6.625% Senior Notes until the exchange offer is completed or the shelf registration statement is declared effective.

3.50% Senior Convertible Notes Due 2027

On April 4, 2007, the Company issued $287.5 million in aggregate principal amount of 3.50% Senior Convertible Notes Due 2027 (the "3.50% Senior Convertible Notes"). The 3.50% Senior Convertible Notes mature on April 1, 2027, unless converted prior to maturity, redeemed, or purchased by the Company.

Holders of the 3.50% Senior Convertible Notes may elect to surrender all or a portion of their notes for conversion under certain circumstances, including during a calendar quarter if the closing price of the Company's common stock was more than 130 percent of the conversion price of $54.42 per share for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter. As of December 31, 2010, the 3.50% Senior Convertible Notes were not convertible. The closing price of the Company's common stock was more than the conversion trigger price of $70.75 per share for at least 20 trading days in the 30 consecutive trading days ending on the last trading day during the first quarter of 2011. Therefore the holders of the 3.50% Senior Convertible Notes had the right to convert all or a portion of their notes during the second quarter of 2011. If holders elect to convert all or a portion of their notes during a calendar quarter that they are eligible to do so, they will receive cash, shares of the Company's common stock, or any combination thereof as may be elected by the Company under the indenture for the 3.50% Senior Convertible Notes. No holders elected to convert their notes during the second quarter of 2011. The closing price of the Company's common stock was not more than the conversion trigger price of $70.75 per share for at least 20 trading days in the 30 consecutive trading days ending on the last trading day in the second quarter of 2011. Therefore, the 3.50% Senior Convertible Notes will not be convertible during the third quarter of 2011.

Note 6 - Earnings per Share

Basic net income per common share of stock is calculated by dividing net income available to common stockholders by the basic weighted-average common shares outstanding for the respective period. The Company's earnings per share calculations reflect the impact of any repurchases of shares of common stock made by the Company.

Diluted net income per common share of stock is calculated by dividing adjusted net income by the number of diluted weighted-average common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for this calculation consist of unvested restricted stock units ("RSUs"), in-the-money outstanding options to purchase the Company's common stock, contingent Performance Share Awards ("PSAs"), and shares into which the 3.50% Senior Convertible Notes are convertible.

Table of Contents

The PSAs represent the right to receive, upon settlement of the PSAs after the completion of the three-year performance period, a number of shares of the Company's common stock that may range from zero to two times the number of PSAs granted on the award date. The number of potentially dilutive shares related to PSAs is based on the number of shares, if any, which would be issuable at the end of the respective reporting period, assuming that date was the end of the contingency period. For additional discussion on PSAs, please refer to Note 8 - Compensation Plans under the heading *Performance Share Awards Under the Equity Incentive Compensation Plan.*

The Company's 3.50% Senior Convertible Notes have a net-share settlement right whereby the Company has the option to irrevocably elect, by notice to the trustee under the indenture for the notes, to settle the Company's obligation to deliver shares of the Company's common stock, in the event that holders of the notes elect to convert all or a portion of their notes, by delivering cash in an amount equal to each $1,000 principal amount of notes surrendered for conversion and, if applicable, at the Company's option, shares of common stock or cash, or any combination of common stock and cash, for the amount of conversion value in excess of the principal amount. For accounting purposes, the treasury stock method is used to measure the potentially dilutive impact of shares associated with this conversion feature. Shares of the Company's common stock traded at an average closing price exceeding the $54.42 conversion price for the three-month and six-month periods ended June 30, 2011. The 3.50% Senior Convertible Notes had a dilutive impact for the three-month and six-month periods ended June 30, 2011, as calculated in the basic and diluted earnings per share table below. The 3.50% Senior Convertible Notes were not dilutive for the three-month and six-month periods ended June 30, 2010.

The treasury stock method is used to measure the dilutive impact of unvested RSUs, contingent PSAs, and in-the-money stock options, as calculated in the basic and diluted earnings per share table below.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands, except per share amounts)			
Net income	$ 124,533	$ 18,068	$ 106,030	$ 144,246
Basic weighted-average common shares outstanding	63,638	62,917	63,543	62,855
Add: dilutive effect of stock options, unvested RSUs, and contingent PSAs	2,182	1,649	2,161	1,638
Add: dilutive effect of 3.50% Senior Convertible Notes	1,089	—	991	—
Diluted weighted-average common shares outstanding	66,909	64,566	66,695	64,493
Basic net income per common share	$ 1.96	$ 0.29	$ 1.67	$ 2.29
Diluted net income per common share	$ 1.86	$ 0.28	$ 1.59	$ 2.24

Note 7 - Commitments and Contingencies

During the second quarter of 2011, the Company entered into two natural gas gathering and services agreements whereby it is subject to certain natural gas gathering through-put commitments for up to ten years pursuant to each contract. The Company may be required to make periodic deficiency payments for any shortfalls in delivering the minimum applicable annual or semi-annual volume commitments. In the event that no gas is delivered pursuant to the agreements, the aggregate deficiency payments will total approximately $729.4 million. If a shortfall in the minimum volume commitment arises, the Company can arrange for third party gas to be delivered into the applicable gathering system and applied to the Company's minimum commitment.

During the first quarter of 2011, the Company entered into a hydraulic fracturing services contract. The total commitment is $180.0 million over a two-year term commencing January 1, 2011. However, the Company's liability in the event of early termination of this contract is not to exceed $24.0 million.

The Company is subject to litigation and claims that have arisen in the ordinary course of its business. The Company accrues for such items when a liability is probable and the amount can be reasonably estimated. The Company currently has no such accruals. In the opinion of management, any adverse results in any such pending litigation and claims will not have a material effect on the results of operations, the financial position, or cash flows of the Company.

Table of Contents

The Company is currently a defendant in litigation where the plaintiffs claim an aggregate overriding royalty interest of 7.46875 percent in production from approximately 22,000 of the Company's net acres in the Eagle Ford shale play in South Texas. The plaintiffs seek to quiet title to their claimed overriding royalty interest and seek the recovery of unpaid overriding royalty interest proceeds allegedly due. The Texas District Court has issued an order granting plaintiffs' motion for summary judgment, but the Company believes that the summary judgment order is incorrect under the governing agreements and applicable law, and the Company intends to appeal and continue to contest the litigation. In July 2011, the court entered judgment awarding the plaintiffs damages of approximately $5.2 million. If the plaintiffs were to ultimately prevail, the overriding royalty interest would reduce the Company's net revenue interest in the affected acreage. The Company does not currently believe that an unfavorable ultimate outcome is probable, nor that if the plaintiffs prevail there would be a material effect on the financial position of the Company. Based on the Company's current view of the facts and circumstances of the case, no accrual has been made for any loss.

Note 8 - Compensation Plans

Cash Bonus Plan

During the first quarters of 2011 and 2010, the Company paid $21.6 million and $7.7 million for cash bonuses earned in the 2010 and 2009 performance years, respectively. Within the general and administrative expense and exploration expense line items in the accompanying statements of operations was $3.7 million and $2.9 million of accrued cash bonus plan expense related to the specific performance year for the three-month periods ended June 30, 2011, and 2010, respectively, and $7.5 million and $6.0 million for the six-month periods ended June 30, 2011, and 2010, respectively.

Performance Share Awards Under the Equity Incentive Compensation Plan

PSAs are the primary form of long-term equity incentive compensation for the Company. The PSA factor is based on the Company's performance after completion of a three-year performance period. The performance criteria for the PSAs are based on a combination of the Company's annualized total shareholder return ("TSR") for the performance period and the relative measure of the Company's TSR compared with the annualized TSR of an index comprised of certain peer companies for the performance period. In addition, there are separate employment service vesting provisions. PSAs are recognized as general and administrative and exploration expense over the vesting

period of the award.

Total stock-based compensation expense related to PSAs for the three-month periods ended June 30, 2011, and 2010, was $4.1 million and $3.8 million, respectively, and $8.4 million and $7.4 million for the six-month periods ended June 30, 2011, and 2010, respectively. As of June 30, 2011, there was $13.6 million of total unrecognized compensation expense related to unvested PSAs that is being amortized through 2013.

A summary of the status and activity of PSAs for the six-month period ended June 30, 2011, is presented in the following table:

	PSAs		Weighted-Average Grant-Date Fair Value
Non-vested, at January 1, 2011	1,110,666	$	39.48
Granted	—	$	—
Vested (1)	(7,682)	$	36.69
Forfeited	(23,289)	$	39.41
Non-vested, at June 30, 2011	1,079,695	$	39.50

(1) The number of awards vested assumes a multiplier of one. The final number of shares vested may vary depending on the ending three-year multiplier, which ranges from zero to two.

Subsequent to June 30, 2011, the Company granted 234,308 Performance Stock Units ("PSUs"), which are structurally the same as previously granted PSAs, as part of its regular annual compensation process. These PSUs will vest 1/7th on July 1, 2012, 2/7ths on July 1, 2013, and 4/7ths on July 1, 2014. Also subsequent to June 30, 2011, the Company settled 305,351 PSAs that relate to awards granted in 2008 through the issuance of shares of the Company's common stock in accordance with the terms of the PSA awards.

Table of Contents

Restricted Stock Units Under the Equity Incentive Compensation Plan

An RSU represents a right to receive one share of the Company's common stock to be delivered upon settlement of the RSU when it vests. Total RSU compensation expense for the three-month periods ended June 30, 2011, and 2010, was $985,000 and $1.7 million, respectively, and $2.0 million and $3.5 million for the six-month periods ended June 30, 2011, and 2010, respectively. As of June 30, 2011, there was $4.5 million of total unrecognized compensation expense related to unvested RSU awards that is being amortized through 2013.

During the first half of 2011, the Company settled 27,714 RSUs that relate to awards granted in 2008 through the issuance of shares of the Company's common stock in accordance with the terms of the RSU awards. As a result, the Company issued a net of 18,836 shares of common stock associated with these grants. The remaining 8,878 shares were withheld to satisfy income and payroll tax withholding obligations that occurred upon delivery of the shares underlying those RSUs.

A summary of the status and activity of RSUs for the six-month period ended June 30, 2011, is presented in the following table:

	RSUs		Weighted-Average Grant-Date Fair Value
Non-vested, at January 1, 2011	333,359	$	31.16
Granted	8,287	$	60.33
Vested	(27,714)	$	37.84
Forfeited	(6,638)	$	29.88
Non-vested, at June 30, 2011	307,294	$	31.37

Subsequent to June 30, 2011, the Company granted 78,165 RSUs, as part of its regular annual compensation process. These RSUs will vest 1/7th on July 1, 2012, 2/7ths on July 1, 2013, and 4/7ths on July 1, 2014. Also subsequent to June 30, 2011, the Company settled 77,602 RSUs that relate to awards granted in 2010 and 2009 through the issuance of shares of the Company's common stock in accordance with the terms of the RSU awards.

Stock Option Grants Under Prior Stock Option Plans

The following table summarizes stock option activity for the six months ended June 30, 2011:

	Options		Weighted-Average Exercise Price		Aggregate Intrinsic Value
Outstanding, January 1, 2011	920,765	$	13.11	$	42,192,057
Exercised	(310,412)	$	12.26		
Forfeited	—	$	—		
Outstanding, June 30, 2011	610,353	$	13.54	$	36,586,971
Vested and exercisable, June 30, 2011	610,353	$	13.54	$	36,586,971

As of June 30, 2011, there was no unrecognized compensation expense related to stock option awards.

Director Shares

During the six months ended June 30, 2011, and 2010, the Company issued 21,568 and 24,258 shares, respectively, of the Company's common stock from treasury to the Company's non-employee directors. The shares were issued pursuant to the Company's Equity Incentive Compensation Plan. The Company recorded $1.0 million and $690,000 of compensation expense for the three-month periods ended June 30, 2011, and 2010, respectively, and $1.0 million and $715,000 for the six-month periods ended June 30, 2011, and 2010, respectively.

Employee Stock Purchase Plan

Under the Company's Employee Stock Purchase Plan (the "ESPP"), eligible employees may purchase shares of the Company's common stock through payroll deductions of up to 15 percent of eligible compensation. The purchase price of the stock is 85 percent of the lower of the fair market value of the stock on the first or last day of the purchase period. Shares issued under the ESPP, on or after July 1, 2011, have no restriction period. The ESPP is intended to qualify under Section 423 of the Internal Revenue Code. The Company has set aside 2,000,000 shares of its common stock to be available for issuance under the ESPP, of which 1,392,954 shares are available for issuance as of June 30, 2011. There were 22,373 and 27,456 shares issued under the ESPP during the first half of 2011 and 2010, respectively, with a six month restriction period. The fair value of ESPP grants is measured at the date of grant using the Black-Scholes option-pricing model.

Net Profits Plan

Under the Company's Net Profits Plan, all oil and gas wells that were completed or acquired during a year were designated within a specific pool. Key employees recommended by senior management and designated as participants by the Compensation Committee of the Company's Board of Directors ("Board") and employed by the Company on the last day of that year became entitled to payments under the Net Profits Plan after the Company had received net cash flows returning 100 percent of all costs associated with that pool. Thereafter, ten percent of future net cash flows generated by the pool are allocated among the participants and distributed at least annually. The portion of net cash flows from a pool to be allocated among the participants increases to 20 percent after the Company has recovered 200 percent of the total costs for the pool, including payments made under the Net Profits Plan at the ten percent level. In December 2007, the Board discontinued the creation of new pools under the Net Profits Plan. As a result, the 2007 Net Profits Plan pool was the last pool established by the Company.

Cash payments made or accrued under the Net Profits Plan that have been recorded as either general and administrative expense or exploration expense are detailed in the table below:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
General and administrative expense	$ 5,261	$ 5,381	$ 10,591	$ 12,315
Exploration expense	585	667	1,062	1,258
Total	$ 5,846	$ 6,048	$ 11,653	$ 13,573

Additionally, the Company accrued or made cash payments under the Net Profits Plan of $2.0 million and $1.9 million for the three months ended June 30, 2011, and 2010, respectively, and $6.3 million and $20.1 million for the six months ended June 30, 2011, and 2010, respectively, as a result of divestiture proceeds. The cash payments are accounted for as a reduction of the gain on divestiture activity in the accompanying statements of operations.

The Company records changes in the present value of estimated future payments under the Net Profits Plan as a separate line item in the accompanying statements of operations. The change in the estimated liability is recorded as a non-cash expense or benefit in the current period. The amount recorded as an expense or benefit associated with the change in the estimated liability is not allocated to general and administrative expense or exploration expense because it is associated with the future net cash flows from oil and gas properties in the respective pools rather than results being realized through current period production. If the Company did allocate the change in liability to these specific functional line items, based on the current allocation of actual distributions made by the Company such expenses or benefit would predominately be allocated to general and administrative expense. The amount that would be allocated to exploration expense is minimal in comparison. As time progresses, less of the distributions relate to prospective exploration efforts as more of the distributions are made to employees that have terminated employment and do not provide ongoing exploration support to the Company.

Note 9 - Pension Benefits

Pension Plans

The Company has a non-contributory pension plan covering substantially all employees who meet age and service requirements (the "Qualified Pension Plan"). The Company also has a supplemental non-contributory pension plan covering certain management employees (the "Nonqualified Pension Plan").

Components of Net Periodic Benefit Cost for Both Plans

The following table presents the components of the net periodic benefit cost for both the Qualified Pension Plan and the Nonqualified Pension Plan:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Service cost	$ 1,052	$ 848	$ 1,900	$ 1,696
Interest cost	312	280	592	560
Expected return on plan assets	(281)	(159)	(440)	(318)
Amortization of net actuarial loss	111	91	202	182
Net periodic benefit cost	$ 1,194	$ 1,060	$ 2,254	$ 2,120

Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Gains and losses in excess of ten percent of the greater of the benefit obligation or the market-related value of assets are amortized over the average remaining service period of active participants.

Contributions

The Company is currently required to contribute $6.3 million to its Qualified Pension Plan. The Company has made $3.6 million in 2011 contributions as of June 30, 2011.

Note 10 - Derivative Financial Instruments

To mitigate a portion of the exposure to potentially adverse market changes in oil, natural gas, and NGL prices and the associated impact on cash flows, the Company has entered into various derivative commodity contracts. The Company's derivative contracts in place include swap and collar arrangements for oil, natural gas, and NGLs. As of June 30, 2011, and through the filing date of this report, the Company has commodity derivative contracts in place through the first quarter of 2014 for a total of

approximately 8 MMBbls of anticipated crude oil production, 45 million MMBtu of anticipated natural gas production, and 1 MMBbls of anticipated NGL production.

The Company's oil, natural gas, and NGL derivatives are measured at fair value and are included in the accompanying balance sheets as derivative assets and liabilities. The Company derives internal valuation estimates taking into consideration the counterparties' credit ratings, the Company's credit rating, and the time value of money. These valuations are then compared to the respective counterparties' mark-to-market statements. The pertinent factors result in an estimated exit-price that management believes provides a reasonable and consistent methodology for valuing derivative instruments. The derivative instruments utilized by the Company are not considered by management to be complex, structured, or illiquid. The oil, natural gas, and NGL derivative markets are highly active. The fair value of oil, natural gas, and NGL commodity derivative contracts was a net liability of $68.7 million and $52.3 million at June 30, 2011, and December 31, 2010, respectively.

Discontinuance of Cash Flow Hedge Accounting

Prior to January 1, 2011, the Company designated its commodity derivative contracts as cash flow hedges, whose unrealized changes in fair value were recorded to accumulated other comprehensive income (loss) ("AOCIL"), to the extent the hedges were effective. As of January 1, 2011, the Company elected to de-designate all of its commodity derivative contracts that had been previously designated as cash flow hedges at December 31, 2010. As a result, subsequent to December 31, 2010, the Company recognizes all gains and losses from changes in commodity derivative fair values immediately in earnings rather than deferring any such amounts in AOCIL.

At December 31, 2010, accumulated other comprehensive loss ("AOCL") included $18.6 million ($11.8 million, net of income tax) of unrealized losses, representing the change in fair value of the Company's open commodity derivative contracts designated as cash flow hedges as of that balance sheet date, less any ineffectiveness recognized. As a result of discontinuing hedge accounting on January 1, 2011, such fair values at December 31, 2010 were frozen in AOCL as of the de-designation date and reclassified into earnings as the original derivative transactions settle. During the six months ended June 30, 2011, $7.7 million ($4.9 million, net of income tax) of derivative losses relating to de-designated commodity hedges were reclassified from AOCL into earnings. As of June 30, 2011, AOCL included $10.9 million ($6.9 million, net of income tax) of unrealized losses on commodity

Table of Contents

derivative contracts that had been previously designated as cash flow hedges. The Company expects to reclassify into earnings from AOCL after-tax net losses of $6.9 million related to de-designated commodity derivative contracts during the next twelve months.

The following table details the fair value of derivatives recorded in the accompanying balance sheets, by category:

	As of June 30, 2011			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
		(in thousands)		
Commodity Contracts	Current Assets	$ 28,985	Current Liabilities	$ (70,100)
Commodity Contracts	Noncurrent Assets	10,624	Noncurrent Liabilities	(38,233)
Derivatives not designated as hedging instruments		$ 39,609		$ (108,333)

	As of December 31, 2010			
	Derivative Assets		Derivative Liabilities	
	Balance Sheet Classification	Fair Value	Balance Sheet Classification	Fair Value
		(in thousands)		
Commodity Contracts	Current Assets	$ 43,491	Current Liabilities	$ (82,044)
Commodity Contracts	Noncurrent Assets	18,841	Noncurrent Liabilities	(32,557)
Derivatives designated as hedging instruments		$ 62,332		$ (114,601)

The following table summarizes the unrealized and realized gain and loss from derivative cash settlements and changes in fair value of derivative contracts as presented in the accompanying statements of operations.

	For the Three Months Ended June 30, 2011	For the Six Months Ended June 30, 2011
	(in thousands)	
Cash settlement (gain) and loss:		
Oil contracts	$ 10,633	$ 17,363
Natural gas contracts	(590)	(2,317)
NGL contracts	3,933	5,347
Total cash settlement loss	$ 13,976	$ 20,393
Unrealized (gain) loss on changes in fair value:		
Oil contracts	$ (51,216)	$ 16,151
Natural gas contracts	(6,681)	(2,421)
NGL contracts	45	10,430
Total net unrealized (gain) loss on change in fair value	$ (57,852)	$ 24,160
Total unrealized and realized derivative (gain) loss	$ (43,876)	$ 44,553

Table of Contents

The following table details the effect of derivative instruments on AOCIL and the accompanying statements of operations (net of income tax):

Derivatives	Location on Consolidated Statement of Operations	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
		2011	2010	2011	2010
		(in thousands)			

Amount of (gain) loss reclassified from AOCIL to realized hedge gain (loss)	Commodity Contracts	Realized hedge gain (loss)	$ 3,951	$ 1,163	$ 4,878	$ (782)

The realized net hedge loss for the three-month and six-month periods ended June 30, 2011, is comprised of realized cash settlements on commodity derivative contracts that were previously designated as cash flow hedges, whereas the realized net hedge gain (loss) for the three-month and six-month periods ended June 30, 2010, is comprised of realized cash settlements on all commodity derivative contracts. Realized hedge gains or losses from the settlement of oil, natural gas, and NGL derivatives previously designated as cash flow hedges are reported in the total operating revenues and other income section of the accompanying statements of operations. The Company realized a net hedge loss of $6.3 million and a net hedge gain of $9.3 million from its oil, natural gas, and NGL derivative contracts for the three months ended June 30, 2011, and 2010, respectively, and a net loss of $7.7 million and a net gain of $11.9 million from its oil, natural gas, and NGL derivative contracts for the six months ended June 30, 2011, and 2010, respectively.

As noted above, effective January 1, 2011, the Company elected to de-designate all of its commodity derivative contracts that had been previously designated as cash flow hedges at December 31, 2010, and as such no new gains or losses are deferred in AOCIL at June 30, 2011. The following table details the effect of derivative instruments on AOCIL and the balance sheets (net of income tax):

	Derivatives	Location on Consolidated Balance Sheets	For the Six Months Ended June 30, 2010	For the Year Ended December 31, 2010
			(in thousands)	
Amount of gain on derivatives recognized in AOCIL during the period (effective portion)	Commodity Contracts	AOCIL	$ 53,765	$ 16,811

The Company has no derivatives designated as cash flow hedges at June 30, 2011. The following table details the ineffective portion of derivative instruments classified as cash flow hedges on the accompanying statements of operations for the three-month and six-month periods ended June 30, 2010.

Derivatives Qualifying as Cash Flow Hedges	Location on Consolidated Statements of Operations	Gain Recognized in Earnings (Ineffective Portion)	
		For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
		(in thousands)	
Commodity contracts	Unrealized and realized derivative (gain) loss	$ (2,087)	$ (9,822)

Table of Contents

Credit Related Contingent Features

As of June 30, 2011, and through the filing date of this report, all of the Company's derivative counterparties were members of the Company's credit facility bank syndicate. The Company's credit facility is secured by liens on substantially all of the Company's proved oil and gas assets; therefore such counterparties do not currently require the Company to post collateral in instances where the Company is in a liability position under its derivative instruments. No collateral was posted as of June 30, 2011, or through the filing date of this report.

Convertible Note Derivative Instruments

The contingent interest provision of the 3.50% Senior Convertible Notes is an embedded derivative instrument. As of June 30, 2011, and December 31, 2010, the fair value of this derivative was determined to be immaterial.

Note 11 - Fair Value Measurements

The Company follows fair value measurement authoritative guidance for all assets and liabilities measured at fair value. That guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. Market or observable inputs are the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The hierarchy for grouping these assets and liabilities is based on the significance level of the following inputs:

- Level 1 — quoted prices in active markets for identical assets or liabilities
- Level 2 — quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable
- Level 3 — significant inputs to the valuation model are unobservable

The following is a listing of the Company's financial assets and liabilities that are measured at fair value on a recurring basis and where they are classified within the hierarchy as of June 30, 2011:

	Level 1	Level 2	Level 3
		(in thousands)	
Assets:			
Derivatives	$ —	$ 39,609	$ —
Liabilities:			
Derivatives	$ —	$ 108,333	$ —
Net Profits Plan	$ —	$ —	$ 133,419

The following is a listing of the Company's financial assets and liabilities that are measured at fair value on a recurring basis and where they are classified within the hierarchy as of December 31, 2010:

	Level 1	Level 2	Level 3
		(in thousands)	
Assets:			

Derivatives	$	—	$	62,332	$	—
Liabilities:						
Derivatives	$	—	$	114,601	$	—
Net Profits Plan	$	—	$	—	$	135,850

Both financial and non-financial assets and liabilities are categorized within the hierarchy based on the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Company as well as the general classification of such instruments pursuant to the hierarchy. There were no nonfinancial assets or liabilities measured at fair value on a nonrecurring basis at June 30, 2011, or December 31, 2010.

Table of Contents

Derivatives

The Company uses Level 2 inputs to measure the fair value of oil, natural gas, and NGL commodity derivatives. Fair values are based upon interpolated data. The Company derives internal valuation estimates taking into consideration the counterparties' credit ratings, the Company's credit rating, and the time value of money. These valuations are then compared to the respective counterparties' mark-to-market statements. The considered factors result in an estimated exit-price that management believes provides a reasonable and consistent methodology for valuing derivative instruments.

Generally, market quotes assume that all counterparties have near zero, or low, default rates and have equal credit quality. However, an adjustment may be necessary to reflect the credit quality of a specific counterparty to determine the fair value of the instrument. The Company monitors the credit ratings of its counterparties and may ask counterparties to post collateral if their ratings deteriorate. In some instances the Company will attempt to novate the trade to a more stable counterparty.

Valuation adjustments are necessary to reflect the effect of the Company's credit quality on the fair value of any liability position with a counterparty. This adjustment takes into account any credit enhancements, such as collateral margin that the Company may have posted with a counterparty, as well as any letters of credit between the parties. The methodology to determine this adjustment is consistent with how the Company evaluates counterparty credit risk, taking into account the Company's credit rating, current credit facility margins, and any change in such margins since the last measurement date. All of the Company's derivative counterparties are members of SM Energy's credit facility bank syndicate.

The methods described above may result in a fair value estimate that may not be indicative of net realizable value or may not be reflective of future fair values and cash flows. While the Company believes that the valuation methods utilized are appropriate and consistent with accounting authoritative guidance and with other marketplace participants, the Company recognizes that third parties may use different methodologies or assumptions to determine the fair value of certain financial instruments that could result in a different estimate of fair value at the reporting date.

Net Profits Plan

The Net Profits Plan is a standalone liability for which there is no available market price, principal market, or market participants. The inputs available for this instrument are unobservable and are therefore classified as Level 3 inputs. The Company employs the income approach, which converts expected future cash flow amounts to a single present value amount. This technique uses the estimate of future cash payments, expectations of possible variations in the amount and/or timing of cash flows, the risk premium, and nonperformance risk to calculate the fair value. There is a direct correlation between realized oil and gas commodity prices driving net cash flows and the Net Profits Plan liability. Generally, higher commodity prices result in a larger Net Profits Plan liability and vice versa.

The Company records the estimated fair value of the long-term liability for estimated future payments under the Net Profits Plan based on the discounted value of estimated future payments associated with each individual pool. The calculation of this liability is a significant management estimate. For those pools currently in payout, a discount rate of 12 percent is used to calculate this liability. A discount rate of 15 percent is used to calculate the liability for pools that have not reached payout. These rates are intended to represent the best estimate of the present value of expected future payments under the Net Profits Plan.

The Company's estimate of its liability is highly dependent on commodity prices, cost assumptions, and the discount rates used in the calculations. The Company continually evaluates the assumptions used in this calculation in order to consider the current market environment for oil and gas prices, costs, discount rates, and overall market conditions. The Net Profits Plan liability is determined using price assumptions of five one-year strip prices with the fifth year's pricing then carried out indefinitely. The average price is adjusted for realized price differentials and to include the effects of the forecasted production covered by derivatives contracts in the relevant periods. The non-cash expense associated with this significant management estimate is highly volatile from period to period due to fluctuations that occur in the crude oil, natural gas, and NGL commodity markets.

If the commodity prices used in the calculation changed by five percent, the liability recorded at June 30, 2011, would differ by approximately $10 million. A one percentage point increase in the discount rate would decrease the liability by approximately $6 million whereas a one percentage point decrease in the discount rate would increase the liability by approximately $7 million. Actual cash payments to be made to participants in future periods are dependent on realized actual production, realized commodity prices, and costs associated with the properties in each individual pool of the Net Profits Plan. Consequently, actual cash payments are inherently different from the amounts estimated.

Table of Contents

No published market quotes exist on which to base the Company's estimate of fair value of the Net Profits Plan liability. As such, the recorded fair value is based entirely on management estimates that are described within this footnote. While some inputs to the Company's calculation of fair value on the Net Profits Plan's future payments are from published sources, others, such as the discount rate and the expected future cash flows, are derived from the Company's own calculations and estimates.

The following table reflects the activity for the Net Profits Plan liability measured at fair value using Level 3 inputs:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Beginning balance	$ 147,403	$ 143,019	$ 135,850	$ 170,291
Net increase (decrease) in liability (a)	(6,092)	1,318	18,193	(218)
Net settlements (a)(b)(c)	(7,892)	(7,917)	(20,624)	(33,653)
Transfers in (out) of Level 3	—	—	—	—
Ending balance	$ 133,419	$ 136,420	$ 133,419	$ 136,420

(a) Net changes in the Net Profits Plan liability are shown in the Change in Net Profits Plan liability line item of the accompanying statements of operations.
(b) Settlements represent cash payments made or accrued under the Net Profits Plan. Settlements made under the Net Profits Plan of $2.0 million and $1.9 million for the three months ended June 30, 2011, and 2010, respectively, and $6.3 million and $20.1 million for the six months ended June 30, 2011, and 2010, respectively, resulted from divestiture proceeds.
(c) During the first quarter of 2011, the Company made the decision to cash out several Net Profits Plan pools associated with the acquisition of Nance Petroleum Corporation in 1999, through a $2.6 million direct payment. As a result, the Company reduced its Net Profits Plan liability by that amount. There is no impact on the accompanying statements of operations for the three-month or six-month periods ended June 30, 2011, related to these settlements.

3.50% Senior Convertible Notes

Based on the secondary market trading price of the 3.50% Senior Convertible Notes, the estimated fair value of the notes was approximately $406 million and $351 million as of June 30, 2011, and December 31, 2010, respectively. The fair value of the embedded contingent interest derivative on the 3.50% Senior Convertible Notes was zero as of June 30, 2011, and December 31, 2010.

6.625% Senior Notes

Based on the secondary market trading price of the 6.625% Senior Notes, the estimated fair value of the notes was approximately $357 million as of June 30, 2011.

Proved Oil and Gas Properties

Proved oil and gas property costs are evaluated for impairment and reduced to fair value when there is an indication that the carrying costs exceeds the sum of the undiscounted cash flows. The Company uses Level 3 inputs and the income valuation technique, which converts future amounts to a single present value amount, to measure the fair value of proved properties through an application of discount rates and price forecasts selected by the Company's management. The calculation of the discount rate is a significant management estimate based on the best information available and estimated to be 12 percent for the six months ended June 30, 2011. Management believes that the discount rate is representative of current market conditions and reflects the following factors: estimate of future cash payments, expectations of possible variations in the amount and/or timing of cash flows, the risk premium, and nonperformance risk. The price forecast is based on New York Mercantile Exchange ("NYMEX") strip pricing, adjusted for basis differentials, for the first five years. Future operating costs are also adjusted as deemed appropriate for these estimates.

There were no proved oil and gas properties measured at fair value within the accompanying balance sheets at June 30, 2011, or December 31, 2010.

Table of Contents

Materials Inventory

Materials inventory is valued at the lower of cost or market. The Company uses Level 2 inputs to measure the fair value of materials inventory, which is primarily comprised of tubular goods. The Company uses third party market quotes and compares the quotes to the book value of the materials inventory. If the book value exceeds the quoted market price, the Company reduces the book value to the market price. The considered factors result in an estimated exit price that management believes provides a reasonable and consistent methodology for valuing materials inventory.

There were no materials inventory measured at fair value within the accompanying balance sheets at June 30, 2011, or December 31, 2010.

Asset Retirement Obligations

The income valuation technique is utilized by the Company to determine the fair value of the asset retirement obligation liability at the point of inception by applying a credit-adjusted risk-free rate to the undiscounted expected abandonment cash flows. The credit-adjusted risk-free rate takes into account the Company's credit risk, the time value of money, and the current economic state. Given the unobservable nature of the inputs, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs. There were no asset retirement obligations measured at fair value within the accompanying balance sheets at June 30, 2011, or December 31, 2010.

Refer to Note 10 – Derivative Financial Instruments for more information regarding the Company's derivative instruments.

Note 12 - Acquisition and Development Agreement

In June 2011, the Company entered into an Acquisition and Development Agreement (the "Agreement") with Mitsui E&P Texas LP ("Mitsui"), an indirect subsidiary of Mitsui & Co., Ltd. Pursuant to the Agreement, the Company agreed to transfer to Mitsui a 12.5 percent working interest in certain oil and gas assets representing approximately 39,000 net acres in Dimmit, LaSalle, Maverick and Webb Counties, Texas. The transaction also provides for the conveyance of one-half of the Company's ownership in related gathering assets for reimbursement of 50 percent of costs incurred on those assets at the time of closing. The effective date of the transfer of the assets will be March 1, 2011. The transaction is expected to close in the third quarter of 2011, subject to the satisfaction of closing conditions, including the receipt of certain consents and the resolution of title and environmental defects exceeding specified levels. In return for the assets transferred, Mitsui has agreed to pay, or carry, 90 percent of certain drilling and completion costs on behalf of the Company and expenses for the affected acreage following the closing of the transaction until Mitsui has expended an aggregate $680.0 million on behalf of the Company, which is estimated to take three to four years based on the operator's announced drilling plans. Mitsui will also reimburse the Company for its share of capital expenditures and other costs, net of revenues, related to the period from March 1, 2011, until closing. The Company will apply these reimbursed costs to the remaining ten percent of the Company's drilling and completion costs for the affected acreage.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis contains forward-looking statements. Refer to *Cautionary Information about Forward-Looking Statements* at the end of this item for an explanation of these types of statements.

Overview of the Company, Highlights, and Outlook

General Overview

We are an independent energy company engaged in the acquisition, exploration, exploitation, development, and production of crude oil, natural gas, and NGLs in onshore North America. Our assets include leading positions in the Eagle Ford shale and Bakken/Three Forks resource plays, as well as meaningful positions in the Granite Wash, Haynesville shale, and Woodford shale resource plays. We have built a portfolio of onshore properties in the contiguous United States with reserves, development drilling opportunities, and unconventional resource prospects, typically through the early entrance into existing and emerging resource plays. We believe this approach allows

for stable and predictable production and reserves growth. Furthermore, by entering these plays early, we believe that we can capture larger resource potential at lower costs.

Our business strategy is to increase net asset value through attractive oil and gas investment activity, while maintaining a conservative capital structure and optimizing capital expenditures. We focus our efforts on the exploration for and development of onshore, lower-risk resource plays in North America. We believe our inventory of resource plays is well suited for growing reserves and production due to its predictable geology and lower-risk profile. Furthermore, our assets produce significant volumes of oil and NGLs that limit our exposure to the current lower natural gas price environment. Our strategy is based on the following:

- leveraging our core competencies in replicating resource play success in the drilling, completion, and development of oil, natural gas, and NGL reserves;
- focusing on resource plays with low-risk geology and high liquids content;
- exploiting our legacy assets and optimizing our asset base;
- selectively acquiring leasehold positions in new and emerging resource plays; and
- maintaining a strong balance sheet while funding the growth of our business.

In the second quarter of 2011 we had the following financial and operational results:

- Our average daily production for the three months ended June 30, 2011, was 20.4 MBbls of oil, 262.7 MMcf of gas, and 8.7 MBbls of NGLs, for a record average equivalent production rate of 436.9 MMCFE per day, compared with 276.4 MMCFE per day for the same period in 2010. Please see additional discussion below under the caption *Production Results*.
- We recorded net income for the three months ended June 30, 2011, of $124.5 million or $1.86 per diluted share compared to net income for the three months ended June 30, 2010, of $18.1 million or $0.28 per diluted share.
- Costs incurred for oil and gas producing activities for the three months ended June 30, 2011, were $352.2 million, compared with $189.3 million for the same period in 2010. Please see additional discussion below under the caption *Cost Incurred.*

Oil, Gas, and NGL Prices

Our financial condition and the results of our operations are significantly affected by the prices we receive for oil, natural gas, and NGL production, which can fluctuate dramatically. Please refer to ***Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010***and ***Comparison of Financial Results and Trends Between the Six Months Ended June 30, 2011, and 2010*** for the realized price tables for the respective periods. Prior to 2011, we reported our natural gas production as a single stream of rich gas measured at the well head. As a result, we historically reported realized prices for our natural gas production for periods through December 31, 2010, that were higher than industry benchmarks due to the price uplift associated with incremental value contained in the higher BTU content of our gas production stream. Beginning in the first quarter of 2011, we changed our reporting for natural gas volumes to show natural gas and NGL production volumes consistent with title transfer for each product. Projected rapid production growth from our rich gas assets with plant product sales contracts necessitated a change in our production volume reporting. Prior period production volumes, revenues, and prices have not been reclassified to conform to the

Table of Contents

current presentation given the immateriality of the NGL volumes produced in prior periods. We sell the majority of our natural gas under contracts that use first-of-the-month index pricing, which means that gas produced in a given month is sold at the first-of-the-month price regardless of the spot price on the day the gas is produced. For assets where high BTU gas is sold at the wellhead, we also receive additional value for the higher energy content contained in the gas stream. Our NGL production is generally sold using contracts that pay us the monthly average of the posted Oil Price Information Service Mont Belvieu daily settlement prices, adjusting for processing, transportation, and location differentials. Our crude oil and condensate are sold using contracts that pay us either the average of the NYMEX WTI daily settlement price or the average of alternative posted prices for the periods in which the product is produced, adjusted for quality, transportation, and location differentials.

The following table is a summary of commodity price data for the second quarters of 2011 and 2010 and the first quarter of 2011:

	For the Three Months Ended		
	June 30, 2011	March 31, 2011	June 30, 2010
Crude Oil (per Bbl):			
Average NYMEX price	$ 102.28	$ 94.46	$ 77.88
Realized price	$ 97.51	$ 85.79	$ 70.92
Natural Gas (per Mcf):			
Average NYMEX price	$ 4.36	$ 4.18	$ 4.33
Realized price	$ 4.63	$ 4.35	$ 4.54
Natural Gas Liquids (per Bbl):			
Average OPIS price	$ 61.62	$ 56.28	$ —
Realized price	$ 54.02	$ 46.65	$ —

Note: Prior year NGL production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of the volumes in prior periods. Please refer to additional discussion above.

We expect future prices for oil, gas, and NGLs to be volatile. In addition to supply and demand fundamentals, the relative strength of the U.S. dollar will likely continue to impact crude oil prices. Historically, NGL prices have trended and correlated with the price for crude oil. The supply of NGLs is expected to grow in the near term as a result of a number of industry participants targeting projects that produce these products, which could increase supplies and negatively impact future pricing. Natural gas prices are facing downward pressure as a result of excess supply resulting from high levels of drilling activity across the country. The 12-month strip prices for NYMEX WTI crude oil, NYMEX Henry Hub natural gas, and OPIS NGLs as of June 30, 2011, were $98.03 per Bbl, $4.65 per MMBTU, and $57.86 per Bbl, respectively. Comparable prices as of July 26, 2011, were $101.65 per Bbl, $4.57 per MMBTU, and $ 61.12 per Bbl, respectively.

While changes in quoted NYMEX oil and natural gas and OPIS NGL prices are generally used as a basis for comparison within our industry, the price we receive is affected by quality, energy content, location, and transportation differentials for these products. Our realized prices shown in the table above do not include the impact of cash settlements from derivative contracts, which is consistent with all prior periods reported.

Derivative Activities

We use financial derivative instruments as part of our financial risk management program. We have a Board-approved financial risk management policy governing our use of derivatives. The level of our production covered by derivatives is driven by the amount of debt on our balance sheet and the level of capital commitments and long-term obligations we have in place. With the derivative contracts we have in place, we believe we have established a base cash flow stream for our future operations and partially reduced our exposure to volatility in commodity prices. Our use of collars for a portion of the derivatives allows us to participate in upward movements in oil, gas, and NGL prices while also setting a price floor for a portion of our production. Please see Note 10 — Derivative Financial Instruments of Part I, Item 1 of this report for additional information regarding our oil, gas, and NGL derivatives, and see the caption, *Summary of Oil, Gas, and NGL Derivative Contracts in Place,* later in this section.

As of January 1, 2011, we elected to de-designate all commodity derivative contracts that had previously been designated as cash flow hedges as of December 31, 2010, and to discontinue hedge accounting prospectively. Accordingly, beginning January 1, 2011, all of our derivative contracts are stated at fair value each quarter with changes in fair value resulting in gains and losses, which are recognized immediately in earnings. For the three months ended June 30, 2011, realized cash settlements from our commodity risk management program for oil, natural gas, and NGLs were ($24.3) million, $9.1 million, and ($5.2) million,

Table of Contents

respectively. For the six months ended June 30, 2011, realized cash settlements from our commodity risk management program for oil, natural gas, and NGLs were ($43.4) million, $24.0 million, and ($8.7) million, respectively.

The following table is a reconciliation from our realized prices to our adjusted price for the commodities indicated, including the effects of derivative cash settlements for the second quarters of 2011 and 2010 and the first quarter of 2011:

	For the Three Months Ended		
	June 30, 2011	March 31, 2011	June 30, 2010
Crude Oil (per Bbl):			
Realized price	$ 97.51	$ 85.79	$ 70.92
Less the effects of derivative cash settlements	(13.11)	(10.72)	(5.75)
Adjusted price, including the effects of derivative cash settlements	$ 84.40	$ 75.07	$ 65.17
Natural Gas (per Mcf):			
Realized price	$ 4.63	$ 4.35	$ 4.54
Plus the effects of derivative cash settlements	0.38	0.69	1.05
Adjusted price, including the effects of derivative cash settlements	$ 5.01	$ 5.04	$ 5.59
Natural Gas Liquids (per Bbl):			
Realized price	$ 54.02	$ 46.65	$ —
Less the effects of derivative cash settlements	(6.53)	(5.76)	—
Adjusted price, including the effects of derivative cash settlements	$ 47.49	$ 40.89	$ —

Note: Prior year NGL production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of the volumes in prior periods. Please refer to additional discussion above under the caption *Oil, Gas, and NGL Prices.*

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted into law. This financial reform legislation includes provisions that require over-the-counter derivative transactions to be executed through an exchange or centrally cleared. The Dodd-Frank Act requires the Commodities Futures Trading Commission (the "CFTC"), the SEC, and other regulators to establish rules and regulations to implement the new legislation. The CFTC has proposed new rules governing margin requirements for uncleared swaps entered into by non-bank swap entities, and U.S. banking regulators have proposed new rules regarding margin requirements for uncleared swaps entered into by bank swap entities. The ultimate effect of the proposed new rules and any additional regulations on our business is currently uncertain. Of particular concern to us is whether the provisions of the final rules and regulations will allow us to qualify as a non-financial, commercial end user exempt from the requirements to post margin in connection with commodity price risk management activities. Final rules and regulations on major provisions of the legislation, such as new margin requirements, are to be established through regulatory rulemaking. Although we cannot predict the ultimate outcome of these rulemakings, new rules and regulations in this area may result in increased costs and cash collateral requirements for the types of derivative instruments we use to manage our financial risks related to volatility in oil, gas, and NGL commodity prices.

Second Quarter 2011 Highlights

Operational activities. We operated an average of 11 drilling rigs company-wide during the second quarter of 2011. The focus of our operated drilling activity this year has been on oil and NGL-rich gas programs and selected natural gas projects of potential strategic importance to us. We have also participated in higher levels of outside-operated activity in oil and NGL-rich gas plays.

Table of Contents

We had four drilling rigs running in our operated Eagle Ford shale program in South Texas at the end of the second quarter 2011, up from three at the end of the first quarter. We focused our drilling in areas with higher BTU gas content and higher condensate yields. We continue to test different ways to complete these wells with the objective of optimizing future development potential. During the second quarter, we entered into two separate transactions to divest or sell down portions of our Eagle Ford shale position in order to lock in returns and provide funds to further develop the program. The first transaction involved all of our operated acreage in LaSalle County, Texas, along with a small adjoining block of acreage in Dimmit County, Texas. This transaction closed on August 2, 2011, before certain adjustments, at which time we received $227.4 million in cash proceeds. As part of this transaction, we also assigned a small portion of our committed takeaway capacity to serve these assets. The second transaction involves an agreement for the transfer of a 12.5 percent working interest in our non-operated acreage in exchange for a 90 percent carry of our drilling and completion costs in the same acreage for an amount not to exceed $680.0 million. This agreement also provides for the divestiture of one-half of our interest in the gathering assets that service the non-operated program in exchange for reimbursement of 50 percent of our costs on those assets. This transaction is expected to close in the third quarter of 2011, subject to the satisfaction of closing conditions, including the receipt of certain consents and the resolution of title and environmental defects exceeding specified levels. After completing these two transactions, we will have approximately 150,000 operated net acres and 46,000 non-operated net acres in the Eagle Ford shale play. With respect to infrastructure, we entered into a transaction during the quarter to sell gathering assets in the Eagle Ford shale play for $25.4 million and concurrently entered into a gas gathering agreement where we dedicated all production from certain portions of our operated Eagle Ford assets to be gathered, compressed, and treated by the same counterparty on a fee basis. During the quarter, we also entered into firm transportation agreements that will increase our pipeline capacity to approximately 460 MMCF per day of gross wet gas by the second half of 2014. Please refer to Note 7 - Commitments and Contingencies in Part I, Item 1 of this report for additional discussion concerning

these agreements. On our outside-operated Eagle Ford acreage, the operator continued to increase activity throughout the first half of 2011. During the second quarter, our partner operated ten drilling rigs and it is our belief the activity will increase to 12 rigs by the end of 2011.

We operated two drilling rigs in the Williston Basin throughout the second quarter of 2011, both of which focused on Bakken and Three Forks drilling in our Raven and Gooseneck prospects in North Dakota. Our drilling results in these prospects have continued to meet or exceed our expectations throughout the first half of 2011. Consistent with other operators in the area, flooding and other weather-related issues limited our access to certain assets during the quarter. While drilling and completion activity was disrupted to some extent, our production operations were not significantly impacted. Elsewhere in the Rocky Mountain region, we continued to test the Niobrara formation in southern Wyoming with one drilling rig. We drilled an additional three test wells in southeastern Wyoming in the first half of 2011 in the South Silo field where we have approximately 26,000 net acres. In addition, we have been adding acreage with Niobrara potential in the Powder River Basin and we now have 63,000 acres in the basin.

In our operated horizontal Haynesville shale program in our ArkLaTex region, we operated two rigs in San Augustine County, Texas during the second quarter of 2011. Our leasehold acreage of approximately 33,000 net acres is prospective for both the Haynesville shale and the Bossier shale, and recent Haynesville well results continue to be highly encouraging. Our focus will be on holding this acreage through production to ensure we are in a position to benefit from any natural gas price increase in the future.

In our Mid-Continent region, we operated one to two rigs in our operated Granite Wash program in the Texas Panhandle and western Oklahoma during the second quarter of 2011 to test and delineate our acreage in the play. We have approximately 34,000 net acres in the Granite Wash, which are held by production.

Our Permian region operated a one rig program during the second quarter of 2011, splitting its focus on the testing of Wolfberry down spacing and drilling Mississippian targets as part of our exploration effort.

Production Results. The table below provides the regional breakdown of our second quarter 2011 production:

	Mid-Continent	ArkLaTex	South Texas & Gulf Coast	Permian	Rocky Mountain	Total (1)
Second Quarter 2011 Production:						
Oil (MBbl)	109.6	17.8	605.7	320.6	799.1	1,852.8
Gas (MMcf)	7,682.7	7,745.0	6,668.8	924.1	885.5	23,906.1
NGLs (MBbl)	17.3	18.9	741.5	4.3	7.7	789.6
Equivalent (MMCFE)	8,444.1	7,964.9	14,752.0	2,873.4	5,726.1	39,760.4
Avg. Daily Equivalents (MMCFE)	92.8	87.5	162.1	31.6	62.9	436.9
Relative percentage	21%	20%	37%	7%	15%	100%

(1) Totals may not add due to rounding.

Table of Contents

For the second quarter of 2011, our production was led by our South Texas & Gulf Coast region due to the ongoing drilling activities in our Eagle Ford shale program. Please refer to ***Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010*** for additional discussion on production.

Costs Incurred. The following table sets forth the costs incurred for our oil and gas activities for the second quarter of 2011.

	For the Three Months Ended June 30, 2011 (in thousands)
Development costs	$ 263,937
Facility costs	28,927
Exploration costs	50,198
Acquisitions of unproved properties	9,098
Total, including asset retirement obligations	$ 352,160

Our capital and exploration activities reflect higher cash flows provided by operating activities, divestiture proceeds, and proceeds from the issuance of our 6.625% Senior Notes.

Credit Facility. We executed a $2.5 billion Fourth Amended and Restated Credit Agreement on May 27, 2011. The initial borrowing base for the facility has been set at $1.3 billion and the initial commitment amount is $1.0 billion. Please refer to **Overview of Liquidity and Capital Resources** below for additional discussion.

Acquisition and Development Agreement. In June 2011, we entered into an Acquisition and Development Agreement for the transfer of a 12.5 percent working interest in certain oil and gas assets, representing approximately 39,000 net acres, in Dimmit, LaSalle, Maverick and Webb Counties, Texas. The agreement also provides for the conveyance of one-half of our ownership in certain related gathering assets for reimbursement of 50 percent of costs incurred on those assets. The transaction is expected to close in the third quarter of 2011, subject to the satisfaction of closing conditions, including the receipt of certain consents and the resolution of title and environmental defects exceeding specified levels. Under the terms of the agreement, the counterparty has agreed to pay, or carry, 90 percent of our drilling and completion costs on the subject acreage following the closing of the transaction until the counterparty has expended an aggregate $680.0 million on our behalf, which is estimated to take three to four years. The counterparty will also reimburse us for its share of capital expenditures and other costs, net of revenues, related to the period from March 1, 2011, until closing. We will apply these reimbursed costs to the remaining ten percent of our drilling and completion costs for the affected acreage.

Mid-Continent Divestiture. In June 2011, we completed the divestiture of certain non-strategic Constitution Field assets located in our Mid-Continent region that were classified as assets held for sale at March 31, 2011. Total cash received, before marketing costs and Net Profits Plan payments, was $35.7 million. The final sale price is subject to post-closing adjustments and is expected to be finalized during the second half of 2011. The estimated gain on this divestiture was approximately $28.5 million, and may be impacted by the post-closing adjustments mentioned above.

Eagle Ford Divestiture. During the quarter we entered into an agreement to divest certain operated Eagle Ford shale assets located in our South Texas & Gulf Coast region. This position is comprised of our entire operated acreage in LaSalle County, Texas, as well as an immaterial adjacent block of our operated acreage in Dimmit County, Texas. These assets were classified as assets held for sale at June 30, 2011. Subsequent to quarter end, we closed this transaction. Total cash received, before marketing costs, was $227.4 million. The final sales price is subject to post-closing adjustments and is expected to be finalized in the fourth quarter of 2011. The estimated gain on this divestiture is approximately $196.1 million, and may be impacted by the post-closing adjustments mentioned above.

Marcellus Divestiture. Subsequent to June 30, 2011, we entered into an agreement to divest all of our Marcellus shale assets located in Pennsylvania that were

classified as assets held for sale at June 30, 2011, for $80.0 million in cash, subject to normal closing and post-closing adjustments. The agreement has an effective date of April 1, 2011, and is anticipated to close in the third quarter of 2011. The closing of this transaction is subject to the satisfaction of certain closing conditions, including the resolution of title and environmental defects exceeding specified levels.

Equity Compensation. Subsequent to June 30, 2011, we granted 234,308 PSUs and 78,165 RSUs pursuant to our long term incentive program. Please refer to Note 8 - Compensation Plans within Part I, Item 1 of this report for additional discussion.

Table of Contents

First Six Months 2011 Highlights

Production Results. The table below provides the regional breakdown of our first half of 2011 production.

	Mid-Continent	ArkLaTex	South Texas & Gulf Coast	Permian	Rocky Mountain	Total (1)
First Six Months of 2011 Production:						
Oil (MBbl)	160.5	33.3	1,114.9	676.0	1,652.6	3,637.3
Gas (MMcf)	15,049.0	13,326.3	13,403.5	1,838.1	2,023.8	45,640.7
NGLs (MBbl)	20.2	39.1	1,324.6	5.6	14.4	1,403.8
Equivalent (MMCFE)	16,133.1	13,760.9	28,040.4	5,927.3	12,025.8	75,887.5
Avg. Daily Equivalents (MMCFE)	89.1	76.0	154.9	32.7	66.4	419.3
Relative percentage	21%	18%	37%	8%	16%	100%

(1) Totals may not add due to rounding.

For the first half of 2011, our production was led by our South Texas & Gulf Coast region due to the ongoing drilling activities in our Eagle Ford shale program. Please refer to ***Comparison of Financial Results and Trends Between the Six Months Ended June 30, 2011, and 2010*** for additional discussion on production.

Costs Incurred. The following table sets forth the costs incurred for our oil and gas activities for the first half of 2011.

	For the Six Months Ended June 30, 2011 (in thousands)
Development costs	$ 468,632
Facility costs	52,605
Exploration costs	101,564
Acquisitions of unproved properties	20,077
Total, including asset retirement obligations	$ 642,878

Our capital and exploration activities reflect higher cash flows provided by operating activities, divestiture proceeds, and proceeds from the issuance of our 6.625% Senior Notes.

6.625% Senior Notes. In the first quarter of 2011, we issued $350.0 million in aggregate principal amount of 6.625% Senior Notes. The notes were issued at par value and have a maturity date of February 15, 2019. Net proceeds from the issued notes were approximately $341.4 million. We used a portion of the proceeds from our notes offering to repay all of our outstanding balance under our credit facility. Remaining proceeds will be used to fund our ongoing capital expenditure program and for general corporate purposes.

Rocky Mountain Divestiture. In January 2011, we received cash, before marketing costs and Net Profits Plan payments, of $45.5 million from the completed saleof certain non-strategic assets located in our Rocky Mountain region that were classified as assets held for sale at December 31, 2010. The final gain on this divestiture was approximately $27.2 million.

Outlook for the Remainder of 2011 and 2012

We began 2011 operating two rigs on our Eagle Ford acreage with plans to increase our operated rig count to five or six drilling rigs by year end. We believe we have secured the drilling rigs and completion services necessary to execute our development program for the next few years. We have also purchased water rights in the Rio Grande River that we believe will meet our planned drilling and completion schedule. Currently we are running four operated rigs on our Eagle Ford acreage, one of which is capable of pad drilling. During 2010 and 2011, we entered into separate arrangements to increase the gas takeaway capacity from our operated Eagle Ford assets throughout 2011 and beyond. Throughout the first half of 2011, our operated Eagle Ford production has been constrained due to third-party system limitations, which are expected to be resolved in the second half of 2011. Our current contracted gross wet gas takeaway capacity is approximately 150 MMcf per day, which we anticipate to increase to over 200 MMcf per day by year end 2011. As pipeline issues are resolved and additional capacity from a different provider comes on-line, we anticipate we will be producing at or close to our committed capacity by year end. Beyond 2011, we have contracts in place for gas takeaway that ramp up over the next several years and eventually reach approximately 460 MMcf per day by the second half of 2014. For the remainder

Table of Contents

of 2011, we plan to continue to develop our Eagle Ford shale acreage focusing on high BTU content areas and begin down-spacing pilots to determine the optimal spacing for this play. In our non-operated Eagle Ford shale program, the operator is currently operating ten drilling rigs and our expectation is that they will increase to twelve rigs by the end of 2011.

We expect to add a third drilling rig in the third quarter of 2011 in our Bakken/Three Forks program in the Williston Basin. We have approximately 200,000 net acres in the Williston Basin, of which approximately 85,000 are in areas we are actively exploiting. Our drilling has been focused in Divide and McKenzie Counties in North Dakota. Our plans are to continue with a three to four rig program for the next several years. As conditions impacted by the second quarter flooding improve, we believe we will be able to continue our development pace without deviating significantly from our plan at the beginning of the year. Elsewhere in the Rocky Mountain region, we have plans to complete two Niobrara shale wells that were drilled in the first half of the year. We are working to secure a rig to test the Powder River Basin portion of our acreage later this year.

Due to strong results in our operated horizontal Haynesville shale program in our ArkLaTex region, we are no longer seeking to sell or joint venture our operated position in East Texas. We plan to continue drilling in this program with one operated rig until our acreage is held by production, which is anticipated to occur in the third quarter of 2012.

We plan to run two operated drilling rigs targeting the Granite Wash in our Mid-Continent region for the remainder of the year. Our acreage in this play is held by production and as a result we can adjust our activity levels quickly in this play. In the Permian Basin, we plan to split one drilling rig between the drilling of Wolfberry 20-acre wells and the testing of the Mississippian and Wolfcamp shale formations. Subsequent to June 30, 2011, we entered into an agreement to divest our Marcellus shale assets located in north-central Pennsylvania. Please refer to *Marcellus Divestiture* above for additional discussion.

We now expect our capital expenditure budget for 2011 to be approximately $1.6 billion, up from our previous budget of $1.1 billion. Changes in our Eagle Ford shale and Haynesville shale programs are responsible for the majority of the increase. The size and timing of our Eagle Ford transactions differ from the assumptions that we communicated earlier in the year. We are now transferring a smaller portion of our total position and closings for the two transactions are scheduled for later in the year which, taken together, will result in us recognizing additional capital costs and production. In the Haynesville, our prior capital budget assumed that we would enter into a transaction that would result in us not recognizing any further costs in the play after midyear. We believe our drilling results justify our continued development of the Haynesville for the remainder of 2011.

With the growth and improvement of our project inventory, we now have greater ability to forecast our activity level farther into the future. We expect a preliminary 2012 capital budget range of $1.4 to $1.5 billion. The activity will be primarily focused on continued development of our operated Eagle Ford shale and Bakken/Three Forks programs.

Please refer to **Overview of Liquidity and Capital Resources** for additional discussion regarding how we anticipate funding our 2011 and 2012 capital programs.

Table of Contents

Financial Results of Operations and Additional Comparative Data

The table below provides information regarding selected production and financial information for the quarter ended June 30, 2011, and the immediately preceding three quarters. Additional details of per MCFE costs are presented later in this section.

	For the Three Months Ended			
	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
	($ in millions, except production data)			
Production (BCFE)	39.8	36.1	31.6	27.5
Oil, gas, and NGL production revenue	$ 333.9	$ 276.3	$ 250.1	$ 197.4
Realized hedge gain (loss)	$ (6.3)	$ (1.4)	$ 2.8	$ 8.8
Gain on divestiture activity	$ 30.0	$ 24.9	$ 23.1	$ 4.2
Lease operating expense	$ 33.2	$ 33.1	$ 33.5	$ 29.0
Transportation costs	$ 16.9	$ 15.0	$ 7.1	$ 4.9
Production taxes	$ 3.3	$ 17.8	$ 16.4	$ 10.7
DD&A	$ 115.4	$ 105.4	$ 94.7	$ 83.8
Exploration	$ 9.6	$ 12.7	$ 21.1	$ 14.4
General and administrative	$ 27.3	$ 25.9	$ 31.6	$ 26.2
Change in Net Profits Plan liability	$ (14.0)	$ 14.2	$ (4.6)	$ 4.1
Unrealized and realized derivative (gain) loss	$ (43.9)	$ 88.4	$ 13.0	$ 5.7
Net income (loss)	$ 124.5	$ (18.5)	$ 37.0	$ 15.5

Note: Historically, we have reported our natural gas production as a single stream of rich gas measured at the well head. Beginning in the first quarter of 2011, we changed our reporting for natural gas volumes to show natural gas and NGL production volumes consistent with title transfer for each product. Please refer to additional discussion above under the caption *Oil, Gas, and NGL Prices.*

Table of Contents

A three-month and six-month overview of selected production and financial information, including trends:

	For the Three Months Ended June 30,		Amount Change Between Periods	Percent Change Between Periods	For the Six Months Ended June 30,		Amount Change Between Periods	Percent Change Between Periods
	2011	2010			2011	2010		
Net production volumes								
Oil (MMBbl)	1.9	1.4	0.5	31%	3.6	2.9	0.7	24%
Natural gas (Bcf)	23.9	16.7	7.2	43%	45.6	33.2	12.4	37%
NGLs (MMBbl)	0.8	—	0.8	N/A	1.4	—	1.4	N/A
BCFE (6:1)	39.8	25.2	14.6	58%	75.9	50.9	25.0	49%
Average daily production								
Oil (MBbl per day)	20.4	15.5	4.9	31%	20.1	16.2	3.9	24%
Natural gas (MMcf per day)	262.7	183.3	79.4	43%	252.2	183.7	68.5	37%
NGLs (MBbl per day)	8.7	—	8.7	N/A	7.8	—	7.8	N/A
MMCFE per day (6:1)	436.9	276.4	160.5	58%	419.3	281.1	138.2	49%
Oil, gas, & NGL production revenue (in thousands)								
Oil production revenue	$ 180,654	$ 100,149	$ 80,505	80%	$ 333,745	$ 211,095	$ 122,650	58%
Gas production revenue	110,625	75,738	34,887	46%	205,193	177,679	27,514	15%
NGL production revenue	42,655	—	42,665	N/A	71,309	—	71,309	N/A
Total	$ 333,934	$ 175,887	$ 158,047	90%	$ 610,247	$ 388,774	$ 221,473	57%
Oil, gas, & NGL production expense (in thousands)								
Lease operating expense	$ 33,219	$ 28,955	$ 4,264	15%	$ 66,290	$ 58,984	$ 7,306	12%
Transportation costs	16,864	5,098	11,766	231%	31,848	9,192	22,656	246%

Production taxes	3,259	11,115	(7,856)	(71)%	21,016	25,332	(4,316)	(17)%
Total	$ 53,342	$ 45,168	$ 8,174	18%	$ 119,154	$ 93,508	$ 25,646	27%
Realized sales price								
Oil (per Bbl)	$ 97.51	$ 70.92	$ 26.59	37%	$ 91.76	$ 71.86	$ 19.90	28%
Natural gas (per Mcf)	$ 4.63	$ 4.54	$ 0.09	2%	$ 4.50	$ 5.34	$ (0.84)	(16)%
NGLs (per Bbl)	$ 54.02	$ —	$ 54.02	N/A	$ 50.80	$ —	$ 50.80	N/A
Per MCFE Data:								
Realized price	$ 8.40	$ 6.99	$ 1.41	20%	$ 8.04	$ 7.64	$ 0.40	5%
Lease operating expenses	(0.84)	(1.15)	0.31	(27)%	(0.87)	(1.16)	0.29	(25)%
Transportation costs	(0.42)	(0.20)	(0.22)	110%	(0.42)	(0.18)	(0.24)	133%
Production taxes	(0.08)	(0.44)	0.36	(82)%	(0.28)	(0.50)	0.22	(44)%
General and administrative	(0.69)	(1.01)	0.32	(32)%	(0.70)	(0.96)	0.26	(27)%
Operating profit, before the effects of derivative cash settlements	$ 6.37	$ 4.19	$ 2.18	52%	$ 5.77	$ 4.84	$ 0.93	19%
Derivative cash settlement	(0.51)	0.37	(0.88)	(238)%	(0.37)	0.24	(0.61)	(254)%
Operating profit, including the effects of derivative cash settlements	$ 5.86	$ 4.56	$ 1.30	29%	$ 5.40	$ 5.08	$ 0.32	6%

Table of Contents

	For the Three Months Ended June 30,		Amount Change Between Periods	Percent Change Between Periods	For the Six Months Ended June 30,		Amount Change Between Periods	Percent Change Between Periods
	2011	2010			2011	2010		
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	$ 2.90	$ 3.17	$ (0.27)	(9)%	$ 2.91	$ 3.10	$ (0.19)	(6)%
Earnings per share information								
Basic net income per common share	$ 1.96	$ 0.29	$ 1.67	576%	$ 1.67	$ 2.29	$ (0.62)	(27)%
Diluted net income per common share	$ 1.86	$ 0.28	$ 1.58	564%	$ 1.59	$ 2.24	$ (0.65)	(29)%
Basic weighted-average shares outstanding	63,638	62,917	721	1%	63,543	62,855	688	1%
Diluted weighted-average shares outstanding	66,909	64,566	2,343	4%	66,695	64,493	2,202	3%

Note: Prior period NGL production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of the volumes in prior periods. Please refer to additional discussion above under the caption *Oil, Gas, and NGL Prices.*

We present per MCFE information because we use this information to evaluate our performance relative to our peers and to identify and measure trends that we believe require analysis. Average daily reported production for the first six months of 2011 increased 49 percent compared with the same period in 2010, driven primarily by the development of our Eagle Ford shale program.

Changes in production volumes, oil, gas, and NGL production revenues, and costs reflect the cyclical and highly volatile nature of our industry. Our realized price on a per MCFE basis increased 20 percent and five percent, respectively, for the three months and six months ended June 30, 2011, compared to the same periods in 2010. The majority of the increase is due to a higher realized price received for oil. Please refer to discussion above under *Oil, Gas, and NGL Prices* for information regarding how we have changed our reporting for natural gas volumes to show post processing production volumes of natural gas and NGLs for assets where our sales contracts permit us to do so.

Our LOE on a per MCFE basis for the three months and six months ended June 30, 2011, decreased 27 percent and 25 percent, respectively, compared to the same periods in 2010. The divestiture of non-strategic properties within our Rocky Mountain region in early 2011 and Permian region in late 2010 with meaningfully higher per unit operating costs is a driver of the decline in LOE from 2010. In addition, our LOE declined on a per MCFE basis due to higher production volumes. We believe the current high level of industry activity has the potential to increase lease operating costs during the remainder of 2011.

Production taxes on a per MCFE basis for the three months and six months ended June 30, 2011, decreased 82 percent and 44 percent, respectively, compared to the same periods in 2010. We received notification in the second quarter that wells within our Eagle Ford and Haynesville shale plays qualified for severance tax incentive programs in Texas. As a result a sizable incentive tax rebate was recorded during the quarter. We expect that substantially all future operated wells to be drilled in these areas will qualify for enacted reduced tax rates. We generally expect production taxes to trend with oil, gas, and NGL revenues.

Transportation costs on a per MCFE basis for the three months and six months ended June 30, 2011, increased 110 percent and 133 percent, respectively, compared to the same periods in 2010. This is a result of increased production in our Eagle Ford shale program, which has higher per unit transportation costs. We anticipate transportation costs will increase over the remainder of the year on a per MCFE basis, as the Eagle Ford shale becomes a large portion of our production mix.

Our general and administrative expense on a per MCFE basis for the three months and six months ended June 30, 2011, decreased 32 percent and 27 percent, respectively, compared to the same periods in 2010. Production increased at a faster rate than our general and administrative expense. A portion of our general and administrative expense is linked to our profitability and cash flow, which are driven in large part by the realized commodity prices we receive for our production. The Net Profits Plan and a portion of our short-term incentive compensation are tied to net revenues and therefore are subject to variability. Our operating profit, including the effects of derivative cash settlements, for the three months and six months ended June 30, 2011, increased 29 percent and six percent, respectively, compared to the same periods in 2010.

Table of Contents

Our depletion, depreciation, and amortization, including asset retirement obligation accretion expense, for the three months and six months ended June 30, 2011, decreased nine percent and six percent, respectively, compared to the same periods in 2010. The property balances between the periods presented stayed relatively constant while the reserve base increased causing the per unit DD&A rate to decrease. Our DD&A rate can fluctuate as a result of impairments, divestitures, and changes in the mix of our production and the underlying proved reserve volumes. Additionally, the accounting treatment for assets that are classified as assets held for sale can also impact our DD&A rate since properties held for sale are no longer depleted.

Please refer to ***Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010***and ***Comparison of Financial Results and Trends Between the Six Months Ended June 30, 2011, and 2010*** for additional discussion on oil, gas, and NGL production expense, DD&A, and general and administrative expense.

Both basic and diluted earnings per share are presented in the table above. We use the treasury stock method to account for the potential diluted earnings per share impact of unvested RSUs, contingent PSAs, in-the-money stock options, and our 3.50% Senior Convertible Notes. In-the-money stock options, unvested RSUs, and contingent PSAs were dilutive for the three-month and six-month periods ended June 30, 2011, and 2010. Basic and diluted weighted-average common shares outstanding used in our June 30, 2011, and 2010, earnings per share calculations reflect increases in outstanding shares related to stock option exercises and vested RSUs. We issued 310,412 and 148,902 shares of common stock during the six-month periods ended June 30, 2011, and 2010, respectively, as a result of stock option exercises. The number of RSUs that vested and settled during the first six months of 2011 and 2010 were 18,836 and 34,588, respectively. For the three months and six months ended June 30, 2011, our average stock price exceeded the conversion price of $54.42 making our 3.50% Senior Convertible Notes dilutive for our 2011 quarter-to-date and year-to-date diluted weighted-average common shares outstanding calculation. The 3.50% Senior Convertible Notes were not dilutive for the three-month and six-month periods ended June 30, 2010. Currently our stock price continues to trade above the $54.42 conversion price, therefore we expect our 3.50% Senior Convertible Notes to have a dilutive impact on our third quarter earnings per share calculation. Please refer to Note 6 - Earnings per Share in Part I, Item 1 of this report for additional discussion.

Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010

Oil, gas, and NGL production revenue. Average daily reported production increased 58 percent to 436.9 MMCFE for the quarter ended June 30, 2011, compared with 276.4 MMCFE for the quarter ended June 30, 2010. Please refer to the discussion above under *Oil, Gas, and NGL Prices* regarding how we have changed our reporting for natural gas and NGL volumes. The following table presents the regional changes in our production, oil, gas, and NGL revenues, and costs between the two quarters:

	Average Net Daily Production Added (Decreased) (MMCFE/d)	Oil, Gas, & NGL Revenue Added (Decreased) (in millions)	Production Costs Increase (Decrease) (in millions)
Mid-Continent	3.0	$ 12.7	$ 0.2
ArkLaTex	51.3	21.1	0.2
South Texas & Gulf Coast	115.5	95.4	5.3
Permian	(9.1)	(0.6)	(0.1)
Rocky Mountain	(0.2)	29.4	2.6
Total	160.5	$ 158.0	$ 8.2

The largest increase in production occurred in the South Texas & Gulf Coast region as a result of drilling activity in our Eagle Ford shale program. Activity in our Eagle Ford shale program continues to increase and we anticipate production from this region will continue to increase for the foreseeable future. We also saw an increase in our ArkLaTex region, as a result of strong production performance from wells drilled our Haynesville shale program in late 2010 and early 2011.

Table of Contents

The following table summarizes the average realized prices we received for the three months ended June 30, 2011, and 2010 before the effects of cash derivative settlements.

	For the Three Months Ended June 30, 2011	2010
Realized oil price ($/Bbl)	$ 97.51	$ 70.92
Realized gas price ($/Mcf)	$ 4.63	$ 4.54
Realized NGL price ($/Bbl)	$ 54.02	$ —
Realized equivalent price ($/MCFE)	$ 8.40	$ 6.99

Note: Prior period NGL production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of the volumes in prior periods. Please refer to additional discussion above under the caption *Oil, Gas, and NGL Prices.*

A 20 percent increase in the realized equivalent price per MCFE, combined with a 58 percent increase in production volumes, resulted in a meaningful increase in revenue between the two periods. We expect our realized prices to trend with commodity prices.

Realized hedge gain (loss). We recorded a net realized hedge loss of $6.3 million for the three-month period ended June 30, 2011, compared with a $9.3 million gain for the same period in 2010. The realized net loss in 2011 is comprised of realized cash settlements on commodity derivative contracts that were previously recorded in AOCL, whereas the realized net gain in 2010 is comprised of realized cash settlements on all commodity derivative contracts. Our realized oil, gas, and NGL hedge gains and losses are a function of commodity prices at the time of settlement and the price at the time the derivative transaction was entered into.

Gain on divestiture activity. We recorded a $30.0 million net gain on divestiture activity for the quarter ended June 30, 2011, relating mainly to the divestiture of certain Constitution Field oil and gas assets in our Mid-Continent region. We recorded a $7.0 million net gain on divestiture activity for the comparable period of 2010, due primarily to the divestiture of non-core oil and gas properties located in our South Texas & Gulf Coast region and sales of assets in our Permian and Rocky Mountain regions. We are currently marketing other oil and gas properties, and we will continue to evaluate properties for divestiture in the normal course of our business.

Marketed gas system revenue and expense. Marketed gas system revenue increased $2.4 million to $18.8 million for the quarter ended June 30, 2011, compared with $16.4 million for the same period of 2010. Concurrent with the increase in marketed gas system revenue, marketed gas system expense increased $700,000 to $16.5 million for the quarter ended June 30, 2011, compared with $15.8 million for the same period of 2010. The net margin stayed relatively consistent with historical performance. We expect that marketed gas system revenue and expense will continue to coincide with increases and decreases in production and our realized price for natural gas.

Oil, gas, and NGL production expense. Total production costs for the second quarter of 2011 increased 18 percent, to $53.3 million compared with $45.2 million for the same period of 2010. Total oil and gas production costs per MCFE decreased $0.45, or 25 percent, to $1.34 for the second quarter of 2011, compared with $1.79 for the same period in 2010. The per MCFE decrease is comprised of the following:

- A $0.28 decrease in recurring LOE on a per MCFE basis reflects the 2010 and early 2011 sales of non-core properties with higher per unit LOE costs. We expect the various resources required to service our industry will become more sought after and harder to secure as a result of an increase in activity. We expect to see upward pressure on LOE throughout the remainder of the year.

- A $0.36 per MCFE decrease in production taxes due to severance tax incentives within our South Texas & Gulf Coast and ArkLaTex regions. Please refer to our production tax discussion under the caption **A three-month and six-month overview of selected production and financial information, including trends** for additional information.

- A $0.03 overall decrease in workover LOE on a per MCFE basis relating primarily to a decrease in workover activity in our Rocky Mountain region.

Table of Contents

- A $0.22 increase in overall transportation costs on a per MCFE basis primarily as a result of increased production in our Eagle Ford shale. Please refer to our transportation cost discussion under the caption **A three-month and six-month overview of selected production and financial information, including trends** for additional information.

Depletion, depreciation, amortization, and asset retirement obligation liability accretion. DD&A increased $35.6 million, or 45 percent, to $115.4 million for the three-month period ended June 30, 2011, compared with $79.8 million for the same period in 2010. Please refer to our depletion, depreciation, amortization, and asset retirement obligation liability accretion comparison discussion under the caption **A three-month and six-month overview of selected production and financial information, including trends** for additional information.

Exploration. The components of exploration expense are summarized as follows:

	For the Three Months Ended June 30,	
	2011	2010
	(in millions)	
Geological and geophysical expenses	$ —	$ 5.2
Exploratory dry hole expense	—	0.2
Overhead and other expenses	9.6	9.1
Total	$ 9.6	$ 14.5

Geological and geophysical expense decreased $5.2 million due to a decrease in the amount spent on seismic activity as our current plays become more established. We continue to test our current resource plays and expect to maintain a modest exploratory program for new assets in future periods. Any exploratory well incapable of producing oil, gas, or NGLs in commercial quantities will be deemed an exploratory dry hole, which will impact the amount of exploration expense we record.

General and administrative. General and administrative expense increased $1.9 million, or seven percent, to $27.3 million for the three months ended June 30, 2011, compared with $25.4 million for the same period of 2010. On a per unit basis, G&A expense decreased $0.32 to $0.69 per MCFE for the second quarter of 2011 compared to $1.01 per MCFE for the same period in 2010.

The majority of the increase in general and administrative expense is due to a $1.6 million increase in base compensation, accruals for cash bonuses, and equity compensation expense for the three months ended June 30, 2011, compared with the same period in 2010. The increase in accruals for cash bonuses is due to an increase in employee headcount between the two periods. We ramped up our hiring efforts for operational personnel during the second half of 2010.

Change in Net Profits Plan liability. For the quarter ended June 30, 2011, this non-cash item was a benefit of $14.0 million compared to a benefit of $6.6 million for the same period in 2010. This non-cash charge or benefit is directly related to the change in the estimated value of the associated liability over the reporting period. Commodity prices decreased from the first quarter of 2011 to the second quarter of 2011, resulting in a non-cash benefit. During the second quarter of 2010, we saw a reduction in the Net Profit Plan liability as a result of a decrease in expected future cash flows thereby reducing the future liability for amounts to be paid to participants. Adjustments to the liability are subject to estimation and may change dramatically from period to period based on assumptions used for production rates, reserve quantities, commodity pricing, discount rates, tax rates, and production costs.

Unrealized and realized derivative (gain) loss. We recognized an unrealized and realized derivative gain of $43.9 million for the second quarter of 2011 compared to a gain of $2.1 million for the same period in 2010. The 2011 amount includes gains on unrealized changes in fair value on commodity derivative contracts of $57.9 million and realized cash settlement losses on derivatives for which unrealized changes in fair value were not previously recorded in other comprehensive loss of $14.0 million. The 2010 balance is comprised solely of the ineffective portion of derivatives designated as cash flow hedges. Please refer to Note 10 - Derivative Financial Instruments in Part I, Item 1 of this report for additional discussion.

Income tax expense. We recorded expense of $72.9 million for the second quarter of 2011 compared to expense of $12.4 million for the second quarter of 2010 resulting in effective tax rates of 36.9 percent and 40.8 percent, respectively. The change in income tax expense is primarily the result of the differences in components of net income discussed above and the second quarter 2011 effect of a change in the highest North Dakota marginal corporate tax rate. The 2011 decrease in effective tax rate from 2010 primarily reflects the changes in the mix of the highest marginal state tax rates, the state tax rate effect on year-to-date net income from divestiture and drilling activity in 2010, the cumulative effect related to the North Dakota tax rate change, and changes in the effects of other permanent differences. The current portion of our income tax expense is higher compared with the same period of

Table of Contents

2010 as a result of the differing impacts from 2011 and 2010 non-core asset divestitures and differing impacts of our annual drilling programs.

Comparison of Financial Results and Trends Between the Six Months Ended June 30, 2011, and 2010

Oil, gas, and NGL production revenue. Average daily reported production increased 49 percent to 419.3 MMCFE for the six months ended June 30, 2011, compared with 281.1 MMCFE for the same period in 2010. Please refer to the discussion above under *Oil, Gas, and NGL Prices* regarding how we have changed our reporting for natural gas and NGL volumes. The following table presents the regional changes in our production, oil, gas, and NGL revenues, and costs between the two periods:

	Average Net Daily Production Added (Decreased)	Oil, Gas, & NGL Revenue Added (Decreased)	Production Costs Increase (Decrease)
	(MMCFE/d)	(in millions)	(in millions)
Mid-Continent	(4.2)	$ (1.6)	$ (0.2)
ArkLaTex	40.0	26.7	1.0
South Texas & Gulf Coast	112.4	161.8	23.5
Permian	(7.7)	(2.6)	1.1

Rocky Mountain	(2.3)	37.2	0.2
Total	138.2	$ 221.5	$ 25.6

Please refer to ***Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010*** for additional discussion regarding the above results.

The following table summarizes the average realized prices we received for the six months ended June 30, 2011 and 2010 before the effects of cash derivative settlements.

	For the Six Months Ended June 30,	
	2011	2010
Realized oil price ($/Bbl)	$ 91.76	$ 71.86
Realized gas price ($/Mcf)	$ 4.50	$ 5.34
Realized NGL price ($/Bbl)	$ 50.80	$ —
Realized equivalent price ($/MCFE)	$ 8.04	$ 7.64

Note: Prior period NGL production volumes, revenues, and prices have not been reclassified to conform to the current presentation given the immateriality of the volumes in prior periods. Please refer to additional discussion above under the caption *Oil, Gas, and NGL Prices.*

A five percent increase in realized equivalent price per MCFE, combined with a 49 percent increase in production volumes, resulted in a meaningful increase in revenue. We expect our realized prices to trend with commodity prices.

Realized hedge gain (loss). We recorded a net realized hedge loss of $7.7 million for the six-month period ended June 30, 2011, compared with a $11.9 million gain for the same period in 2010. Please refer to ***Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010*** for additional discussion.

Gain on divestiture activity. We had a $54.9 million net gain on divestiture activity for the six months ended June 30, 2011, relating mainly to the divestiture of non-strategic oil and gas properties located in our Mid-Continent and Rocky Mountain regions. We recorded a $128.0 million net gain on divestiture activity for the comparable period of 2010, due primarily to the divestiture of non-strategic oil and gas properties located in our Rocky Mountain region that occurred in the first quarter of 2010.

Marketed gas system revenue and expense. Marketed gas system revenue decreased $3.7 million, or ten percent, to $34.5 million for the six months ended June 30, 2011, compared with $38.2 million for the comparable period of 2010. Concurrent with the decrease in marketed gas system revenue, marketed gas system expense decreased $5.4 million, or 14 percent, to $32.5 million for the six months ended June 30, 2011, compared with $37.9 million for the comparable period of 2010.

Table of Contents

Oil, gas, and NGL production expense. Total production costs for the first six months of 2011 increased 27 percent to $119.2 million compared with $93.5 million for the same period of 2010. Total oil and gas production costs per MCFE decreased $0.27 to $1.57 for the first six months of 2011, compared with $1.84 for the same period in 2010. The per MCFE decrease is comprised of the following:

- A $0.29 decrease in recurring LOE per MCFE.
- A $0.22 decrease in production taxes per MCFE.
- A $0.24 increase in overall transportation costs per MCFE.
- Overall workover LOE per MCFE remained relatively constant from period to period.

Please refer to ***Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010*** for additional discussion related to production expense.

Depletion, depreciation, amortization, and asset retirement obligation liability accretion. DD&A increased $63.2 million, or 40 percent, to $220.7 million for the six-month period ended June 30, 2011, compared with $157.5 million for the same period in 2010. Please refer to our depletion, depreciation, amortization, and asset retirement obligation liability accretion comparison discussion under the caption **A three-month and six-month overview of selected production and financial information, including trends** for additional information.

Abandonment and impairment of unproved properties. We recorded abandonment and impairment of unproved properties expense of $4.3 million for the six months ended June 30, 2011, associated with lease expirations in our ArkLaTex region. We recorded $3.3 million of abandonment and impairment of unproved properties expense for the comparable period in 2010, associated mainly with lease expirations in our Rocky Mountain and ArkLaTex regions. We generally expect abandonments and impairments of unproved properties to be more likely to occur in periods of low commodity prices, since fewer dollars will be available for exploratory and development efforts.

Exploration. The components of exploration expense are summarized as follows:

	For the Six Months Ended June 30,	
	2011	2010
	(in millions)	
Geological and geophysical expenses	$ 2.1	$ 8.8
Exploratory dry hole expense	—	0.4
Overhead and other expenses	20.2	19.2
Total	$ 22.3	$ 28.4

Please refer to ***Comparison of Financial Results and Trends Between the Three Months Ended June 30, 2011, and 2010*** in the above section for additional discussion.

General and administrative. General and administrative expense increased $4.3 million, or nine percent, to $53.2 million for the six months ended June 30, 2011,

compared with $48.9 million for the same period of 2010. On a per unit basis, G&A expense decreased $0.26 to $0.70 per MCFE for the six months of 2011 compared to $0.96 per MCFE for the same six-month period in 2010.

General and administrative expense increased due to a $3.9 million increase in base compensation, accruals for cash bonuses, and equity compensation expense for the six months ended June 30, 2011, compared with the same period in 2010. The increase in accruals for cash bonuses is due to an increase in employee headcount between the two periods. We ramped up our hiring efforts for operational personnel during the second half of 2010. G&A expense decreased $1.7 million due to a decrease in Net Profits Plan payments as a result of the Permian divestiture that was completed in late 2010.

Change in Net Profits Plan liability. For the six months ended June 30, 2011, this non-cash item was an expense of $211,000 compared to a benefit of $33.9 million for the same period in 2010. This non-cash charge or benefit is directly related to the change in the estimated value of the associated liability between the reporting periods. The change between the two periods is due to increases in commodity prices, which we broadly expect the change in this liability to trend with. Adjustments

Table of Contents

to the liability are subject to estimation and may change dramatically from period to period based on assumptions used for production rates, reserve quantities, commodity pricing, discount rates, tax rates, and production costs.

Unrealized and realized derivative (gain) loss. We recognized an unrealized and realized derivative loss of $44.6 million for the first six months of 2011 compared to a gain of $9.8 million for the same period in 2010. The 2011 amount includes losses on unrealized changes in fair value on commodity derivative contracts of $24.2 million and realized cash settlement losses on derivatives for which unrealized changes in fair value were not previously recorded in other comprehensive loss of $20.4 million. The 2010 balance is comprised solely of the ineffective portion of derivatives designated as cash flow hedges. Please refer to Note 10 - Derivative Financial Instruments in Part I, Item 1 of this report.

Income tax expense. Income tax expense totaled $61.8 million for the six-month period ended June 30, 2011, compared to an income tax expense of $87.3 million for the same period in 2010, resulting in effective tax rates of 36.8 percent and 37.7 percent, respectively. The change in income tax expense is the result of the differences in components of net income. The 2011 decrease in effective tax rate from 2010 is primarily the result of the change in North Dakota's corporate tax rate and to a lesser extent the impact of other permanent differences including the domestic production activities deduction partially offset by an increase related to the mix of the highest marginal state tax rates resulting from divestiture and drilling activity in 2010. The current portion of our tax expense is greater in 2011 compared to 2010 due to the differing impact of our non-core asset divestitures in 2011.

Overview of Liquidity and Capital Resources

We believe that we have sufficient liquidity and capital resources to execute our business plans for the foreseeable future.

Sources of Cash

For the remainder of 2011, we anticipate that cash flow from operations, the remaining proceeds from the issuance of our 6.625% Senior Notes, expected divestiture proceeds, and/or joint venture activity will fund the majority of our capital program. Our credit facility will be used to fund any remaining balance of our capital program. Although we anticipate that our cash flow and borrowing capacity under our credit facility will be more than sufficient to fund our current capital program, accessing the capital markets or using other financing alternatives is an option if deemed the best solution for our demands. We will continue to evaluate our property base to identify and divest of properties we consider non-core to our strategic goals.

Our primary sources of liquidity are the cash flows provided by our operating activities, use of our credit facility, divestitures of properties, and other financing alternatives, including accessing the debt and equity markets. From time to time, we may be able to enter into carrying cost funding and sharing arrangements with third parties for particular exploration and development programs. All of our sources of liquidity can be impacted by the general condition of the broad economy and by significant fluctuations in oil, gas, and NGL prices, operating costs, and volumes produced, all of which affect us and our industry. We have no control over the market prices for oil, gas, or NGLs, although we are able to influence the amount of our net realized revenues related to our oil, gas, and NGL sales through the use of derivative contracts as part of our commodity price risk management program. The borrowing base on our credit facility could be reduced due to lower commodity prices or any divestiture by us of a significant amount of producing properties. Historically, decreases in commodity prices have limited our industry's access to the capital markets. In the first quarter of 2011, we issued $350.0 million in aggregate principal amount of 6.625% Senior Notes at par. During the second quarter of 2011, we amended and restated our credit facility with a $2.5 billion maximum facility amount, $1.0 billion in current lender commitments, and a borrowing base of $1.3 billion. We also entered into an Acquisition and Development Agreement that will fund, or carry, 90 percent of our costs for the drilling and completion of wells in our outside operated Eagle Ford position until $680.0 million has been expended on our behalf. Subsequent to June 30, 2011, we divested of all of our operated acreage in LaSalle County, Texas and a small adjacent block of our operated acreage in Dimmitt County, Texas for $227.4 million, subject to post-closing adjustments.

Current Credit Facility

In May 2011, we entered into our Fourth Amended and Restated Credit agreement with a $2.5 billion senior secured revolving credit facility with a scheduled maturity date of May 27, 2016. The credit facility replaces our prior $1.0 billion senior secured revolving credit facility. The initial borrowing base for the credit facility is $1.3 billion and our lenders have agreed to a current aggregate commitment amount of $1.0 billion. The borrowing base is redetermined semi-annually by our lenders. We believe that the current commitment is sufficient to meet our current liquidity and operating needs. To date, we have experienced no issues drawing upon our credit facility. No individual bank participating in the credit facility represents more than 10 percent of the lending commitments under the credit facility.

We had no borrowings outstanding under our credit facility as of June 30, 2011. We had two letters of credit outstanding under our credit facility for a total amount of $608,000 as of June 30, 2011, which reduces the amount available under the credit facility on a dollar-for-dollar basis. We had $999.4 million available borrowing capacity under this facility as of June 30, 2011. Our daily weighted-average credit facility debt balance was zero for the three months ended June 30, 2011. Our daily weighted-average

Table of Contents

credit facility debt balance was $8.2 million for the six months ended June 30, 2011, and $1.4 million and $62.8 million for the three months and six months ended June 30, 2010, respectively.

Please refer to Note 5 – Long-Term Debt in Part I, Item 1 of this report, for further discussion on our credit facility.

Weighted-Average Interest Rates

Our weighted-average interest rates in the current and prior year include cash interest payments, cash fees paid on the unused portion of the credit facility's aggregate

commitment amount, letters of credit fees, amortization of the 3.50% Senior Convertible Notes debt discount, and amortization of deferred financing costs. Our weighted-average interest rates for the three-month periods ended June 30, 2011, and 2010 were 10.6 percent and 9.4 percent, respectively, and 9.6 percent and 8.1 percent, respectively, for the six months ended June 30, 2011, and 2010. The increase in our weighted-average interest rate from 2010 is the result of higher commitment fees and non-cash charges being allocated over a much lower average outstanding credit facility debt balance.

We are subject to customary covenants under our credit facility, including limitations on dividend payments and requirements to maintain certain financial ratios, which include debt to earnings before interest, taxes, depreciation, depletion, amortization, and exploration expense of less than 4.0 to 1.0 and a current ratio, as defined by our credit agreement, of not less than 1.0. As of June 30, 2011, our debt to EBITDAX ratio and current ratio as defined by our credit agreement, were 0.86 and 3.19 respectively. We are in compliance with all financial and non-financial covenants under our credit facility.

Uses of Cash

We use cash for the acquisition, exploration, and development of oil and gas properties, and for the payment of debt obligations, trade payables, income taxes, common stock repurchases, and stockholder dividends. Expenditures for exploration and development of oil and gas properties are the primary use of our capital resources. In the first six months of 2011, we spent $662.4 million for exploration and development capital expenditures. These amounts differ from our costs incurred amounts based on the timing of cash payments associated with these activities as compared to the accrual based activity upon which costs incurred amounts are presented. These cash outflows were funded using cash inflows from operations, proceeds from the sale of assets, and proceeds from our 6.625% Senior Notes.

The amount and allocation of future capital expenditures will depend upon a number of factors including the number and size of available economic acquisitions and drilling opportunities, our cash flows from operating, investing, and financing activities, and our ability to assimilate acquisitions and execute our drilling programs. In addition, the impact of oil, natural gas, and NGL prices on investment opportunities, the availability of capital and borrowing facilities, and the success of our development and exploratory activities may lead to changes in funding requirements for future development. We regularly review our capital expenditure budget to assess changes in current and projected cash flows, acquisition opportunities, debt requirements, and other factors.

As of the filing date of this report, we have Board authorization to repurchase up to 3,072,184 shares of our common stock under our stock repurchase program. Shares may be repurchased from time to time in open market transactions or privately negotiated transactions subject to market conditions and other factors including, certain provisions of our credit facility and the indenture governing our 6.625% Senior Notes, compliance with securities laws, and the terms and provisions of our stock repurchase program. There have been no share repurchases to date in 2011, and we do not plan to repurchase shares for the remainder of 2011.

We have no debt maturities until April 1, 2012, when all or a portion of our outstanding 3.50% Senior Convertible Notes can be put to us. If the notes are put to us on that date, we have the option of paying the purchase price in cash, shares of our common stock, or a combination thereof. On or after April 6, 2012, we have the option of redeeming all or a portion of the outstanding notes for cash. The notes are convertible into shares of our common stock under certain circumstances, including if they are called for redemption, and we may elect to settle conversion obligations in cash, shares of our common stock, or a combination thereof. The closing price of our common stock was higher than the conversion trigger price of $70.75 per share for at least 20 trading days in the 30 consecutive trading days ending on the last trading day for the quarter ended March 31, 2011, and therefore the holders of the notes had the right to convert all or a portion of their notes during the quarter ended June 30, 2011. None of the holders opted to convert their notes during the second quarter. The closing price of our common stock did not exceed the conversion trigger price for the quarter ended June 30, 2011; therefore none of the notes can be converted during the third quarter of 2011.

Current proposals to fund the federal government budget include eliminating or reducing current tax deductions for intangible drilling costs, the domestic production activities deduction, and percentage depletion. Legislation modifying or eliminating these deductions would have the immediate effect of reducing operating cash flows thereby reducing funding available for our exploration and development capital programs and those of our peers in the industry. These funding reductions could have a significant adverse effect on drilling in the United States for a number of years.

Table of Contents

The following table presents changes in cash flows between the six-month periods ended June 30, 2011, and 2010. The analysis following the table should be read in conjunction with our condensed consolidated statements of cash flows in Part I, Item 1 of this report.

	For the Six Months Ended June 30,		Change	Percent Change
	2011	2010		
	(in thousands)			
Net cash provided by operating activities	$ 369,973	$ 270,150	$ 99,823	37%
Net cash used in investing activities	$ (566,775)	$ (82,716)	$ (484,059)	585%
Net cash provided by (used in) financing activities	$ 292,805	$ (187,834)	$ 480,639	(256)%

Analysis of Cash Flow Changes Between the Six Months Ended June 30, 2011, and June 30, 2010

Operating activities. Cash received from oil and gas production revenue, including the effects of derivative cash settlements, increased $159.0 million to $562.6 million for the first six months of 2011, compared with $403.6 million for the same period in 2010. Cash paid for lease operating expenses increased $5.3 million to $69.0 million for the first six months of 2011, compared with $63.7 million for the same period in 2010.

Investing activities. Cash outflows for capital expenditures increased by $357.7 million for the six months ended June 30, 2011, compared with the same period in 2010. This increase in capital and exploration activities reflects higher cash flows available to us for investment provided by operating activities, divestiture proceeds, and proceeds from the issuance of our 6.625% Senior Notes. Net proceeds from the sale of oil and gas properties decreased $150.0 million between the two periods due to a decrease in the size of the divestiture packages.

Financing activities. We received net proceeds of $341.4 million from the issuance of our 6.625% Senior Notes in the first quarter of 2011. We incurred $8.5 million of debt issuance costs related to our amended credit facility in 2011. Net repayments on our credit facility decreased by $140.0 million for the six months ended June 30, 2011, compared with the same period in 2010. As of June 30, 2011, we had no outstanding borrowings under the credit facility.

Commodity Price Risk and Interest Rate Risk

We are exposed to market risk, including the effects of changes in oil, gas, and NGL commodity prices and changes in interest rates as discussed below under the caption *Summary of Interest Rate Risk.* Changes in interest rates can affect the amount of interest we earn on our cash and cash equivalents and the amount of interest we pay on borrowings under our revolving credit facility. Changes in interest rates do not affect the amount of interest we pay on our fixed-rate 3.50% Senior Convertible Notes or our 6.625% Senior Notes, but do affect their fair market value.

There has been no material change to the natural gas and crude oil price sensitivity analysis previously disclosed. Refer to the corresponding section under Part II, Item 7 of our 2010 Form 10-K.

Summary of Oil, Gas, and NGL Derivative Contracts in Place

Our oil, gas, and NGL derivative contracts include costless swaps and costless collar arrangements. All contracts are entered into for other-than-trading purposes. Please refer to Note 10 – Derivative Financial Instruments in Part I, Item 1 of this report for additional information regarding accounting for our derivative transactions.

As of June 30, 2011, and as of the filing date of this report, we have derivative positions in place covering a portion of anticipated production through the first quarter of 2014 totaling approximately 8 MMBbls of oil, 45 million MMBtu of natural gas, and 1 MMBbls of NGLs.

In a typical commodity swap agreement, if the agreed upon published third-party index price is lower than the swap fixed price, we receive the difference between the index price and the agreed upon swap fixed price. If the index price is higher than the swap fixed price, we pay the difference. For collar agreements, we receive the difference between an agreed upon index and the floor price if the index price is below the floor price. We pay the difference between the agreed upon ceiling price and the index price if the index price is above the ceiling price. No amounts are paid or received if the index price is between the floor and ceiling prices.

Table of Contents

The following tables describe the volumes, average contract prices, and fair values of contracts we have in place as of June 30, 2011.

Oil Contracts

Oil Swaps

Contract Period	NYMEX WTI Volumes (Bbls)	Weighted-Average Contract Price (per Bbl)	Fair Value at June 30, 2011 (Liability) (in thousands)
Third quarter 2011	327,800	$ 68.63	$ (9,005)
Fourth quarter 2011	325,400	$ 73.51	(7,822)
2012	1,514,200	$ 82.62	(26,087)
2013	294,600	$ 84.30	(4,791)
All oil swaps	2,462,000		$ (47,705)

Oil Collars

Contract Period	NYMEX WTI Volumes (Bbls)	Weighted-Average Floor Price (per Bbl)	Weighted-Average Ceiling Price (per Bbl)	Fair Value at June 30, 2011 (Liability) (in thousands)
Third quarter 2011	576,750	$ 63.81	$ 84.69	$ (10,101)
Fourth quarter 2011	514,850	$ 61.86	$ 81.73	(10,836)
2012	1,434,600	$ 76.49	$ 109.79	(5,281)
2013	2,146,500	$ 75.84	$ 109.81	(11,631)
2014	560,200	$ 80.00	$ 116.05	(1,251)
All oil collars	5,232,900			$ (39,100)

Natural Gas Contracts

Natural Gas Swaps

Contract Period	Volumes (MMBtu)	Weighted-Average Contract Price (per MMBtu)	Fair Value at June 30, 2011 Asset (in thousands)
Third quarter 2011	3,780,000	$ 6.06	$ 6,877
Fourth quarter 2011	4,730,000	$ 5.88	6,832
2012	16,500,000	$ 5.56	14,875
2013	13,810,000	$ 5.05	1,611
2014	2,910,000	$ 5.42	398
All natural gas swaps*	41,730,000		$ 30,593

*Natural gas swaps are comprised of IF ANR OK (2%), IF CIG (4%), IF El Paso Permian (4%), IF HSC (10%), IF NGPL MidCont. (3%), IF NNG Ventura (3%), IF PEPL (22%), IF Reliant N/S (32%), IF TETCO STX (18%), and NYMEX Henry Hub (2%).

Table of Contents

Natural Gas Collars

Contract Period	Volumes (MMBtu)	Weighted-Average Floor Price (per MMBtu)	Weighted-Average Ceiling Price (per MMBtu)	Fair Value at June 30, 2011 Asset (in thousands)
Third quarter 2011	1,660,000	$ 5.25	$ 6.49	$ 1,811
Fourth quarter 2011	1,660,000	$ 5.25	$ 6.49	1,622
All gas collars*	3,320,000			$ 3,433

*Natural gas collars are comprised of IF CIG (27%), IF HSC (7%), IF PEPL (64%), and NYMEX Henry Hub (2%).

Natural Gas Liquid Contracts

NGL Swaps

Contract Period	Volumes (approx. Bbls)	Weighted-Average Contract Price (per Bbl)	Fair Value at June 30, 2011 (Liability) (in thousands)
Third quarter 2011	312,000	$ 38.05	$ (4,513)
Fourth quarter 2011	285,000	$ 38.36	(3,948)
2012	725,000	$ 37.02	(6,749)
2013	84,000	$ 44.95	(735)
All NGL swaps*	1,406,000		$ (15,945)

*NGL swaps are comprised of OPIS Mont. Belvieu LDH Propane (25%), OPIS Mont. Belvieu Purity Ethane (51%), OPIS Mont. Belvieu NON-LDH Isobutane (4%), OPIS Mont. Belvieu NON-LDH Natural Gasoline (11%), and OPIS Mont. Belvieu NON-LDH Normal Butane (9%).

Refer to Note 10 – Derivative Financial Instruments in Part I, Item 1 of this report for additional information regarding our oil, gas, and NGL derivative contracts.

Summary of Interest Rate Risk

Market risk is estimated as the potential change in fair value resulting from an immediate hypothetical one percentage point parallel shift in the yield curve. For fixed-rate debt, interest changes affect the fair market value but do not impact results of operations or cash flows. Conversely, interest rate changes for floating-rate debt generally do not affect the fair market value but do impact future results of operations and cash flows, assuming other factors are held constant. The carrying amount of our floating-rate debt typically approximates its fair value. As of June 30, 2011, we had no floating-rate debt outstanding, and our fixed-rate debt outstanding, net of debt discount, was $630.3 million.

Contractual Obligations

Please see Note 7 – Commitments and Contingencies under Part I, Item 1 of this report for information pertaining to our new contractual obligations.

Off-Balance Sheet Arrangements

As part of our ongoing business, we have not participated in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance entities or special purpose entities ("SPE"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of June 30, 2011, we have not been involved in any unconsolidated SPE transactions.

We evaluate our transactions to determine if any variable interest entities exist. If we determine that we are the primary beneficiary of a variable interest entity, that entity is consolidated into our consolidated financial statements.

Table of Contents

Critical Accounting Policies and Estimates

We refer you to the corresponding section in Part II, Item 7 of our 2010 Form 10-K and to the footnote disclosures included in Part I, Item 1 of this report.

New Accounting Pronouncements

Please refer to Note 2 – Basis of Presentation, Significant Accounting Policies, and Recently Issued Accounting Standards under Part I, Item 1 of this report for new accounting matters.

Environmental

SM Energy's compliance with applicable environmental laws and regulations has to date not resulted in significant capital expenditures or material adverse effects on our liquidity or results of operations. We believe we are in substantial compliance with environmental laws and regulations and do not currently anticipate that material future expenditures will be required under the existing regulatory framework. However, environmental laws and regulations are subject to frequent changes and we are unable to predict the impact that compliance with future laws or regulations, such as those currently being considered as discussed below, may have on future capital expenditures, liquidity, and results of operations.

Hydraulic fracturing. Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons, particularly natural gas and NGLs, from tight formations. For additional information about hydraulic fracturing and related environmental matters, see "Risk Factors – Risks Related to Our Business – *Proposed federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays*" in our 2010 Form 10-K.

Climate Change. In December 2009, the U.S. Environmental Protection Agency (the "EPA") determined that emissions of carbon dioxide, methane and other ''greenhouse gases'' present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth's atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act ("CAA"). The EPA recently adopted two sets of rules regulating greenhouse gas emissions under the CAA, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulates emissions of greenhouse gases from certain large stationary sources, effective January 2, 2011. The EPA has also adopted rules requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States, including petroleum refineries, on an annual basis, beginning in 2011 for emissions occurring after January 1, 2010, as well as certain onshore oil and natural gas production facilities, on an annual basis, beginning in 2012 for emissions occurring in 2011.

In addition, the United States Congress has from time to time considered adopting legislation to reduce emissions of greenhouse gases and many states have already taken measures to reduce emissions of greenhouse gases primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Most of these cap and trade programs work by requiring major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances. The number of allowances available for purchase is reduced each year in an effort to achieve the overall greenhouse gas emission reduction goal.

The adoption of legislation or regulatory programs to reduce emissions of greenhouse gases could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory

programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas we produce. Consequently, legislation and regulatory programs to reduce emissions of greenhouse gases could have an adverse effect on our business, financial condition and results of operations. Finally, it should be noted that some scientists have concluded that 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, droughts, and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our financial condition and results of operations.

In terms of opportunities, the regulation of greenhouse gas emissions and the introduction of alternative incentives, such as enhanced oil recovery, carbon sequestration and low carbon fuel standards, could benefit us in a variety of ways. For example, although climate change legislation could reduce the overall demand for the oil and natural gas that we produce, the relative demand for natural gas may increase since the burning of natural gas produces lower levels of emissions than other readily available fossil fuels such as oil and coal. In addition, if renewable resources, such as wind or solar power become more prevalent, natural gas-fired electric plants may provide an alternative backup to maintain consistent electricity supply. Also, if states adopt low-carbon fuel standards, natural gas may become a more attractive transportation fuel. For the six-month periods ended June 30, 2011, and 2010,

Table of Contents

approximately 71 percent and 65 percent, respectively, of our production was natural gas and NGLs on an MCFE basis. Market-based incentives for the capture and storage of carbon dioxide in underground reservoirs, particularly in oil and natural gas reservoirs, could also benefit us through the potential to obtain greenhouse gas emission allowances or offsets from or government incentives for the sequestration of carbon dioxide.

Cautionary Information about Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events, or developments with respect to our financial condition, results of operations, or economic performance that we expect, believe, or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. The words "anticipate," "assume," "believe," "budget," "estimate," "expect," "forecast," "intend," "plan," "project," "will," and similar expressions are intended to identify forward-looking statements. Forward-looking statements appear in a number of places in this Form 10-Q, and include statements about such matters as:

- *the amount and nature of future capital expenditures and the availability of liquidity and capital resources to fund capital expenditures;*
- *the drilling of wells and other exploration and development activities and plans, as well as possible future acquisitions;*
- *the possible divestiture or farm-down of, or joint venture relating to, certain properties;*
- *proved reserve estimates and the estimates of both future net revenues and the present value of future net revenues associated with those proved reserve estimates;*
- *future oil, natural gas, and NGL production estimates;*
- *our outlook on future oil, natural gas, and NGL prices, well costs, and service costs;*
- *cash flows, anticipated liquidity, and the future repayment of debt;*
- *business strategies and other plans and objectives for future operations, including plans for expansion and growth of operations or to defer capital investment, and our outlook on our future financial condition or results of operations; and*
- *other similar matters such as those discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this report.*

Our forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments, and other factors that we believe are appropriate under the circumstances. These statements are subject to a number of known and unknown risks and uncertainties which may cause our actual results and performance to be materially different from any future results or performance expressed or implied by the forward-looking statements. These risks are described in the "Risk Factors" section of our 2010 Annual Report on Form 10-K and include such factors as:

- *the volatility of oil, natural gas, and NGL prices, and the effect it may have on our profitability, financial condition, cash flows, access to capital, and ability to grow;*
- *the continued weakness in economic conditions and uncertainty in financial markets;*
- *our ability to replace reserves in order to sustain production;*
- *our ability to raise the substantial amount of capital that is required to replace our reserves;*
- *our ability to compete against competitors that have greater financial, technical, and human resources;*
- *the imprecise estimations of our actual quantities and present values of proved oil, natural gas, and NGL reserves;*
- *the uncertainty in evaluating recoverable reserves and other expected benefits or liabilities;*

Table of Contents

- *the possibility that exploration and development drilling may not result in commercially producible reserves;*
- *the possibility that our planned drilling in existing or emerging resource plays using some of the latest available horizontal drilling and completion techniques is subject to drilling and completion risks and may not meet our expectations for reserves or production;*
- *the uncertainties associated with our reported anticipated divestiture, joint venture, farm-down, and similar transactions with respect to certain assets, including whether such transactions will be consummated or completed in the form or timing and for the value that we anticipate;*
- *the uncertainties associated with enhanced recovery methods;*

- *our commodity price risk management activities may result in financial losses or may limit the prices that we receive for oil, natural gas, and NGL sales;*
- *the inability of one or more of our customers to meet their obligations;*
- *price declines or unsuccessful exploration efforts result in write-downs of our asset carrying values;*
- *the impact that lower oil, natural gas, or NGL prices could have on our ability to borrow under our credit facility;*
- *the possibility that our amount of debt may limit our ability to obtain financing for acquisitions, make us more vulnerable to adverse economic conditions, and make it more difficult for us to make payments on our debt;*
- *operating and environmental risks and hazards that could result in substantial losses;*
- *complex laws and regulations, including environmental regulations, that result in substantial costs and other risks;*
- *the availability and capacity of gathering, transportation, processing, and/or refining facilities;*
- *our ability to sell and/or receive market prices for our oil, natural gas, and NGLs;*
- *new technologies may cause our current exploration and drilling methods to become obsolete;*
- *the uncertainties regarding the ultimate impact of potentially dilutive securities; and*
- *litigation, environmental matters, the potential impact of government regulations, and the use of management estimates regarding such matters.*

We caution you that forward-looking statements are not guarantees of future performance and that actual results or performance may be materially different from those expressed or implied in the forward-looking statements. Although we may from time to time voluntarily update our prior forward-looking statements, we disclaim any commitment to do so except as required by securities laws.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this item is provided under the captions*Commodity Price Risk and Interest Rate Risk*, *Summary of Oil, Gas, and NGL Derivative Contracts in Place*, and *Summary of Interest Rate Risk* in Item 2 above and is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective for the purposes discussed above as of the end of the period covered by this Quarterly Report on Form 10-Q. There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the effectiveness of our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes from the legal proceedings as previously disclosed in our 2010 Form 10-K in response to Item 3 of Part I of such Form 10-K.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our 2010 Form 10-K in response to Item 1A of Part I of such Form 10-K.

Table of Contents

ITEM 6. EXHIBITS

The following exhibits are filed or furnished with or incorporated by reference into this report:

Exhibit	Description
2.1*+	Purchase and Sale Agreement dated June 9, 2011, among SM Energy Company, Statoil Texas Onshore Properties LLC, and Talisman Energy USA Inc.
2.2*+	Acquisition and Development Agreement dated June 29, 2011 between SM Energy Company and Mitsui E&P Texas LP
10.1*	Fourth Amended and Restated Credit Agreement dated May 27, 2011, among SM Energy Company, Wells Fargo Bank, National Association, as Administrative Agent, and the Lenders party thereto
10.2***	Gas Gathering Agreement dated May 31, 2011 between Regency Field Services LLC and SM Energy Company
10.3***	Gathering and Natural Gas Services Agreement effective as of April 1, 2011 between SM Energy Company and ETC Texas Pipeline, Ltd.
10.4***	Gas Processing Agreement effective as of April 1, 2011 between ETC Texas Pipeline, Ltd. and SM Energy Company
10.5*†	Employee Stock Purchase Plan, As Amended and Restated as of June 10, 2011
10.6*†	Form of Performance Stock Unit Award Agreement as of July 1, 2011
10.7*†	Form of Restricted Stock Unit Award Agreement as of July 1, 2011

31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
32.1**	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002
101.INS****	XBRL Instance Document
101.SCH****	XBRL Schema Document
101.CAL****	XBRL Calculation Linkbase Document
101.LAB****	XBRL Label Linkbase Document
101.PRE****	XBRL Presentation Linkbase Document
101.DEF****	XBRL Taxonomy Extension Definition Linkbase Document

*	Filed with this report.
**	Furnished with this report.
***	Filed with this report. Certain portions of this exhibit have been redacted and are subject to a confidential treatment request filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.
****	Furnished, not filed. Users of this data submitted electronically herewith are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.
†	Exhibit constitutes a management contract or compensatory plan or agreement.
+	Schedules and exhibits to this exhibit as listed in this exhibit have been omitted from this exhibit pursuant to the provisions of Item 601(b)(2) of Regulation S-K. The Company will furnish supplementally a copy of any such omitted schedule or exhibit to the Securities and Exchange Commission upon request.

Table of Contents

SIGNATURES

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

SM ENERGY COMPANY

August 2, 2011	By:	/s/ ANTHONY J. BEST Anthony J. Best President and Chief Executive Officer
August 2, 2011	By:	/s/ A. WADE PURSELL A. Wade Pursell Executive Vice President and Chief Financial Officer
August 2, 2011	By:	/s/ MARK T. SOLOMON Mark T. Solomon Vice President and Controller

Exhibit 2.1

PURCHASE AND SALE AGREEMENT

AMONG

SM ENERGY COMPANY,

STATOIL TEXAS ONSHORE PROPERTIES LLC,

and

TALISMAN ENERGY USA INC.

DATED JUNE 9, 2011

TABLE OF CONTENTS

Schedules

THIS PURCHASE AND SALE AGREEMENT (this "***Agreement***") is made as of June 9, 2011 (the "***Execution Date***") among SM ENERGY COMPANY, a Delaware corporation ("***SM***"), STATOIL TEXAS ONSHORE PROPERTIES LLC, a Delaware limited liability company ("***Statoil***") and TALISMAN ENERGY USA INC., a Delaware corporation ("***Talisman***", together with Statoil collectively, the "***Buyers***", and each individually, a "***Buyer***"). SM and Buyers shall sometimes be referred to herein together as the "***Parties***", and each individually as a "***Party***".

RECITALS

WHEREAS, SM owns certain oil and gas leases located in La Salle County and Dimmit County, Texas and associated assets as more fully described below; and

WHEREAS, SM desires to sell and Buyers desire to purchase the Assets (as defined below) upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual agreements herein contained, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS; INTERPRETATION

1.1 ***Definitions***. Capitalized terms used in this Agreement shall have the meanings given such terms in **Appendix I**.

1.2 ***Interpretation***. All references in this Agreement to Exhibits, Appendices, Annexes, Articles, Sections, subsections and other subdivisions refer to the corresponding Exhibits, Appendices, Annexes, 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 Article, Section or subsection hereof in which such words occur. The word "including" (in its various forms) means "including without limitation." 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 in effect on 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. Appendices, Annexes and Exhibits referred to herein are attached to and made a part of this Agreement. Unless expressly stated otherwise, references to any Law or contract shall mean such Law or contract as it may be amended from time to time.

ARTICLE II
PURCHASE AND SALE

2.1 ***Purchase and Sale***.

(a) Subject to the terms and conditions of this Agreement, Buyers agree to purchase from SM, and SM agrees to sell, assign and deliver to the Buyers, the Assets for the consideration specified in this *Article II*.

(b) SM shall reserve and retain all of the Excluded Assets.

2.2 ***Purchase Price***. Subject to the other terms and conditions of this Agreement, the purchase price for the Assets shall be two hundred and twenty-five million dollars ($225,000,000) (the "***Purchase Price***"). Subject to the terms hereof, the Buyers shall be jointly and severally responsible for the Purchase Price. The Purchase Price shall be payable as follows:

(a) On or before June 10, 2011, Buyers shall deposit with the Escrow Agent by wire transfer in immediately available funds, to be held in escrow by the Escrow Agent pending Closing pursuant to the terms of the Escrow Agreement, the sum of $22,500,000 (such amount, together with any interest earned thereon the "***Deposit***").

(b) At Closing, (i) the Parties shall jointly issue a written instruction to the Escrow Agent to transfer the Deposit to SM, and (ii) Buyers shall pay the Closing Amount to SM by wire transfer in immediately available funds.

(c) In the event of any termination of this Agreement, the Parties shall, in each case, thereupon have the rights and obligations set forth in *Section 12.2*

and *Section 12.3*.

2.3 Adjustments to Purchase Price.

(a) For purposes of determining the amounts of the adjustments to the Purchase Price provided for in this *Section 2.3*, the principles set forth in this *Section 2.3(a)* shall apply. Except as otherwise adjusted for in *Sections 2.3(b)* and *2.3(c)*, each Buyer shall be entitled to its Proportionate Share of all production of Hydrocarbons from or attributable to the Units, Leases and Wells at and after the Effective Time (and all products and proceeds attributable thereto), and to its Proportionate Share of all other income, proceeds, receipts and credits earned with respect to the Assets at or after the Effective Time, and Buyers shall be responsible for (and entitled to any refunds with respect to) all Operating Expenses incurred at and after the Effective Time. Except as otherwise adjusted for in *Sections 2.3(b)* and *2.3(c)*, SM shall be entitled to all Hydrocarbon production from or attributable to Units, Leases and Wells prior to the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets prior to the Effective Time, and shall be responsible for (and entitled to any refunds with respect to) all Operating Expenses incurred prior to the Effective Time. "Earned" and "incurred", as used in the Agreement shall be interpreted in accordance with GAAP and Council of Petroleum Accountants Society standards, except as otherwise specified herein. For purposes of allocating production (and proceeds and accounts receivable with respect thereto), under this *Section 2.3*, (i) liquid Hydrocarbons shall be deemed to be "***from or attributable to***" the Units, Leases and Wells when

they pass through the pipeline connecting into the storage facilities into which they are run and (ii) gaseous Hydrocarbons shall be deemed to be "***from or attributable to***" the Units, Leases and Wells when they pass through the royalty measurement meters, delivery point sales meters or custody transfer meters on the gathering lines or pipelines through which they are transported (whichever meter is closest to the well). SM shall utilize reasonable interpolative procedures, consistent with industry practice, to arrive at an allocation of production when exact meter readings or gauging and strapping data are not available.

(b) The Purchase Price shall be adjusted upward by the following amounts (without duplication):

(i) an amount equal to the value of all Hydrocarbons produced from or attributable to the Assets in storage or existing in stock tanks, pipelines and/or plants (including inventory) as of the Effective Time, the value to be based upon the contract price in effect as of the Effective Time (or if there is no contract price, then the market price in effect as of the Effective Time in the field in which such Hydrocarbons were produced or if actually sold prior to the date of determination, the proceeds actually recovered by SM attributable to such sale), net of amounts payable as royalties, overriding royalties and other burdens upon, measured by or payable out of such production and Asset Taxes;

(ii) an amount equal to all Operating Expenses and other costs and expenses paid by SM that are attributable to the Assets during the Interim Period, whether paid before or after the Effective Time;

(iii) [RESERVED];

(iv) to the extent that SM is under-produced or has over-delivered into pipelines (in each case) as of the Effective Time, as complete and final settlement of all such Imbalances, to the extent attributable to the Assets, the sum of $0.00;

(v) to the extent that Global Geophysical Services, Inc. has consented in writing to the transfer of SM's rights with respect to the Data Agreement to Buyers, an amount equal to $550,000; and

(vi) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties.

(c) The Purchase Price shall be adjusted downward by the following amounts (without duplication):

(i) an amount equal to all proceeds actually received by SM attributable to the sale of Hydrocarbons (A) produced from or attributable to the Assets during the Interim Period or (B) contained in storage or existing in stock tanks, pipelines and/or plants (including inventory) as of the Effective Time for which an upward Purchase Price adjustment was made pursuant to *Section 2.3(b)*;

(ii) the aggregate Title Defect Amounts for all Title Defects for which the Purchase Price is to be reduced pursuant to *Section 6.2*;

(iii) the aggregate Remediation Amounts for all Environmental Defects for which the Purchase Price is to be reduced pursuant to *Section 7.1*;

(iv) an amount determined pursuant to *Section 6.4(a)*, *Section 6.4(b)* or *Section 7.1(b)(iii)*, as applicable, for any Asset excluded from the transaction contemplated hereby pursuant to such Sections;

(v) the value of any Casualty Loss pursuant to *Section 6.3(b)*;

(vi) to the extent that SM is over-produced or has under-delivered into pipelines (in each case) as of the Effective Time, as complete and final settlement of all such Imbalances, to the extent attributable to the Assets, the sum of $0.00;

(vii) all funds for Burdens or other associated payments with respect to the Assets that are being held in suspense by SM as of the Closing Date, if any; and

(viii) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties.

2.4 Allocated Value. SM and Buyers have agreed upon an allocation of the unadjusted Purchase Price as set forth on **Exhibit A** and **Exhibit B** (the "***Allocated Value***"). SM and Buyers agree that the Allocated Values shall be used in calculating adjustments to the Purchase Price as provided herein. Any adjustments to the Purchase Price, other than the adjustments provided for in *Section 2.3*, shall be applied on a pro rata basis to the amounts set forth in **Exhibit A** or **Exhibit B**, as applicable, for all Assets. After all such adjustments are made, any adjustments to the Purchase Price made pursuant to *Section 2.3* shall be applied to the amounts set forth on **Exhibit A** or **Exhibit B**, as applicable, for the particular affected Assets. For tax purposes, except as otherwise required by applicable Law, the Parties agree to report the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, including the allocations set forth above as of the Closing Date, and that neither Party will take any position inconsistent therewith, including in any tax return, refund claim, litigation, arbitration, or otherwise.

2.5 Settlement; Disputes.

(a) Not less than five (5) Business Days prior to the Closing, SM shall prepare and submit to Buyers for review a draft settlement statement using the best information available to SM (the "***Preliminary Settlement Statement***") that shall set forth the adjusted Purchase Price reflecting each adjustment made in good faith in

accordance with this Agreement as of the date of preparation of such Preliminary Settlement Statement. Within three (3) Business Days of receipt of the Preliminary Settlement Statement, Buyers have the right but not the obligation to deliver to SM a written report containing all changes with the explanation therefor that Buyers propose to be made to the Preliminary Settlement Statement. The Preliminary Settlement Statement, as agreed upon by the Parties, will be used to adjust the Purchase Price at Closing (such adjusted price, the "***Preliminary Purchase Price***"). If the Parties cannot agree on the

Preliminary Settlement Statement prior to the Closing, the Preliminary Settlement Statement as presented by SM will be used to adjust the Purchase Price at Closing.

(b) On or before one hundred and twenty (120) days after the Closing, a final settlement statement (the "***Final Settlement Statement***") will be prepared by SM, based on actual income and expenses during the Interim Period and which takes into account all final adjustments made to the Purchase Price and shows the resulting final adjusted Purchase Price (the "***Final Purchase Price***"). SM shall, at Buyers' request, supply reasonable documentation in its or its Affiliates possession available to support the actual revenue, expenses and other items for which adjustments are made. 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 forty-five (45) days after receipt of the Final Settlement Statement, Buyers have the right but not the obligation to return 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***"). Buyers shall be deemed to have agreed to the Final Settlement Statement delivered by SM if no Dispute Notice is delivered to SM within such forty-five (45) day period. If the Final Purchase Price set forth in the Final Settlement Statement is mutually agreed upon by SM and Buyers, the Final Settlement Statement and the Final Purchase Price shall be final and binding on the Parties. Once the Final Purchase Price has been agreed (or deemed agreed) upon by the Parties pursuant to this *Section 2.5(b)* or determined by the Accounting Arbitrator pursuant to *Section 2.5(c)*, as applicable, the Parties shall execute a certificate setting forth such agreed or determined, as applicable, Final Purchase Price, which shall be binding on the Parties for all purposes of this Agreement.

(c) If the Parties are unable to resolve the matters addressed in the Dispute Notice, each of Buyers and SM shall, within fourteen (14) Business Days following the delivery of such Dispute Notice, summarize its position with regard to such dispute in a written document and submit such summaries to the Houston, Texas office of KPMG LLP or such other Person as the Parties may mutually select or, absent such agreement, by the Houston office of the American Arbitration Association (the "***Accounting Arbitrator***"), together with the Dispute Notice, the Final Settlement Statement and any other documentation such Party may desire to submit. Within twenty (20) Business Days after receiving the Parties' respective submissions, the Accounting Arbitrator shall render a decision choosing either SM's position or Buyers' 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 the Parties and will be enforceable against any of the Parties in any court of competent jurisdiction. The costs of such Accounting Arbitrator shall be borne one-half by Buyers and one-half by SM.

2.6 Section 1031 Like-Kind Exchange. SM and Buyers hereby agree that SM shall have the right at any time prior to completion of all the transactions that are to occur at Closing to assign all or a portion of its rights under this Agreement to a Qualified Intermediary (as that term is defined in Section 1.1031(k)-1(g)(4)(v) of the Treasury Regulations) or an Exchange Accommodation Titleholder (as that term is defined in Rev. Proc. 2000-37, 2000 C.B. 308) in order to accomplish the transaction in a manner that will comply, either in whole or in part, with the requirements of a like-kind exchange pursuant to Section 1031 of the Code. Likewise, Buyers shall have the right at any time prior to completion of all the transactions that are to occur

at Closing to assign all or a portion of its rights under this Agreement to a Qualified Intermediary or Exchange Accommodation Titleholder for the same purpose. If SM assigns all or any of its rights under this Agreement for this purpose, Buyers agree to (a) consent to SM's assignment of its rights in this Agreement, which assignment shall be in a form reasonably acceptable to Buyers, and (b) pay the Purchase Price (or a designated portion thereof as specified by SM) into a qualified escrow or qualified trust account(s) at Closing as directed in writing. If Buyers assign all or any of its rights under this Agreement for this purpose, SM agrees to (i) consent to Buyers' assignment of its rights in this Agreement, which assignment shall be in a form reasonably acceptable to SM, (ii) accept the Purchase Price from the qualified escrow or qualified trust account at Closing, and (iii) at Closing, convey and assign directly to Buyers the Assets (or any portion thereof) as directed in writing. SM and Buyers acknowledge and agree that any assignment of this Agreement (or any rights hereunder) to a Qualified Intermediary or Exchange Accommodation Titleholder shall not release any Party from any of its respective liabilities and obligations hereunder, and that neither Party represents to the other Party that any particular tax treatment will be given to any Party as a result thereof. The Party electing to assign all or any of its rights under this Agreement pursuant to this *Section 2.6* shall defend, indemnify, and hold harmless each other Party and its Affiliates from all claims relating to such election.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SM

SM represents and warrants to Buyers as follows:

3.1 Organization, Existence. SM is a corporation duly formed and validly existing under the Laws of the State of Delaware. SM has all requisite power and authority to own and operate its property (including, without limitation, the Assets) and to carry on its business as now conducted. SM is duly licensed or qualified to do business as a foreign corporation and is in good standing in the state of Texas and in any other jurisdiction in which such qualification is required by Law, except where the failure to qualify or be in good standing would not have a Material Adverse Effect.

3.2 Authorization. SM has full power and authority to enter into and perform this Agreement and the transactions contemplated herein. The execution, delivery and performance by SM of this Agreement has been, and the execution, delivery and performance by SM of all other documents delivered pursuant to this Agreement will be when delivered, duly and validly authorized and approved by all necessary corporate action on the part of SM. Assuming the execution and delivery by the other parties to such documents, this Agreement constitutes, and the other documents delivered pursuant to this Agreement to which SM is a party will constitute when delivered, SM's legal, valid and binding obligations, enforceable against SM in accordance with their respective terms, subject however to the effects of bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and similar Laws relating to or affecting creditors' rights, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

3.3 No Conflicts. The execution, delivery and performance by SM of this Agreement and the consummation of the transactions contemplated hereby does not and will not (a) conflict with or result in a breach of any provisions of the organizational documents or other governing

documents of SM, (b) assuming the receipt of all Consents applicable to the transaction contemplated by this Agreement, result in a default or the creation of any Encumbrance (other than Permitted Encumbrances) 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 material agreement (other than the Leases or Applicable Contracts) to which SM is a party or by which SM or the Assets may be bound or (c) assuming the receipt of all Consents applicable to the transaction contemplated by this Agreement, violate any Law applicable to SM or any of the Assets, except in the case of clauses (b) and (c) where such default, Encumbrance, termination, cancellation, acceleration or violation would not materially affect the ability of SM to

consummate the transactions contemplated by this Agreement or materially affect the Assets.

3.4 ***Consents; Preferential Purchase Rights.*** Except (a) for the Consents and Preferential Rights set forth in *Schedule 3.4*, (b) for any Customary Post-Closing Consents, (c) under Applicable Contracts that are terminable by SM or its assignee upon not greater than 60 days notice without payment of any fee, and (d) for any waiver required from the Federal Energy Regulatory Commission ("***FERC***") for the transfer of FERC-regulated transportation capacity, there are no Consents or Preferential Rights, including requirements for consents from Third Parties to any assignment, in each case, that would be applicable in connection with the transfer of the Assets to Buyers or the consummation by SM of the transactions contemplated by this Agreement.

3.5 ***Bankruptcy***. There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to SM's Knowledge, threatened against SM.

3.6 ***Foreign Person***. SM is not a "disregarded entity" or a "foreign person" within the meaning of Section 1445 of the Code and its implementing Treasury Regulations.

3.7 ***Claims and Litigation***. Except as set forth in *Schedule 3.7*, SM has received no unresolved written claims asserting a material breach of any Applicable Contract or Lease, a material tort or a material violation of Law with respect to its ownership or operation of the Assets. Except as set forth in *Schedule 3.7*, there are no investigations, suits, actions or litigation by any Person by or before any Governmental Authority, and no legal, administrative or arbitration proceedings, pending or, to SM's Knowledge, threatened in writing against SM, in each case with respect to the ownership or operation of the Assets.

3.8 ***Material Contracts***.

(a) *Schedule 3.8(a)* sets forth each Applicable Contract of the type described below (collectively, the "***Material Contracts***"):

(i) any Applicable Contract that can reasonably be expected to result in aggregate payments by SM of more than $100,000 during the current or any subsequent fiscal year or $100,000 in the aggregate over the term of such Applicable Contract (in each case, based solely on the terms thereof and 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 SM of more than $100,000 during the current or any subsequent fiscal year or $100,000 in the aggregate over the term of such Applicable Contract (in each case, based solely on the terms thereof and without regard to any expected increase in volumes or revenues);

(iii) any Applicable Contract that (A) is a Hydrocarbon purchase and sale, gathering, transportation, processing, compression or similar Applicable Contract (including any Applicable Contract that includes a dedication of Leases, Lands or production from or attributable to the Leases or Lands) and (B) is not terminable by SM or its assignee without penalty on 60 days or less notice;

(iv) any Applicable Contract that is an indenture, mortgage, loan, credit or sale-leaseback, guaranty of any obligation, bonds, letters of credit or similar financial contract;

(v) any Applicable Contract that constitutes a lease under which SM is the lessor or the lessee of real, immovable, personal or movable property and that cannot be terminated by SM or its assignee without penalty upon 60 days or less notice;

(vi) any Applicable Contract that constitutes a non-competition agreement or any agreement that purports to restrict, limit or prohibit the manner in which, or the locations in which, SM conducts business, including area of mutual interest contracts;

(vii) Applicable Contracts with any Affiliate of SM which will be binding on Buyers after the Closing Date and will not be terminable by Buyers without penalty within 30 days or less notice other than joint operating agreements;

(viii) Applicable Contracts that subject any Asset to a production payment or contain calls on production;

(ix) any Applicable Contract which provides for an interest rate, credit or commodity swap, cap, floor, collar, or any combination of, or option with respect to, these or similar transactions or otherwise constitutes a futures or derivative transaction;

(x) any Applicable Contract where, as of the date of such Applicable Contract, the primary and principal purpose thereof was to provide guarantee or indemnity for the benefit of another Person;

(xi) any Applicable Contract that constitutes a partnership agreement, joint venture agreement or similar contract (in each case, other than a tax partnership);

(xii) any executory Applicable Contract that constitutes a pending purchase and sale agreement for property other than Hydrocarbons production, acquisition agreement for property other than Hydrocarbons production, farmout agreement, exploration agreement, participation agreement or other Applicable Contract providing for the purchase, sale or earning of any material asset (other than Hydrocarbons production);

(xiii) any Applicable Contract that constitutes a joint operating agreement; and

(xiv) any Applicable Contract that is a seismic or other geophysical acquisition agreement or license.

(b) Except as set forth on *Schedule 3.8(b)*, there exist no material defaults under the Material Contracts by SM or, to SM's Knowledge, by any other Person that is a party to such Material Contracts. SM has made available to Buyers true and complete copies of each Material Contract and all amendments thereto in existence on the Execution Date on the Execution Date CD. To SM's Knowledge, as of the Execution Date, SM has not received or given any unresolved written notice of default, amendment, waiver, price redetermination, market out, curtailment or termination with respect to any Material Contract.

3.9 ***No Violation of Laws***. Except as set forth on *Schedule 3.9*, to SM's Knowledge, as of the Execution Date, SM and its Affiliates are not in violation of any applicable Laws or any governmental permit, in any material respect, with respect to the ownership and operation by SM of the Assets. As of the Execution Date, SM has not received any unresolved written notices of violations of any governmental permit or violations of Law from any Governmental Authority relating to SM's ownership or operation of the Assets. This *Section 3.9* does not include any matters with respect to Environmental Laws, such matters being addressed exclusively in *Section 3.13*.

3.10 Royalties, Etc. Except as would not have a Material Adverse Effect and except for such items that are being held in suspense as permitted pursuant to applicable Law, SM has paid all Burdens, shut-in royalties, minimum royalties, delay rentals and all other payments required under the Leases that are not related to production due by SM with respect to the Assets or, if SM has not paid any such Burden, shut-in royalty, minimum royalty, delay rental or other payment requirement, is contesting such unpaid Burden, shut-royalty, minimum royalty, delay rental or other payment requirement in good faith. As of the date hereof, no Burdens, shut-in royalties, minimum royalties or any other payments required under the Leases that are not related to production are being held in suspense by SM.

3.11 Imbalances. There are no material pipeline Imbalances and no other Imbalances as of the Effective Time.

3.12 Current Commitments. *Schedule 3.12* sets forth, as of the Execution Date, all authorities for expenditures or other capital commitments ("***AFEs***") relating to the Assets to drill or rework Wells or for other capital expenditures that will be binding on Buyers or any of the

Assets after Closing for which all of the activities anticipated in such AFEs have not been completed by the Execution Date.

3.13 Environmental.

(a) With respect to the Assets, SM has not entered into, and is not subject to, any agreement, consent, order, decree, judgment, license or permit condition or other directive of any Governmental Authority that (i) are in existence as of the Execution Date, (ii) are based on any Environmental Laws that relate to the future use of any of the Assets and (iii) require any remediation or change in the present conditions of any of the Assets.

(b) Except as set forth in *Schedule 3.13*, as of the Execution Date, SM has not received written notice from any Person of any release, disposal, event, condition, circumstance, activity, practice or incident concerning any land, facility, asset or property included in the Assets that: (i) interferes with or prevents compliance by SM with any Environmental Law or the terms of any license or permit issued pursuant thereto or (ii) gives rise to or results in any common Law or other liability of SM to any Person.

(c) As of the Execution Date, there are no material reports or studies that have been prepared by Third Parties for or on behalf of SM or any of its Affiliates or unresolved written notices from environmental Governmental Authorities alleging material violations of any Environmental Laws, in each case, that are in SM's or any of its Affiliate's possession that specifically address environmental matters related to SM's or any of its Affiliate's ownership or operation of the Assets.

3.14 Asset Taxes. Except as disclosed in *Schedule 3.14*:

(a) all Taxes that could result in an Encumbrance upon any of the Assets if not timely paid and that have become due and payable by SM have been properly paid other than any Taxes that are being contested in good faith as described on *Schedule 3.14*;

(b) all Tax Returns with respect to Taxes that could result in an Encumbrance upon any of the Assets if not timely paid have been timely filed;

(c) no written notice of any pending Tax claim that could result in an Encumbrance upon any of the Assets if successful has been received nor, to SM's Knowledge, has such a claim been threatened;

3.15 Brokers' Fees. SM has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which either Buyer or any Affiliate of either Buyer shall have any responsibility.

3.16 Advance Payments. SM is not obligated by virtue of any take-or-pay payment, advance payment or other similar payment (other than royalties, overriding royalties and similar arrangements reflected with respect to the Net Revenue Interests for the Wells set forth in **Exhibit B** and gas balancing arrangements), to deliver Hydrocarbons attributable to the Assets, or proceeds from the sale thereof, at some future time without receiving full payment therefore at or after the time of delivery.

3.17 Partnerships. *Schedule 3.17* sets forth all of the Assets that are deemed by agreement or applicable Law to be held by a partnership for federal Tax purposes and, to the extent any of the Assets are deemed by agreement or applicable Law to be held by a partnership for federal Tax purposes.

3.18 Payout Status. To SM's Knowledge, *Schedule 3.18* lists the payout status as of the date set forth in such schedule of each Well subject to a reversion or other adjustment at some level of cost recovery or payout.

3.19 Bonds and Credit Support. *Schedule 3.19* lists all bonds, letters of credit and other similar credit support instruments maintained by SM and its Affiliates with any Governmental Authority or other Third Party with respect to the Assets other than bonds required by the Texas Railroad Commission for the ownership or operation of similar properties.

3.20 Wells.

(a) Except as set forth on *Schedule 3.20*, there are no Wells that constitute a part of the Assets: (i) in respect of which SM has received an order from any Governmental Authority requiring that such Wells be plugged and abandoned; (ii) drilled by or on behalf of SM or any of its Affiliates that are neither in use for purposes of production, injection or water sourcing, nor shut-in, suspended or temporarily abandoned, that have not been plugged and abandoned in accordance with applicable Law.

(b) To SM's Knowledge, all Wells (other than the Light Well) have been drilled and completed within the limits permitted by all applicable Leases and pooling or unit agreements or orders.

(c) No Well is subject to penalties on allowables after the Effective Time because of overproduction.

3.21 Disposition of Certain Assets. Since March 31, 2011 through the Execution Date, neither SM nor any Affiliate of SM has transferred any interests in the Leases, Units or Wells or facilities or equipment used in the operation of the Assets, except for (a) the transfer of the Assets as contemplated by this Agreement, (b) the transfer of assets that relate to the Assets as contemplated by that certain Purchase and Sale Agreement, dated May 31, 2011, between SM and Regency Field Services LLC, (c) the sale of Hydrocarbons produced from the Assets in the ordinary course of business, and (d) sales or other transfers of obsolete, worn out or unnecessary equipment in the ordinary course of SM's business.

3.22 Leases.

(a) SM is in compliance in all material respects with any most favored nations provisions contained in any of the Leases.

(b) SM has made available to Buyers true and complete copies of each Lease and all amendments thereto in existence on the Execution Date in the Execution Date CD.

3.23 No Other Representations or Warranties*; *Disclosed Materials. Except for the representations and warranties contained in this Agreement and the certificate to be delivered by SM at Closing pursuant to *Section 11.3(h)* (in each case, as qualified by the Schedules) and the special warranty of title contained in the Assignment, neither SM nor any other Person makes (and Buyers are not relying upon) any other express or implied representation or warranty with respect to SM (including the value, condition or use of any of the Assets) or the transactions contemplated by this Agreement, and SM disclaims any other representations or warranties, whether made by SM, any Affiliate of SM, or any of their respective officers, directors, managers, employees or agents. Except for the representations and warranties contained in this Agreement and the certificate to be delivered by SM at Closing pursuant to *Section 11.3(h)* (in each case, as qualified by the Schedules) and the special warranty of title contained in the Assignment, SM disclaims all liability and responsibility for any representation, warranty, projection, forecast, statement or information made, communicated or furnished (orally or in writing) to Buyers or any of their Affiliates or any of their officers, directors, managers, employees or agents (including any opinion, information, projection or advice that may have been or may be provided to Buyers by any director, officer, employee, agent, consultant or representative of SM, or any of its Affiliates). The disclosure of any matter or item in the Schedules shall not be deemed to constitute an acknowledgement that any such matter is required to be disclosed or is material or that such matter would or would reasonably be expected to result in a Material Adverse Effect.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYERS

Each Buyer, solely and severally as to itself and not jointly with the other Buyer, represents and warrants to SM the following:

4.1 Organization; Existence. Such Buyer is in the case of Statoil, a limited liability company duly formed and validly existing under the Laws of Delaware, and in the case of Talisman, a corporation duly formed and validly existing under the Laws of Delaware. Such Buyer has all requisite power and authority to own and operate its property (including, at Closing, the Assets) and to carry on its business as now conducted. Such Buyer is duly licensed or qualified to do business as, in the case of Statoil, a foreign limited liability company, and in the case of Talisman, a foreign corporation, and is in good standing in all jurisdictions in which such qualification is required by Law, except where the failure to qualify or be in good standing would not have a material adverse affect upon the ability of such Buyer to consummate the transactions contemplated by this Agreement.

4.2 Authorization. Such Buyer has full power and authority to enter into and perform this Agreement and the transactions contemplated herein. The execution, delivery and performance by such Buyer of this Agreement has been, and the execution, delivery and performance by such Buyer of all other documents delivered pursuant to this Agreement will be when delivered, duly and validly authorized and approved by all necessary, in the case of Statoil, limited liability company action, and in the case of Talisman, corporate action, on the part of such Buyer. Assuming the execution and delivery by the other parties to such documents, this Agreement constitutes, and the other documents delivered pursuant to this Agreement to which such Buyer is a party will constitute when delivered, such Buyer's legal, valid and binding

obligations, enforceable against such Buyer in accordance with their respective terms, subject however to the effects of bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and similar Laws relating to or affecting creditors' rights, 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. The execution, delivery and performance by such Buyer of this Agreement and the consummation of the transactions contemplated herein will not (a) conflict with or result in a breach of any provisions of the organizational or other governing documents of such Buyer, (b) result in a default or the creation of any Encumbrance (other than Permitted Encumbrances) 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 such Buyer is a party or by which such Buyer or any of its property may be bound or (c) violate any Law applicable to such Buyer, except in the case of clauses (b) and (c) where such default, Encumbrance, termination, cancellation, acceleration or violation would materially affect the ability of such Buyer to consummate the transactions contemplated by this Agreement.

4.4 Consents. There are no consents or other restrictions on assignment, including requirements for consents from Third Parties to any assignment, in each case, that would be applicable in connection with the consummation by such Buyer of the transactions contemplated by this Agreement.

4.5 Bankruptcy. There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to such Buyer's knowledge, threatened in writing against such Buyer.

4.6 Litigation. Such Buyer has received no unresolved written claims asserting a material breach of contract, a material tort or a material violation of Law and there is no investigation, suit, action or litigation by any Person by or before any Governmental Authority, and no legal, administrative or arbitration proceedings pending, or to such Buyer's knowledge, threatened against such Buyer, or to which such Buyer is a party, in each case that would affect the ability of such Buyer to consummate the transactions contemplated by this Agreement.

4.7 Financing. Buyers shall have as of the Closing Date sufficient funds with which to pay the Closing Amount and consummate the transactions contemplated by this Agreement and, following Closing, Buyers will have sufficient funds to pay any adjustments to the Purchase Price and such Buyer will be able to meet its Proportionate Share of other payment obligations under this Agreement.

4.8 Independent Evaluation. Such Buyer is sophisticated in the evaluation, purchase, ownership and operation of oil and gas properties and related facilities. In making its decision to enter into this Agreement and to consummate the transaction contemplated herein, such Buyer, except to the extent of SM's express representations in *Article III* hereof or in the certificate delivered by SM at Closing pursuant to*Section 11.3(h)* or the special warranty of title contained in the Assignment (a) 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 engaged by SM, and (b) has satisfied or shall satisfy itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Assets.

4.9 Brokers' Fees. Such Buyer has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which SM or any Affiliate of SM shall have any responsibility.

4.10 ***Accredited Investor***. Such Buyer is an "accredited investor," as such term is defined in Regulation D of the Securities Act of 1933, as amended, and will acquire its Proportionate Share of the Assets for its own account and not with a view to a sale or distribution thereof in violation of such Law and the rules and regulations thereunder, any applicable state blue sky Laws or any other applicable securities Laws.

ARTICLE V
ACCESS / DISCLAIMERS

5.1 ***Access***.

(a) From and after the Execution Date and up to and including the Closing Date (or earlier termination of this Agreement), but subject to the other provisions of this Agreement (including this *Section 5.1*) and obtaining any required consents of Third Parties (with respect to which consents SM shall use its commercially reasonable efforts to obtain), SM shall afford to Buyers, their respective Affiliates and each of their officers, employees, agents, accountants, attorneys, investment bankers, consultants and other authorized representatives (collectively, "***Buyers' Representatives***") reasonable access, during normal business hours, to the Assets and all Records in SM's or any of its Affiliates' possession. SM shall also make available to Buyers and the Buyers' Representatives, upon reasonable notice during normal business hours, SM's personnel knowledgeable with respect to the Assets in order that such Buyer may make such diligence investigation as Buyers consider necessary or appropriate. All investigations and due diligence conducted by Buyers or any of the Buyers' Representatives shall be conducted at the Buyers' sole cost, risk and expense; and any conclusions made from any examination done by Buyers or any of the Buyers' Representatives shall result from the Buyers' own independent review and judgment. Buyers shall coordinate their access rights and physical inspections of the Assets with SM and any applicable Third Party that serves as an Operator (each a "***Third Party Operator***") to reasonably minimize any inconvenience to or interruption of the conduct of business by SM or any Third Party Operator. Buyers shall give SM reasonable prior written notice before entering onto any of the Assets and SM shall have the right to have its representatives present at any time any Buyers' Representative is present on the Assets. Buyers shall, and shall cause all of the Buyers' Representatives to, abide by SM's and any Third Party Operator's safety rules, regulations and operating policies of which they are notified in advance while conducting its due diligence evaluation of the Assets including any environmental or other inspection or assessment of the Assets.

(b) Buyers shall not conduct any sampling, boring, drilling or other invasive investigation activities ("***Invasive Activities***") on or with respect to any of the Assets unless

Buyers determine in good faith that such Invasive Activities are reasonably necessary to determine whether an Environmental Defect exists, and such determination has been supported in writing by a Third Party environmental consultant (which writing shall be provided to SM prior to such Invasive Activities being conducted).

(c) During the time period that SM is conducting operations with respect to the Light Well, Buyers shall have the right to send no more than two (2) Buyers' Representatives to monitor and observe such operations; provided however that (i) Buyers shall cause such Buyers' Representatives to abide by all of SM's safety rules, regulations and operating policies of which they are notified while monitoring and observing such operations, (ii) at all times such Buyers' Representatives shall be accompanied by employees or agents of SM and (iii) if at any time SM, in its sole discretion determines that such Buyers' Representative is not abiding by such safety rules, regulations or operating policies or that such Buyers' Representative is endangering the health, safety or property of any Person, then SM shall have the right to remove such Person from the Lands on which such operations are being conducted (subject to the Buyers' right to select an alternative Buyers' Representative to monitor and observe such operations). During the time period that SM is conducting operations on the Light Well, SM shall promptly provide or otherwise make available to Buyers any written or electronic reports, including daily drilling and completion reports, tests, logs and other similar reports relating to the Light Well that are prepared in the normal course of SM's business (other than legal analysis and attorney work product).

(d) Buyers agree to defend, indemnify and hold harmless each of the Operators of the Assets and the SM Indemnified Parties from and against any and all Liabilities attributable to personal injury, death, physical damage, violations of Law by Buyers or any Buyers' Representative, or violations committed by Buyers or any Buyers' Representative of any policy communicated to Buyers or any Buyer Representative, arising out of, resulting from or relating to any field visit, environmental property assessment, monitoring or observing operations with respect to the Light Well, or other due diligence activity conducted by Buyers or any of the Buyers' Representative (including an Invasive Activity, if any) with respect to the Assets, **EVEN IF SUCH LIABILITIES ARISE OUT OF OR RESULT FROM, SOLELY OR IN PART, THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY A MEMBER OF THE SM INDEMNIFIED PARTIES, EXCEPTING ONLY LIABILITIES ACTUALLY RESULTING ON THE ACCOUNT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE SM INDEMNIFIED PARTIES**.

(e) Buyers shall disclose to SM all portions of their final environmental reports and test results prepared by any Third Party environmental consultants for Buyers or any of their Affiliates (i) as may relate to any Environmental Defect claimed in any Environmental Defect Notice or (ii) as may be required to be disclosed by SM to any lessor under the terms of any applicable Lease. Neither Buyers by their delivery of said documents nor SM by its receipt of said documents shall be deemed to have made any representation or warranty, expressed, implied or statutory as to the condition to the Assets or to the accuracy of said documents or the information contained therein.

(f) Upon completion of the Buyers' due diligence, Buyers shall, at their sole cost and expense and without any cost or expense to SM or its Affiliates (i) repair all physical damage done to the Assets in connection with the Buyers' due diligence, (ii) restore the Assets to the approximate same or better physical condition in existence prior to commencement of the Buyers' due diligence, and (iii) remove all equipment, tools or other property brought onto the Assets in connection with the Buyers' due diligence. Any disturbance to the Assets (including, without limitation, the real property associated with such Assets) resulting from the Buyers' due diligence will be promptly corrected by the Buyers.

5.2 ***Buyer Confidentiality***. Each Buyer acknowledges that, pursuant to its right of access to the Records and the Assets, such Buyer will become privy to confidential and other information of SM and that such confidential information shall be held confidential by such Buyer and its Buyer's Representatives in accordance with the terms of the applicable Confidentiality Agreement. If Closing should occur, the foregoing confidentiality restriction on Buyers, including the Confidentiality Agreements, shall terminate (except as to (a) any Assets that are excluded from the transactions contemplated hereby pursuant to the provisions of this Agreement, (b) the Excluded Assets, and (c) information related to assets other than the Assets).

5.3 ***Disclaimers***.

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN *ARTICLE III*, THE SPECIAL WARRANTY OF TITLE CONTAINED IN THE ASSIGNMENT OR THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 11.3(H)* (I) SM MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) SM EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO BUYERS OR ANY OF THE BUYERS' REPRESENTATIVES (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO BUYERS BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SM OR ANY OF ITS AFFILIATES).

(b) EXCEPT AS EXPRESSLY SET FORTH IN *ARTICLE III*, THE SPECIAL WARRANTY OF TITLE CONTAINED IN THE ASSIGNMENT OR THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 11.3(H)*, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SM 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 OR SEISMIC DATA OR INTERPRETATION, 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 GENERATED BY THE ASSETS, (V) THE 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 SM OR THIRD PARTIES WITH RESPECT TO THE ASSETS, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO BUYERS OR ANY OF THE BUYERS' REPRESENTATIVES IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO AND (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT. EXCEPT AS EXPRESSLY SET FORTH IN *ARTICLE III* OR THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 11.3(H)* AND EXCEPT FOR THE SPECIAL WARRANTY OF TITLE CONTAINED IN THE ASSIGNMENT, SM FURTHER DISCLAIMS 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 ASSETS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF CONSIDERATION, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT BUYERS 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 BUYERS HAVE MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS BUYERS DEEM APPROPRIATE.

(c) OTHER THAN THOSE REPRESENTATIONS SET FORTH IN *SECTION 3.13* OR THE CORRESPONDING REPRESENTATIONS MADE IN THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 11.3(H)*, SM HAS NOT AND WILL NOT MAKE 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 SUBJECT TO BUYERS' LIMITED RIGHTS UNDER *SECTION 7.1* AND *SECTION 3.13*, BUYERS SHALL BE DEEMED TO BE TAKING THE ASSETS "AS IS" AND "WHERE IS" WITH ALL FAULTS FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION AND THAT BUYERS HAVE MADE OR CAUSED TO BE MADE SUCH ENVIRONMENTAL INSPECTIONS AS BUYERS DEEM APPROPRIATE.

(d) SM AND BUYERS AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS *SECTION 5.3* ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

ARTICLE VI
TITLE MATTERS; CASUALTIES

6.1 SM's Title. Except for the special warranty of title as set forth in the Assignment with respect to the Assets and without limiting Buyers' remedies for Title Defects set forth in this *Article VI*, SM makes no warranty or representation, express, implied, statutory or otherwise with respect to its title to any of the Assets and Buyers hereby acknowledge and agree that Buyers' sole remedy for any defect of title, including any Title Defect, with respect to any of the Assets (a) on or before the Defect Claim Date shall be as set forth in *Section 6.2* and (b) without duplication, from and after the Defect Claim Date, shall be pursuant to the special warranty of title set forth in the Assignment, under *Section 13.2(a)* relating to any breach by SM of *Section 3.7, 3.8, 3.10, 3.14* or *3.18*, and under *Section 13.2(b)* relating to any breach by SM of *Section 8.1(b)(vi)*.

6.2 Notice of Title Defects; Defect Adjustments.

(a) Title Defect Notices. On or before 4:00 p.m. (Mountain Time) on July 22, 2011 (the "***Defect Claim Date***"), Buyers (jointly and not individually) shall have the right but not the obligation to deliver notices to SM meeting the requirements of this *Section 6.2(a)* (each, a "***Title Defect Notice***") setting forth any matters which, in Buyers' reasonable opinions, constitute Title Defects and which Buyers intend to assert as a Title Defect pursuant to this *Section 6.2*. For all purposes of this Agreement and notwithstanding anything herein to the contrary, but subject to Buyers' rights under *Section 13.2(a)* relating to any breach by SM of *Section 3.7, 3.8, 3.10, 3.14* or *3.18* or under *Section 13.2(b)* relating to any breach by SM of *Section 8.1(b)(vi)* and under the special warranty of title set forth in the Assignment, Buyers shall be deemed to have waived, and SM shall have no liability for, any Title Defect that Buyers fail to assert as a Title Defect pursuant to a Title Defect Notice delivered in compliance with this *Section 6.2(a)* and received by SM on or before the Defect Claim Date. To be effective, each Title Defect Notice shall be in writing and shall include (i) a description of the alleged Title Defect and the Assets affected by such Title Defect (each a "***Title Defect Property***"), (ii) the Allocated Value of each Title Defect Property, (iii) supporting documents available to Buyers reasonably necessary for SM to verify the existence of the alleged Title Defect(s), (iv) the amount by which Buyers reasonably believe the Allocated Value of each Title Defect Property is reduced by the alleged Title Defect(s) and (v) the computations upon which Buyers' beliefs are based. To give SM an opportunity to commence reviewing and curing Title Defects, Buyers agree to use reasonable efforts to give SM, on or before the end of each calendar week prior to the Defect Claim Date, written notice of all alleged Title Defects discovered by Buyers during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the expiration of the Defect Claim Date, provided that failure to provide preliminary notice of a Title Defect shall not prejudice Buyers' right to assert such Title Defect hereunder. Buyers shall also promptly furnish SM with written notice of any Title Benefit which is reported by any of Buyers' employees or any Buyers' Representative while conducting Buyers' due diligence with respect to the Assets prior to the Defect Claim Date.

(b) Title Benefit Notices. SM shall have the right, but not the obligation, to deliver to Buyers on or before the Defect Claim Date, a notice setting forth any matters that, in SM's reasonable opinion, constitute Title Benefits and that SM intends to assert as a Title

Benefit pursuant to this *Section 6.2* (each, a "***Title Benefit Notice***") including (i) a description of the Title Benefit and the Assets affected by the Title Benefit (the "***Title Benefit Property***"), (ii) the amount by which SM reasonably believes the Allocated Value of the Title Benefit Property is increased by the Title Benefit, (iii) supporting documents available to SM reasonably necessary for Buyers to verify the existence of the alleged Title Benefit(s) and (iv) the computations upon which SM's belief is based. SM shall be deemed to have waived all Title Benefits of which it, or Buyers pursuant to *Section 6.2(a)*, has not given notice on or before the Defect Claim Date.

(c) Remedies for Title Defects. Subject to SM's continuing right to dispute the existence of a Title Defect or the Title Defect Amount asserted with respect thereto and subject to the Individual Title Defect Threshold and the Aggregate Deductible, in the event that any Title Defect properly asserted by Buyers in accordance with *Section 6.2(a)* is not waived in writing by Buyers or cured on or before Closing, the Parties shall mutually elect to:

(i) have SM transfer, convey and assign the entirety of the Title Defect Property that is subject to such Title Defect, together with all associated Assets, to Buyers at Closing, and reduce the Purchase Price by the Title Defect Amount;

(ii) have SM transfer, convey and assign the entirety of the Title Defect Property that is subject to such Title Defect, together with all associated Assets, to Buyers at Closing, in which event SM shall have the right, for a period of sixty (60) days following the Closing Date (the "***Cure Period***"), to cure any Title Defect relating to such retained Title Defect Property, and should SM cure such Title Defect during the Cure Period, then the Purchase Price shall not be adjusted. If SM is unable to cure any such Title Defect during the Cure Period, then the Purchase Price shall be reduced by an amount equal to the Title Defect Amount; or

(iii) have SM transfer, convey and assign the entirety of the Title Defect Property that is subject to such Title Defect, together with all associated Assets, to Buyers at Closing, with an indemnity by SM in favor of Buyers for all Liability resulting from such Title Defect with respect to the Assets pursuant to an indemnity agreement mutually agreeable to the Parties.

In the event that the Parties do not agree in writing by the Closing on an election of alternative (i), (ii) or (iii) above with respect to any Title Defect properly asserted by Buyers in accordance with *Section 6.2(a)*, they shall be deemed to have elected alternative (i), provided that if the existence of a Title Defect or the Title Defect Amount asserted with respect thereto is disputed, no adjustment to the Purchase Price shall be implemented until the dispute is resolved pursuant to *Section 6.2(i)*. Any Title Defect Amount that is resolved by the Parties after the Closing Date shall be paid by SM to Buyers (in their Proportionate Shares) by wire transfer of immediately available funds made within ten (10) days following such resolution.

(d) Remedies for Title Benefits. With respect to each Well or Lease affected by Title Benefits reported under this *Section 6.2*, the aggregate Title Defect Amounts shall be decreased by an amount equal to the increase in the Allocated Value for such Asset caused by such Title Benefits, as determined pursuant to *Section 6.2(g)* (the "***Title Benefit Amount***").

(e) Exclusive Remedy. Except for SM's special warranty of title under the Assignment and Buyers' rights under *Section 13.2(a)* relating to any breach by SM of *Section 3.7, 3.8, 3.10, 3.14* or *3.18* or under *Section 13.2(b)* relating to any breach by SM of *Section 8.1(b)(vi)*, the provisions set forth in *Section 6.2(c)* shall be the exclusive right and remedy of Buyers with respect to SM's failure to have Defensible Title with respect to any Asset.

(f) Title Defect Amount. The amount by which the Allocated Value of the affected Title Defect Property is reduced as a result of the existence of such Title Defect shall be the "***Title Defect Amount***" and shall be determined in accordance with the following terms and conditions:

(i) if Buyers and SM agree on the Title Defect Amount, then that amount shall be the Title Defect Amount;

(ii) if the Title Defect is an Encumbrance that is undisputed and liquidated in amount, then the Title Defect Amount shall be the amount necessary to be paid to remove the Title Defect from the Title Defect Property;

(iii) if the Title Defect represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest for such Title Defect Property stated in **Exhibit B**, and the Working Interest attributable to such Title Defect Property has been reduced proportionately, then the Title Defect Amount shall be the product of the Allocated Value of such Title Defect Property multiplied by a fraction, the numerator of which is the positive difference between such Net Revenue Interest values, and the denominator of which is the Net Revenue Interest for such Title Defect Property stated in **Exhibit B**;

(iv) if the Title Defect represents a discrepancy between (A) the Net Acres for any Title Defect Property and (B) the Net Acres for such Title Defect Property stated in **Exhibit A**, then the Title Defect Amount shall be an amount equal to (x) a fraction, the numerator of which is the Allocated Value attributable to such Title Defect Property and the denominator of which is the number of Net Acres for such Title Defect Property stated in **Exhibit A** multiplied by (y) such discrepancy between (I) the Net Acres for such Title Defect Property stated in **Exhibit A** and (II) the Net Acres for any Title Defect Property;

(v) if the Title Defect represents an obligation or Encumbrance upon or other defect in title to the Title Defect Property of a type not described above, including a Title Defect that represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest for such Title Defect Property stated in **Exhibit B**, and the Working Interest attributable to such Title Defect Property has not been reduced proportionately, the applicable Title Defect Amount shall be determined by taking into account the Allocated Value of the Title Defect Property, the portion of the Title Defect Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the Title Defect Property, the values placed upon the Title Defect by Buyers and

SM and such other reasonable factors as are necessary to make a proper evaluation; provided, however, that if such Title Defect is reasonably capable of being cured, the Title Defect Amount shall not be greater than the lesser of (A) the reasonable cost and expense of curing such Title Defect and (B) the Allocated Value of such Title Defect Property;

(vi) the Title Defect Amount with respect to a Title Defect Property shall be determined without duplication of any costs or losses included in any other Title Defect Amount hereunder; and

(vii) notwithstanding anything to the contrary in this *Article VI*, the aggregate Title Defect Amounts attributable to the effects of all Title Defects upon any single Title Defect Property shall not exceed the Allocated Value of such Title Defect Property.

(g) Title Benefit Amount. The Title Benefit Amount resulting from a Title Benefit shall be determined in accordance with the following methodology, terms and conditions:

(i) if Buyers and SM agree on the Title Benefit Amount, then that amount shall be the Title Benefit Amount;

(ii) if the Title Benefit represents an increase between (A) the Net Revenue Interest for any Title Benefit Property and (B) the Net Revenue Interest for such Title Benefit Property stated in **Exhibit B**, and the Working Interest has increased proportionately, then the Title Benefit Amount shall be the product of the Allocated Value of such Title Benefit Property multiplied by a fraction, the numerator of which is the positive difference between such Net Revenue Interest values, and the denominator of which is the Net Revenue Interest for such Title Benefit Property stated in **Exhibit B**, provided that if the Net Revenue increase does

not affect the Title Benefit Property throughout its entire life, the Title Benefit Amount determined under this *Section 6.2(g)* shall be reduced to take into account the applicable time period only;

(iii) if the Title Benefit represents an increase between (A) the Net Acres for any Title Benefit Property and (B) the Net Acres for such Title Benefit Property stated in **Exhibit A**, then the Title Benefit Amount shall be an amount equal to (x) a fraction, the numerator of which is the Allocated Value attributable to such Title Benefit Property and the denominator of which is the number of Net Acres for such Title Benefit Property stated in **Exhibit A** multiplied by (y) such discrepancy between (I) the Net Acres for such Title Benefit Property stated in **Exhibit A** and (II) the Net Acres for any Title Benefit Property, provided that if the Net Acre increase does not affect the Title Benefit Property throughout its entire life, the Title Benefit Amount determined under this *Section 6.2(g)* shall be reduced to take into account the applicable time period only;

(iv) if the Title Benefit is of a type not described above, then the applicable Title Benefit Amount shall be determined by taking into account the Allocated Value of the Title Benefit Property, the portion of the Title Benefit Property affected by

such Title Benefit, the legal effect of the Title Benefit, the potential economic effect of the Title Benefit over the life of such Title Benefit Property, the values placed upon the Title Benefit by Buyers and SM and such other reasonable factors as are necessary to make a proper evaluation; and

(v) the Title Benefit Amount with respect to a Title Benefit Property shall be determined without duplication of any items or amounts included in any other Title Benefit Amount hereunder.

(h) Title Threshold and Deductibles. Notwithstanding anything to the contrary, in no event shall there be any adjustments to the Purchase Price or other remedies provided by SM hereunder or under the Assignment: (i) for any individual Title Defect for which the Title Defect Amount, or any Subject Special Warranty Claim the amount of which, in either case, does not exceed the Individual Title Defect Threshold and (ii) for any Title Defect for which the Title Defect Amount or Subject Special Warranty Claim the amount of which, in either case, exceeds the Individual Title Threshold unless the sum of (A) the aggregate Title Defect Amounts of all such Title Defects that exceed the Individual Title Defect Threshold (excluding any Title Defect Amounts attributable to Title Defects cured by SM), *plus* (B) the aggregate Remediation Amounts of all Environmental Defects that exceed the Individual Environmental Threshold (excluding any Remediation Amounts attributable to Environmental Defects cured by SM or Environmental Defect Properties retained by SM pursuant to *Section 7.1(b)(iii)*), *plus* (C) the aggregate amount of all Subject Special Warranty Claims that exceed the Individual Title Defect Threshold (excluding the amounts of any Subject Special Warranty Claims cured by SM), exceeds one and a half percent (1.5%) of the unadjusted Purchase Price (the "***Aggregate Deductible***"), after which point Buyers shall be entitled to, as applicable, adjustments to the Purchase Price only with respect to such Title Defects in excess of the Aggregate Deductible or Subject Special Warranty Claims against SM under the Assignment pursuant to the special warranty of title contained therein, but in each case only with respect to Title Defect Amounts or Subject Special Warranty Claims amounts which in the aggregate are in excess of the Aggregate Deductible (after the consideration of the other amounts applied against the Aggregate Deductible).

(i) Title Dispute Resolution. SM and Buyers shall attempt to agree on all Title Defects, Title Benefits, Title Defect Amounts and Title Benefit Amounts prior to Closing. If SM and Buyers are unable to agree on any such matter by Closing, the matter in Dispute shall be exclusively and finally resolved pursuant to this *Section 6.2(i)*. There shall be a single arbitrator, who shall be a title attorney with at least 10 years' experience in oil and gas title matters involving properties in the regional area in which the Assets at the center of the Dispute are located, as selected by mutual agreement of Buyers and SM within fifteen (15) days after any Party invokes the provisions of this *Section 6.2(i)* to resolve such Dispute, and absent such agreement, by the Houston office of the AAA (the "***Title Arbitrator***"). The Title Arbitrator shall not have worked as an employee or performed more than $25,000 of work as outside counsel for any Party or its Affiliates during the five year period preceding the arbitration or have any financial interest in the dispute. The arbitration proceeding shall be held in Houston, Texas and shall be conducted in accordance with the AAA Rules to the extent such rules do not conflict with the terms of this *Section 6.2(i)*. The Title Arbitrator's determination shall be made within twenty (20) days after submission by the Parties of the matters in Dispute and shall be final and

binding upon both Parties, without right of appeal. In making his determination, the Title Arbitrator shall be bound by the rules set forth in*Section 6.2(f)* and *Section 6.2(g)* and, subject to the foregoing, may consider such other matters as in the opinion of the Title Arbitrator are necessary to make a proper determination. The Title Arbitrator, however, may not award (a) Buyers a greater Title Defect Amount than the Title Defect Amount claimed by Buyers in the applicable Title Defect Notice (which such Title Defect Amount shall not exceed the Allocated Value of the applicable Title Defect Property) or (b) SM a greater Title Benefit Amount than the Title Benefit Amount claimed by SM in the applicable Title Benefit Notice. The Title Arbitrator shall act as an expert for the limited purpose of determining the specific disputed Title Defect, Title Benefit, Title Defect Amount or Title Benefit Amount submitted by any Party and may not award damages, interest or penalties to any Party with respect to any Dispute. SM and Buyers shall each bear its/their own legal fees and other costs of presenting its case to the Title Arbitrator. SM shall bear one-half, and Buyers shall bear one-half, of the costs and expenses of the Title Arbitrator. Any judgment of the award of the Title Arbitrator may be entered and enforced by any court of competent jurisdiction. To the extent that the award of the Title Arbitrator with respect to any Title Defect Amount was not taken into account as an adjustment to the Purchase Price or the aggregate Title Defect Amounts, as applicable at Closing pursuant to pursuant to *Section 2.3* and an adjustment would otherwise be required under the provisions of *Section 6.2(c)* and *Section 6.2(d)*, as applicable, then, within ten (10) days after the Title Arbitrator delivers written notice to Buyers and SM of its award with respect to such Title Defect Amount or a Title Benefit Amount and subject to *Section 6.2(h)*, any Party required to make a payment to effect such award shall make such payment by wire transfer in immediately available funds.

6.3 Casualty or Condemnation Loss.

(a) Notwithstanding anything herein to the contrary, from and after the Effective Time, if Closing occurs, Buyers shall assume all risk of loss with respect to (i) production of Hydrocarbons from the Assets through normal depletion (including watering out of any well, collapsed casing or sand infiltration of any well) and (ii) the depreciation of personal property due to ordinary wear and tear and, in each case, Buyers shall not assert such matters as Casualty Losses or Title Defects hereunder.

(b) If, from and after the Effective Time but prior to the Closing Date, any portion of the Assets is damaged or destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain (a "***Casualty Loss***"), and the resulting loss from such Casualty Loss exceeds $50,000 based on the Allocated Value of the affected Assets, then (i) Buyers shall nevertheless be required to close the transactions contemplated by this Agreement and (ii) SM shall elect by written notice to Buyers prior to Closing to either (A) cause, at SM's sole cost and as promptly as reasonably practicable (which work may extend after the Closing Date), each Asset affected by such Casualty Loss to be repaired or restored to at least its condition prior to such casualty or taking, or (B) reduce the Purchase Price by the cost to repair or restore each Asset affected by such Casualty Loss to at least its condition prior to such casualty or taking. In each case, SM shall retain all rights to insurance, condemnation awards and other claims against Third Parties with respect to the casualty or taking except to the extent the Parties otherwise agree in writing.

6.4 Preferential Rights and Consents to Assign.

(a) Preferential Rights.

(i) With respect to each Preferential Right pertaining to an Asset and the transactions contemplated hereby, SM, within 10 days after the Execution Date, shall send to the holder of each such Preferential Right a notice, in material compliance with the contractual provisions applicable to such Preferential Right, requesting a waiver of such right. Any Preferential Right must be exercised subject to all terms and conditions set forth in this Agreement, including the successful closing of this Agreement pursuant to *Article XI*. The consideration payable under this Agreement for any particular Asset for purposes of Preferential Right notices shall be the Allocated Value of such Asset.

(ii) All Assets burdened by Preferential Rights for which (A) the applicable Preferential Right has been waived, or (B) the period to exercise such Preferential Right has expired prior to the Closing without the applicable holder of such Preferential Right electing to enforce its Preferential Right, shall, in each case, be assigned to Buyers at the Closing pursuant to the provisions of this Agreement.

(iii) If, prior to the Closing (A) any holder of a Preferential Right notifies SM that it intends to consummate the purchase of the portion of the Assets to which its Preferential Right applies or (B) the time for exercising a Preferential Right has not expired and the holder of such Preferential Right has not waived such Preferential Right, then, in each case, such portion of the Assets affected by such Preferential Right shall be excluded from the Assets to be conveyed to Buyers at Closing and the Purchase Price shall be reduced by the Allocated Value of such excluded portion of the Assets. SM shall be entitled to all proceeds paid by a Person exercising a Preferential Right prior to the Closing. If, after Closing (1) such holder of such Preferential Right thereafter fails to consummate the purchase of the portion of the Assets covered by such Preferential Right or (2) the time for exercising such Preferential Right expires without exercise by the holder thereof, then SM shall (x) so notify Buyers and (y) on or before 10 days following delivery of such notice, assign such portion of the Assets to Buyers pursuant to an assignment in substantially the form of the Assignment and the Purchase Price shall be increased by an amount equal to the Allocated Value of the such portion of the Assets.

(b) Consents. Except with respect to the Consents required for the Transportation Contracts which are addressed in*Section 8.5*, SM, within 10 days after the Execution Date, shall send to each holder of a Consent a notice seeking such holder's consent to the transactions contemplated hereby.

(i) If (A) SM fails to obtain a Consent prior to Closing and the failure to obtain such Consent would cause (1) the assignment to Buyers of any portion of the Assets to be void or (2) the termination of a Lease under the express terms thereof or (B) a Consent requested by SM is denied in writing, then, in each case, that portion of the Assets affected by such Consent shall be excluded from the Assets to be conveyed to Buyers at Closing and the Purchase Price shall be reduced by the Allocated Value of such portion of the Assets. In the event that a Consent that was not obtained prior to Closing

is obtained within one hundred and twenty (120) days following Closing or the requirement to obtain such Consent is waived by Buyers then, within 10 days after such Consent is obtained or the requirement to obtain such Consent is waived by Buyers, (x) SM shall assign such excluded portion of the Assets to Buyers pursuant to an assignment in substantially the form of the Assignment (and if the requirement to obtain a Consent is waived by Buyers, Buyers shall have no claim against, and SM shall have no Liability for, the failure to obtain such Consent), and (y) Buyers shall pay to SM by wire transfer of immediately available funds an amount equal to the amount by the Allocated Value of such portion of the Assets so assigned. Notwithstanding the foregoing, on the earlier to occur of (i) the 120th day following the Closing Date (which may be extended for up to 10 days in the event a Consent is obtained within the final 10 days of such 120 day period) and (ii) a Consent being denied in writing, SM shall have no obligation to convey the portion of the Assets affected by such Consent to Buyers and Buyers shall have no obligation to pay the Allocated Value of such Assets to SM.

(ii) If (A) SM fails to obtain a Consent prior to Closing and the failure to obtain such Consent would not cause (1) the assignment to Buyers of any portion of the Assets to be void or (2) the termination of a Lease under the express terms thereof and (B) such Consent requested by SM is not denied in writing, then that portion of the Assets subject to such Consent shall be assigned by SM to Buyers at Closing pursuant to the Assignment and Buyers shall have no claim against, and SM shall have no Liability for, the failure to obtain such Consent.

(iii) From and after the Execution Date up to Closing, SM shall use its commercially reasonable efforts to obtain, and Buyers shall use their commercially reasonable efforts to cooperate with SM in obtaining all Consents (excluding any Customary Post-Closing Consents). In the event any Consent of the type identified in *Section 6.4(b)(ii)* is not obtained on or before Closing, for a period not to exceed 90 days after Closing, the Parties shall cooperate with each other in obtaining all such remaining Consents. In no event shall any Party be required to incur any Liability or pay any money in order to obtain any Consent.

ARTICLE VII
ENVIRONMENTAL MATTERS

7.1 Environmental Defects.

(a) Environmental Defects Notice. On or before the Defect Claim Date, Buyers (jointly and not individually) shall have the right, but not the obligation, to deliver notices to SM meeting the requirements of this *Section 7.1(a)* (each, an "***Environmental Defect Notice***") setting forth any matters that, in Buyers' reasonable opinions, constitute Environmental Defects and that Buyers intend to assert as Environmental Defects pursuant to this *Section 7.1*. For all purposes of this Agreement, but subject to Buyers' rights under *Section 13.2(a)* for a breach of *Section 3.13* by SM, Buyers' rights under *Section 13.2(b)* for a breach of *Section 8.1(a)* or *8.1(b)*, or Buyers' rights under *Section 13.2(d)*, Buyers shall be deemed to have waived any Environmental Defect that Buyers fail to properly assert as an Environmental Defect pursuant to an Environmental Defect Notice delivered in accordance with this *Section 7.1(a)* and received by

SM on or before the Defect Claim Date. To be effective, each Environmental Defect Notice shall be in writing and shall include (i) a description of the Environmental Condition constituting the alleged Environmental Defect, (ii) each Asset (or portion thereof) affected by the alleged Environmental Defect (the "***Environmental Defect Property***"), (iii) supporting documents available to Buyers reasonably necessary for SM to verify the existence of the alleged Environmental Defect, (iv) the amount Buyers reasonably believe is the Remediation Amount with respect to such Environmental Defect and (v) the computations upon which Buyers' beliefs are based. SM shall have the right, but not the obligation, to cure any claimed Environmental Defect on or before Closing. To give SM an opportunity to commence reviewing and curing Environmental Defects, Buyers agree to use reasonable efforts to give SM, on or before the end of each calendar week prior to the Defect Claim Date, written notice of all alleged Environmental Defects discovered by Buyers during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the expiration of the applicable Defect Claim Date, provided that failure to provide preliminary notice of an Environmental Defect shall not prejudice Buyers' rights to assert such Environmental Defect hereunder.

(b) Remedies for Environmental Defects. Subject to SM's continuing right to dispute the existence of an Environmental Defect or the Remediation Amount asserted with respect thereto and subject to the Individual Environmental Threshold and the Aggregate Deductible, in the event that any Environmental Defect timely asserted by Buyers in accordance with *Section 7.1(a)* is not waived in writing by Buyers or cured on or before Closing, the Parties shall mutually elect to:

(i) reduce the Purchase Price by the Remediation Amount for such Environmental Defect;

(ii) have SM assume responsibility for the Remediation of such Environmental Defect;

(iii) have SM retain the entirety of the Environmental Defect Property subject to such Environmental Defect, together with all associated Assets, and reduce the Purchase Price by an amount equal to the Allocated Value of the Environmental Defect Property and associated Assets; or

(iv) indemnify Buyers against all Liability resulting from such Environmental Defect with respect to the Assets pursuant to an indemnity agreement in a form mutually agreeable to the Parties.

If the Parties elect the option set forth in clause (i) above, each Buyer shall be deemed to have assumed responsibility, severally and not jointly, for its Proportionate Share of all costs and expenses attributable to the Remediation of the applicable Environmental Defect (net to the Assets) and all Liabilities (net to the Assets) with respect thereto, and each Buyer's obligations with respect to the foregoing shall be deemed to constitute part of the Assumed Obligations. If the Parties elect the option set forth in clause (ii) above, SM shall use its reasonable efforts to implement such Remediation in a manner that is consistent with the requirements of Environmental Laws in a timely fashion for the type of Remediation that SM elects to undertake. SM will be deemed to have adequately completed the Remediation required in the immediately

preceding sentence at such time that the Remediation has been implemented to the extent necessary to comply with existing regulatory requirements. In the event that the Parties do not agree in writing by the Closing on an election of alternative (i), (ii), (iii) or (iv) above with respect to any Environmental Defect properly asserted by Buyers in accordance with *Section 7.1(a)*, then (A) if the Remediation Amount is less than the Allocated Value of the affected Environmental Defect Property, then the Parties shall be deemed to have elected alternative (i) as the remedy and (B) if the Remediation Amount is greater than the Allocated Value of the affected Environmental Defect Property, then SM may elect alternative (iii) as the remedy, provided that if SM does not elect alternative (iii), the Parties shall be deemed to have elected alternative (i) as the remedy.

(c) Exclusive Remedy. Subject to Buyers' remedy for a breach of SM's representation contained in *Section 3.13* (and claims under *Section 13.2(a)* with respect thereto), Buyers' rights under *Section 13.2(b)* for breaches of *Section 8.1(a)* or *8.1(b)* and Buyers' rights under *Section 13.2(d)*, *Section 7.1(b)* shall be the exclusive right and remedy of Buyers with respect to any Environmental Defect.

(d) Environmental Threshold and Deductibles. Notwithstanding anything to the contrary, in no event shall there be any adjustments to the Purchase Price or other remedies provided by SM for (i) any individual Environmental Defect for which the Remediation Amount does not exceed $50,000 ("***Individual Environmental Threshold***"), or (ii) any Environmental Defect for which the Remediation Amount exceeds the Individual Environmental Threshold, unless the sum of (A) the aggregate Remediation Amounts of all such Environmental Defects that exceed the Individual Environmental Threshold (excluding any Remediation Amounts attributable to (1) Environmental Defects cured by SM or (2) Environmental Defect Properties that SM retains pursuant to *Section 7.1(b)(iii)*), *plus* (B) the aggregate Title Defect Amounts of all Title Defects that exceed the Individual Title Defect Threshold (excluding any Title Defect Amounts attributable to Title Defects cured by SM), exceeds the Aggregate Deductible, after which point Buyer shall only be entitled to adjustments to the Purchase Price with respect to such Environmental Defects in excess of the Aggregate Deductible. For the avoidance of doubt, if SM retains any Asset pursuant to *Section 7.1(b)(iii)*, the Purchase Price shall be reduced by the Allocated Value of such retained Asset and the Remediation Amount for the Environmental Defect relating to such retained Asset will not be counted towards the Aggregate Deductible (after the consideration of the other amounts applied against the Aggregate Deductible).

(e) Environmental Dispute Resolution. SM and Buyers shall attempt to agree on all Environmental Defects and Remediation Amounts prior to Closing. If SM and Buyers are unable to agree on any such matter by Closing, any Environmental Defects or Remediation Amounts in Dispute will be exclusively and finally resolved by arbitration pursuant to this *Section 7.1(e)*. There will be a single arbitrator, who must be an environmental attorney with at least ten (10) years' experience in environmental matters involving oil and gas properties in the regional area in which the applicable Environmental Defect Properties are located, as selected by mutual agreement of Buyers and SM within fifteen (15) days after any Party invokes the provisions of this *Section 7.1(e)* to resolve such Dispute, and absent such agreement, by the Houston office of the AAA (the "***Environmental Arbitrator***"). The Environmental Arbitrator shall not have worked as an employee or performed more than $25,000 of Work as outside counsel for any Party or its Affiliates during the five (5) year period preceding the arbitration or

have any financial interest in the dispute. The arbitration proceeding will be held in Houston, Texas and conducted in accordance with the AAA Rules to the extent such rules do not conflict with the terms of this *Section 7.1(e)*. The Environmental Arbitrator's determination must be made within twenty (20) days after submission of the matters in Dispute and shall be final and binding upon both Parties, without right of appeal. In making its determination, the Environmental Arbitrator shall be bound by the rules set forth in this *Section 7.1* and, subject to the foregoing, may consider such other matters as in the opinion of the Environmental Arbitrator are necessary or helpful to make a proper determination. The Environmental Arbitrator, however, may not award Buyers a greater Remediation Amount than the Remediation Amount claimed by Buyers in the applicable Environmental Defect Notice, nor may the Environmental Arbitrator award Buyers a lesser Remediation Amount than the Remediation Amount proposed by SM. The Environmental Arbitrator will act as an expert for the limited purpose of determining the specific disputed Environmental Defects and/or Remediation Amounts submitted by either Party and may not award damages, interest or penalties to either Party with respect to any matter. SM and Buyers shall each bear their own legal fees and other costs of presenting its case. SM shall bear one-half, and Buyers shall bear one-half, of the costs and expenses of the Environmental Arbitrator. Any judgment of the award of the Environmental Arbitrator may be entered and enforced by any court of competent jurisdiction. To the extent that the award of the Environmental Arbitrator with respect to any Remediation Amount is not taken into account as an adjustment to the Purchase Price at Closing pursuant to *Section 2.3* and Buyers would otherwise be entitled to an adjustment under the provisions of *Section 7.1(b)*, then, within ten (10) days after the Environmental Arbitrator delivers written notice to Buyers and SM of such award and subject to *Section 7.1(d)*, any Party required to make a payment to effect such award shall make such payment.

7.2 NORM, Wastes and Other Substances. Buyers acknowledge that 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 or associated with the Assets. Equipment and sites included in the Assets may contain asbestos, NORM or other Hazardous Substances. NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms. The wells, materials and equipment located on the Assets or included in the Assets may contain NORM and other wastes or Hazardous Substances. NORM containing material or other wastes or Hazardous Substances may have come in contact with various environmental media, including without limitation, water, soils or sediment. 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.

ARTICLE VIII
CERTAIN AGREEMENTS

8.1 Conduct of Business. Except (x) as set forth in *Schedule 8.1*, (y) as expressly contemplated by this Agreement or (z) as expressly consented to in writing by Buyers, SM agrees that from and after the Execution Date up to Closing:

(a) SM will, and will cause its Affiliates to:

(i) maintain, and if SM is the Operator thereof, operate, the Assets in the usual, regular and ordinary manner consistent with its past practice, including payment of all delay rentals, shut-in royalties or minimum royalties required under the terms of any Leases;

(ii) will comply in all material respects with the terms of the Leases;

(iii) maintain the books of account and records relating to the Assets in the usual, regular and ordinary manner, in accordance with its usual accounting practices;

(iv) give written notice to Buyers as soon as is practicable of any written notice received or given by SM with respect to any alleged material breach by SM of any Lease or Material Contract;

(v) give prompt notice to Buyers of (A) any material damage to or material destruction of any of the Assets and (B) written notice received by SM (to the extent SM has Knowledge thereof or such notice has been received by SM's legal department) of any litigation or any material claim, investigation, suit or action instigated by or that is before any Governmental Authority with respect to the Assets; and

(vi) give prompt written notice to Buyers of any material event arising with respect to the Light Well.

(b) SM will not, and will cause its Affiliates not to:

(i) violate, in any material respect, any applicable Laws or any governmental permit with respect to the ownership and operation (where applicable) by SM of the Assets;

(ii) except for (A) emergency operations, (B) operations required under presently existing AFEs described on *Schedule 3.12*, (C) operations undertaken to avoid any penalty provision of any order of a Governmental Authority, (D) operations proposed by Third Parties relating to drilling, sidetracking, reworking or other similar operations with respect to the Assets operated by Third Parties and (E) operations required by applicable Law, agree to, propose or commence any operations on the Assets anticipated to cost (net to the Assets) in excess of $100,000 per operation; provided that with respect to emergency operations, SM shall notify Buyers of such emergency as soon as reasonably practicable;

(iii) enter into an Applicable Contract that, if entered into prior to the Execution Date, would be required to be listed in *Schedule 3.8(a)* or materially amend any right under any such Applicable Contract;

(iv) terminate (unless such Material Contract terminates pursuant to its stated terms) or materially amend the terms of any Material Contract;

(v) settle any suit or litigation or waive any material claims or rights of material value in each case attributable to the Assets and effecting the period after the Effective Time;

(vi) transfer, sell, mortgage, pledge or dispose of any portion of the Assets other than the sale or disposal of Hydrocarbons in the ordinary course of business and sales of equipment that is no longer necessary in the operation of the Assets or for which replacement equipment of equal or greater value has been obtained;

(vii) propose, or approve if its approval is required, any operation not in the ordinary course of business, or not consistent with recent practice or all applicable Laws and contracts;

(viii) grant or create any preferential right to purchase, right of first opportunity or other transfer restriction with respect to the Assets;

(ix) except as permitted by *Section 8.1(b)(ii)*, undertake any material deviation from the scope of SM's drilling plan for the Light Well provided to Buyers prior to the Execution Date without the prior written consent of Buyers, which consent shall not be unreasonably withheld or delayed;

(x) with respect to the Assets, make any material Tax election, file any amended material Tax Return, settle any proceeding with respect to any material Tax claim or assessment, or apply for any extension or waiver of the limitation period applicable to any material Tax claim or assessment relating to the Assets, in each case that would be applicable to any period beginning on the Effective Time; or

(xi) commit to do any of the foregoing.

(c) No later than five (5) Business Days following the Execution Date, SM shall deliver to Buyers SM's completion plan for the Light Well. Within five (5) Business Days following receipt of such completion plan, Buyers shall give SM written notice instructing SM to either complete the Light Well or not complete the Light Well. If the notice from Buyers specifies that SM shall complete the Light Well, then in conducting such completion activities, except as permitted by *Section 8.1(b)(ii)*, SM shall not undertake any material deviation from the scope of SM's completion plan for the Light Well provided to Buyers pursuant to this *Section 8.1(c)* without the prior written consent of Buyers, which consent shall not be unreasonably withheld or delayed.

8.2 Governmental Bonds. Buyers acknowledge that none of the bonds, letters of credit and guarantees, if any, posted by SM or its Affiliates with Governmental Authorities and relating to the Assets are transferable to Buyers. At or prior to Closing, Buyers shall deliver to SM evidence of the posting of bonds or other security with all applicable Governmental Authorities meeting the requirements of such Governmental Authorities to own the Assets.

8.3 Data Agreement. SM agrees that it will make all remaining installment payments as and when due under the Data Agreement and shall not be entitled to any Purchase Price

adjustment therefore (without prejudice to the Purchase Price adjusted and set forth in *Section 2.3(b)(v)*).

8.4 Obligation to Close Pit. At or prior to Closing, Buyers shall notify SM in writing whether they desire SM to close the pit located at the Briggs #1 wellsite. If Buyers so provide such a notice, SM shall, within sixty (60) days following receipt of such notice, at its sole cost, risk or expense, cause such pit to be closed and filled, and the associated surface remediated, in each case in accordance with the terms of all applicable Law and the applicable Lease. Notwithstanding anything to the contrary herein, there shall be no Purchase Price adjustments with respect to the costs of any activities described in the preceding sentence. From and after the Closing, Buyers shall grant SM

reasonable access to the relevant Assets for purposes of complying with this *Section 8.4*, including allowing SM to access, at SM's sole cost and expense, Buyers' utilities for purposes of complying with the foregoing.

8.5 Covenant Regarding Midstream Agreements. The Parties shall cooperate to obtain, prior to Closing, the Consents from the counterparties to the Applicable Contracts identified as items 1 through 4 on *Schedule 3.8(a)* (the "***Transportation Contracts***") to assign to Buyers the proportions of the rights and obligations arising under those Transportation Contracts identified in the definition of Applicable Contracts (the split of the Transportation Contracts, the "***Contract Split***"). In the event any such Consents are not obtained prior to Closing: (A) the Parties shall continue to use their commercially reasonable efforts to obtain the Contract Split until the Contract Split is accomplished; and (B) until the Contract Split is accomplished with respect to a Transportation Contract, SM shall hold that portion of such Transportation Contract included in the Assets for the benefit of Buyers, Buyers shall have the right to use the rights under such Transportation Contract that are to be assigned to Buyers pursuant to this Agreement, Buyers shall perform all obligations and covenants thereunder in connection with its use of such rights, including payment of all amounts required thereunder, and indemnify SM under this *Section 8.5* for all costs and expenses incurred by SM in connection with Buyers use of such rights.

ARTICLE IX
CONDITIONS TO CLOSING

9.1 Buyers' Conditions to Closing. The obligations of Buyers to consummate the transactions contemplated by this Agreement are subject to the fulfillment (or waiver by both Buyers) on or prior to the Closing of each of the following conditions:

(a) Representations. The representations and warranties of SM set forth in *Article III* shall be true and correct in all material respects (other than those representations and warranties of SM that are qualified by materiality, which shall be true and correct in all respects) as of the Closing Date as though made 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 those breaches, if any, of such representations and warranties that in the aggregate would not have a Material Adverse Effect.

(b) Performance. SM shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by SM is required prior to or at the Closing Date.

(c) No Legal Proceedings. No material suit, action or other proceeding instituted by an unaffiliated Third Party shall be pending before any Governmental Authority or arbitrator seeking to restrain, prohibit, enjoin or declare illegal, or seeking substantial damages in connection with, the transactions contemplated by this Agreement. No order, award or judgment shall have been issued by any Governmental Authority or arbitrator to restrain, prohibit, enjoin, or declare illegal, or awarding substantial damages in connection with, the transactions contemplated by this Agreement.

(d) Title Defects; Environmental Defects; Preferential Rights; Consents. The sum of (i) all (A) Title Defect Amounts determined under *Section 6.2(c)(i)*, *plus* (B) all potential adjustments to the Purchase Price pursuant to *Section 6.2(c)(ii)* if SM were to fail to cure all of the applicable Title Defects not cured as of the Closing in accordance with such section within the Cure Period, *less* (C) all reductions to the amounts in (A) and (B) above for Title Benefit Amounts determined under *Section 6.2(d)*, *plus* (ii) all (A) Remediation Amounts for Environmental Defects determined under *Section 7.1(b)(i)*, *plus* (B) all adjustments to the Purchase Price pursuant to *Section 7.1(b)(iii)*, *plus* (iii) all adjustments to the Purchase Price pursuant to *Section 6.4(a)(iii)* as a result of un-waived or unexpired Preferential Rights and *Section 6.4(b)(i)* in respect of unobtained or denied Consents, *plus* (iv) the amount of all Casualty Losses pursuant to *Section 6.3* shall, in the aggregate, be less than fifteen percent (15%) of the unadjusted aggregate Purchase Price.

(e) Closing Deliverables. SM shall have delivered (or be ready, willing and able to deliver at Closing) to Buyers the documents and other items required to be delivered by SM under *Section 11.3*.

9.2 SM's Conditions to Closing. The obligations of SM to consummate the transactions contemplated by this Agreement are subject to the fulfillment (or waiver by SM) on or prior to the Closing of each of the following conditions:

(a) Representations. The representations and warranties of Buyers set forth in *Article IV* shall be true and correct in all material respects (other than those representations and warranties of Buyers that are qualified by materiality, which shall be true and correct in all respects) as of the Closing Date as though made 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).

(b) Performance. Buyers shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by Buyers is required prior to or at the Closing Date.

(c) No Legal Proceedings. No material suit, action or other proceeding instituted by an unaffiliated Third Party shall be pending before any Governmental Authority or arbitrator seeking to restrain, prohibit, enjoin or declare illegal, or seeking substantial damages in

connection with, the transactions contemplated by this Agreement. No order, award or judgment shall have been issued by any Governmental Authority or arbitrator to restrain, prohibit, enjoin, or declare illegal, or awarding substantial damages in connection with, the transactions contemplated by this Agreement.

(d) Title Defects; Environmental Defects; Preferential Rights; Consents. The sum of (i) all (A) Title Defect Amounts determined under *Section 6.2(c)(i)*, *plus* (B) all potential adjustments to the Purchase Price pursuant to *Section 6.2(c)(ii)* if SM were to fail to cure all of the applicable Title Defects not cured as of the Closing in accordance with such section within the Cure Period, *less* (C) all reductions to the amounts in (A) and (B) above for Title Benefit Amounts determined under *Section 6.2(d)*, *plus* (ii) all (A) Remediation Amounts for Environmental Defects determined under *Section 7.1(b)(i)*, *plus* (B) all adjustments to the Purchase Price pursuant to *Section 7.1(b)(iii)*, *plus* (iii) all adjustments to the Purchase Price pursuant to *Section 6.4(a)(iii)* as a result of un-waived or unexpired Preferential Rights and *Section 6.4(b)(i)* in respect of unobtained or denied Consents, *plus* (iv) the amount of all Casualty Losses pursuant to *Section 6.3* shall, in the aggregate, be less than fifteen percent (15%) of the unadjusted aggregate Purchase Price.

(e) Closing Deliverables. Buyers shall have delivered (or be ready, willing and able to deliver at Closing) to SM the documents and other items required to be delivered by Buyers under *Section 11.3*.

ARTICLE X
TAX MATTERS

10.1 Asset Tax Liability. Subject to the treatment of ad valorem Taxes provided below, all Asset Taxes shall be allocated between Buyers (on the one hand) and SM (on the other hand) as of the Effective Time for all taxable periods that include the Effective Time as set forth in this *Section 10.1*. Likewise, this *Section 10.1* shall control the determination of the portion of the Assets Taxes that constitute Operating Expenses properly allocable to the period from and after the Effective Time and to the Interim Period for the purpose of *Section 2.3* and all other sections of this Agreement for a taxable period that includes the Effective Time or the Closing Date. However, no

liability for Asset Taxes pursuant to this *Section 10.1* shall duplicate an adjustment to the Purchase Price made pursuant to *Section 2.3* or any other provision of this Agreement. All Asset Taxes that are not ad valorem taxes, such as severance and production taxes, shall be allocated to SM to the extent they relate to production prior to the Effective Time and to the Buyers (in accordance with their respective Proportionate Share) to the extent they relate to production on or after the Effective Time (i.e., based upon the number of units or value of production actually produced and sold, as applicable, on or after the Effective Date). Ad valorem Taxes for each assessment period that includes the Effective Date shall be allocated to SM based on the percentage of the assessment period occurring before the Effective Time and to the Buyers (in accordance with their respective Proportionate Shares) based on the percentage of the assessment period occurring on or after the Effective Time (determined through daily proration). Each Party shall promptly furnish to the other copies of any Asset Tax assessments and statements (or invoices therefor from the operator of the Assets) received by it to the extent such assessment, statement, or invoice relates to an Asset Tax allocable to the other Party under this *Section 10.1*. Each Party shall timely pay all Asset Taxes subject to allocation under this

Section and shall furnish to the other Party evidence of such payment. The Parties shall estimate all Asset Taxes asserted against it that are attributable to the ownership or operation of the Assets to the extent they relate to the period on and after the Effective Time and through the Closing Date and all Subject Transfer Taxes and incorporate such estimates into the Preliminary Settlement Statement. The actual amounts (to the extent the actual amounts differ from the estimates included in the Preliminary Settlement Statement and are known at the time of the Final Settlement Statement) shall be accounted for in the Final Settlement Statement. If the actual amounts are not known at the time of the Final Settlement Statement, the amounts shall be re-estimated based on the best information available at the time of the Final Settlement Statement. When the actual amounts are known, Buyers (on the one hand) or SM shall make such payments to the other (if any) as are necessary to effect the allocation of Taxes described in this *Section 10.1*.

10.2 Transfer Taxes. All sales, use or other similar taxes, duties, levies, recording fees or other governmental charges (but, for the avoidance of doubt, not including any Asset Taxes, Franchise Tax Liability, or Income Tax Liability), if any, incurred by or imposed with respect to the property transfers undertaken pursuant to this Agreement ("***Subject Transfer Taxes***"), if any, shall be the responsibility of, and shall be paid by, the Buyers (in accordance with their respective Proportionate Shares). The Parties shall reasonably cooperate in taking steps that would minimize or eliminate any Subject Transfer Taxes. Buyers agree to file all Subject Transfer Tax Returns relating to such Subject Transfer Taxes.

10.3 Asset Tax Reports and Returns. For Asset Tax periods in which the Effective Time occurs, SM agrees to immediately forward to Buyers copies of any Asset Tax reports and Tax Returns received or filed by SM after Closing and provide Buyers with any information SM has that is reasonably necessary for Buyers to file any required Tax Return related to the Asset Taxes provided that SM shall not file any such Tax Return without the consent of the Buyers, which consent shall not be unreasonably withheld or delayed. Buyers agree to file all Tax Returns and reports applicable to the Assets that Buyers are required to file after the Closing and, subject to the provisions of *Section 10.1*, to pay all required Asset Taxes payable with respect to the Assets.

10.4 Tax Cooperation. Buyers and SM shall cooperate fully as and to the extent reasonably requested by the other party, in connection with the filing of any Tax Returns and any audit, litigation or other proceeding (each, a "***Tax Proceeding***") with respect to Taxes relating to or in connection with the Assets. Such cooperation shall include the retention and (upon the other Party's request) the provision of such records and information which are reasonably relevant to any such Tax Return or Tax Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

ARTICLE XI
CLOSING

11.1 Date of Closing. Subject to the conditions stated in this Agreement, the transfer by SM and the acceptance by Buyers of the Assets (the "***Closing***") shall occur on August 2, 2011 or, if all conditions to Closing in *Article IX* (other than those conditions that are only capable of

being satisfied at the Closing) have not yet been satisfied or waived by that date, five (5) Business Days after such conditions have been satisfied or waived, or such other date as Buyers and SM may agree upon in writing. The date when Closing actually occurs shall be the "***Closing Date***."

11.2 Place of Closing. Closing shall be held at the offices of Vinson & Elkins, LLP, 1001 Fannin Street, Suite 2500, Houston, Texas 77002, or such other location as Buyers and SM may agree upon in writing.

11.3 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) SM and Buyers shall execute and deliver the Assignment, in sufficient counterparts to facilitate recording in the applicable counties where the Assets are located;

(b) SM and Buyers shall execute and deliver assignments, on appropriate forms, of state and of federal leases comprising portions of the Assets, if any;

(c) SM and Buyers shall execute and deliver the Preliminary Settlement Statement prepared in accordance with *Section 2.5(a)*;

(d) Buyers shall deliver to SM, to the accounts designated in the Preliminary Settlement Statement, by direct bank or wire transfer in same day funds, the Closing Amount;

(e) SM shall deliver on forms supplied by Buyers (and reasonably acceptable to SM) transfer orders or letters in lieu thereof directing all purchasers of production to make payment to Buyers of proceeds attributable to Hydrocarbon production from the Assets from and after the Effective Time, for delivery by Buyers to each purchaser of such Hydrocarbon production;

(f) SM shall deliver an executed statement described in Treasury Regulation § 1.1445-2(b)(2) certifying that SM is not a "foreign person" or a "disregarded entity";

(g) Each Buyer shall execute and deliver a certificate from an authorized officer of such Buyer certifying on behalf of such Buyer that the conditions set forth in *Section 9.2(a)* and *Section 9.2(b)*, to the extent applicable to such Buyer, have been fulfilled by such Buyer;

(h) SM shall execute and deliver a certificate from an authorized officer of SM certifying on behalf of SM that the conditions set forth in *Section 9.1(a)* and *Section 9.1(b)* have been fulfilled by SM;

(i) SM shall deliver a recordable release of any trust, mortgages, financing statements, fixture filings and security agreements made by SM or its Affiliates affecting the Assets;

(j) SM shall deliver a certificate duly executed by the secretary or an assistant secretary of SM, dated as of the Closing, (i) attaching, and certifying on behalf of SM as complete and correct, copies of (A) the certificate of incorporation and bylaws of SM, each as in effect as of the Closing, and (B) the resolutions of the board of directors of SM authorizing the execution, delivery and performance by SM of this Agreement, any document delivered in connection with the Closing and the transactions contemplated hereby and (ii) certifying on behalf of SM the incumbency of each officer of SM executing this Agreement or any document delivered in connection with the Closing;

(k) Each Buyer shall deliver a certificate duly executed by the secretary or an assistant secretary of such Buyer, dated as of the Closing, (i) attaching, and certifying on behalf of such Buyer as complete and correct, copies of (A) in the case of Statoil, the certificate of formation and limited liability company agreement, and in the case of Talisman, the certificate of incorporation and by-laws, in each case as in effect as of the Closing, and (B) the resolutions of the board of directors of such Buyer authorizing the execution, delivery and performance by such Buyer of this Agreement, any document delivered in connection with the Closing and the transactions contemplated hereby, and (ii) certifying on behalf of such Buyer the incumbency of each officer of such Buyer executing this Agreement or any document delivered in connection with the Closing;

(l) SM and Buyers shall execute and deliver the Transition Services Agreement, if required by Buyers;

(m) SM and Buyers shall execute and deliver the joint instruction letter to the Escrow Agent to release the Deposit to SM; and

(n) SM and Buyers shall execute and deliver any other agreements, instruments and documents that are required by other terms of this Agreement to be executed or delivered at Closing.

11.4 Records. In addition to the obligations set forth under *Section 11.3* above, SM shall deliver to Talisman all of the Records (a) if the Parties enter into the Transition Services Agreement, on the date provided for in the Transition Services Agreement or (b) if the Parties do not enter into the Transition Services Agreement, as soon as reasonably practicable following the Closing Date but in any event within ten (10) days following such date. SM shall be entitled to retain copies of the Records.

ARTICLE XII
ACQUISITION TERMINATION AND REMEDIES

12.1 Right of Termination. This Agreement and the transactions contemplated herein may be terminated at any time prior to Closing:

(a) by any of SM or Buyers if any Governmental Authority or arbitrator restrains, prohibits, enjoins or declares illegal the transactions contemplated by this Agreement and such action by such Governmental Authority or arbitrator shall have become final and non-appealable;

(b) by SM if a breach of any provision of this Agreement has been committed by any Buyer which breach would give rise to a failure of a condition set forth in *Section 9.2(a)* or *9.2(b)* and such breach has not been waived by SM; provided that prior to any such termination, SM shall give written notice to Buyers specifying such breach and the breaching Buyer shall have until the later of August 12, 2011 or the day that is 10 Business Days after its receipt of such notice to cure any such breach;

(c) by Buyers if a breach of any provision of this Agreement has been committed by SM which breach would give rise to a failure of a condition set forth in *Section 9.1(a)* or *9.1(b)* and such breach has not been waived by Buyers; provided that prior to any such termination, Buyers shall give written notice to SM specifying such breach and SM shall have until the later of August 12, 2011 or the day that is 10 Business Days after its receipt of such notice to cure any such breach;

(d) by SM or Buyers if the Closing shall not have occurred on or before August 31, 2011;

(e) by SM and Buyers upon mutual written agreement;

provided, however, that no Party shall have the right to terminate this Agreement pursuant to*clause (b)*, *(c)* or *(d)* above if such Party or its Affiliates are at such time in material breach of any provision of this Agreement.

12.2 Effect of Termination.

(a) If the obligation to close the transactions contemplated by this Agreement is terminated pursuant to any provision of*Section 12.1*, then, except for the provisions of (a) *Section 2.2(c)*, *Sections 5.1(d)* through *5.1(f)*, *Section 5.2*, *Section 5.3*, this *Section 12.2*, *Section 13.9*, *Section 14.3*, *Section 14.7* and *Section 14.8* and (b) such terms as set forth in this Agreement as are necessary in order to give context to any of the surviving Sections, this Agreement shall forthwith become void and the Parties shall have no liability or obligation hereunder except as set forth in *Sections 12.2(b)* and *12.2(c)* and except to the extent such termination results from the willful breach by a Party of any of its covenants or agreements hereunder, in which case the non-breaching Party or Parties shall be entitled to all remedies available at Law or in equity, including specific performance, and shall be entitled to recover court costs and reasonable attorneys' fees in addition to any other relief to which such Party or Parties may be entitled.

(b) If this Agreement is terminated because of: (i) the failure of any Buyer to materially perform any of its obligations hereunder, or (ii) the failure of any of the Buyers' representations or warranties hereunder to be true and correct in all material respects (or, in the case of those representations and warranties of a Buyer that are qualified by materiality, the failure of such representations and warranties to be true and correct in all respects) as of the date of this Agreement and/or as of the Closing, then, in such event, SM shall have the right to receive the Deposit free of any claims by Buyers thereto as liquidated damages and SM's sole remedy (other than for breaches of those Sections referenced in *Section 12.2(a)*) and in such case

the Parties shall instruct the Escrow Agent to release the Deposit to SM pursuant to the terms of the Escrow Agreement.

(c) If this Agreement is terminated for any reason other than those set forth in*Section 12.2(b)(i)* or *12.2(b)(ii)*, then Buyers shall be entitled to the return of the Deposit, free of any claims by SM with respect thereto (and in such case the Parties shall instruct the Escrow Agent to release the Deposit to Buyers pursuant to the terms of the Escrow Agreement within 48 hours of such termination).

12.3 Return of Documentation and Confidentiality. Upon termination of this Agreement, Buyers shall return to SM or destroy all title, engineering, geological and geophysical data, environmental assessments or reports, maps and other information furnished by SM to Buyers or prepared by or on behalf of Buyers in connection with its due diligence investigation of the Assets, in each case, in accordance with the Confidentiality Agreements (and subject to such retention rights as are provided in the Confidentiality Agreement), and an officer of each Buyer shall certify same to SM in writing.

ARTICLE XIII
ASSUMPTION; SURVIVAL; INDEMNIFICATION

13.1 Assumption by Buyers. Without limiting Buyers' rights to indemnity under this *Article XIII,* rights with respect to Title Defects pursuant to *Article VI*, rights with respect to Environmental Defects pursuant to *Article VII* or rights under the special warranty of title set forth in the Assignment, and subject to any adjustments to the Purchase Price pursuant to *Section 2.3*, from and after Closing, each Buyer, severally and not jointly, assumes and agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) its Proportionate Share of all obligations and Liabilities, known or unknown, with respect to the Assets, regardless of whether such obligations or Liabilities arose prior to, on or after the Effective Time, including, but not limited to, obligations and Liabilities attributable to or arising out of the use, ownership or operation of the Assets, such as obligations to: (a) furnish makeup gas and/or settle Imbalances attributable to the Assets according to the terms of applicable gas sales, processing, gathering or transportation contracts, (b) pay working interests, royalties, overriding royalties and other interest owners' revenues or proceeds attributable to sales of Hydrocarbons produced from the Assets (other than those held in suspense by the operator thereof), (c) pay the proportionate share attributable to the Assets to properly plug and abandon any and all wells, including temporarily abandoned wells, located on the Assets, (d) pay the proportionate share attributable to the Assets to dismantle or decommission and remove any Personal Property and other property of whatever kind related to or associated with operations and activities conducted by whomever on the Assets, (e) pay the proportionate share attributable to the Assets to clean up, restore and/or remediate the Assets in accordance with the Applicable contracts and Laws, and (f) pay the proportionate share attributable to the Assets to perform all obligations applicable to or imposed under the Leases and the Applicable Contracts, or as required by any Law, on the owner of the Assets, including, subject to *Section 10.1*, from and after Closing, the payment of all Taxes related to the Assets (all of said obligations and Liabilities, subject to the exclusions below, herein being referred to as the "***Assumed Obligations***"); provided, Buyers do not assume any obligations or Liabilities of SM attributable

to the Assets to the extent that such obligations or Liabilities consist of any of the following (the "***Retained Obligations***"):

(i) attributable to or arise out of the ownership, use or operation of the Excluded Assets;

(ii) attributable to or arise out of the actions, suits or proceedings, if any, set forth on *Schedule 13.1*; or

(iii) attributable to any Income Tax Liability or Franchise Tax Liability, as well as any Asset Taxes for which SM is responsible pursuant to *Section 10.1*.

13.2 Indemnities of SM. Effective as of the Closing, subject to the limitations set forth in *Section 13.4* and otherwise contained in this *Article XIII*, SM is responsible for, shall pay on a current basis and agrees to defend, indemnify and hold harmless each Buyer and its Affiliates, and all of its and their respective stockholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, "***Buyer Indemnified Parties***") from and against any and all Liabilities, arising from, based upon, related to or associated with:

(a) any breach by SM of its representations or warranties contained in *Article III* or as certified to in the certificate delivered at Closing by SM in accordance with *Section 11.3(h)*;

(b) any breach by SM of its covenants and agreements contained in this Agreement or as certified to in the certificate delivered at Closing by SM in accordance with *Section 11.3(h)*;

(c) the Retained Obligations;

(d) attributable to the disposal or transportation of any Hazardous Substances from the Assets attributable to the period of SM's or its Affiliates' ownership of the Assets and prior to the Execution Date, to any location not on the Assets or lands pooled or unitized therewith;

(e) attributable to claims for bodily injury, illness or death arising out of, incident to or in connection with SM's ownership or operation of the Assets prior to the Execution Date;

(f) attributable to wells on the Assets that were permanently abandoned by SM prior to the Closing Date; or

(g) attributable to amounts payable to any Affiliate of SM with respect to the Assets related to periods prior to Closing.

13.3 Indemnities of Buyers.

(a) Effective as of the Closing, each Buyer and its successors and assigns shall assume, be responsible for, shall pay on a current basis and agree to defend, indemnify,

hold harmless and forever release SM and its Affiliates, and all of their respective stockholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, "***SM Indemnified Parties***") from and against any and all Liabilities arising from, based upon, related to or associated with:

(i) any breach by such Buyer of its representations or warranties contained in *Article IV* or as certified to in the certificate delivered in accordance with *Section 11.3(g)*; or

(ii) any breach by such Buyer of its covenants and agreements contained in this Agreement or as certified to in the certificate delivered in accordance with *Section 11.3(g)*.

(b) Effective as of the Closing, each Buyer, severally and not jointly, and its successors and assigns shall assume, be responsible for, shall pay on a current basis and agree to defend, indemnify, hold harmless and forever release SM and its Affiliates, and all of their respective stockholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, "***SM Indemnified Parties***") from and against such Buyer's Proportionate Share of any and all Liabilities arising from, based upon, related to or associated with the Assumed Obligations, but excepting Liabilities against which SM is required to indemnify Buyers under *Section 13.2* at the time that the Claim Notice is presented by a Buyer Indemnified Party to SM.

13.4 Limitation on Liability.

(a) Neither Party shall have any liability for any indemnification under *Section 13.2(a)*, *13.2(b)* or *13.3(a)* unless the individual amount of any Liability for which a Claim Notice is properly delivered under this *Article XIII* and for which the Indemnifying Party is liable exceeds $50,000. SM shall not have any liability for any indemnification under *Section 13.2(a)* or *13.2(b)* unless the aggregate amount of such Liabilities for which SM is liable under this Agreement after the application of the provisions of the immediately preceding sentence exceeds one and a half percent (1.5%) of the aggregate unadjusted Purchase Price. The provisions in this *Section 13.4(a)* shall not limit SM's liability for breaches of a Fundamental Representation or for breaches of *Section 3.15*.

(b) For purposes of this *Article XIII*, any breach or inaccuracy in any representations or warranties shall be determined without regard to any dollar or materiality (including Material Adverse Effect) qualifiers.

(c) Notwithstanding anything to the contrary contained in this Agreement, SM shall not be required to indemnify the Buyer Indemnified Parties for aggregate Liabilities under *Section 13.2* in excess of thirty percent (30%) of the aggregate unadjusted Purchase Price. The provisions in this *Section 13.4(c)* shall not limit SM's liability for fraud or for breaches of a Fundamental Representation or for breaches of *Section 3.15*.

(d) In no event shall any Indemnified Person be entitled to duplicate compensation with respect to the same Liability under more than one provision of the

Agreement, any document delivered in connection with the Closing or through any payments actually received from Third Party insurance providers.

(e) For the avoidance of doubt, any Damages to which Buyers are entitled under *Section 13.2(a)* for a breach of *Section 3.10* relating to the failure of SM to pay a Burden, shut-in royalty, minimum royalty, delay rental or other payment with respect to the Interim Period shall not include the actual amount of such payment.

13.5 Express Negligence. EXCEPT AS OTHERWISE PROVIDED IN *SECTION 5.1(d)*, THE INDEMNIFICATION, RELEASE, ASSUMED OBLIGATIONS, WAIVER AND LIMITATION OF LIABILITY PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LIABILITIES, LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE OR RESULTED SOLELY OR IN PART FROM THE GROSS, SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY ANY INDEMNIFIED PERSON. BUYERS AND SM ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS "CONSPICUOUS".

13.6 Exclusive Remedy for Agreement. Notwithstanding anything to the contrary contained in this Agreement, from and after Closing, *Section 5.1(d)*, *Section 13.2* and *Section 13.3* contain the Parties' exclusive remedy against each other with respect to breaches of the representations, warranties, covenants and agreements (other than *Section 8.3*, *8.4, 8.5, 14.14* or *14.15*) of the Parties contained in this Agreement and the affirmations of such representations, warranties, covenants and agreements contained in the certificate delivered by each Party at Closing pursuant to *Section 11.3(g)* or *Section 11.3(h)*, as applicable. Except for (a) the remedies contained in this *Article XIII*, (b) other remedies available to the Parties at Law or in equity for breaches of *Section 5.1(d)*, *Section 5.2*, *Section 8.3, Section 8.4, Section 8.5*, *Section 14.14*, and *Section 14.15*, and (c) the special warranty of title in the Assignment, from and after Closing, SM and Buyers each release, remise and forever discharge the other Party(ies) and its/their Affiliates and all such Persons' stockholders, members, officers, directors, employees, agents, advisors and representatives from any and all Liabilities in Law or in equity, known or unknown, which such Parties might now or subsequently may have, based on, relating to or arising out of (i) this Agreement or the consummation of the transactions contemplated by this Agreement, (ii) the ownership, use or operation of the Assets prior to the Closing, or the condition, quality, status or nature of the Assets prior to the Closing, including rights to contribution under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, (iii) breaches of statutory or implied warranties with respect to this Agreement, (iv) nuisance or other tort actions with respect to this Agreement, (v) rights to punitive damages with respect to this Agreement, (vi) common Law rights of contribution with respect to this Agreement, and (vii) rights under insurance maintained by SM or any of its Affiliates with respect to this Agreement. Without limiting the generality of the foregoing, each Party hereby waives any right or remedy of rescission.

13.7 Indemnification Procedures. All claims for indemnification under *Section 5.1(d)*, *Section 13.2* and *Section 13.3* shall be asserted and resolved as follows:

(a) For purposes of this *Article XIII*, the term "***Indemnifying Party***", when used in connection with particular Liabilities, shall mean the Party having an obligation to indemnify another Party or Person(s) with respect to such Liabilities pursuant to this *Article XIII*, and the term "***Indemnified Party***", when used in connection with particular Liabilities, shall mean the Party or Person(s) having the right to be indemnified with respect to such Liabilities by another Party pursuant to this *Article XIII*.

(b) To make claim for indemnification under *Section 5.1(d)*, *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* shall not relieve the Indemnifying Party of its obligations under *Section 5.1(d)*, *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 claim. In the event that the claim for indemnification is based upon an inaccuracy or breach of a representation, warranty, covenant or agreement, the Claim Notice shall specify the representation, warranty, covenant or agreement that was inaccurate or breached.

(c) 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 to notify the Indemnified Party whether it admits or denies its obligation 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, at the expense of the Indemnifying Party, 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.

(d) If the Indemnifying Party admits its obligation to indemnify a Third Party Claim, it shall have the right and obligation to diligently defend, at its sole cost and expense, the Third Party Claim provided that, where the Third Party Claim consists of a civil, criminal or regulatory proceeding, action, indictment or investigation against the Indemnified Party by any Governmental Authority, the Indemnified Party shall at its option have the right to control the defense and proceedings. Except as provided in the preceding sentence, the Indemnifying Party 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 (provided, however, that the Indemnified Party shall not be required to bring any counterclaim or cross-complaint against any Person). 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(d)*. An Indemnifying Party shall not, without the written consent of the Indemnified Party, (i) settle any Third Party Claim or consent to the entry of any

judgment with respect thereto which does not result in a final resolution of the Indemnified Party's Liability in respect of such Third Party Claim (including in the case of a settlement 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).

(e) If the Indemnifying Party does not admit its obligation to indemnify and bear all expenses associated with a Third Party Claim or admits its obligation to indemnify and bear all expenses associated with a Third Party Claim but fails to diligently prosecute or settle the Third Party Claim, then the Indemnified Party shall have the right to defend against the Third Party Claim at the sole cost and expense of the Indemnifying Party, with counsel of the Indemnified Party's choosing, subject to the right of the Indemnifying Party to admit its obligation to indemnify and bear all expenses associated with a Third Party Claim 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 obligation to indemnify and bear all expenses associated with 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) Business Days following receipt of such notice to (i) admit in writing its obligation to indemnify and bear all expenses associated with a Third Party Claim and (ii) if such obligation is so admitted, reject, in its reasonable judgment, the proposed settlement.

(f) 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 obligation to indemnify for and bear all expenses associated with 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, the amount of such Liabilities shall conclusively be deemed a liability of the Indemnifying Party hereunder.

13.8 Survival. The representations and warranties of the Parties contained in *Sections 3.1*, *3.2*, *3.3(a)*, *3.5*, *3.15*, *4.1*, *4.2*, *4.3(a)*, *4.5*, *4.9* and *4.10* (collectively, the "***Fundamental Representations***") shall, in each case, survive the Closing without time limit. The representations and warranties of SM contained in *Article III* and of each of the Buyers in *Article IV* (in each case, other than the Fundamental Representations) shall, in each case, survive the Closing for a period of twelve (12) months. The covenants and agreements of SM contained in *Section 13.2(d)* through *Section 13.2(f)* shall, in each case, survive the Closing for a period of twenty-four (24) months. The other covenants and agreements of SM and Buyers contained in this Agreement shall survive the Closing without time limit. Representations, warranties, covenants and agreements shall be of no further force and effect after the date of their expiration; provided that there shall be no termination of any bona fide claim asserted pursuant to this Agreement with respect to such a representation, warranty, covenant or agreement prior to its expiration date.

13.9 Non-Compensatory Damages. None of the Buyer Indemnified Parties or SM Indemnified Parties shall be entitled to recover from SM or Buyers, as applicable, or their respective Affiliates, any indirect, consequential, punitive or exemplary damages or damages for

lost profits of any kind arising under or in connection with this Agreement or the transactions contemplated by this Agreement, except to the extent any such Party suffers such damages (including costs of defense and reasonable attorney's fees incurred in connection with defending of such damages) to a Third Party, which damages (including costs of defense and reasonable attorney's 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, each Buyer, on behalf of each of its Buyer Indemnified Parties, and SM, on behalf of each of the SM Indemnified Parties, each waive any right to recover punitive, special, exemplary and consequential damages, including damages for lost profits of any kind, arising in connection with this Agreement or the transactions contemplated by this Agreement. This Section shall not restrict any Party's right to obtain specific performance or other equitable remedies (other than rescission) pursuant to *Section 12.2*.

13.10 Cooperation by Buyers Concerning Retained Litigation. Buyers agree to use reasonable efforts to cooperate with SM in connection with SM's defense and other actions relating to or arising out of the litigation and claims set forth on *Schedule 13.1*.

ARTICLE XIV
MISCELLANEOUS

14.1 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 transmission shall be deemed an original signature hereto.

14.2 Notices. All notices and communications required or permitted to be given hereunder shall be sufficient in all respects if given in writing and delivered personally, or sent by bonded overnight courier, or mailed by U.S. Express Mail or by certified or registered United States Mail with all postage fully prepaid, or sent by telex or facsimile transmission (provided any such telex or facsimile transmission is confirmed either orally or by written confirmation), 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 SM:

SM Energy Company
1775 Sherman Street, Suite 1200
Denver, CO 80203
Attention: David W. Copeland — Senior Vice President, General Counsel and Corporate Secretary
Fax: 303.864.2598

SM Energy Company
777 North Eldridge Parkway, Suite 1000
Houston, TX 77079
Attention: Kenneth J. Knott — Vice President, Business Development & Land
Fax: 281.677.2810

If to Statoil:

Statoil Texas Onshore Properties LLC
2103 City West Blvd., Suite 800
Houston, Texas 77042
Attn: Head of US Onshore

Facsimile: (713) 918-8290

With a copy to:

Morgan, Lewis & Bockius LLP
1000 Louisiana, Suite 4000
Houston, Texas 77002
Attention: Michael R. King
Fax: 713.890.5001

If to Talisman:

Talisman Energy USA Inc.
50 Pennwood Place
Warrendale, Pennsylvania 15086
Attn: Associate General Counsel
Fax: (724) 814-5301

With a copy to:

Morgan, Lewis & Bockius LLP
1000 Louisiana, Suite 4000
Houston, Texas 77002
Attention: Michael R. King
Fax: 713.890.5001

Any notice given in accordance herewith shall be deemed to have been given when (a) delivered to the addressee in person or by courier, (b) transmitted by facsimile transmission during normal business hours, or (c) upon actual receipt by the addressee after such notice has either been delivered to an overnight courier or deposited in the United States Mail, as the case may be. The Parties may change the address and facsimile numbers to which such communications are to be addressed by giving written notice to the other Parties in the manner provided in this *Section 14.2*.

14.3 Expenses. Except as otherwise specifically provided, all fees, costs and expenses incurred by the Parties in negotiating this Agreement shall be paid by the Party incurring the same, including legal and accounting fees, costs and expenses.

14.4 Waivers; Rights Cumulative. Any of the terms, covenants 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 Party or its respective officers, employees, agents or representatives, and no failure by a Party to exercise any of its rights under this Agreement shall, in either 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 or covenant 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 or covenant. The rights of the Parties 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.

14.5 Relationship of the Parties. The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, and this Agreement shall not be deemed or construed to create, a mining or other partnership, joint venture or association or a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries.

14.6 Entire Agreement; Conflicts. THIS AGREEMENT, THE EXHIBITS, SCHEDULES AND APPENDICES HERETO AND THE AGREEMENTS TO BE EXECUTED PURSUANT TO THIS AGREEMENT (INCLUDING THE ASSIGNMENT) AS OF THE CLOSING DATE COLLECTIVELY CONSTITUTE THE ENTIRE AGREEMENT AMONG 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 OF THIS AGREEMENT. THERE ARE NO WARRANTIES, REPRESENTATIONS OR OTHER AGREEMENTS AMONG THE PARTIES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT AND THE AGREEMENTS TO BE EXECUTED PURSUANT TO THIS AGREEMENT (INCLUDING THE ASSIGNMENT) AS OF THE CLOSING DATE, AND NO PARTY 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 EXHIBIT HERETO; THE TERMS AND PROVISIONS OF THIS AGREEMENT SHALL GOVERN AND CONTROL; PROVIDED, HOWEVER, THAT THE INCLUSION IN ANY OF THE 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.

14.7 Governing Law. THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. SUBJECT TO *SECTION 2.5(c)*, *SECTION 6.2(i)*, *SECTION 7.1(e)* AND *SECTION 14.8*, THE PARTIES CONSENT TO THE EXERCISE OF JURISDICTION IN PERSONAM BY THE UNITED STATES DISTRICT COURT AND THE COURTS OF THE STATE OF TEXAS LOCATED IN HARRIS COUNTY IN THE STATE OF TEXAS FOR ANY DISPUTE AND/OR THE ENFORCEMENT OF ANY ARBITRATION OR EXPERT AWARD.

14.8 Dispute Resolution. Except for (1) determinations by the Accounting Arbitrator pursuant to *Section 2.5(c)*, (2) determinations of Title Disputes pursuant to *Section 6.2(i)*, or (3) determinations of Environmental Disputes pursuant to *Section 7.1(e)*, any Dispute shall be settled by arbitration administered by the American Arbitration Association (the "***AAA***") under its Commercial Arbitration Rules (the "***AAA Rules***"), as modified below:

(a) The arbitration shall be conducted by three arbitrators. The place of arbitration shall be Houston, Texas. Within thirty (30) days of any Party providing notice to the other Party of a Dispute, each Party to such Dispute shall appoint one arbitrator (provided that if both Buyers are party to a dispute with SM, the Buyers shall collectively appoint one (1) arbitrator and SM shall appoint one (1) arbitrator), and the two arbitrators so appointed shall select the third and presiding arbitrator within thirty (30) days following appointment of the second Party-appointed arbitrator. If either Party or group of Parties fails to appoint an arbitrator within the permitted time period, then the missing arbitrator(s) shall be selected by the AAA as appointing authority in accordance with the AAA Rules. Any arbitrator nominated or appointed by the AAA shall be a member of the Large, Complex Commercial Case Panel of the AAA. In addition to the rules of the AAA and applicable Law on arbitrator neutrality, no

arbitrator shall have been an employee or consultant to any Party or any of its Affiliates within the five year period preceding the arbitration, or have any financial interest in the Dispute.

(b) All decisions of the arbitral tribunal shall be made by majority vote. All awards of the arbitral tribunal shall be final and binding, subject only to grounds and procedures for vacating, modifying or correcting such under the Federal Arbitration Act (9 U.S.C. § 1 *et seq.*). Judgment on the award may be entered and enforced by any court of competent jurisdiction.

(c) Notwithstanding the agreement to arbitrate Disputes in this *Section 14.8*, any Party may apply to a court for interim measures pending appointment of the arbitration tribunal, including injunction, attachment and conservation orders. The Parties agree that seeking and obtaining such court-ordered interim measures shall not waive any Party's right to arbitration. Additionally, the arbitrators (or in an emergency the presiding arbitrator acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Hearings on requests for interim measures may be held in person, by telephone or video conference or by other means that permit the Parties to present evidence and arguments. The arbitrators (or

chairperson, as the case may be) may require any Party to provide appropriate security in connection with such measures.

(d) The arbitral tribunal is authorized to award costs, attorneys' fees and expert witness fees and to allocate such costs and fees among the Parties. The award may include interest, at the Agreed Interest Rate, from the date of any default, breach or other accrual of a claim until the arbitral award is paid in full. The arbitrators may not award indirect, consequential, special or punitive damages except to the extent such damages are expressly allowed under the terms of this Agreement. Unless otherwise directed by the arbitral tribunal, each Party shall pay its own expenses in connection with the arbitration. The cost of the arbitrators shall be split evenly between the Parties.

(e) All negotiations, mediation, arbitration and expert determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a mediation or arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their respective Affiliates or any of their respective employees, officers, directors, counsel, consultants and expert witnesses, except to the extent necessary to enforce any settlement agreement, arbitration award or expert determination, to enforce other rights of a Party, as required by Law or for a bona fide business purpose, such as disclosure to accountants, shareholders or third-party purchasers; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination or award.

(f) Any papers, notices or process necessary or proper for an arbitration hereunder, or any court action in connection with an arbitration or an award, may be served on a Party in the manner set forth in *Section 14.2*.

14.9 Filings, Notices and Certain Governmental Approvals; Use of Name.

(a) Promptly after Closing, Buyers shall (a) record the Assignments and all state/federal assignments executed at Closing in all applicable real property records and/or, if applicable, all state or federal agencies, (b) actively pursue all Customary Post-Closing Consents that may be required in connection with the assignment of the Assets to Buyers, and (c) continue to use reasonable efforts to pursue all other consents and approvals that may be required in connection with the (i) assignment of the Assets to Buyers and (ii) assumption of the Assumed Liabilities by Buyers hereunder, in each case, that shall not have been obtained prior to Closing.

(b) As promptly as practicable after the Closing Date but in any event within sixty (60) days of the Closing Date, Buyers shall eliminate the names "SM Energy Company", "SM Energy", "Saint Mary", "SM" 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 SM or any of its Affiliates.

14.10 Amendment. This Agreement may be amended only by an instrument in writing executed by all of the Parties and expressly identified as an amendment or modification hereof.

14.11 Parties in Interest. Nothing in this Agreement shall entitle any Person other than the Parties to any claim, cause of action, remedy or right of any kind.

14.12 Successors and Permitted Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

14.13 Publicity. Prior to making any public announcement or statement in connection with the entry into or consummation of this Agreement or, prior to making any other public announcement or statement regarding this Agreement (including any term or condition hereof) on or before the Closing Date (a "***Closing Announcement***"), each Party shall provide the other Parties a draft of such announcement or statement prior to making such announcement or statement and advise the other Parties of any material revisions to such draft prior to making such announcement or statement. In addition, prior to making any such announcement or statement, the Party making such statement or announcement shall consider in good faith any revisions or comments that any other Party propose to such announcement or statement. After Closing, the Parties will not make any public announcement or statement that is materially inconsistent with such Party's Closing Announcement. Notwithstanding the foregoing, any Party may always make any disclosures required by applicable Law or the applicable rules or regulations of any Governmental Authority or stock exchange.

14.14 SM Confidentiality. If Closing should occur, then all data with respect to the Wells and information regarding the terms and provisions of the Leases (collectively, "***Confidential Information***") shall become confidential information with respect to SM, the disclosure of which by SM would cause irreparable harm to the Buyers. Accordingly, should Closing occur, then, during the twelve (12) month period following the Closing Date, SM will not, and will direct its Affiliates and its and their officers and employees not to, disclose to any Person any Confidential Information unless Buyers have provided prior written consent to such disclosure. Notwithstanding anything to the contrary herein, Confidential Information shall not include information that: (i) is in the public domain; or (ii) is acquired by SM from any Third Party if such Third Party is not known by SM, after reasonable inquiry, to be bound by a contractual, legal or fiduciary obligation of confidentiality or secrecy to a Buyer or any other Third Party with respect to such information. Notwithstanding anything to the contrary herein, SM may disclose Confidential Information to the extent such disclosure is required by Law, a Governmental Authority or any stock exchange rules, provided that SM shall, to the extent legally permissible and practicable, provide written advance notice of such disclosure to the Buyers or, with respect to data regarding the Wells, such information is included as part of aggregate data with respect to other wells or assets of SM or its Affiliates.

14.15 Post-Closing Limitations. If Closing should occur, SM and its Affiliates shall not directly or indirectly top lease any of the Leases during the primary term of each such Lease without the prior written consent of Buyers.

14.16 Preparation of Agreement. Both SM and Buyers 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.

14.17 Conduct of the Parties. Each Party warrants that it and its Affiliates have not made, offered or authorized and agrees that it will not make, offer or authorize with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or through any other Person, to or for the use or benefit of any public

official (being any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or public international organization) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate any applicable Law.

14.18 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.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives on and as of the Execution Date.

SM ENERGY COMPANY

By: /s/ KENNETH J. KNOTT
Name: Kenneth J. Knott
Title: Vice President, Business Development & Land

TALISMAN ENERGY USA INC.

By: /s/ ROBERT BROEN
Name: Robert Broen
Title: President

STATOIL TEXAS ONSHORE PROPERTIES LLC

By: /s/ IRENE RUMMELHOFF
Name: Irene Rummelhoff
Title: Vice President Business Development

APPENDIX I
DEFINITIONS

"***AAA***" means the American Arbitration Association.

"***AAA Rules***" means the Commercial Arbitration Rules of the AAA in effect as of the date of this Agreement.

"***Accounting Arbitrator***" has the meaning set forth in*Section 2.5(c)*.

"***AFE***" has the meaning set forth in*Section 3.12*.

"***Affiliate***" means, with respect to any Party, a Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with, such Party.

"***Agreed Interest Rate***" means the three-month London Interbank Offered Rate for the U.S. dollar, plus one percent (1%).

"***Aggregate Deductible***" has the meaning set forth in*Section 6.2(h)*.

"***Agreement***" has the meaning set forth in the preamble to this Agreement.

"***Allocated Value***" has the meaning set forth in*Section 2.4*.

"***Applicable Contracts***" means all contracts to which SM is a party that (a) primarily relate to the Assets and (b) that will be binding on the Assets or Buyers after Closing, in each case to the extent and only to the extent applicable to the Assets, including, without limitation; farmin and farmout agreements; bottomhole agreements; crude oil, condensate and natural gas purchase and sale agreements; gathering, transportation, exchange and marketing agreements; hydrocarbon storage agreements; acreage contribution agreements; operating agreements (including, for the avoidance of doubt, Applicable Operating Agreements); balancing agreements; pooling declarations or agreements; equipment leases, unitization agreements; processing agreements; balancing agreements, road use agreements, service agreements, crossing agreements and other

similar contracts and agreements, but excluding the Leases and any contracts included in the Excluded Assets. Notwithstanding anything to the contrary in the preceding sentence, the Applicable Contracts shall include: (a) only an undivided 11.43% of the rights and obligations of SM under the agreement between SM and Eagleford Gathering LLC identified on *Schedule 3.8(a)*, (b) only an undivided 11.43% of the throughput rights and obligations of SM under the agreements between SM and Regency Field Services and Regency Texas Pipeline LLC identified on *Schedule 3.8(a)* (the "***Regency Contracts***") (but, for clarity, the Applicable Contracts shall include all other rights and obligations of SM under the Regency Contracts that primarily relate to the Assets and that will be binding on the Assets or Buyers after Closing), and (c) the Data Agreement.

"***Applicable Operating Agreements***" means, collectively, the joint operating agreements applicable to the Assets, and "*Applicable Operating Agreement*" means any of them.

"***Asset Taxes***" means ad valorem, property, excise, severance, production or similar taxes (including any interest, fine, penalty or additions to tax imposed by Governmental Authorities in connection with such taxes) based upon operation or ownership of the Assets or the production of Hydrocarbons therefrom, but excluding, for the avoidance of doubt, income, capital gains and franchise taxes.

"***Assets***" means SM's right, title and interest in and to the following:

(a) all oil, gas and/or other Hydrocarbon leases, subleases, fee interests, reversionary leases, carried interests and other mineral interests within the area described on **Exhibit A-1**, including all such leases and interests described on **Exhibit A**, and any leasehold estates, royalty interests, overriding royalty interests, production payments, net profits interests, and other rights and interests to the oil and gas in place covered by such leases and interests (the "***Leases***"), the lands covered by the Leases (the "***Lands***"), and any pooled acreage, communitized acreage or units arising on account of Leases or Lands being pooled, communitized or unitized into such units ("***Units***");

(b) the oil, gas, casinghead gas, coal bed methane, condensate and other gaseous and liquid hydrocarbons or any combination thereof, sulphur extracted from hydrocarbons and all other minerals and substances covered by the Leases ("***Hydrocarbons***") under the Leases and that may be produced and saved under or otherwise be allocated or attributed to the Leases, including all Imbalance positions;

(c) the oil, gas, water or injection wells located on Leases. Lands or Units, including those described on **Exhibit B** (the "***Wells***") and including all of the personal property, equipment, fixtures and improvements used in connection therewith;

(d) the unitization, pooling and communitization agreements, declarations, orders and the units created thereby relating to the properties and interests described in clauses (a) through (c) or to the production, gathering, treatment, processing, storage, sale, disposal and other handling of Hydrocarbons, if any, attributable to said properties and interests;

(e) all equipment, machinery, fixtures and other tangible personal property and improvements located on or used or held for use in connection with the operation of the interests described in clauses (a) through (d) or the production, gathering, treatment, processing, storage, sale, disposal, and other handling of Hydrocarbons attributable thereto, including any wells, well equipment, tanks, boilers, buildings, fixtures, injection facilities, saltwater disposal facilities, compression facilities and equipment, pumping units and engines, platforms, flow lines, pipelines, gathering systems, gas and oil treating facilities, machinery, power lines, telephone and telegraph lines, affixed communication equipment, roads, and other appurtenances, improvements and facilities (all of the foregoing, collectively, the "***Equipment***");

(f) all surface leases, surface use agreements, permits, rights-of-way, licenses, easements and other surface rights agreements used in connection with the production, gathering, treatment, processing, storage, sale, disposal and other handling of

Hydrocarbons or produced water from the interests described in clauses (a) through (e) (collectively, the "***Surface Contracts***");

(g) all Applicable Contracts;

(h) to the extent assignable and to the extent relating to Liabilities for which SM is not responsible under this Agreement, all of SM's right, title and interest in and to all rights, claims and causes of action to the extent, and only to the extent, that such rights, claims or causes of action are associated with the Assets described in (a) through (g) above as of the Closing Date and (i) relate to the period from and after the Effective Time, and in any case excluding tax claims and loss carry forwards, provided that, at a Buyer's request, SM shall use its commercially reasonable efforts to enforce, for the benefit of such Buyer, at such Buyer's sole cost and expense, any right, claim or cause of action that would otherwise be transferred hereunder but is not assignable; and

(i) to the extent transferable without payment of additional consideration, originals, to the extent available, or copies of all the files, records and data relating to the items described in clauses (a) through (g) above, which records shall include, without limitation: lease records, well records, division order records, well files, title records (including abstracts of title, title opinions and memoranda, and title curative documents), engineering and maintenance records, geological and geophysical data (including seismic data) and all technical evaluations, interpretative data and technical data and information relating to the Assets, correspondence, electronic data files (if any), maps, well plans, drilling programs, permit files, production records, electric logs, core data, pressure data, decline curves and graphical production curves, reserve reports, appraisals and accounting and Asset Tax records and safety records (collectively, the "***Records***").

"***Assignment***" means the Assignment and Bill of Sale from SM to Buyers, pertaining to the Assets, substantially in the form attached hereto as **Exhibit C**. Prior to Closing, for purposes of the Assignment, the Parties shall develop descriptions on a survey basis of those portions of Lease numbers 496810A, 496810B, 496810C, 496810D, 496812A, 496812B, 496812C and 496812D (as identified on **Exhibit A**) that are to be included in the Assets (those portions of such Leases not conveyed to Anadarko in: (a) the assignment recorded in the records of the county clerk of Dimmit County, Texas at book 404 page 570; and (b) the identical assignment that was recorded in the records of the county clerk of La Salle County, Texas.

"***Assumed Obligations***" has the meaning set forth in *Section 13.1*.

"***Burdens***" means, with respect to any Asset, all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests and other burdens upon, measured by or payable out of, production therefrom.

"***Business Day***" means a day (other than a Saturday or Sunday) on which commercial banks in Texas are generally open for business.

"***Buyer***" and "***Buyers***" have the meaning set forth in the preamble to this Agreement.

"***Buyer Indemnified Parties***" has the meaning set forth in *Section 13.2*.

"***Buyers' Representatives***" has the meaning set forth in *Section 5.1(a)*.

"***Casualty Loss***" has the meaning set forth in *Section 6.3(b)*.

"***Claim Notice***" has the meaning set forth in *Section 13.7(b)*.

"***Closing***" has the meaning set forth in *Section 11.1*.

"***Closing Amount***" means the Preliminary Purchase Price less the Deposit.

"***Closing Announcement***" has the meaning set forth in *Section 14.13*.

"***Closing Date***" has the meaning set forth in *Section 11.1*.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Confidential Information***" has the meaning set forth in *Section 14.14*.

"***Confidentiality Agreement***" means, as applicable, either (a) that certain Confidentiality Agreement between SM and Talisman, dated as of March 31, 2011, or (b) that certain Confidentiality Agreement between SM and Statoil, dated as of March 31, 2011, and collectively, the "***Confidentiality Agreements***".

"***Consent***" means a consent to assign or other similar approval right or restriction on assignment that is applicable to the transfer of the Assets in connection with the transactions contemplated by this Agreement.

"***Contract Split***" has the meaning set forth in *Section 8.5*.

"***Control***" and its derivatives mean, with respect to any Person, the possession, directly or indirectly, of the power to exercise or determine the voting of more than 50% of the voting rights in a corporation, and, in the case of any other type of entity, the right to exercise or determine the voting of more than 50% of the equity interests having voting rights, or otherwise to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"***Cure Period***" has the meaning set forth in *Section 6.2(c)(ii)*.

"***Customary Post-Closing Consents***" means those consents and approvals from Governmental Authorities for the assignment of the Assets to Buyers that are customarily obtained after the assignment of properties similar to the Assets.

"***Data Agreement***" means Seismic Data Acquisition and License Agreement dated January 27, 2011, by and between SM and Global Geophysical Services, Inc.

"***Defect Claim Date***" has the meaning set forth in *Section 6.2(a)*.

"***Defensible Title***" means such title of SM with respect to the Assets that, subject to the Permitted Encumbrances:

(a) with respect to each Well shown in **Exhibit B** (but limited to any currently producing intervals), entitles SM to receive not less than the Net Revenue Interest shown in **Exhibit B**, for such Well throughout the duration of the productive life of such Well, except for (i) decreases in connection with those operations in which SM may, from and after the Execution Date, be a non-consenting co-owner (to the extent permitted pursuant to *Section 8.1*), (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, and (iv) as otherwise stated in **Exhibit B**;

(b) with respect to each Well shown in **Exhibit B** (but limited to any currently producing intervals), obligates SM to bear the Working Interest for such Well not greater than the Working Interest shown in **Exhibit B**, for such Well without increase throughout the productive life of such Well, except (i) increases resulting from contribution requirements with respect to defaults by co-owners from and after the Execution Date under Applicable Operating Agreements, (ii) increases to the extent that they are accompanied by a proportionate increase in the Net Revenue Interest in the Assets, and (iii) as otherwise stated in **Exhibit B**;

(c) with respect to each Lease shown in **Exhibit A**, entitles SM to the Net Acres set forth in **Exhibit A**, with respect to such Lease, with at least the Net Revenue Interest set forth for such Lease in **Exhibit A**; and

(d) is free and clear of all Encumbrances.

"***Deposit***" has the meaning set forth in *Section 2.2(a)*.

"***Dispute***" means any dispute, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation or otherwise) arising out of, relating to or connected with this Agreement or the transactions contemplated hereby, including but not limited to any dispute, controversy or claim concerning the existence, validity, interpretation, performance, breach or termination of this Agreement, the relationship of the Parties arising out of this Agreement or the transactions contemplated hereby.

"***Dispute Notice***" has the meaning set forth in *Section 2.5(b)*.

"***DOJ***" means the Department of Justice.

"***Effective Time***" means 7:00 a.m. local time at the location of the Assets on May 1, 2011.

"***Encumbrance***" means a mortgage, lien, security interest, pledge, charge or other encumbrance, and "***Encumber***" and other similar derivatives shall be construed accordingly.

"***Environmental Arbitrator***" has the meaning set forth in *Section 7.1(e)*.

"***Environmental Condition***" means (a) a condition existing on the Defect Claim Date with respect to the air, soil, subsurface, surface waters, ground waters and/or sediments that causes any Asset (or SM with respect to any Asset) not to be in compliance with any

Environmental Law or (b) the existence as of the Execution Date of any environmental pollution, contamination, degradation, damage or injury caused by or related to the ownership, use or operation of any Asset for which monitoring, investigation or remedial or corrective action is presently required (or, if known to the applicable Governmental Authorities, would be presently required) under Environmental Laws.

"***Environmental Defect***" means an Environmental Condition with respect to an Asset that is not set forth in *Schedule 3.13*.

"***Environmental Defect Notice***" has the meaning set forth in *Section 7.1(a)*.

"***Environmental Defect Property***" has the meaning set forth in *Section 7.1(a)*.

"***Environmental Laws***" means all applicable federal, state and local Laws in effect as of the Execution Date, including common Law, relating to the protection of the public health, welfare and the environment, including, without limitation, those Laws relating to the generation, storage, handling, use, processing, treatment, transportation, disposal or other management of chemicals and other Hazardous Substances. 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 any Governmental Authority.

"***Equipment***" has the meaning set forth in the definition of "Assets" above.

"***Escrow Agent***" means JPMorgan Chase Bank N.A. or another Escrow Agent mutually acceptable to the Parties.

"***Escrow Agreement***" means an escrow agreement for the Deposit entered into by the Parties and Escrow Agent as of the date hereof.

"***Execution Date***" has the meaning set forth in the preamble to this Agreement.

"***Execution Date CD***" means that CD delivered by SM to the Buyers simultaneous with the execution of this Agreement.

"***Excluded Assets***" means:

(a) all of SM's corporate minute books, financial records and other business records that relate to SM's business generally (including the ownership and operation of the Assets);

(b) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to the Assets with respect to any period of time prior to the Effective Time;

(c) subject to *Section 6.3*, all rights and interests relating to the Assets (i) under any existing 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;

(d) all Hydrocarbons produced and sold from the Assets with respect to all periods prior to the Effective Time;

(e) all claims of SM or its Affiliates for refunds, credits, or loss carry forwards attributable to (i) Asset Taxes paid by SM or its Affiliates attributable to any period (or portion thereof) ending prior to the Effective Time, (ii) income, capital gains and franchise Taxes paid by SM or its Affiliates or (iii) any Taxes attributable to the other Excluded Assets;

(f) all personal computers and associated peripherals and all radio and telephone equipment;

(g) except for the Data Agreement, all geophysical and other seismic and related technical data and information relating to the Assets to the extent that such geophysical and other seismic and related technical data and information is not transferable without payment of a fee or other penalty to any Third Party under any Applicable Contract and which Buyers have not separately agreed in writing to pay;

(h) other than geophysical data and other data related to the Assets except as provided above in clause (g), all of SM's proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property;

(i) all documents and instruments of SM that are protected by an attorney-client privilege, except for title opinions;

(j) all data that cannot be disclosed to Buyers as a result of confidentiality arrangements under agreements with Third Parties (provided that SM uses its commercially reasonable efforts to obtain a waiver of any such confidentiality agreement);

(k) all audit rights arising under any of the (i) Applicable Contracts or otherwise with respect to any period prior to the Effective Time or (ii) other Excluded Assets, except for any Imbalances;

(l) documents prepared or received by SM or its Affiliates with respect to (i) lists of prospective purchasers for the Assets, (ii) bids submitted by other prospective purchasers of the Assets, (iii) analyses by SM or its Affiliates of any bids submitted by any prospective purchaser, (iv) correspondence between or among SM, its representatives and any prospective purchaser other than Buyers, and (v) correspondence between SM or any of its representatives with respect to any of the bids, the

prospective purchasers or the transactions contemplated by this Agreement;

(m) any offices, office leases and any office furniture or office supplies located in or on such offices or office leases;

(n) any Applicable Contracts and Records that are related to Assets that are excluded pursuant to the provisions of *Section 6.4(a)(iii)*, *Section 6.4(b)(i)* or *Section 7.1(b)(iii)*, or any portions of those contracts not specifically included in the definition of Applicable Contracts in item (a) or (b) of the second sentence of such definition;

(o) any Applicable Contracts that may constitute (i) master services agreements or similar contracts, in each case with vendors used by SM for other operations in Texas, (ii) drilling contracts and contracts to provide frac or perforating services; and

(p) the assets and properties listed on Exhibit E.

"***Final Purchase Price***" has the meaning set forth in *Section 2.5(b)*.

"***Final Settlement Statement***" has the meaning set forth in *Section 2.5(b)*.

"***Franchise Tax Liability***" means any Tax imposed on SM's or any of its Affiliates' gross or net income, gross margin and/or capital for the privilege of engaging in business that was or is attributable to SM's or any of its Affiliates' ownership of an interest in the Assets.

"***FTC***" means the Federal Trade Commission.

"***Fundamental Representation***" has the meaning set forth in *Section 13.8.*

"***GAAP***" means the generally accepted accounting principles in the United States of America.

"***Governmental Authority***" means any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitle 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.

"***Hazardous Substances***" means any pollutants, contaminants, toxics or hazardous or extremely hazardous substances, materials, wastes, constituents, compounds or chemicals that are regulated by, or may form the basis of any liability under, any Environmental Laws, including NORM and other substances referenced in *Section 7.2*.

"***Hydrocarbons***" has the meaning set forth in the definition of "Assets" above.

"***Imbalance***" means any imbalance at the (a) wellhead between the amount of Hydrocarbons produced from a Well and allocated to the interests of or lifted by SM and the shares of production from the relevant Well to which SM is entitled over the same period or (b) pipeline or plant flange between the amount of Hydrocarbons nominated by or allocated to SM and the Hydrocarbons actually delivered on behalf of SM at that point over the same period.

"***Income Tax Liability***" means any Liability of SM or any of its Affiliates attributable to any Tax measured by or imposed on (in whole or in part) the net income of SM or any of its Affiliates that was or is attributable to SM's or any of its Affiliates' ownership of an interest in or the operation of the Assets.

"***Indemnified Party***" has the meaning set forth in *Section 13.7(a)*.

"***Indemnifying Party***" has the meaning set forth in *Section 13.7(a)*.

"***Individual Environmental Threshold***" has the meaning set forth in *Section 7.1(d)*.

"***Individual Title Defect Threshold***" means $50,000.

"***Interim Period***" means that period of time from and after the Effective Time up to Closing.

"***Invasive Activities***" has the meaning set forth in *Section 5.1(b)*.

"***Knowledge***" means with respect to SM, the actual knowledge of the following Persons: Javan Ottoson; Kenneth Knott; Greg Leyendecker; Don Riggs; Mike Roach; Kevin Kindrick; and David Whitcomb.

"***Laws***" means any constitution, decree, resolution, law, statute, act, ordinance, rule, directive, order, treaty, code or regulation and any injunction or final non-appealable judgment or any interpretation of the foregoing, as enacted, issued or promulgated by any Governmental Authority.

"***Leases***" has the meaning set forth in the definition of "Assets" above.

"***Liabilities***" means any and all claims (whether in the nature of contract, claims, torts or otherwise), causes of actions, payments, charges, judgments, assessments, liabilities, losses, damages, penalties, fines, costs and expenses, including any reasonable fees of attorneys and legal or other expenses incurred in connection therewith and including liabilities, costs, losses and damages for personal injury, illness or death or property damage.

"***Light Well***" means the Light Ranch 346 H Well located in LaSalle County, Texas.

"***Material Adverse Effect***" means any change, inaccuracy, effect, event, result, occurrence, condition or fact (for the purposes of this definition, each, an "event") (whether foreseeable or not and whether covered by insurance or not) that has had or would be reasonably likely to have, individually or in the aggregate with any other event or events, a material adverse effect on the ownership, operation or financial condition of the Assets, taken as a whole; provided, however, that "***Material Adverse Effect***" shall not include such material adverse effects resulting from (a) general changes in oil and gas prices; (b) general changes in industry, economic or political conditions or markets;

(c) changes in conditions or developments generally applicable to the oil and gas industry; (d) acts of God, including hurricanes and storms; (e) acts or failures to act of Governmental Authorities, including changes in Law; (f) civil unrest or similar disorder or terrorist acts; (g) effects or changes that are cured or no longer exist by the earlier of Closing and the termination of this Agreement pursuant to *Section 12.1*, without cost to Buyers; and (h) changes resulting from the announcement of the transactions contemplated hereby or the performance of the covenants set forth in *Article VIII*; provided that, in each case, the changes and effects described in clauses (a), (b), (c) and (e) of this definition do not disproportionately affect the Assets, taken as a whole.

"***Material Contracts***" has the meaning set forth in*Section 3.8(a)*.

"***Month***" means any of the months of the Gregorian calendar.

"***Net Acre***" means, as computed separately with respect to each Lease, (a) the number of gross acres in the lands covered by such Lease,*multiplied by* (b) the interest in oil, gas and other minerals covered by such Lease in such lands, *multiplied by* (c) the Working Interest to be transferred by SM to Buyers as part of the Assets; provided that if items (b) and/or (c) vary as to different areas of such lands (including depths) covered by such Lease, a separate calculation shall be done for each such area.

"***Net Revenue Interest***" means, with respect to any Well or Lease, the interest in and to all Hydrocarbons produced, saved and sold from or allocated to such Well or Lease, after giving effect to all Burdens thereon.

"***NORM***" means naturally occurring radioactive material.

"***Operating Expenses***" means all operating expenses (including Asset Taxes) and capital expenditures incurred in the ownership and operation of the Assets in the ordinary course of business and, where applicable, in accordance with the Applicable Operating Agreement, and overhead costs charged to the Assets under the Applicable Operating Agreement, but excluding Liabilities attributable to (a) personal injury, illness or death, property damage, other torts, breach of contract (other than failure to make payments under the terms of a contract) or violation of any Law (or private rights of action under any Law), (b) obligations to plug wells and dismantle or decommission facilities, close pits and restore the surface around such wells, facilities and pits, (c) environmental Liabilities, including obligations to Remediate any contamination of groundwater, surface water, soil, sediments or Personal Property, or the Remediation of any Environmental Condition under applicable Environmental Laws, (d) obligations with respect to Imbalances, (e) obligations to pay Working Interests, royalties, overriding royalties or other interest owners revenues or proceeds attributable to sales of Hydrocarbons relating to the Assets, including those held in suspense, (f) obligations with respect to contracts which provide for an interest rate or commodity swap, cap, floor, collar, or any combination thereof, or option with respect to these or similar transactions, or otherwise constitute a futures or derivative transaction, (g) costs of restoring any Casualty Loss, and (h) claims for indemnification or reimbursement from any Third Party with respect to costs of the type described in preceding clauses (a) through (g), whether such claims are made pursuant to contract or otherwise.

"***Operator***" means the Person serving as operator under any Applicable Operating Agreement.

"***Party***" and "***Parties***" have the meanings set forth in the preamble to this Agreement.

"***Permitted Encumbrances***" means:

(a) lessor's royalties, non-participating royalties, overriding royalties, reversionary interests and similar burdens upon, measured by or payable out of production if the net cumulative effect of such burdens does not (i) operate to reduce the Net Revenue Interest of SM in any Well to an amount less than the Net Revenue Interest set forth on **Exhibit B** for such Well, (ii) obligate SM to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on**Exhibit B** for such Well (unless the Net Revenue Interest for such

Asset is greater than the Net Revenue Interest set forth on**Exhibit B**, in the same proportion as any increase in such Working Interest), (iii) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in **Exhibit A** or (iv) reduce the Net Acres for any Lease to an amount less than the Net Acres set forth in **Exhibit A** for such Lease;

(b) Preferential Rights or similar agreements;

(c) required Third Party consents to assignments or similar agreements;

(d) liens for Taxes or assessments not yet due or delinquent;

(e) Customary Post-Closing Consents;

(f) other than such rights that have already been triggered, conventional rights of reassignment upon final intention to abandon or release the Assets, or any of them;

(g) such Title Defects as Buyers have waived in writing pursuant to the terms of this Agreement or Title Defects that were not properly asserted by Buyers prior to the Defect Claim Date (other than claims which may be made pursuant to the special warranty of title set forth in the Assignment);

(h) all applicable Laws, and rights reserved to or vested in any Governmental Authority (i) to control or regulate any Asset in any manner; (ii) by the terms of any right, power, franchise, grant, license or permit, or by any provision of Law, to terminate such right, power, franchise grant, license or permit or to purchase, condemn, expropriate or recapture, which rights have not been exercised; (iii) to use such property in a manner which does not materially impair the use of such property for the purposes for which it is currently owned and operated; and (iv) to enforce any obligations or duties affecting the Assets to any Governmental Authority, with respect to any franchise, grant, license or permit;

(i) rights of a common owner of any interest in rights-of-way or easements currently held by SM and such common owner as tenants in common or through common ownership to the extent that the same does not materially impair the use or operation of the Assets as currently used and operated;

(j) easements, conditions, covenants, restrictions, servitudes, permits, rights-of-way, surface leases and other rights in the Assets for the purpose of surface operations, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines and 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, (in each

case) that do not (i) materially impair the use, ownership or operation of the Assets (as currently owned and operated), (ii) reduce the Net Revenue Interest of SM in any Well to an amount less than the Net Revenue Interest set forth on **Exhibit B**, for such Well, (iii) obligate SM to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on **Exhibit B**, as applicable, for such Well (unless the Net Revenue Interest for such Asset is greater than the Net Revenue Interest set forth on **Exhibit B**, in the same proportion as any increase in such Working Interest), (iv) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in **Exhibit A** or

(v) reduce the Net Acres for any Lease to an amount less than the Net Acres set forth in **Exhibit A** for such Lease;

(k) zoning and planning ordinances and municipal regulations;

(l) vendors, carriers, warehousemen's, repairmen's, mechanics, workmen's, materialmen's, construction or other like Encumbrances 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 that are not yet due;

(m) Encumbrances created under Leases and/or Applicable Operating Agreements or by operation of Law in respect of obligations that are not yet due;

(n) any Encumbrance affecting the Assets which is discharged by SM at or prior to Closing;

(o) any Applicable Contracts, restrictions or exclusions set forth on **Exhibit A** or **Exhibit B**, as applicable, and all litigation referenced in *Schedule 3.7*; and

(p) the Leases, Applicable Contracts, and all other immaterial Encumbrances that (in each case) do not (i) materially impair the use, ownership or operation of the Assets (as currently owned and operated), (ii) reduce the Net Revenue Interest of SM in any Well to an amount less than the Net Revenue Interest set forth on **Exhibit B** for such Well, (iii) obligate SM to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on **Exhibit B** for such Well (unless the Net Revenue Interest for such Asset is greater than the Net Revenue Interest set forth on **Exhibit B**, in the same proportion as any increase in such Working Interest), (iv) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in **Exhibit A,** or (iv) reduce the Net Acres for any Lease to an amount less than the Net Acres set forth in **Exhibit A** for such Lease.

"***Person***" means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

"***Personal Property***" means equipment, machinery, fixtures, and other real, immovable, personal, movable and mixed property, including saltwater disposal wells, well equipment, casing, rods, tanks, boilers, buildings, tubing, pumps, motors, fixtures, machinery, compression equipment, flow lines, and separation facilities, structures, materials, and other items used or held for use in the operation thereof and located upstream of the outlet flange of the relevant custody transfer meter (or, in the case of Hydrocarbon liquids not transported by pipeline, upstream of the outlet flange in the tanks).

"***Preferential Right***" means a preferential purchase right or similar right to purchase that is applicable to the transfer of the Assets in connection with the transactions contemplated by this Agreement.

"***Preliminary Purchase Price***" has the meaning set forth in *Section 2.5(a).*

"***Preliminary Settlement Statement***" has the meaning set forth in *Section 2.5(a)*.

"***Proportionate Share***" means, as to each Buyer, fifty percent (50%).

"***Purchase Price***" has the meaning set forth in *Section 2.2*, as such amount may be adjusted from time to time pursuant to *Section 2.3* and *Section 2.5*.

"***Records***" has the meaning set forth in the definition of "Assets" above.

"***Remediation***" means, with respect to an Environmental Condition, the implementation and completion of any remedial, removal, response, construction, closure, disposal or other corrective actions required under Environmental Laws to correct or remove such Environmental Condition.

"***Remediation Amount***" means, with respect to an Environmental Condition, the cost (net to the Asset) of (i) the most cost effective Remediation of such Environmental Condition that is reasonably available, considering the use of the applicable property, *plus* (ii) the reasonable amount of any investigations, monitoring or environmental studies which would be required to be conducted by or on behalf of Buyers related to such Remediation.

"***Retained Obligations***" has the meaning set forth in *Section 13.1.*

"***Schedules***" means the schedule delivered to Buyers prior to the execution of this Agreement setting forth specific exceptions to SM's representations and warranties set forth in this Agreement.

"***SM***" has the meaning set forth in the preamble to this Agreement.

"***SM Indemnified Parties***" has the meaning set forth in *Section 13.3*.

"***Subject Special Warranty Claims***" means those claims made by Buyers under the special warranty of title in the Assignment relating to Title Defects that attached or were created with respect to the Assets prior to the Execution Date.

"***Subject Transfer Taxes***" has the meaning set forth in *Section 10.2*.

"***Surface Contracts***" has the meaning set forth in the definition of "Assets" above.

"***Taxes***" shall mean any and all federal, state, local, foreign and other taxes or other assessments, including, without limitation, all net income, gross income, gross

receipts, sales, use, ad valorem, transfer, franchise, profits, profit share, license, lease, service, service use, value added, withholding, payroll, employment, excise, estimated, severance, production, stamp, occupation, premium, property, unclaimed property, windfall profit or other taxes of any kind whatsoever, together with any interests, penalties, additions to tax, fines or other additional amounts imposed thereon or related thereto, and the term "*Tax*" means any one of the foregoing Taxes as well as any liability for the payment of the foregoing obligations of another Person as a result of (a) being or having been a member of an affiliated, consolidated, combined, unitary or aggregate group of corporations; (b) being or having been a party to any tax sharing agreement

or any express or implied obligation to indemnify any Person; and (c) being or having been a transferee, successor, or otherwise assuming the obligations of another Person to pay the foregoing amounts.

"***Tax Return***" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"***Tax Proceeding***" has the meaning set forth in*Section 10.4*.

"***Third Party***" means any Person other than a Party to this Agreement or an Affiliate of a Party to this Agreement.

"***Third Party Claim***" has the meaning set forth in*Section 13.7(b)*.

"***Third Party Operator***" has the meaning set forth in*Section 5.1(a)*.

"***Title Arbitrator***" has the meaning set forth in*Section 6.2(i)*.

"***Title Benefit***" means any right, circumstance or condition that operates to (a) increase the Net Revenue Interest being assigned to Buyers in any Well above that shown for such Well in **Exhibit B**, to the extent the same does not cause a greater than proportionate increase in the Working Interest being assigned to Buyers therein above that shown in **Exhibit B**, or (b) increase the Net Acres being assigned to the Buyers in any Lease to greater than that shown therefor in **Exhibit A** (but only to the extent the increase is not the result of an increase in the Working Interest in the Lease without at least a proportionate increase in the Net Revenue Interest).

"***Title Benefit Amount***" has the meaning set forth in*Section 6.2(d)*.

"***Title Benefit Notice***" has the meaning set forth in*Section 6.2(b)*.

"***Title Benefit Property***" has the meaning set forth in*Section 6.2(b)*.

"***Title Defect***" means any Encumbrance, defect or other matter that causes SM not to have Defensible Title in and to any Asset; provided that the following shall not be considered Title Defects:

(a) defects in the chain of title consisting of the failure to recite marital status in a document or omissions of successions of heirship or estate proceedings, unless Buyers provide affirmative evidence that such failure or omission could reasonably be expected to result in another Person's superior claim of title to the relevant Asset;

(b) defects arising out of lack of survey, unless a survey is expressly required by applicable Laws;

(c) defects arising out of lack of corporate or other entity authorization unless Buyers provide affirmative evidence that causes Buyers to reasonably believe such corporate or

other entity action may not have been authorized and could reasonably be expected to result in another Person's superior claim of title to the relevant Asset;

(d) defects based on a gap in SM's chain of title in the state's records as to state Leases, or in the county records as to other Leases, unless such gap is affirmatively shown to exist in such records by an abstract of title, title opinion or landman's title chain or runsheet, which documents shall be included in a Title Defect Notice;

(e) defects that have been cured by applicable Laws of limitations or prescription; and

(f) any defects resulting from any act or omission of SM that Buyers agreed or consented to in writing, or, with respect to actions that SM is not permitted to take without Buyers' consent pursuant to *Section 8.1(b)*, that Buyers would not grant their consent to in writing.

"***Title Defect Amount***" has the meaning set forth in*Section 6.2(f)*.

"***Title Defect Notice***" has the meaning set forth in*Section 6.2(a)*.

"***Title Defect Property***" has the meaning set forth in*Section 6.2(a)*.

"***Transition Services Agreement***" means the Transition Services Agreement to be entered into by the Parties at Closing, in the form attached hereto as **Exhibit D**.

"***Transportation Contracts***" has the meaning set forth in*Section 8.5*.

"***Treasury Regulations***" means 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.

"***Unit***" has the meaning set forth in the definition of "Assets" above.

"***Well***" has the meaning set forth in the definition of "Assets" above.

"***Working Interest***" means, with respect to any Unit, Well or Lease, the interest in and to such Unit, Well or Lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Unit, Well or Lease, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

APPENDIX I

Exhibit 2.2

ACQUISITION AND DEVELOPMENT AGREEMENT

BETWEEN

SM ENERGY COMPANY

and

MITSUI E&P TEXAS LP

DATED JUNE 29, 2011

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

APPENDICES; ANNEXES; EXHIBITS; AND SCHEDULES

ACQUISITION AND DEVELOPMENT AGREEMENT

THIS ACQUISITION AND DEVELOPMENT AGREEMENT (this "***Agreement***") is made as of June 29, 2011 (the "***Execution Date***") between SM ENERGY COMPANY, a Delaware corporation ("***SM***"), and MITSUI E&P TEXAS LP, a Texas limited partnership ("***Mitsui***"). SM and Mitsui shall sometimes be referred to herein

together as the "***Parties***", and each individually as a "***Party***".

RECITALS

WHEREAS, SM and Mitsui desire to enter into an arrangement for the exploration, development and operation of certain oil and gas properties and related gathering facilities located in Dimmit, LaSalle, Maverick and Webb Counties, Texas;

WHEREAS, in connection therewith, SM desires to transfer to Mitsui, and Mitsui desires to receive from SM, an undivided interest in and to such properties in accordance with this Agreement; and

WHEREAS, the Parties now desire to set forth their respective rights and obligations with respect to all such arrangements.

NOW THEREFORE, in consideration of the mutual agreements herein contained, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS; INTERPRETATION

1.1 ***Definitions***. Capitalized terms used in this Agreement shall have the meanings given such terms in *Appendix I*.

1.2 ***Interpretation***. All references in this Agreement to Exhibits, Appendices, Annexes, Articles, Sections, subsections and other subdivisions refer to the corresponding Exhibits, Appendices, Annexes, 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 (including, for the avoidance of doubt the Acquisition Annex and the Transfer Provisions) 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 Article, Section or subsection hereof in which such words occur. The word "including" (in its various forms) means "including without limitation." 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. 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. Appendices, Annexes and Exhibits referred to herein are

attached to and made a part of this Agreement. Unless expressly stated otherwise, references to any Law or Contract shall mean such Law or Contract as it may be amended from time to time.

ARTICLE II
ACQUISITION

2.1 ***Acquisition of Conveyed Interests***. Subject to the terms and conditions of this Agreement (including the Acquisition Annex), SM agrees to transfer, and Mitsui agrees to accept, the following assets and properties (less and except for the Excluded Assets, such interests in such assets and properties described in *Section 2.1(a)*, *Section 2.1(b)* and *Section 2.1(c)* below, collectively, the "***Conveyed Interests***"):

(a) an undivided 12.5% of 8/8ths interest in and to the Assets;

(b) an undivided 50% of SM's right, title and interest in and to the Springfield Gathering Assets; and

(c) the following assets to the extent, and only to the extent, that such assets are associated with any of the Conveyed Interests described in *Section 2.1(a)* and *Section 2.1(b)* above:

(i) to the extent assignable, all Applicable Contracts;

(ii) copies of any files, records, information and data, whether written or electronically stored, including, without limitation: (A) land and title records (including abstracts of title, title opinions and title curative documents); (B) contract files; (C) correspondence; (D) operations, environmental, production, and accounting records; and (E) facility and well records but excluding any of the foregoing items that are Excluded Assets (the "***Records***");

(iii) to the extent assignable, including without payment of fees or other penalties (unless Mitsui agrees to pay such fees or penalties), all geophysical and other seismic and related technical data and information listed on *Schedule 2.1*;

(iv) all liens and security interests securing payment for the sale or other disposition of Hydrocarbons produced from or allocated to the Properties, including the security interests granted under Texas Uniform Commercial Code § 9.343, but only to the extent that such liens and security interests relate to the period from and after the Effective Time; and

(v) to the extent assignable, all of SM's right, title and interest in and to all rights, claims and causes of action to the extent, and only to the extent, that such rights, claims or causes of action are associated with the Conveyed Interests described in *Section 2.1(a)* or *Section 2.1(b)* above and (i) relate to the period from and after the Closing, (ii) relate to the Assumed Obligations and the period prior to the Closing, or (iii) relate to rights after the Effective Time to which Mitsui is entitled under *Section 3.7(a)*, and in any case excluding Tax claims and loss carry forwards, provided that, at Mitsui's request, SM shall use its

commercially reasonable efforts to enforce, for the benefit of Mitsui, at Mitsui's sole cost and expense, any right, claim or cause of action relating to the period prior to Closing that would otherwise be transferred hereunder but is not assignable.

2.2 ***Excluded Assets***. SM shall reserve and retain all of the Excluded Assets, except as provided herein with respect to (a) Mitsui's Offered Interest in any Interim Period Acquired Interest and (b) the TXCO Interest, in each case, to the extent Mitsui elects to and does acquire any such interest under the terms of this Agreement.

2.3 ***Transfer of Conveyed Interests***. Subject to the terms and conditions of this Agreement (including the Acquisition Annex) (a) at Closing, but effective as of the Effective Time, SM shall transfer the Conveyed Interests to Mitsui pursuant to an Assignment delivered in accordance with Section 8.3(a) of the Acquisition Annex, and (b) from time to time after the Closing, each Development Party shall transfer to the other Development Parties such portions of the Acquired Interests that are acquired after the Effective Time and which the other Development Parties have elected to purchase under the terms of Article II of the Transfer Provisions.

ARTICLE III
CLOSING COST REIMBURSEMENT; CARRIED COSTS; ADJUSTMENTS; SETTLEMENT; PAYMENT

3.1 ***Closing Cost Reimbursement***. At Closing and for and in consideration of the transfer of those Conveyed Interests described in *Section 2.1(b)* and, with respect to the Springfield Gathering Assets, *Section 2.1(c)*, Mitsui shall pay to SM the sum of $17,333,465.93 (the "***Closing Cost Reimbursement***"), as the Closing Cost Reimbursement may be adjusted pursuant to *Section 3.9*, less the amount of the Deposit.

3.2 ***Carry of Eligible Costs***.

(a) From and after the Closing Date and until the Carry Termination Event, and notwithstanding the terms of any Applicable Operating Agreement or any other Contract to the contrary, Mitsui shall pay (in accordance with *Section 3.8*) 90% of SM's Participating Interest share (excluding any non-consent interest in any Development Operation that SM acquires from a Third Party or Mitsui) of all Eligible Costs incurred pursuant to Development Operations (the "***Carried Costs***").

(b) Subject to obtaining information regarding costs from any Third Party Operator, as applicable, SM shall maintain a record of the Carried Costs funded by Mitsui and each Month shall provide each Development Party with a statement showing the Month and inception to date funding of such Carried Costs by Mitsui.

3.3 ***Development Costs***. Except as set forth in *Section 3.2* above, each Development Party shall bear and pay its Participating Interest share of all Development Costs incurred from and after the Closing Date in accordance with, and subject to, the terms and conditions of this Agreement and the Applicable Operating Agreements and/or Springfield Ownership Agreement.

3.4 ***Deposit***.

(a) Concurrently with the execution of this Agreement, Mitsui shall deposit with the Escrow Agent by wire transfer in same day funds, to be held in escrow by the Escrow Agent pending Closing pursuant to the terms of the Deposit Escrow Agreement, the sum of $15,000,000 (such amount, together with any interest earned thereon, the "***Deposit***"). At Closing, the Parties shall jointly issue a written instruction to the Escrow Agent to transfer the Deposit to SM as part of the Closing Cost Reimbursement.

(b) In the event of any termination of this Agreement, the Parties shall, in each case, thereupon have the rights and obligations set forth in Section 9.2 of the Acquisition Annex and Section 9.3 of the Acquisition Annex.

3.5 ***Adjustments to Carried Cost Obligation***. The Carried Cost Obligation shall be adjusted as follows:

(a) The Carried Cost Obligation shall be adjusted upward by the following amounts (without duplication):

(i) an amount determined pursuant to Section 4.4(b)(i) of the Acquisition Annex, as applicable, for any Conveyed Interests (other than Springfield Gathering Assets) that were previously excluded from the transactions contemplated hereby but were later assigned to Mitsui pursuant to such Section;

(ii) for each Acquired Interest acquired by SM within the AMI Area during the Interim Period where Mitsui elects to acquire the Offered Interest, the amount of the cash consideration or Cash Value attributable to the Offered Interest under Section 2.2(a) of the Transfer Provisions;

(iii) for any TXCO Interest to be acquired by Mitsui under Section 2.4(a) of the Transfer Provisions, the TXCO Carry Amount determined under Section 2.4(a) of the Transfer Provisions; and

(iv) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties.

(b) The Carried Cost Obligation shall be adjusted downward by the following amounts (without duplication):

(i) if (A) an election under Section 4.2(d)(i) of the Acquisition Annex is made (or deemed made) with respect to a Title Defect, and (B) such Title Defect affects the Conveyed Interests other than Springfield Gathering Assets, subject to Section 4.2(i) of the Acquisition Annex, the Title Defect Amount with respect to such Title Defect insofar and only insofar as such Title Defect Amount relates to the Conveyed Interests other than Springfield Gathering Assets;

(ii) if (A) an election under Section 5.1(c)(i) of the Acquisition Annex is made (or deemed made) with respect to an Environmental Defect, and (B) such

Environmental Defect affects the Conveyed Interests other than Springfield Gathering Assets, subject to Section 5.1(e) of the Acquisition Annex, the Remediation Amount with respect to such Environmental Defect insofar and only insofar as such Remediation Amount relates to the Conveyed Interests other than Springfield Gathering Assets;

(iii) an amount determined pursuant to Section 4.4(b)(i) of the Acquisition Annex for any Conveyed Interests that (A) are not part of the Springfield Gathering Assets and (B) are excluded from the transaction contemplated hereby pursuant to such Sections; and

(iv) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties.

(c) The "***Allocated Value***" for any Conveyed Interest equals (i) with respect to the Conveyed Interests described in *Section 2.1(b)*, $17,333,465.93, (ii) with respect to any Lease included in the Conveyed Interests, the applicable Net Acre Allocation with respect to the Conveyed Interest in such Lease, and (iii) with respect to any Well included in the Conveyed Interests, the amount allocated to the Conveyed Interest in such Well on *Exhibit A-2*. In each case, such Allocated Values shall be used in calculating adjustments to the Closing Cost Reimbursement or the Carried Cost Obligation, as applicable, as provided herein. For purposes of Tax filings and Title Defect, Title Benefit and Environmental Defect calculations (but not for purposes of notices of price to holders of preferential rights to purchase or similar rights, if any, or for determining any reduction in the Carried Cost Obligation for properties excluded from the transactions contemplated hereby), the Allocated Values of the Conveyed Interests shall be increased or decreased as follows: (A) to the extent allocable to (1) a particular Well, the adjustments in *Sections 3.9(c)(i)*, *3.9(c)(ii)* and *3.9(c)(iv)* shall be applied to the Allocated Value of such Well on a Well-by-Well basis (except that, with respect to any adjustments based on costs and expenses allocable to any Well that had not been drilled or was otherwise not in existence as of the Effective Time and is not listed on *Exhibit A-2*, the adjustment will be applied on a pro-rata basis to the Net Acres allocated to the spacing unit for such Well), and (2) the Springfield Gathering Assets, the adjustments in *Sections 3.9(a)(i)(A)* and *3.9(a)(ii)(A)* shall be applied to the Allocated Value of the Springfield Gathering Assets, as applicable; and (B) to the extent that the adjustments provided in *Sections 3.9(c)(i)*, *3.9(c)(ii)* and *3.9(c)(iv)* are not allocable to any

particular Well (for example, general and administrative expenses), they shall be applied to the Allocated Value of all of the Leases on a pro-rata basis in proportion to the Net Acre Allocation for each Lease prior to such adjustment.

3.6 Settlement; Disputes.

(a) Not less than five Business Days prior to the Closing, SM shall prepare and submit to Mitsui for review a draft settlement statement using the best information available to SM (the "***Preliminary Settlement Statement***") that shall set forth the (i) adjusted Carried Cost Obligation, (ii) adjusted Closing Cost Reimbursement and (iii) Cash Reconciliation Amount, in each case, reflecting each adjustment made thereto in accordance with this Agreement as of the date of preparation of such Preliminary Settlement Statement. Within three Business Days of receipt of the Preliminary Settlement Statement, Mitsui will deliver to SM a written report

containing all changes with the explanation therefor that Mitsui proposes to be made to the Preliminary Settlement Statement. The Preliminary Settlement Statement, as agreed upon by the Parties, will be used to set the Cash Reconciliation Payment and adjust the Carried Cost Obligation and Closing Cost Reimbursement at Closing. If the Parties cannot agree on the Preliminary Settlement Statement prior to the Closing, the Preliminary Settlement Statement as presented by SM will be used to (A) adjust the Carried Cost Obligation and Closing Cost Reimbursement at Closing and (B) set the Cash Reconciliation Payment at Closing.

(b) On or before 180 days after the Closing, a final settlement statement (the "***Final Settlement Statement***") will be prepared by SM, based on actual income and expenses during the Interim Period and which takes into account all final adjustments made to the Carried Cost Obligation, Closing Cost Reimbursement and Cash Reconciliation Amount for Title Defects, Title Benefits, Environmental Defects and other matters for which adjustments to the Carried Cost Obligation, Closing Cost Reimbursement and/or Cash Reconciliation Amount may be made under this Agreement, and shows the resulting final adjusted Carried Cost Obligation, Closing Cost Reimbursement and Cash Reconciliation Amount. SM shall, at Mitsui's request, supply reasonable documentation in its or its Affiliates' possession available to support the actual revenue, expenses and other items for which adjustments are made (other than with respect to any Title Defects, Title Benefits or Environmental Defects, the resolution of which are governed by Article IV of the Acquisition Annex and Article V of the Acquisition Annex, respectively). 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 60 days, after receipt of the Final Settlement Statement, Mitsui shall return 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***"). Mitsui shall be deemed to have agreed to the Final Settlement Statement delivered by SM if no Dispute Notice is delivered to SM within such 60 day period. If the final adjusted (i) Carried Cost Obligation set forth in the Final Settlement Statement is mutually agreed upon by SM and Mitsui, the Final Settlement Statement and such final adjusted Carried Cost Obligation shall be final and binding on the Parties, (ii) Closing Cost Reimbursement set forth in the Final Settlement Statement is mutually agreed upon by SM and Mitsui, the Final Settlement Statement and such final adjusted Closing Cost Reimbursement shall be final and binding on the Parties and (iii) Cash Reconciliation Amount set forth in the Final Settlement Statement is mutually agreed upon by SM and Mitsui, the Final Settlement Statement and such final adjusted Cash Reconciliation Amount shall be final and binding on the Parties. Once the final adjusted (A) Carried Cost Obligation has been agreed upon by the Parties pursuant to this *Section 3.6(b)* or determined by the Accounting Arbitrator pursuant to *Section 3.6(c)*, as applicable, the Parties shall execute a certificate setting forth such agreed or determined, as applicable, final adjusted Carried Cost Obligation which shall be binding on the Parties for all purposes of this Agreement, except for adjustments to the Carried Cost Obligation pursuant to Section 2.4 of the Transfer Provisions if not known by the date of such certificate; (B) Closing Cost Reimbursement has been agreed upon by the Parties pursuant to this *Section 3.6(b)* or determined by the Accounting Arbitrator pursuant to *Section 3.6(c)*, as applicable (1) the Parties shall execute a certificate setting forth such agreed or determined, as applicable, final adjusted Closing Cost Reimbursement which shall be binding on the Parties for all purposes of this Agreement and (2) if such final adjusted Closing Cost Reimbursement is (x) greater than the adjusted Closing Cost Reimbursement used at Closing, Mitsui shall pay such difference to SM or (y) less than the adjusted Closing Cost Reimbursement used at Closing, SM

shall pay such difference to Mitsui, in each case, within 10 Business Days after the final adjusted Closing Cost Reimbursement has been agreed upon by the Parties pursuant to this *Section 3.6(b)* or determined by the Accounting Arbitrator pursuant to *Section 3.6(c)*, as applicable; and (C) Cash Reconciliation Amount has been agreed upon by the Parties pursuant to this *Section 3.6(b)* or determined by the Accounting Arbitrator pursuant to *Section 3.6(c)*, as applicable (1) the Parties shall execute a certificate setting forth such agreed or determined, as applicable, final adjusted Cash Reconciliation Amount which shall be binding on the Parties for all purposes of this Agreement and (2) if such final adjusted Cash Reconciliation Amount is (x) greater than the Cash Reconciliation Amount used to set the Cash Reconciliation Payment at Closing, then Mitsui shall pay such difference to SM to the Cash Reconciliation Account, or (y) less than the Cash Reconciliation Amount used to set the Cash Reconciliation Payment at Closing, then SM shall pay such difference to Mitsui, in each case, within 10 Business Days after the final adjusted Cash Reconciliation Amount has been agreed upon by the Parties pursuant to this *Section 3.6(b)* or determined by the Accounting Arbitrator pursuant to *Section 3.6(c)*, as applicable.

(c) If the Parties are unable to resolve the matters addressed in the Dispute Notice, each of Mitsui and SM shall, within 14 Business Days following the delivery of such Dispute Notice, summarize its position with regard to such dispute in a written document and submit such summaries to the Houston, Texas office of Grant Thornton LLP or such other Person as the Parties may mutually select, and absent such agreement, by the Houston office of the AAA (the "***Accounting Arbitrator***"), together with the Dispute Notice, the Final Settlement Statement and any other documentation such Party may desire to submit. Within 20 Business Days after receiving the Parties' respective submissions, the Accounting Arbitrator shall render a decision choosing either SM's position or Mitsui'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 the Parties and will be enforceable against any of the Parties in any court of competent jurisdiction. The costs of such Accounting Arbitrator shall be borne one-half by Mitsui and one-half by SM.

3.7 Revenues and Expenses.

(a) Except as expressly provided otherwise in this Agreement, SM shall remain entitled to the economic benefit of all of the rights of ownership (including the right to all production, proceeds of production and other proceeds) and shall remain responsible for the economic burden of all Operating Expenses (and entitled to any refunds with respect thereto), in each case attributable to the Conveyed Interests for the period of time prior to the Effective Time. Except as expressly provided otherwise in this Agreement, and subject to the occurrence of the Closing, Mitsui shall be entitled to the economic benefit of all of the rights of ownership (including the right to all production, proceeds of production, and other proceeds), and shall be responsible for the economic burden of all Operating Expenses, in each case, attributable to the Conveyed Interests for the period of time from and after the Effective Time. All Operating Expenses attributable to the Conveyed Interests, in each case that are: (i) incurred with respect to operations conducted or production prior to the Effective Time shall be paid by or allocated to SM and (ii) incurred with respect to operations conducted or production from and after the Effective Time shall be paid by or allocated to Mitsui. Such amounts which are received or paid prior to Closing (to the extent the same differ from the amounts used in the Preliminary Settlement Statement) will be accounted for in the Final Settlement Statement. Notwithstanding

anything to the contrary in this *Section 3.7*, the Parties' only recourse to enforce the rights and obligations set forth in this *Section 3.7* with respect to revenues and other amounts received or paid prior to Closing by either Party attributable to the rights of ownership of (A) the Conveyed Interests other than the Springfield Gathering Assets from and after the Effective Time up to Closing shall be through an adjustment to the calculation of the Cash Reconciliation Amount pursuant to *Section 3.9(c)*, and (B) the

Springfield Gathering Assets included in the Conveyed Interests from and after the Effective Time up to Closing shall be an adjustment to the Closing Cost Reimbursement pursuant to the provisions of *Section 3.9(a)*.

(b) Except as expressly provided otherwise in this Agreement, Mitsui will pay to SM any and all revenues and other proceeds attributable to the rights of ownership of the Conveyed Interests received after Closing by Mitsui that are attributable to the Conveyed Interests prior to the Effective Time. Except as expressly provided otherwise in this Agreement, SM will pay to Mitsui any and all revenues and other proceeds attributable to the rights of ownership of the Conveyed Interests received after Closing by SM that are attributable to the Conveyed Interests on and after the Effective Time. The Party responsible for the payment of amounts received shall reimburse the other Party within five Business Days after the end of the Month in which such amounts were received by the Party responsible for payment. Such amounts shall not be taken into account for purposes of the Final Settlement Statement.

(c) Except as expressly provided otherwise in this Agreement, SM will reimburse Mitsui for any and all Operating Expenses that are paid after Closing by Mitsui and that are attributable to the Conveyed Interests prior to the Effective Time. Except as expressly provided otherwise in this Agreement, Mitsui will reimburse SM for any and all Operating Expenses that are paid after Closing by SM and that are attributable to the Conveyed Interests on and after the Effective Time. The Party responsible for the payment of such costs and expenses shall reimburse the other Party within five Business Days after the end of the Month in which the applicable invoice and proof of payment of such invoice were received by the Party responsible for payment. Such amounts shall not be taken into account for purposes of the Final Settlement Statement.

(d) Each of SM and Mitsui shall be permitted to offset any Operating Expenses owed by such Party to the other Party pursuant to*Section 3.7(c)* against revenues owing by such Party to such other Party pursuant to *Section 3.7(b)*; provided that the Party exercising its right to offset under this*Section 3.7(d)* provides the other Party with a reasonably detailed description of the Operating Expenses and revenues that it is offsetting under this *Section 3.7(d)* and the calculation of the net amount at the time of the applicable payment or statement.

3.8 Payment Procedure. All payments of Development Costs and Carried Costs owed by the Parties pursuant to this Agreement shall be made pursuant to the following terms and conditions:

(a) In response to each statement, invoice or request for advance issued by an Operator to the Participating Parties in a Development Operation under an Applicable Operating Agreement (i) Mitsui shall fund the Carried Costs associated with the conduct of such Development Operations in accordance with the provisions of the *Exhibit D* (the "***Escrow***

Procedures"), (ii) Mitsui shall pay its share of expenditures (other than Carried Costs) for the conduct of such Development Operations in accordance with the terms of the Applicable Operating Agreements or the other provisions of this Agreement, as applicable, and (iii) SM shall (A) apply the Deposit Funds to the payment of its share of expenditures for the conduct of such Development Operations in accordance with the terms of the Applicable Operating Agreements or the other provisions of this Agreement, as applicable, but only to the extent such expenditures are Carried Costs hereunder, and (B) after applying the Deposit Funds as set forth in clause (A) above, pay its share of such expenditures that are not Carried Costs hereunder in accordance with the terms of the Applicable Operating Agreements or the other provisions of this Agreement, as applicable.

(b) Each Participating Party (and Mitsui when funding any Carried Costs with respect to such Development Operation) shall also be entitled to exercise all rights available to the parties under each Applicable Operating Agreements to contest charges and audit the accounts of the Operator thereunder with respect to such payments. Any reimbursements for any Carried Costs funded by Mitsui shall be paid by SM or the applicable reimbursing party to Mitsui promptly after the determination thereof (or, to the extent reimbursable by Person other than SM and paid to SM, promptly following receipt by SM of such amounts), provided that any amounts so reimbursed to Mitsui shall be deducted from the calculation of the Carried Costs funded by Mitsui for purposes of this Agreement, including the determination of the Carry Termination Event. In the event SM receives a credit in respect of Carried Costs funded by Mitsui, at the request of Mitsui, SM shall request that such credit be paid directly to Mitsui (and any such credit actually paid to Mitsui shall be deducted from the calculation of Carried Costs funded by Mitsui pursuant to this Agreement). Following the Carry Termination Event, any (i) Deposited Amounts remaining in the Operating Account at such time shall be transferred by SM to the Carried Costs Balance Account, and (ii) any Deposit Interest remaining in the Operating Account (or which is owed to the Operating Account) shall be paid to Mitsui, in each case (A) within five Business Days after the end of the month in which the Carry Termination Event occurs and (B) pursuant to a SM Termination Instruction or Mitsui Termination Instruction, as applicable.

(c) Each Development Party shall pay its share of expenditures for the conduct of Development Operations pursuant to the Springfield Ownership Agreement in accordance with the provisions of the Springfield Ownership Agreement.

3.9 Closing Cash Adjustments.

(a) The Closing Cost Reimbursement shall be adjusted as follows:

(i) The Closing Cost Reimbursement shall be adjusted upward by the following amounts (without duplication):

(A) an amount equal to all Operating Expenses and other costs and expenses paid by SM that are attributable to the Springfield Gathering Assets included in the Conveyed Interests and incurred during the Interim Period, whether paid before or after the Effective Time;

(B) an amount determined pursuant to Section 4.4(b)(i) of the Acquisition Annex, as applicable, for any Conveyed Interests that (1) are part of the Springfield Gathering Assets and (2) were previously excluded from the transactions contemplated hereby but were later assigned to Mitsui pursuant to such Section; and

(C) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties that relates to the Springfield Gathering Assets included in the Conveyed Interests.

(ii) The Closing Cost Reimbursement shall be adjusted downward by the following amounts (without duplication):

(A) an amount equal to all proceeds actually received by SM attributable to its ownership of the Springfield Gathering Assets included in the Conveyed Interests during the Interim Period;

(B) if (1) an election under Section 4.2(d)(i) of the Acquisition Annex is made (or deemed made) with respect to a Title Defect and (2) such Title Defect affects the Springfield Gathering Assets included in the Conveyed Interests, subject to Section 4.2(i) of the Acquisition Annex, the Title Defect Amount with respect to such Title Defect insofar and only insofar as such Title Defect Amount relates to the Springfield Gathering Assets included in the Conveyed Interests;

(C) if (1) an election under Section 5.1(c)(i) of the Acquisition Annex is made (or deemed made) with respect to an Environmental Defect and (2) such Environmental Defect affects the Springfield Gathering Assets included in the Conveyed Interests, subject to Section 5.1(e) of the Acquisition Annex, the Remediation Amount with respect to such Environmental Defect insofar and only insofar as such Remediation Amount relates to the Springfield Gathering Assets included in the Conveyed Interests;

(D) an amount determined pursuant to Section 4.4(b)(i) of the Acquisition Annex for any Conveyed Interests that (1) are part of the Springfield Gathering Assets and (2) are excluded from the transaction contemplated hereby pursuant to such Section;

(E) the amount of all Asset Taxes for the Springfield Gathering Assets included in the Conveyed Interests prorated to periods of time prior to the Interim Period in accordance with *Section 9.2* to the extent such Asset Taxes were not paid or otherwise borne by SM; and

(F) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties that relates to the Springfield Gathering Assets included in the Conveyed Interests.

(b) The adjustments described in *Section 3.9(a)(ii)(A)* shall serve to satisfy, up to the amount of the adjustment, Mitsui's entitlement to the economic benefit of revenues from the Springfield Gathering Assets included in the Conveyed Interests during the Interim Period pursuant to *Section 3.7(a)*, and Mitsui shall not have a separate right to receive the revenues for which an adjustment has been made therefor pursuant to such Sections. The adjustments described in *Section 3.9(a)(i)(A)* shall serve to satisfy, up to the amount of the adjustment, Mitsui's obligation to bear the economic burden of Operating Expenses attributable to the Springfield Gathering Assets included in the Conveyed Interests during the Interim Period, and Mitsui shall not be separately obligated to pay any such Operating Expense for which an adjustment is made therefor pursuant to such Section.

(c) Subject to the terms of this *Section 3.9(c)*, a cash payment shall be made at Closing with respect to all (x) Operating Expenses attributable to the Conveyed Interests (other than Springfield Gathering Assets) that are incurred with respect to operations conducted or production from and after the Effective Time up to and including the Closing Date and (y) proceeds of production and other proceeds, in each case, attributable to the Conveyed Interests (other than the Springfield Gathering Assets) (the "***Cash Reconciliation Amount***"). The Cash Reconciliation Amount shall be determined as follows:

(i) an amount equal to the value of all Hydrocarbons attributable to the Conveyed Interests (other than Springfield Gathering Assets) in storage or existing in stock tanks, pipelines and/or plants (including inventory) as of the Effective Time, the value to be based upon the contract price in effect as of the Effective Time (or (A) is there is no contract price, then the market price in effect as of the Effective Time in the field in which such Hydrocarbons were produced or (B) if actually sold prior to the date of determination, then the proceeds actually recovered by SM attributable to such sale), net of amounts payable as royalties, overriding royalties and other burdens upon, measured by or payable out of such production and severance Taxes; *plus*

(ii) an amount equal to all Operating Expenses and other costs and expenses paid by SM that are attributable to the Conveyed Interests (other than Springfield Gathering Assets) and incurred during the Interim Period, whether paid before or after the Effective Time; *minus*

(iii) the amount of all Asset Taxes for the Conveyed Interests (other than Springfield Gathering Assets) prorated to periods of time prior to the Interim Period in accordance with *Section 9.2* to the extent such Asset Taxes were not paid or otherwise borne by SM; *minus*

(iv) an amount equal to all proceeds actually received by SM attributable to the sale of Hydrocarbons (A) produced from or allocable to the Conveyed Interests (other than Springfield Gathering Assets) during the Interim Period or (B) contained in storage or existing in stock tanks, pipelines and/or plants (including inventory) as of the Effective Time which are described in *Section 3.9(c)(i)*; *plus* or *minus*, as applicable;

(v) any other amount provided for elsewhere in this Agreement or otherwise agreed upon by the Parties.

(d) If the Cash Reconciliation Amount resulting from the formula set forth in *Section 3.9(c)* is a (i) positive number, then Mitsui shall pay the absolute value of the Cash Reconciliation Amount (the absolute value of the Cash Reconciliation Amount herein referred to as the "***Cash Reconciliation Payment***") so determined in the manner hereafter described at Closing, and (ii) negative number, then SM shall pay the Cash Reconciliation Payment to Mitsui at Closing, in each case, as such Cash Reconciliation Payment is set forth on the Preliminary Settlement Statement agreed (or deemed agreed) by the Parties pursuant to *Section 3.6(a).* If Mitsui is obligated to make the Cash Reconciliation Payment at Closing, the Cash Reconciliation Payment shall be made by wire transfer of immediately available funds to an account set forth in the Preliminary Settlement Statement (the "***Cash Reconciliation Account***"). Notwithstanding anything in this Agreement to the contrary, any funds held in the Cash Reconciliation Account (other than any interest earned on such amounts) shall be used solely by SM to pay Eligible Costs of SM incurred pursuant to Development Operations. Any interest earned on amounts held in the Cash Reconciliation Account shall be allocated and distributed 50% to SM and 50% to Mitsui.

(e) The component of the Cash Reconciliation Amount specifically described in (i) *Section 3.9(c)(i)* shall serve to transfer to Mitsui the economic benefit of SM's right to the Hydrocarbon production in inventory at the Effective Time; (ii) *Section 3.9(c)(iv)* shall serve to satisfy, up to the amount of the payment made pursuant to such Section, Mitsui's entitlement to the economic benefit of production from the Conveyed Interests during the Interim Period pursuant to *Section 3.7(a)* and Mitsui's rights to the economic benefit of the inventory described under *Section 3.9(c)(i)* and Mitsui shall not have a separate right to receive the production which is accounted for as a component of the Cash Reconciliation Amount pursuant to such Sections; and (iii) *Section 3.9(c)(ii)* shall serve to satisfy, up to the amount of the payment made pursuant to such Section, Mitsui's obligation to bear the economic effect of Operating Expenses attributable to the Conveyed Interests (other than Springfield Gathering Assets) during the Interim Period, and Mitsui shall not be separately obligated to pay any such Operating Expense which are accounted for as a component of the Cash Reconciliation Amount pursuant to such Section.

3.10 Carried Costs Balance Payment. If the Carry Termination Event has not occurred on or prior to the date that is 30 months after the Closing Date, then, at any time thereafter, Mitsui, upon five Business Days written notice to SM (the "***Balance Election Notice***"), shall have the right (but not the obligation) (the "***Carried Costs Balance Right***") to elect to pay the Carried Costs Balance as a lump sum payment, as applicable (such payment, the "***Carried Costs Balance Payment***"). Promptly following the delivery of the Balance Election Notice by Mitsui, but in any event within five Business Days following such delivery, Mitsui shall pay to SM the Carried Costs Balance Payment by wire transfer of immediately available funds to the account specified by SM in writing to Mitsui promptly following SM's receipt of the Balance Election Notice (the "***Carried Costs Balance Account***"). Upon SM's receipt of the Carried Costs Balance Payment the Carry Termination Event shall be deemed to have occurred for all purposes hereunder. Notwithstanding anything in this Agreement to the contrary, any funds held in the Carried Costs Balance Account (exclusive of interest, which shall be allocated

and distributed 50% to SM and 50% to Mitsui) shall, prior to the termination of the Tax Partnership pursuant to Section 7.1 of the Tax Partnership Agreement, be used solely to pay Eligible Costs of SM incurred pursuant to Development Operations in the same amount and manner as the funds provided by Mitsui to pay Carried Costs would have been used pursuant to this Agreement had the Carried Costs Balance Payment not been made and the Carry Termination Event not occurred.

3.11 Mitsui Parent Guaranty; Legal Opinion. Simultaneously with the execution and delivery of this Agreement (a) Mitsui Parent has executed and delivered the Mitsui Parent Guaranty and (b) Mitsui shall deliver to SM a legal opinion, from counsel reasonably acceptable to SM, opining as to the enforceability of the Mitsui Parent Guaranty in both the United States and Japan.

ARTICLE IV
ACQUISITION PROVISIONS

4.1 Acquisition Annex. The Parties agree that the transfer of the Conveyed Interests contemplated in*Section 2.1* will be governed by, and subject to, the terms and conditions set forth on *Annex A* (such Annex, including its terms and conditions, the "***Acquisition Annex***").

4.2 Representations and Warranties of the Parties.

(a) SM represents and warrants to Mitsui as set forth in Article I of the Acquisition Annex.

(b) Mitsui represents and warrants to SM as set forth in Article II of the Acquisition Annex.

4.3 Pre-Closing Access to Conveyed Interests. The Parties agree that certain rights and obligations with respect to ingress and egress from the Conveyed Interests, including confidentiality obligations with respect to the Conveyed Interests, are set forth in Article III of the Acquisition Annex.

4.4 Title Matters; Casualty; Transfer Restrictions. The Parties agree that certain rights and obligations with respect to (a) SM's title to the Conveyed Interests, including any Title Defects and Title Benefits, (b) any Casualty Losses affecting the Conveyed Interests, (c) Preferential Rights, and (d) Consents encumbering the Conveyed Interests, in each case, are set forth in Article IV of the Acquisition Annex, *Section 3.5(a)(i)*, *Section 3.5(b)(i)*, *Section 3.5(b)(iii)*, *Section 3.9(a)(i)(B)*, *Section 3.9(a)(ii)(B)*, and *Section 3.9(a)(ii)(D)* and, as applicable, the special warranty of title contained in the Assignment.

4.5 Environmental Matters. The Parties agree that certain rights and obligations with respect to any Environmental Conditions and Environmental Defects affecting the Conveyed Interests, including any Remediation thereof, are set forth in Article V of the Acquisition Annex, *Section 3.5(b)(ii)* and *Section 3.9(a)(ii)(C).*

4.6 Pre-Closing Covenants. Each Party agrees to be bound and perform, as applicable, the covenants of such Party set forth in Article VI of the Acquisition Annex.

4.7 Acquisition Closing Conditions. The obligation of each Party to consummate the transactions provided for in*Article II* is subject, at the option of such Party, to the fulfillment on or prior to the Closing of the following conditions, as applicable:

(a) with respect to SM, those conditions set forth in Section 7.2 of the Acquisition Annex; and

(b) with respect to Mitsui, those conditions set forth in Section 7.1 of the Acquisition Annex.

4.8 Closing of Acquisition. The Parties agree that the Closing of the transactions contemplated by*Article II* will take place in accordance with the provisions of Article VIII of the Acquisition Annex.

4.9 Pre-Closing Termination Provisions. The Parties agree that their respective rights and obligations with respect to the termination of this Agreement prior to Closing are set forth in Article IX of the Acquisition Annex.

4.10 Indemnification Provisions. Each Party agrees that, upon Closing, it shall have rights and obligations with respect to indemnification from the other Party as set forth in Article X of the Acquisition Annex.

4.11 Alternative Proposals. Promptly following Closing, or such earlier time as SM and Mitsui may mutually agree, SM shall send notice to all other prospective purchasers of the Conveyed Interests pursuant to the confidentiality agreement signed by each such prospective purchaser requiring the return or destruction of all confidential information (as defined in those confidentiality agreements) provided by SM to those prospective purchasers with respect to the Conveyed Interests and all written work product which contains any portion of such confidential information and all copies and extracts thereof, except for such retention as is expressly allowed under the terms of each such confidentiality agreement.

ARTICLE V
DEVELOPMENT OPERATIONS

5.1 Scope. This Agreement shall govern the respective rights and obligations of the Development Parties with respect to the funding, development and operation of the Subject Oil and Gas Assets and the Springfield Gathering Assets, to the extent provided herein. Except as provided in *Section 5.9*, this Agreement does not govern: (a) the funding, development or operation of any equipment, fixtures or other assets located downstream of the outlet flange of the Springfield Gathering Assets or the inlet flange of any other Third Party gathering assets to which the Subject Oil and Gas Assets are connected (or, in the case of Hydrocarbon liquids not transported by pipeline, downstream of the outlet flange in the tanks); or (b) the marketing or sale of oil and gas products from the Subject Oil and Gas Assets, all of which are outside the scope of this Agreement.

5.2 Development Operations.

(a) All Development Operations conducted by any Third Party Operator shall be conducted subject to the terms and conditions of the Applicable Operating Agreement or Springfield Ownership Agreement, as applicable. SM shall not, without Mitsui's prior written consent (which consent shall not be unreasonably withheld or delayed) amend or agree to amend the Anadarko Agreement, including the form of Joint Operating Agreement attached to the Anadarko Agreement as Exhibit C, or consent to the use of any form of joint operating agreement for an acquisition under the Anadarko AMI other than the form attached to the Anadarko Agreement as Exhibit C (except an operating agreement already in place for Leases and/or Wells at the time SM agrees to acquire such Leases and/or Wells).

(b) All Development Operations conducted by SM as Operator shall be conducted subject to the terms and conditions of the applicable SMJOA.

(c) Pursuant to *Section 3.2*, Mitsui shall be responsible for funding all Carried Costs resulting from any Development Operation, as well as paying its own Development Costs with respect to any such Development Operation if it elects to participate in such Development Operation. Except as provided in the preceding sentence, SM shall be responsible for its own Development Costs with respect to any such Development Operation. Mitsui and SM shall make all required payments for Carried Costs and Development Costs, as applicable, for such Development Operation in accordance with the provisions of *Section 3.8*.

(d) From and after the Closing Date until the Carry Termination Event, subject to the terms of the Applicable Operating Agreement and the Springfield Ownership Agreement, each Development Party shall have the right to non-consent any proposed Development Operation; provided, however, that if SM elects to participate in any Development Operation, Mitsui shall be required to fund all applicable Carried Costs with respect to such Development Operation, regardless of whether Mitsui also elects to participate in such Development Operation.

5.3 Operations by SM.

(a) If, at any time during the Term, the Development Parties hold interests in a Lease, and such Lease (at the time of its acquisition) was not subject to a Third Party Operating Agreement and was not acquired by the Parties pursuant to the provisions of the Anadarko Agreement and Anadarko AMI, such Lease shall be deemed to be subject to and governed by a SMJOA. At or prior to the termination of this Agreement, the Parties shall execute SMJOAs with respect to each drilling or production unit and each other Property with respect to which an SMJOA is deemed to be in effect under the terms of this *Section 5.3*. Each SMJOA in which no Third Party participates and, as between the Parties only, each SMJOA in which a Third Party participates and each Third Party Operating Agreement, shall be subject to the Tax Partnership Agreement, unless and until the applicability of such provisions to the Subject Oil and Gas Assets subject to such operating agreement terminates in accordance with the terms of the Tax Partnership Agreement.

(b) SM (i) is hereby designated and agrees to serve as the Operator under each SMJOA and (ii) to the extent SM serves as Operator under any Third Party Operating Agreement, is hereby designated and agrees to serve as the Operator under each such Third Party Operating Agreement; provided that SM shall have the right to have an Affiliate of SM act as the Operator under any such agreement.

5.4 Overhead. With respect to each Applicable Operating Agreement and the Springfield Ownership Agreement, each Development Party shall be responsible for and pay its Participating Interest share of the overhead rates specified in such Applicable Operating Agreement or the Springfield Ownership Agreement, as applicable, for such Development Operations conducted thereunder in accordance with *Section 3.8*.

5.5 Non-Solicitation of SM Employees. During the Term and for a period of 12 Months thereafter, Mitsui, the Persons listed on*Schedule 5.5* and any other Affiliates of Mitsui Parent that are actively engaged in the United States oil and gas exploration and production industry may not directly solicit any employee of SM or its Affiliates without first obtaining the prior written consent of SM, which consent may be withheld by SM at its sole discretion, for so long as such employee is employed by SM or its Affiliates; provided that this prohibition shall not apply to offers of employment made by Mitsui or its Affiliates pursuant to a general solicitation of employment to the public or the industry, and Mitsui and its Affiliates shall not be prohibited from employing any such person who contacts Mitsui or its Affiliates on his or her own initiative.

5.6 Certain Services.

(a) Subject to the terms and conditions of this Agreement, in addition to those certain other duties and responsibilities expressly set forth herein, SM shall, to the extent (i) a Third Party Operator is at such time not performing such services with respect to the Subject Oil and Gas Assets and (ii) SM is at such time performing such services with respect to its own interest in any Subject Oil and Gas Assets (any such assets, "***Service Eligible Assets***"), and notwithstanding the terms of any Applicable Operating Agreement to the contrary, upon the written request of Mitsui with respect to any Service Eligible Assets, pay or cause to be paid Mitsui's or its Affiliates' share of: (A) rentals, shut-in well payments and minimum royalties required to be paid to lessees under the Leases included in such Service Eligible Assets; (B) royalties, overriding royalties and other burdens required to be paid to lessees and holders of overriding royalties and other Burdens on the Leases included in such Service Eligible Assets; and (C) severance and other production Taxes attributable to such Service Eligible Assets, and prepare and file or submit to owners of Burdens, as applicable, or cause to be prepared, filed or submitted, reports required by applicable Law with respect thereto, provided that Mitsui's or its Affiliates' share of the payments described in clauses (A), (B) and (C) shall be billed to or advanced by Mitsui in accordance with *Section 3.8*. For the avoidance of doubt, Mitsui acknowledges and agrees that SM shall not, at any time of determination, be responsible for providing any of the foregoing services (each, an "***Administrative Service***") with respect to any Service Eligible Assets if SM does not, at such time, provide such Administrative Service with respect to its own interest in such Service Eligible Assets.

(b) Subject to the terms and conditions of this Agreement, in addition to those certain other duties and responsibilities expressly set forth herein, and notwithstanding the terms of any Applicable Operating Agreement to the contrary, if Mitsui is required by the Operator pursuant to any Applicable Operating Agreement or required by the terms of the Applicable Operating Agreement to secure or cause to be secured any title curative matters and pooling amendments or agreements under an Applicable Operating Agreement in connection with the Conveyed Interests, then SM shall, upon the written request of Mitsui, secure or cause to be secured such title curative matters and/or pooling amendments or agreements, and, subject to SM's obligations under Article IV of the Acquisition Annex and the special warranty of title contained in the Assignment, Mitsui shall pay its Participating Interest share of the costs of such activities, provided that Mitsui's or its Affiliates' expenses for such requested actions shall be billed to or advanced by Mitsui in accordance with *Section 3.8*.

5.7 Springfield Ownership Agreement.

(a) Neither Party shall vote for a determination under Section 4.8 of the Springfield Ownership Agreement that operation of any part of the Springfield Gathering Assets is uneconomic unless both Parties have agreed in writing to do so.

(b) Either Party shall, at the request of the other, join in a call for a meeting under Section 8.6 of the Springfield Ownership Agreement.

5.8 Sharing of Information; Joint Venture Meetings; Disclaimers.

(a) Subject to applicable confidentiality restrictions (provided that the Development Parties shall use their commercially reasonable efforts to obtain a waiver of any such confidentiality restriction, and provided further, that no Development Party shall have any obligation to incur any cost or pay any fee with respect to such efforts), upon the written request of any Development Party (i) the other Development Party shall provide to the requesting Development Party any written information in its possession that it has received from any Third Party Operator or Springfield Pipeline LLC, as applicable, and (ii) if Mitsui is the requesting Development Party, SM shall use its commercially reasonable efforts to obtain and provide to Mitsui information from any Third Party Operator or Springfield Pipeline LLC, to which SM is entitled under any Applicable Operating Agreement, the Springfield Ownership Agreement and/or the Anadarko Agreement, in each case, regarding the Development Operations under any Applicable Operating Agreement, the Springfield Ownership Agreement and/or the Anadarko Agreement; provided that neither Party shall have any obligation under this *Section 5.8(a)* to provide or obtain, as applicable, any information to or for the other Party if such information has already been otherwise received by, or is in the possession of, such the other Party.

(b) SM shall use its commercially reasonable efforts to obtain the right for Mitsui to attend any meeting regarding Development Operations between SM and any Third Party Operator or Springfield Pipeline LLC, as applicable, including meetings held under any Applicable Operating Agreement, the Springfield Ownership Agreement or the Anadarko Agreement.

(c) SM and Mitsui shall meet as often as they may agree, but in no event less than quarterly. In each Calendar Quarter following the Closing, on a date to be mutually agreed by the Parties, SM and Mitsui shall meet in Houston, Texas or Denver, Colorado or in another mutually agreeable location. The Parties shall agree upon the date, location and time of each such meeting at least 15 days in advance of such meeting, unless otherwise agreed by the Parties. Either Party may include any item on the agenda for the meeting by notice to the other at least five Business Days prior to the date of the meeting. Subject to confidentiality restrictions regarding any such data or information (provided that SM shall use its commercially reasonable efforts to obtain a waiver of any such confidentiality restriction), SM shall provide to, and discuss with, Mitsui the data and information set forth on *Schedule 5.8(c)* at each such meeting. Notwithstanding anything herein to the contrary, in no event should SM be required under this Section to provide to Mitsui SM's opinion regarding the results of past Development Operations or advisability of participation in future Development Operations, including opinions regarding the potential reserves, production rates or financial performance of the Subject Oil and Gas Assets.

(d) SM MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED WITH RESPECT TO, AND SM EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR, ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO MITSUI OR ANY OF MITSUI'S REPRESENTATIVES (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY BE PROVIDED TO MITSUI BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SM OR ANY OF ITS AFFILIATES) IN CONNECTION WITH SM'S OBLIGATIONS UNDER THIS *SECTION 5.8*.

5.9 Marketing; Future Midstream and Downstream Rights.

(a) If, following Closing, SM is marketing its production from the AMI Area, including providing necessary pipeline nominations and other required nominations and other necessary gas control, scheduling and balancing services (such services, collectively, "***Marketing Services***"), then SM shall, upon written request from Mitsui, market all of Mitsui's production from the AMI Area on the same terms and conditions as SM is at such time marketing its own production from the AMI Area and providing itself other Marketing Services.

(b) With regard to the gathering and transportation of Hydrocarbons from jointly owned Wells within the AMI Area in pipelines and gathering systems owned by Third Parties, to the extent allowed under Laws and existing Contracts, each Development Party agrees to notify the other Development Party a reasonable time prior to contracting for additional or new firm transportation capacity so that such other Development Party has the opportunity to commit for its Participating Interest share of such firm transportation capacity. In the event the other Development Party so requests, the notifying Development Party will use its reasonable efforts to cause the counterparty to also contract with the other Development Party for firm transportation capacities in order to satisfy both Development Parties' aggregate requirements. In the event such total capacity is unavailable, the Development Parties will share in the available contracted firm transportation capacity in accordance with their Participating Interest shares. The Development Parties shall enter into separate transportation contracts regarding their

respective Hydrocarbons unless the Development Parties and such Third Party agree to the contrary.

5.10 Anadarko Agreement. SM shall use its commercially reasonable efforts to obtain, prior to Closing, Anadarko's consent to the assignment to Mitsui of 50% of SM's rights and obligations under the Anadarko Agreement (other than those rights described in clause (s) of the definition of "*Excluded Assets*"). Mitsui will reasonably cooperate with SM's efforts to obtain such consent; provided, however, that neither Party shall be required to incur any Liability or pay any money to obtain such consent.

5.11 Indemnity and Release.

(a) In no event shall SM be liable to Mitsui for, and Mitsui, on behalf of itself and its Affiliates, hereby releases SM from, any and all Liabilities that arise out of, relate to or are otherwise attributable to, directly or indirectly, the provision by SM to Mitsui of the Administrative Services and/or Marketing Services described in *Section 5.6* and *Section 5.9*, except, in each case, to the extent resulting from the gross negligence or willful misconduct of any SM Indemnified Party and excluding SM's obligation to deliver to Mitsui proceeds actually received for Mitsui's production from the AMI Area (less deductions attributable to payment of royalties and other burdens on production, severance taxes, amounts payable to third parties in respect of gathering, treating, processing and transporting production, and other similar third party expenses, and subject to the other terms of this Agreement).

(b) SM DOES NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING THE ADMINISTRATIVE SERVICES AND/OR MARKETING SERVICES, AND HEREBY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

(c) Mitsui assumes sole responsibility for and shall defend, indemnify, release and hold the SM Indemnified Parties harmless from and against any and all Liabilities suffered by the SM Indemnified Parties to persons other than the SM Indemnified Parties arising out of or resulting from the performance of the Administrative Services and/or Marketing Services or otherwise related to any actions or inactions by the SM Indemnified Parties pursuant to *Section 5.6* and *Section 5.9*, **REGARDLESS OF WHETHER CAUSED BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT) OR FAULT, OR STRICT LIABILITY OR ABSOLUTE LIABILITY OF ANY MEMBER OF THE SM INDEMNIFIED PARTIES OR ANY OTHER PERSON, NATURAL OR OTHERWISE, ANY DEFECT IN ANY PREMISES WHETHER PRE-EXISTING THIS AGREEMENT OR NOT AND WHETHER SUCH DAMAGES, LOSSES, LIABILITIES, CLAIMS OR DEMANDS ARISE FROM TORT, CONTRACT, QUASI-CONTRACT OR OTHERWISE, BUT EXCLUDING IN EACH CASE LIABILITIES TO THE EXTENT AND ONLY TO THE EXTENT RESULTING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY SM INDEMNIFIED PARTY.**

ARTICLE VI
DEFAULT

6.1 Default. If Mitsui fails to fund any Carried Costs when due under the terms of this Agreement (a "***Carried Cost Default***") and such failure is not cured within 15 days of Mitsui's receipt of a Default Notice, Mitsui shall be in default under this Agreement, and shall be referred to herein as a "***Defaulting Party***". SM may give

notice of such non-payment to Mitsui (a "***Default Notice***"), and if SM does deliver a Default Notice to Mitsui, it shall simultaneously therewith deliver such Default Notice to Mitsui Parent. All amounts in default and not paid when due under this Agreement shall bear interest at the Default Interest Rate from the due date to the date of payment.

6.2 Certain Consequences of Default.

(a) Notwithstanding any other provision in this Agreement or any Associated Agreement to the contrary, during the Default Period, the Defaulting Party shall be subject to all rights and remedies available to SM under the relevant Applicable Operating Agreements, and in addition, shall have no right to:

(i) make or elect to participate any proposal under this Agreement or any Applicable Operating Agreement;

(ii) vote on any matter with respect to which approval is required under the express terms of any Associated Agreement (excluding any amendment or waiver of the terms of any such agreement);

(iii) access any data or information relating to any operation conducted under this Agreement or any Associated Agreement (except to the extent that the Defaulting Party is the Operator, in which case such Defaulting Party shall be entitled to such data and information as may be necessary to perform its responsibilities in such capacity);

(iv) Transfer all or any part of its interests in any Subject Oil and Gas Asset, or Encumber all or any part of its interests in any Subject Oil and Gas Assets, except in a case of a Transfer of such interest to a Person or an Encumbrance in favor of a Person who simultaneously with such Transfer or Encumbrance satisfies in full the Total Amount in Default;

(v) withhold consent to any Transfer of all or an undivided portion of the Joint Interest of SM pursuant to Article I of the Transfer Provisions; and

(vi) elect to acquire any portion of an Acquired Interest pursuant to Article II of the Transfer Provisions.

(b) In addition to the other remedies available to SM under this Agreement and any other rights available to SM to recover its share of the Total Amount in Default, from and after the time upon which the balance of the Deposited Amounts held in the Operating Account is equal to zero, the Defaulting Party shall have no right to receive its Entitlement from

the Leases included in the Subject Oil and Gas Assets and SM shall have the right to collect such Entitlement until the Total Amount in Default has been recovered.

(c) Furthermore, during the Default Period, the Defaulting Party shall be deemed to have approved, and shall join with SM in taking, any actions proposed by a Third Party Operator and approved by SM under the Applicable Operating Agreement during the Default Period.

(d) Any Default Notice shall include a statement of the amount of money that the Defaulting Party has failed to pay.

(e) SM shall be entitled to recover from the Defaulting Party all reasonable attorneys' fees and other reasonable costs sustained in the collection of amounts owed by the Defaulting Party.

6.3 Cumulative and Additional Remedies. The rights and remedies granted to SM in this *Article VI* shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to SM at Law, in equity or otherwise. Each right and remedy available to SM may be exercised from time to time and so often and in such order as may be considered expedient by SM in its sole discretion.

6.4 Reassignment Obligation. If Mitsui and/or Mitsui Parent, as applicable, fails to fund any Carried Costs generally identified in a Default Notice within 30 days of Mitsui's receipt of that Default Notice, then SM (at any time prior to the cure of such Carried Cost Default and no earlier than 15 days after delivery of notice (which shall be separate and apart from the Default Notice and the Reassignment Notice) to Mitsui and Mitsui Parent during the Default Period that SM intends to exercise its rights under this *Section 6.4*) may, by delivering a notice to Mitsui (a "***Reassignment Notice***"), require Mitsui to reassign to SM, with special warranty of title against, and free and clear of all claims by, through or under Mitsui or its Affiliates, but not otherwise, an undivided percentage share of Mitsui's and its Affiliates' interests in the Conveyed Interests having a Cash Value equal to (a) the Carried Costs Balance on the date of such reassignment, *plus* (b) the interest portion of the Total Amount in Default through the date of such reassignment. SM shall include a statement of its good faith estimate of the undivided percentage of the Conveyed Interests having such a Cash Value in its Reassignment Notice. Mitsui shall have the right to dispute the proposed Cash Value by responsive notice within 30 days of the Reassignment Notice, if Mitsui acting in good faith believes that such proposed Cash Value is incorrect, in which case the procedures set forth in Section 2.2(g) of the Transfer Provisions shall be applied, *mutatis mutandis*, to resolve the Dispute. For the avoidance of doubt, Mitsui will not be required under this*Section 6.4* to assign to SM any Acquired Interests acquired by Mitsui under Article II of the Transfer Provisions. If SM elects to exercise its reassignment rights pursuant to this *Section 6.4*, then following such reassignment: (i) Mitsui shall be deemed to no longer be in default of its obligations to fund Carried Costs in accordance with the terms of *Section 3.2* and *Section 3.3* of this Agreement, (ii) such obligation to fund Carried Costs shall be deemed to be fully satisfied by Mitsui and (iii) this Agreement shall terminate. SM shall be entitled to exercise any and all rights and remedies that may be available to SM to enforce its rights under this *Section 6.4*, whether set forth in this Agreement, the Applicable Operating Agreements, at Law, in equity (including specific performance of this

Agreement) or otherwise; provided, however, that notwithstanding the foregoing, SM will not be entitled to duplication of remedies with respect to any Carried Cost Default.

6.5 Other Payment Defaults. With respect to any payment defaults by any Development Party (other than a default in the funding of Carried Costs by Mitsui), the Development Parties' rights and remedies with respect thereto shall be those rights and remedies that (a) are set forth in the Applicable Operating Agreement, the Springfield Ownership Agreement and/or the Associated Agreement under which such payment was due and (b) may be available at Law, in equity or otherwise. For the avoidance of doubt, SM shall not be in default with respect to the payment of its Participating Interest share of Development Costs to the extent that Mitsui is responsible for such Development Costs pursuant to *Section 3.2* and Mitsui fails to fund the share of such Development Costs consisting of Carried Costs when due in accordance with *Section 3.8*.

ARTICLE VII
[RESERVED]

ARTICLE VIII
[RESERVED]

ARTICLE IX

TAXES

9.1 ***Tax Partnership***. The Development Parties intend and expect that the transactions contemplated by this Agreement (including the Acquisition Annex) and the Associated Agreements, taken together, will be treated, for purposes of federal income taxation and for purposes of certain state income tax Laws that incorporate or follow federal income tax principles ("***Tax Purposes***"), as resulting in (a) a sale by SM of an undivided 12.5% interest in the Springfield Gathering Assets in exchange for the Closing Cost Reimbursement, as the same may be adjusted pursuant to *Section 3.9(a)* hereof, with the future activities of the Parties with respect thereto being conducted subject to the Springfield Gathering Agreement; (b) the creation of a partnership (the "***Tax Partnership***") in which Mitsui and SM are treated as partners, with the Tax Partnership being treated for Tax Purposes as holding the Joint Upstream Interests (as such term is defined in the Tax Partnership Agreement) and engaging in all activities of the Development Parties with respect to the Joint Upstream Interests; (c) a contribution by SM of all of the Contributed Properties, any Cash Reconciliation Payment made by it pursuant to *Section 3.9(d)* and a commitment by SM to fund the costs and expenses allocable to it under this Agreement to the Tax Partnership in exchange for a 50% interest therein; (d) a contribution by Mitsui of any Cash Reconciliation Payment made by it pursuant to *Section 3.9(d)* and a commitment by Mitsui to fund to the Tax Partnership the costs and expenses allocable to it under this Agreement in exchange for a 50% interest therein, and (e) the realization by the Tax Partnership of all items of income or gain and the incurrence by the Tax Partnership of all items of costs or expenses attributable to the ownership, operation or disposition of the Joint Upstream Interests, notwithstanding that such items are realized, paid or incurred by the Development Parties individually. The governing terms and conditions of the Tax Partnership are set forth in the Tax Partnership Agreement.

9.2 ***Responsibility for Taxes***. Each Party shall be responsible for reporting and discharging its own Tax measured by the income of the Party and the satisfaction of such Party's share of all contract obligations under this Agreement and the Associated Agreements. Each Party shall protect, defend and indemnify each other Party from and against any and all losses, costs, and liabilities arising from the indemnifying Party's failure or refusal to report and discharge such Taxes or satisfy such obligations. SM shall indemnify Mitsui for all of SM's Income Tax Liability and Franchise Tax Liability associated with the transactions contemplated by this Agreement. For the purpose of determining the portion of Asset Taxes that constitute Operating Expenses properly allocable to the period of time prior to the Effective Time for the purpose of *Section 3.7* and all other sections of this Agreement and properly allocable to the Interim Period for the purpose of*Section 3.9* and all other sections of this Agreement, Asset Taxes for a taxable period that includes, but does not end on, the Closing Date shall (a) in the case of production, severance and similar Asset Taxes measured by the quantity of or value of production, be prorated based upon the number of units or value of production actually produced and sold, as applicable, before, and at and after, the Effective Time, and (b) in the case of all other Asset Taxes, be prorated on a daily basis over such entire taxable period.

ARTICLE X
TERM

This Agreement shall terminate on the earlier of the Termination Date and the date indicated in Section 9.1 of the Acquisition Annex; provided that (a) except as provided in *Section 6.4* (in the event that this Agreement is terminated pursuant to such Section) or in Section 9.2 of the Acquisition Annex (in the event this Agreement is terminated pursuant to Section 9.1 of the Acquisition Annex), the termination of this Agreement or any provision thereof shall not relieve any Party from any expense, liability or other obligation or remedy therefor which has accrued or attached and remains in effect prior to the date of such termination, and (b) as among the Development Parties (but not as to any successor or assign of any such Person following the termination of this Agreement) (i) the provisions of each of (A) unless this Agreement is terminated prior to Closing, *Section 5.5*, this *Article X* and *Article XI* and (B) the Acquisition Annex, to the extent provided for in Section 9.2 of the Acquisition Annex if this Agreement is terminated prior to Closing, and otherwise subject to Section 10.8 of the Acquisition Annex, shall, in each case, survive such termination and remain in full force and effect, and (ii) unless this Agreement is terminated prior to Closing, the provisions of each of (A) *Section 5.3*, (B) *Article IX* and (C) *Exhibit C* shall survive such termination and remain in full force and effect with respect to each of those Leases included in the Subject Oil and Gas Assets until terminated in accordance with its terms.

ARTICLE XI
MISCELLANEOUS

11.1 ***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 transmission shall be deemed an original signature hereto.

11.2 ***Notices***. All notices and communications required or permitted to be given hereunder shall be sufficient in all respects if given in writing and delivered personally, or sent by bonded overnight courier, or mailed by U.S. Express Mail or by certified or registered United States Mail with all postage fully prepaid, or sent by telex or facsimile transmission (provided any such telex or facsimile transmission is confirmed either orally or by written confirmation), 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 SM:

SM Energy Company
777 North Eldridge Parkway, Suite 1000
Houston, Texas 77079
Attention: Kenneth Knott — Vice President, Business Development & Land
Fax: (281) 677-2810

and

SM Energy Company
1775 Sherman Street, Suite 1200
Denver, Colorado 80203
Attention: David W. Copeland — Senior Vice President, General Counsel and Corporate Secretary
Fax: (303) 864-2598

with a copy to:

Vinson & Elkins LLP
1001 Fannin, Suite 2500
Houston, Texas 77002
Attention: Stephen Szalkowski
Fax: (713) 615-5084

If to Mitsui:

Mitsui E&P Texas LP
c/o Mitsui E&P USA LLC
9 Greenway Plaza, Suite 1250
Houston, Texas 77046
Attention: Toru Matsui
Fax: (713) 960-0247

with a copy to:

Morgan, Lewis & Bockius, LLP
1000 Louisiana Street, Suite 4000
Houston, Texas 77002
Attention: David F. Asmus
Fax: (713) 890-5001

Any notice given in accordance herewith shall be deemed to have been given when (a) delivered to the addressee in person or by courier, (b) transmitted by facsimile transmission during normal business hours, or if transmitted after normal business hours, on the next Business Day, or (c) upon actual receipt by the addressee after such notice has either been delivered to an overnight courier or deposited in the United States Mail, as the case may be. The Parties may change the address and facsimile numbers to which such communications are to be addressed by giving written notice to the other Parties in the manner provided in this *Section 11.2*.

11.3 Expenses. Except as otherwise specifically provided, all fees, costs and expenses incurred by the Parties in negotiating this Agreement shall be paid by the Party incurring the same, including legal and accounting fees, costs and expenses.

11.4 Waivers; Rights Cumulative. Any of the terms, covenants 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 Development Party or its respective officers, employees, agents or representatives, and no failure by a Development Party to exercise any of its rights under this Agreement shall, in either 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 or covenant 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 or covenant. The rights of the Development Parties 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.

11.5 Relationship of the Parties. The rights, duties, obligations and liabilities of the Parties under this Agreement shall be individual, not joint or collective. It is not the intention of the Parties to create, and this Agreement shall not be deemed or construed to create, a mining or other partnership (other than the Tax Partnership created pursuant to the Tax Partnership Agreement and *Section 9.1*), joint venture or association or a trust. This Agreement shall not be deemed or construed to authorize any Party to act as an agent, servant or employee for any other Party for any purpose whatsoever except as explicitly set forth in this Agreement. In their relations with each other under this Agreement, the Parties shall not be considered fiduciaries.

11.6 Entire Agreement; Conflicts. THIS AGREEMENT, INCLUDING THE EXHIBITS, SCHEDULES AND APPENDICES HERETO AND THE ACQUISITION ANNEX, AND THE ASSOCIATED AGREEMENTS COLLECTIVELY CONSTITUTE THE ENTIRE AGREEMENT AMONG 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 OF THIS AGREEMENT. THERE ARE NO WARRANTIES, REPRESENTATIONS OR OTHER AGREEMENTS AMONG THE PARTIES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, INCLUDING THE EXHIBITS, SCHEDULES AND APPENDICES HERETO AND THE ACQUISITION ANNEX, AND THE ASSOCIATED AGREEMENTS, AND NO PARTY 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: (A) THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE TERMS AND PROVISIONS OF ANY EXHIBIT HERETO; (B) THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE TERMS AND PROVISIONS OF THE ACQUISITION ANNEX OR (C) THE TERMS AND PROVISIONS OF THIS AGREEMENT AND THE TERMS AND PROVISIONS OF ANY ASSOCIATED AGREEMENT, THE TERMS AND PROVISIONS OF THIS AGREEMENT SHALL GOVERN AND CONTROL; PROVIDED, HOWEVER, THAT THE INCLUSION IN ANY OF THE EXHIBITS HERETO, THE ACQUISITION ANNEX OR ANY ASSOCIATED AGREEMENT 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.

11.7 Governing Law. THIS AGREEMENT AND THE LEGAL RELATIONS AMONG THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS OF LAW RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF SUCH PROVISIONS TO THE LAWS OF ANOTHER JURISDICTION. SUBJECT TO *SECTION 3.6(c)*, *SECTION 11.8*, AND *SECTION 11.9* AND SUBJECT TO SECTION 4.2(j) OF THE ACQUISITION ANNEX AND SECTION 5.1(f) OF THE ACQUISITION ANNEX, THE PARTIES CONSENT TO THE EXERCISE OF JURISDICTION IN PERSONAM BY THE UNITED STATES DISTRICT COURT AND THE COURTS OF THE STATE OF TEXAS LOCATED IN HARRIS COUNTY IN THE STATE OF TEXAS FOR ANY DISPUTE AND/OR THE ENFORCEMENT OF ANY ARBITRATION OR EXPERT AWARD.

11.8 Dispute Resolution. Except for (1) determinations by the Accounting Arbitrator pursuant to *Section 3.6(c)*, (2) determinations of Cash Value by an Expert pursuant to *Section 11.9*, (3) awards or determinations of Title Disputes pursuant to Section 4.2(j) of the Acquisition Annex, or (4) awards or determinations of Environmental Disputes pursuant to Section 5.1(f) of the Acquisition Annex, any Dispute shall be settled by arbitration administered by the American Arbitration Association (the "***AAA***") under its Commercial Arbitration Rules (the "***AAA Rules***"), as modified below:

(a) The arbitration shall be conducted by three arbitrators. The place of arbitration shall be Houston, Texas. Within 30 days of any Party providing notice to the other Party of a Dispute, each Party to such Dispute shall appoint one arbitrator, and the two arbitrators so appointed shall select the third and presiding arbitrator within 30 days following appointment of the second Party-appointed arbitrator. If either Party or group of Parties fails to appoint an arbitrator within the permitted time period, then the missing arbitrator(s) shall be selected by the AAA as appointing authority in accordance with the AAA Rules. Any arbitrator nominated or

appointed by the AAA shall be a member of the Large, Complex Commercial Case Panel of the AAA. In addition to the rules of the AAA and applicable Law on arbitrator neutrality, no arbitrator shall have been an employee or consultant to any Party or any of its Affiliates within the five year period preceding the arbitration, or have any financial interest in the Dispute.

(b) All awards of the arbitral tribunal shall be final and binding, subject only to grounds and procedures for vacating, modifying or correcting such under the Federal Arbitration Act (9 U.S.C. § 1 *et seq.*). Judgment on the award may be entered and enforced by any court of competent jurisdiction hereunder.

(c) Notwithstanding the agreement to arbitrate Disputes in this *Section 11.8*, any Party may apply to a court for interim measures pending appointment of the arbitration tribunal, including injunction, attachment and conservation orders. The Parties agree that seeking and obtaining such court-ordered interim measures shall not waive any Party's right to arbitration. Additionally, the arbitrators (or in an emergency the chairperson acting alone in the event one or more of the other arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments and conservation orders in appropriate circumstances, which measures may be immediately enforced by court order. Hearings on requests for interim measures may be held in person, by telephone or video conference or by other means that permit the Parties to present evidence and arguments. The arbitrators (or chairperson, as the case may be) may require any Party to provide appropriate security in connection with such measures.

(d) The arbitral tribunal is authorized to award costs, attorneys' fees and expert witness fees and to allocate such costs and fees among the Parties. The award may include interest, at the Default Interest Rate, from the date of any default, breach or other accrual of a claim until the arbitral award is paid in full. The arbitrators may not award indirect, consequential, special or punitive damages except to the extent allowed under the terms of Section 10.9 of the Acquisition Annex or *Section 11.18*. Unless otherwise directed by the arbitral tribunal, each Party shall pay its own expenses in connection with the arbitration. The cost of the arbitrators shall be split evenly between the Parties.

(e) All negotiations, mediation, arbitration and expert determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a mediation or arbitration proceeding, and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their respective Affiliates or any of their respective employees, officers, directors, counsel, consultants and expert witnesses, except to the extent necessary to enforce any settlement agreement, arbitration award or expert determination, to enforce other rights of a Party, as required by Law or for a bona fide business purpose, such as disclosure to accountants, shareholders or third-party purchasers; provided, however, that breach of this confidentiality provision shall not void any settlement, expert determination or award.

(f) Any papers, notices or process necessary or proper for an arbitration hereunder, or any court action in connection with an arbitration or an award, may be served on a Party in the manner set forth in *Section 11.2*.

11.9 Expert Proceedings. Determination of the Cash Value pursuant to *Section 6.4*, or Section 2.2 of the Transfer Provisions, shall be referred to an expert (the "***Expert***") pursuant to this *Section 11.9*. The Expert is not an arbitrator and shall not be deemed to be acting in an arbitral capacity. The Expert shall not (without the written consent of the Development Parties) be appointed to act as an arbitrator or as adviser to any Development Party in any Dispute arbitrated pursuant to *Section 11.8*; provided that nothing in this sentence shall preclude any Development Party from using the Expert as a witness regarding the proper conduct of the expert procedure. The Development Party desiring an expert determination shall give the other Development Party written notice of the request for such determination. If the Development Parties are unable to agree upon an Expert within 10 days after receipt of the notice of request for an expert determination, then, upon the request of any of the Development Parties, the Houston office of the AAA shall appoint the Expert. Once appointed, the Expert shall have no ex parte communications with the Development Parties concerning the expert determination or the underlying Dispute. All communications between any Development Party and the Expert shall be conducted in writing, with copies sent simultaneously to the other Development Party in the same manner, or at a meeting or conference call to which all Development Parties have been invited and of which such Development Parties have been provided at least five Business Days notice. Within 30 days after the Expert's acceptance of its appointment, the Development Parties shall each provide the Expert with its proposed Cash Value and the reasons therefor, accompanied by all relevant supporting information and data. Within 60 days of receipt of the above-described materials and after receipt of additional information or data as the Expert may request, the Expert shall select the Cash Value proposed by one of the Parties that it finds more consistent with the terms of this Agreement. The Expert may not propose alternate Cash Values or award damages, interest or penalties to any Party. Any Party that fails or refuses to honor the determination of the Cash Value by the Expert shall be in default under this Agreement.

11.10 Filings, Notices and Certain Governmental Approvals. Promptly after Closing, Mitsui shall (a) record the Assignments and all state/federal assignments executed at Closing in all applicable real property records and/or, if applicable, all state or federal agencies and (b) actively pursue all Customary Post-Closing Consents for the assignment of the Conveyed Interests to Mitsui, and SM shall reasonably cooperate with each of those efforts. For a period of 90 days following Closing, SM shall continue to use its commercially reasonable efforts to pursue all other consents that may be required in connection with the (i) assignment of the Conveyed Interests to Mitsui and (ii) assumption of the Assumed Obligations by Mitsui hereunder, in each case, that shall not have been obtained prior to Closing, and Mitsui shall reasonably cooperate with such effort.

11.11 Amendment. This Agreement may be amended only by an instrument in writing executed by all of the Parties and expressly identified as an amendment or modification hereof.

11.12 Parties in Interest. Nothing in this Agreement shall entitle any Person other than the Parties to any claim, cause of action, remedy or right of any kind.

11.13 Successors and Permitted Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

11.14 Publicity.

(a) Without the prior written consent of the other Party, which consent shall not be unreasonably withheld, prior to Closing, no Party will issue, or permit any of its agents or Affiliates to issue, any press releases or otherwise make, or cause any of its agents or Affiliates to make, any public statements with respect to this Agreement, the Associated Agreements or the activities contemplated hereby or thereby, except where such release or statement is deemed in good faith by the releasing Party to be required by Law or under the rules and regulations of a recognized stock exchange on which shares of such Party or any of its Affiliates are listed, and in any such case, to the extent permitted by applicable Law, at least two Business Days prior to making any such press release or public statement, the releasing Party shall provide a copy of the press release or public statement to the other Parties for review and comment.

(b) Notwithstanding anything to the contrary in *Section 11.14(a)*, prior to Closing, any Party or Affiliate of a Party may disclose information regarding Development Operations and this Agreement in investor presentations, industry conference presentations or similar disclosures, but only to the extent that any such information disclosed in such presentations or disclosures is substantially similar to information already in the public domain.

11.15 Preparation of Agreement. Both SM and Mitsui 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.

11.16 Conduct of the Parties. Each Party warrants that it and its Affiliates have not made, offered or authorized and agrees that it will not make, offer or authorize with respect to the matters which are the subject of this Agreement, any payment, gift, promise or other advantage, whether directly or through any other Person, to or for the use or benefit of any public official (being any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or public international organization) or any political party or political party official or candidate for office, where such payment, gift, promise or advantage would violate any applicable Law.

11.17 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.

11.18 Non-Compensatory Damages. None of the Parties shall be entitled to recover from any other Party, or such Party's respective Affiliates, any indirect, consequential, punitive or exemplary damages or damages for lost profits of any kind arising under or in connection with this Agreement, the Associated Agreements or the transactions contemplated hereby or thereby, except to the extent any such Party suffers such damages (including costs of defense and

reasonable attorney's fees incurred in connection with defending of such damages) to a Third Party, which damages (including costs of defense and reasonable attorney's 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, each Development Party, on behalf of itself and each of its Affiliates, waive any right to recover punitive, special, exemplary and consequential damages, including damages for lost profits, arising in connection with or with respect to this Agreement, the Associated Agreements or the transactions contemplated hereby and thereby. Section 10.9 of the Acquisition Annex shall apply to matters addressed in the Acquisition Annex in lieu of this *Section 11.18*.

11.19 Excluded Assets. For the avoidance of doubt, no Excluded Asset shall be subject to the terms of this Agreement or any SMJOA.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized representatives on and as of the Execution Date.

SM ENERGY COMPANY

By: /s/ ANTHONY J. BEST
Anthony J. Best
President and Chief Executive Officer

MITSUI E&P TEXAS LP

By: MEPEF LLC, its General Partner

By: /s/ MASAMUTSU SHINOZAKI

Name: Masamutsu Shinozaki

Title: Manager

[Signature page to Acquisition and Development Agreement]

APPENDIX I
DEFINITIONS

"*AAA*" has the meaning set forth in*Section 11.8*.

"*AAA Rules*" has the meaning set forth in*Section 11.8*.

"*Accounting Arbitrator*" has the meaning set forth in*Section 3.6(c)*.

"*Acquired Interest*" has the meaning set forth in Section 2.2(a) of the Transfer Provisions.

"*Acquiring Development Party*" has the meaning set forth in Section 2.2(a) of the Transfer Provisions.

"*Acquisition Annex*" has the meaning set forth in*Section 4.1.*

"*Administrative Service*" has the meaning set forth in*Section 5.6(a)*.

"*AFE*" has the meaning set forth in Section 1.14 of the Acquisition Annex.

"*Affiliate*" means, with respect to any Party, a Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with, such Party.

"*Aggregate Deductible*" has the meaning set forth in Section 4.2(i) of the Acquisition Annex.

"*Agreement*" has the meaning set forth in the preamble to this Agreement.

"*Allocated Value*" has the meaning set forth in *Section 3.5(c)*.

"*AMI Area*" means the lands (and subsurface) included in the area outlined in bold and shown on the plat set forth on *Exhibit A-3*, but specifically excludes the Excluded Assets (including the TXCO Properties).

"*AMI Share*" means, with respect to (a) Mitsui, a 50% share, and (b) SM, a 50% share.

"*Anadarko*" means Anadarko E&P Company LP.

"*Anadarko Access Agreement*" means that certain Onshore Facilities Boarding Release and Indemnification Agreement, dated as of June 28, 2011, between SM and Anadarko Petroleum Corporation.

"*Anadarko Agreement*" means that certain Joint Exploration Agreement, dated as of March 1, 2008, between TXCO Energy Company LP (SM's predecessor-in-interest) and Anadarko.

"*Anadarko AMI*" has the meaning set forth in Section 2.1 of the Transfer Provisions.

"*Applicable Contracts*" means all Contracts to which SM is a party that primarily relate to the Contributed Properties and that will be binding on the Conveyed Interests or Mitsui after Closing, including, without limitation; farmin and farmout agreements; bottomhole agreements; crude oil, condensate and natural gas purchase and sale agreements; gathering, transportation and marketing agreements; hydrocarbon storage agreements; acreage contribution agreements; operating agreements (including, for the avoidance of doubt, Applicable Operating Agreements); balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; crossing agreements and other similar contracts and agreements.

"*Applicable Operating Agreements*" means, collectively, the SMJOAs and all Third Party Operating Agreements, and "*Applicable Operating Agreement*" means any of them.

"*Area M*" means those Leases more particularly described on *Exhibit A-4*.

"*Asset Taxes*" means ad valorem, property, excise, severance, production or similar taxes (including any interest, fine, penalty or additions to tax imposed by Governmental Authorities in connection with such taxes) based upon operation or ownership of the Conveyed Interests or the production of Hydrocarbons therefrom, but excluding, for the avoidance of doubt, income, capital gains and franchise taxes.

"*Assets*" means all of the following assets (but specifically excluding the Excluded Assets) to the extent held (directly or indirectly through Affiliates) by SM:

(a) all Leases located within the AMI Area, including those set forth on *Exhibit A*, and any pooled acreage, communitized acreage or units arising on account of such Leases being pooled, communitized or unitized into such units, including the units set forth on *Exhibit A-1* (the "*Units*");

(b) all Wells located within the AMI Area, including those set forth on *Exhibit A-2*, and all Hydrocarbons produced therefrom or allocated thereto, including inventory (together with the items described in clause (a) above, the "*Properties*");

(c) to the extent (i) not constituting part of the Springfield Gathering Assets and (ii) they are assignable, all surface fee interests, surface leases, easements, rights-of-way, permits, licenses, servitudes and other surface rights relating to the Properties;

(d) all Personal Property primarily used or held for use in connection with the Properties;

(e) all Pipeline Imbalances and Well Imbalances related to the Properties; and

(f) to the extent assignable, the beneficial interest in all water withdrawal and disposal and other permits, licenses, orders, approvals, variances, waivers, franchises, rights and other authorizations issued by any Governmental Authority related to the Properties.

"*Assignment*" means the Assignment and Bill of Sale from SM to Mitsui, pertaining to the Conveyed Interests, substantially in the form attached hereto as *Exhibit E*.

"*Associated Agreements*" means, collectively, the Applicable Operating Agreements and any other material agreements entered into by all Development Parties from and after the Execution Date in furtherance of the conduct of Development Operations, and "*Associated Agreement*" means any of them.

"*Assumed Obligations*" has the meaning set forth in Section 10.1 of the Acquisition Annex.

"*Balance Election Notice*" has the meaning set forth in *Section 3.10*.

"*Burdens*" means, with respect to any Property, all royalties, overriding royalties, production payments, carried interests, net profits interests, reversionary interests and other burdens upon, measured by or payable out of, production therefrom.

"*Business Day*" means a day (other than a Saturday or Sunday) on which commercial banks in Texas are generally open for business; provided that if Business Days are used to calculate periods in which a Party must make a payment hereunder, "*Business Day*" means a day (other than a Saturday or Sunday) on which commercial banks

generally open for business in Texas and New York.

"*Calendar Quarter*" means a period of three consecutive Months commencing on the first day of January, the first day of April, the first day of July and the first day of October in any Year.

"*Carried Cost Default*" has the meaning set forth in *Section 6.1*.

"*Carried Cost Obligation*" means $680,000,000.00, as such amount may be adjusted from time to time pursuant to *Section 3.5* or *Section 3.6*.

"*Carried Costs*" has the meaning set forth in *Section 3.2(a)*.

"*Carried Costs Balance*" means, as of any time, the difference between the Carried Cost Obligation and the aggregate Carried Costs funded by Mitsui (whether deposited into the Operating Account as Deposited Amounts pursuant to *Section 3.8(a)* or as otherwise provided for in this Agreement) as of such time.

"*Carried Costs Balance Account*" has the meaning set forth in *Section 3.10.*

"*Carried Costs Balance Payment*" has the meaning set forth in *Section 3.10.*

"*Carried Costs Balance Right*" has the meaning set forth in *Section 3.10.*

"*Carry Termination Event*" means the earlier of the time at which (a)(i) the aggregate amount of Carried Costs funded by Mitsui equals the Carried Cost Obligation, and (ii) all such funds have been used to pay SM's Eligible Costs incurred pursuant to Development Operations or have been transferred to the Carried Costs Balance Account pursuant to *Section 3.8(b)* or (b) Mitsui exercises its Carried Costs Balance Right pursuant to *Section 3.10* and pays the Carried Costs Balance Payment to SM as required in such Section.

"*Cash Reconciliation Account*" has the meaning set forth in *Section 3.9(d)*.

"*Cash Reconciliation Amount*" has the meaning set forth in *Section 3.9(c)*.

"*Cash Reconciliation Payment*" has the meaning set forth in *Section 3.9(d)*.

"*Cash Transfer*" means any Transfer of any interest in the Subject Oil and Gas Assets where the sole consideration (other than the assumption of drilling and other obligations relating to the Transferred interest in the Subject Oil and Gas Assets) takes the form of cash, cash equivalents, promissory notes or retained interests (such as production payments) in the interest in the Subject Oil and Gas Assets being Transferred.

"*Cash Value*" means the market value (expressed in U.S. Dollars) of all or a portion of the interest in the Subject Oil and Gas Assets or Acquired Interest, based upon the amount that a willing buyer would pay a willing seller in an arm's length transaction.

"*Casualty Loss*" has the meaning set forth in Section 4.3(b) of the Acquisition Annex.

"*Change in Control*" means any direct or indirect change in Control of a Party (whether through merger, sale of shares or other equity interests, or otherwise), through a single transaction or series of related transactions, from one or more transferors to one or more transferees.

"*Claim Notice*" has the meaning set forth in Section 10.7(b) of the Acquisition Annex.

"*Closing*" has the meaning set forth in Section 8.1 of the Acquisition Annex.

"*Closing Cost Reimbursement*" has the meaning set forth in *Section 3.1*.

"*Closing Date*" has the meaning set forth in Section 8.1 of the Acquisition Annex.

"*Closing Month*" has the meaning set forth in *Exhibit D.*

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Confidentiality Agreement*" means that certain Data Secrecy Agreement between SM and Mitsui Parent, dated effective as of March 16, 2011, as extended by that certain Amendment to the Data Secrecy Agreement between SM and Mitsui Parent dated as of June 23, 2011.

"*Consents*" has the meaning set forth in Section 1.4 of the Acquisition Annex.

"*Contract*" means any written or oral contract, agreement, agreement regarding indebtedness, lease, mortgage, license agreement, purchase order, commitment, letter of credit or any other legally binding arrangement, excluding, however, any Lease, easement, right-of-way, permit or other instrument (other than acquisition or similar sales or purchase agreements) creating or evidencing an interest in real property (other than fixtures).

"*Contributed Properties*" means 100% of SM's right, title and interest, immediately prior to Closing, in and to the Retained Interests and the Conveyed Interests; provided that the

Contributed Properties shall not include (a) any of SM's right, title or interest in the Springfield Gathering Assets, or (b) any right, title and interest in any Acquired Interests acquired by SM after the Effective Time (except Acquired Interests described in Section 2.2(k) of the Transfer Provisions and the TXCO Properties, which, in each case, shall be included in the definition of "*Contributed Properties*" if Mitsui elects to and does acquire its share of such interests in accordance with the terms of this Agreement).

"*Control*" and its derivatives mean, with respect to any Person, the possession, directly or indirectly, of the power to exercise or determine the voting of more than

50% of the voting rights in a corporation, and, in the case of any other type of entity, the right to exercise or determine the voting of more than 50% of the equity interests having voting rights, or otherwise to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"*Conveyed Interests*" has the meaning set forth in *Section 2.1*.

"*Cure Period*" has the meaning set forth in Section 4.2(c) of the Acquisition Annex.

"*Customary Post-Closing Consents*" means those consents and approvals from Governmental Authorities for the assignment of the Conveyed Interests to Mitsui that are customarily obtained after the assignment of properties similar to the Conveyed Interests.

"*Default Interest Rate*" means the three month London Inter-Bank Offer Rate (as published in the "Money Rates" table of the Wall Street Journal, eastern edition) plus an additional two percentage points applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding Month (or, if such rate is contrary to any applicable usury Law, the maximum rate permitted by such applicable Law).

"*Default Notice*" has the meaning set forth in *Section 6.1*.

"*Default Period*" means the period beginning 15 days from the date of Mitsui's receipt of a Default Notice if Mitsui remains in default under *Section 6.1* and ending when all of the Defaulting Party's defaults under *Section 6.1* have been remedied in full.

"*Defaulting Party*" has the meaning set forth in *Section 6.1*.

"*Defect Claim Date*" means (a) with respect to Title Defects and Title Benefits, September 7, 2011, and (b) with respect to Environmental Defects, August 23, 2011.

"*Defect Remedy Date*" has the meaning set forth in Section 4.2(d) of the Acquisition Annex.

"*Defensible Title*" means such title of SM with respect to the Conveyed Interests that, subject to the Permitted Encumbrances:

(a) with respect to each Well shown in *Exhibit A-2* (but limited to any currently producing intervals), entitles SM, because of its ownership of the Conveyed Interests, to receive not less than the Net Revenue Interest shown in *Exhibit A-2* for such Well throughout

the duration of the productive life of such Well, except for (i) decreases in connection with those operations in which SM may, from and after the Execution Date, be a non-consenting co-owner (to the extent permitted pursuant to Section 6.1(b)(ii) of the Acquisition Annex), (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, and (iv) as otherwise stated in *Exhibit A-2*;

(b) with respect to each Well shown in *Exhibit A-2* (but limited to any currently producing intervals), obligates SM, because of its ownership of the Conveyed Interests, to bear a Working Interest for such Well not greater than the Working Interest shown in *Exhibit A-2* for such Well, without increase throughout the productive life of such Well, except (i) increases resulting from contribution requirements with respect to defaults by co-owners from and after the Execution Date under Applicable Operating Agreements, (ii) increases to the extent that they are accompanied by a proportionate increase in the Net Revenue Interest in the Conveyed Interests, and (iii) as otherwise stated in *Exhibit A-2*;

(c) with respect to each Lease shown in *Exhibit A*, entitles SM to (a) the Net Acres set forth in *Exhibit A* with respect to such Lease and (b) at least the Net Revenue Interest with respect to the Net Acres set forth in *Exhibit A* for such Lease; and

(d) is free and clear of all Encumbrances.

"*Deposit*" has the meaning set forth in *Section 3.4(a)*.

"*Deposit Escrow Agreement*" means the Escrow Agreement entered into between the Parties and the Escrow Agent on or before the Execution Date.

"*Deposit Funds*" has the meaning set forth in *Exhibit D*.

"*Deposit Interest*" has the meaning set forth in *Exhibit D*.

"*Deposited Amounts*" has the meaning set forth in *Exhibit D*.

"*Development Costs*" means costs and expenses incurred in the conduct of Development Operations.

"*Development Operation*" means any operation conducted pursuant to any Applicable Operating Agreement or any operation conducted pursuant to the Springfield Ownership Agreement.

"*Development Parties*" means, collectively, the Parties to this Agreement in their capacities as (a) Working Interest owners in the Subject Oil and Gas Assets or (b) parties to the Springfield Ownership Agreement, as applicable, and "*Development Party*" means any of such Parties, in such capacity, individually.

"*Dispute*" means any dispute, controversy or claim (of any and every kind or type, whether based on contract, tort, statute, regulation or otherwise) arising out of, relating to or

connected with this Agreement or any Associated Agreement, or the transactions contemplated hereby or thereby, including but not limited to any dispute, controversy or claim concerning the existence, validity, interpretation, performance, breach or termination of this Agreement or any Associated Agreement, the relationship of the Parties arising out of this Agreement or the Associated Agreements or the transactions contemplated hereby or thereby.

"*Dispute Notice*" has the meaning set forth in *Section 3.6(b)*.

"*Eagle Ford Shale*" means the stratigraphic equivalent of that formation found in the Briscoe G 1H Well in Webb County, Texas, with a top at 7394 ft TVD and base at 7703 ft TVD, as shown on the log display attached as *Exhibit A-5*, recognizing that the depth of such formation will vary across the AMI Area.

"*Effective Time*" means 7:00 a.m. (Central Time) on March 1, 2011.

"*Eligible Costs*" means all costs and expenses incurred in accordance with an Applicable Operating Agreement in conducting Development Operations for (a) the drilling, testing, completing, deepening, recompleting, sidetracking, reworking and plugging back of Wells included in the Subject Oil and Gas Assets having as their objective the Eagle Ford Shale, (b) the plugging and abandoning of dry holes or Wells included in the Subject Oil and Gas Assets targeting or completed in the Eagle Ford Shale that are no longer capable of producing in paying quantities, (c) the equipping of Wells described in clause (a) for production through the tanks and through the outlet flange of any pipeline connecting to a Third Party gathering system, pipeline or other facility (including, for the avoidance of doubt, the Springfield Gathering Assets), including costs of mobilizing and demobilizing drilling and workover rigs to and from the Well-site if not charged to another Development Operation, and (d) the overhead charged under such Applicable Operating Agreement, but only with respect to the costs specifically described above and only to the extent billed as part of an approved AFE; provided that "*Eligible Costs*" shall not include (i) liabilities, losses, claims and damages (including any fines and penalties) associated with such activities or otherwise, and related costs of investigation, litigation, arbitration, administrative proceedings, judgment, award and settlement (including court and arbitration costs and reasonable attorneys' fees), to the extent attributable to actual or claimed personal injury, illness or death, property damage (other than damage to structures, fences, irrigation systems and other fixtures, crops, livestock and other personal property in the ordinary course of business), environmental damage or contamination, other torts, breach of contract, violation of Law (or private rights of action under any Law), casualty or condemnation, including costs associated with any blowout or other well control, (ii) any costs or expenses incurred in conducting Development Operations with respect to Area M, whether or not in accordance with an Applicable Operating Agreement, (iii) any costs or expenses incurred in conducting Development Operations pursuant to the Springfield Ownership Agreement, (iv) any costs or expenses incurred in accordance with an Applicable Operating Agreement in conducting Development Operations to the extent and only to the extent such costs and expenses directly relate to (A) an Acquired Interest held by SM in which Mitsui did not elect to acquire its Offered Interest or (B) the TXCO Properties unless and until Mitsui acquires the TXCO Interest, or (v) Taxes, other than Asset Taxes applicable to the Subject Oil and Gas Interests. SM and Mitsui acknowledge and agree that the foregoing restrictions contained in clauses (a) and (b) of this definition relating to the Eagle Ford Shale shall only be applicable for costs and expenses

incurred in the first three years of the Term, and the language in clause (a) reading "having as their objective the Eagle Ford Shale" and the language in clause (b) reading "targeting or completed in the Eagle Ford Shale" shall be deemed to be deleted from this definition for costs and expenses incurred thereafter.

"*Encumbrance*" means a mortgage, lien, security interest, pledge, charge or other encumbrance, and "*Encumber*" and other similar derivatives shall be construed accordingly.

"*Entitlement*" means that quantity of oil and gas from the Subject Oil and Gas Assets for which a Development Party has the right to take delivery pursuant to the terms of any Applicable Operating Agreement, any other applicable agreement or applicable Law.

"*Environmental Arbitrator*" has the meaning set forth in Section 5.1(f) of the Acquisition Annex.

"*Environmental Condition*" means (a) a condition existing on or prior to (to the extent not cured) the Defect Claim Date with respect to the air, soil, subsurface, surface waters, ground waters and/or sediments that causes any Conveyed Interest (or SM with respect to any Conveyed Interest) not to be in compliance with any Environmental Law or (b) the existence as of the Execution Date of any environmental pollution, contamination, degradation, damage or injury caused by or related to the ownership, use or operation of such Conveyed Interest for which monitoring, investigation or remedial or corrective action is presently required (or, if known to the applicable Governmental Authorities, would be presently required) or for which there is liability for investigatory costs, remedial or corrective action costs, natural resources, property or personal injury damages, fines or penalties under Environmental Laws.

"*Environmental Defect*" means an Environmental Condition with respect to a Conveyed Interest that is not set forth in*Schedule 1.15*.

"*Environmental Defect Notice*" has the meaning set forth in Section 5.1(a) of the Acquisition Annex.

"*Environmental Defect Property*" has the meaning set forth in Section 5.1(a) of the Acquisition Annex.

"*Environmental Disputes*" has the meaning set forth in Section 5.1(f) of the Acquisition Annex.

"*Environmental Laws*" means all applicable federal, state and local Laws as of the Execution Date relating to the protection of the public health, welfare and the environment, including, without limitation, those Laws relating to the generation, storage, handling, use, processing, treatment, transportation, disposal or other management of chemicals and other Hazardous Substances, and any common Law doctrine, including without limitation, negligence, nuisance, trespass, personal injury, or property damage related to or arising out of the presence, release or exposure to Hazardous Substances. 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 (but not required) by any Governmental Authority.

"*Escrow Agent*" means JPMorgan Chase Bank, National Association or another escrow agent mutually acceptable to the Parties.

"*Escrow Procedures*" has the meaning set forth in*Section 3.8(a)*.

"*Excluded Assets*" means (a) all of SM's corporate minute books and financial records and other business records that relate to SM's business generally (including the ownership and operation of the Conveyed Interests); (b) all trade credits, all accounts, receivables and all other proceeds, income or revenues attributable to (i) the Conveyed Interests with respect to any period of time prior to the Effective Time and (ii) the Retained Interests; (c) all claims and causes of action of SM arising under or with respect to any Applicable Contracts that are attributable to (i) periods of time prior to the Effective Time (including claims for adjustments or refunds), to the extent not relating to any Assumed Obligation or (ii) the Retained Interests; (d) subject to Section 4.3 of the Acquisition Annex, all rights and interests relating to the Retained Interests and/or the Conveyed Interests (i) under any existing 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 (i) the Conveyed Interests with respect to all periods prior to the Effective Time and (ii) the Retained Interests; (f) all claims of SM or its Affiliates for refunds of or loss carry forwards with respect to (i) production or any other Taxes paid by SM or its Affiliates attributable to any period prior to the Effective Time, (ii) income Taxes paid by SM or its Affiliates or (iii) any Taxes attributable to the other Excluded Assets; (g) all personal computers and associated peripherals and all radio and telephone equipment; (h) all of SM's proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property (excluding, for the avoidance of doubt, geophysical data and

other data related to the Conveyed Interests, except as provided in clause (l) below); (i) all documents and instruments of SM that are protected by an attorney-client privilege, except for title opinions and Contracts; (j) all data that cannot be disclosed to Mitsui as a result of confidentiality arrangements under agreements with Third Parties (provided that SM uses its commercially reasonable efforts to obtain a waiver of any such confidentiality agreement, and provided further, that SM shall have no obligation to incur any cost or pay any fee with respect to such efforts); (k) all audit rights arising under any of the (i) Applicable Contracts or otherwise with respect to any period prior to the Effective Time or (ii) other Excluded Assets, except for any Well Imbalances or Pipeline Imbalances; (l) all geophysical and other seismic and related technical data and information relating to the Conveyed Interests to the extent that such geophysical and other seismic and related technical data and information is not transferable without payment of a fee or other penalty to any Third Party under any Contract and which Mitsui has not separately agreed in writing to pay; (m) documents prepared or received by SM or its Affiliates with respect to (i) lists of prospective purchasers for the Conveyed Interests, (ii) bids submitted by other prospective purchasers of the Conveyed Interests, (iii) analyses by SM or its Affiliates of any bids submitted by any prospective purchaser, (iv) correspondence between or among SM, its representatives and any prospective purchaser other than Mitsui, (v) correspondence between SM or any of its representatives with respect to any of the bids, the prospective purchasers or the transactions contemplated by this Agreement and (vi) the Retained Interests; (n) any offices, office leases and any office furniture or office supplies located in or on such offices or office leases; (o) any assets described in *Section 2.1(c)(i)* and *Section 2.1(c)(iii)* (in each case) that are excluded pursuant to the provisions of Section 4.4(b)(i) of the Acquisition Annex, except to the

extent that such assets are subsequently conveyed to Mitsui under Section 4.4(b)(i) of the Acquisition Annex; (p) any Contracts that constitute master services agreements or similar contracts with vendors used by SM for other operations in Texas; (q) Contracts which provide for an interest rate or commodity swap, cap, floor, collar or any combination thereof, or option with respect to these or similar transactions, or otherwise constitute a futures or derivative transaction; (r) if SM has not received Anadarko's consent to assignment and assumption of 50% of SM's rights and obligations under the Anadarko Agreement to Mitsui before Closing, subject to the terms of Section 2.4 of the Transfer Provisions, all rights and obligations of SM under the Anadarko Agreement; (s) notwithstanding anything to the contrary contained in clause (r) directly above, all rights of SM to (i) any interest in lands within the Anadarko AMI acquired by Anadarko from TXCO Energy Company LP pursuant to the proceedings regarding *In re TXCO Resources Inc., et al.*, Case No. 09-51807, filed in the Western District of Texas, San Antonio Division(SM's rights in such lands, the "***TXCO Properties***") and (ii) any damages paid or delivered to SM pursuant to item #1 on *Schedule 10.1*; (t) any assets of the type described in the definition of "Assets" or in*Section 2.1(c)(iii)*, together with, in each case, any related asset of the type described in *Section 2.1(c)* that are acquired therewith, that were acquired by SM after the Effective Time; and (u) those certain assets set forth on *Exhibit J*, except that the assets set forth on*Exhibit J, Part III* will not be Excluded Assets, and SM will assign 50% of its rights to those assets to Mitsui, if (i) SM has received Anadarko's consent to assignment and assumption of 50% of SM's rights and obligations under the Anadarko Agreement to Mitsui before Closing and (ii) no other Third Party consents are required to be obtained for assignment of rights to those assets that cannot be obtained without payment of fees or other penalties (unless Mitsui agrees to pay such fees or penalties).

"*Execution Date*" has the meaning set forth in the preamble to this Agreement.

"*Expert*" has the meaning set forth in*Section 11.9*.

"*Final Settlement Statement*" has the meaning set forth in*Section 3.6(b)*.

"*Franchise Tax Liability*" means any Tax imposed by a state on SM's or any of its Affiliates' gross or net income, gross margin and/or capital for the privilege of engaging in business in that state that was or is attributable to SM's or any of its Affiliates' ownership of an interest in the Conveyed Interests.

"*Fundamental Representations*" has the meaning set forth in Section 10.8(a) of the Acquisition Annex.

"*GAAP*" means the generally accepted accounting principles in the United States of America.

"*Governmental Authority*" means any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitle 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.

"*Hazardous Substances*" means any petroleum, petroleum hydrocarbons or petroleum products and petroleum by-products (but each only to the extent regulated under or otherwise subject to the provisions of Environmental Laws); radioactive materials; asbestos or asbestos-containing materials; pesticides; radon; urea formaldehyde; lead or lead-containing materials; polychlorinated biphenyls; and any other chemicals, materials, substances or wastes in any amount or concentration which are now or hereafter become defined as or included in the definition of "hazardous substances," "hazardous materials," "hazardous wastes," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollutants," "regulated substances," "solid wastes," or "contaminants" or words of similar import, under any Environmental Laws, including NORM and other substances referenced in Section 5.2 of the Acquisition Annex.

"*Hydrocarbons*" means oil and gas and other hydrocarbons produced or processed in association therewith (whether or not any such item is in liquid or gaseous form), or any combination thereof, and any other minerals covered by the Leases produced in association therewith.

"*Immaterial Interest*" means, with respect to any Development Party, any overriding royalty interest, production payment, net profits interest or similar interest that is carved out of such Development Party's interests in the Subject Oil and Gas Assets, the Transfer of which interest would not convey a material portion of the value of the Development Party's interest in the Subject Oil and Gas Assets.

"*Income Tax Liability*" means any Liability of SM or any of its Affiliates attributable to any federal, state or local income Tax measured by or imposed on the net income of SM or any of its Affiliates that was or is attributable to SM's or any of its Affiliates' ownership of an interest in or the operation of the Conveyed Interests.

"*Indemnified Party*" has the meaning set forth in Section 10.7(a) of the Acquisition Annex.

"*Indemnifying Party*" has the meaning set forth in Section 10.7(a) of the Acquisition Annex.

"*Individual Environmental Threshold*" has the meaning set forth in Section 5.1(e) of the Acquisition Annex.

"*Individual Title Benefit Threshold*" means $25,000.

"*Individual Title Defect Threshold*" means $25,000.

"*Interim Period*" means that period of time from and after the Effective Time up to the Closing Date.

"*Invasive Activities*" has the meaning set forth in Section 3.1(b) of the Acquisition Annex.

"*Joint Interests*" means (a) the Contributed Properties and (b) any other properties or other interests therein acquired by the Development Parties jointly pursuant to this Agreement or any Associated Agreement.

"*Knowledge*" means with respect to SM, the actual knowledge of the following Persons: Javan Ottoson; Kenneth Knott; Greg Leyendecker; Don Riggs; Mike Roach; and Kevin Kindrick.

"*Laws*" means any constitution, decree, resolution, law, statute, act, ordinance, rule, directive, order, treaty, code or regulation and any injunction or final non-appealable judgment or any interpretation of the foregoing, as enacted, issued or promulgated by any Governmental Authority.

"*Lease*" means any oil and gas lease, oil, gas and mineral lease or sublease, royalty, overriding royalty, production payment, net profits interest, mineral fee interest, carved interest and other rights to oil and gas in place.

"*Liabilities*" means any and all claims (whether in the nature of contract claims, torts or otherwise), causes of action, payments, charges, judgments, assessments, liabilities, losses, damages, penalties, fines, costs and expenses, including any reasonable fees of attorneys, and legal or other expenses, incurred in connection therewith and including liabilities, costs, losses and damages for personal injury, illness or death or property damage.

"*Material Adverse Effect*" means any change, inaccuracy, effect, event, result, occurrence, condition or fact (for the purposes of this definition, each, an "event") (whether foreseeable or not and whether covered by insurance or not) that has had or would be reasonably likely to have, individually or in the aggregate with any other event or events, a material adverse effect on the ownership, operation or financial condition of the Conveyed Interests, taken as a whole; provided, however, that "*Material Adverse Effect*" shall not include such material adverse effects resulting from (a) general changes in oil and gas prices; (b) general changes in industry, economic or political conditions or markets; (c) changes in conditions or developments generally applicable to the oil and gas industry; (d) acts of God, including hurricanes and storms; (e) changes in Laws; (f) civil unrest or similar disorder or terrorist acts; (g) effects or changes that are cured or no longer exist by the earlier of Closing and the termination of this Agreement pursuant to Section 9.1 of the Acquisition Annex, without cost to Mitsui; and (h) changes resulting from the announcement of the transactions contemplated hereby or the performance of the covenants set forth in Article VI of the Acquisition Annex; provided that, in each case, the changes and effects described in clauses (a), (b), (c), and (e) of this definition do not disproportionately affect the Contributed Properties of which the Conveyed Interests are a part, taken as a whole.

"*Material Contracts*" has the meaning set forth in Section 1.8(a) of the Acquisition Annex.

"*Marketing Services*" has the meaning set forth in *Section 5.9(a)*.

"*Mitsui*" has the meaning set forth in the preamble to this Agreement.

"*Mitsui Entire Interest*" has the meaning set forth in Section 2.3(c)(i)(C) of the Transfer Provisions.

"*Mitsui Escrow Amount*" has the meaning set forth in *Exhibit D*.

"*Mitsui Indemnified Parties*" has the meaning set forth in Section 10.2 of the Acquisition Annex.

"*Mitsui Parent*" means Mitsui & Co., Ltd., a corporation organized under Japanese Law.

"*Mitsui Parent Guaranty*" means the Parent Guaranty made by Mitsui Parent in favor of SM dated as of the date hereof.

"*Mitsui Termination Instruction*" has the meaning set forth in *Exhibit D*.

"*Mitsui's Representatives*" has the meaning set forth in Section 3.1(a) of the Acquisition Annex.

"*Month*" means any of the months of the Gregorian calendar.

"*Net Acre*" means, as computed separately with respect to each Lease, (a) the number of gross acres in the lands covered by such Lease, *multiplied by* (b) the interest in oil, gas and other minerals covered by such Lease in such lands, *multiplied by* (c) the Working Interest to be transferred to Mitsui as part of the Conveyed Interests; provided that if items (b) and/or (c) vary as to different areas of such lands (including depths) covered by such Lease, a separate calculation shall be done for each such area.

"*Net Acre Allocation*" means the applicable amount per Net Acre for any Lease included in the Assets as set forth on *Exhibit A* for such Lease.

"*Net Revenue Interest*" means, with respect to any Well or Lease, the interest in and to all Hydrocarbons produced, saved and sold from or allocated to such Well or Lease, after giving effect to all Burdens thereon.

"*Non-Acquiring Development Party*" has the meaning set forth in Section 2.2(a) of the Transfer Provisions.

"*NORM*" means naturally occurring radioactive material.

"*Offer Notice*" has the meaning set forth in Section 2.2(a) of the Transfer Provisions.

"*Offered Interest*" has the meaning set forth in Section 2.2(a) of the Transfer Provisions.

"*Operating Expenses*" means all operating expenses (including Asset Taxes) and capital expenditures incurred in the ownership and operation of the Conveyed Interests in the ordinary course of business and, where applicable, in accordance with the Applicable Operating Agreements and the Springfield Ownership Agreement, and overhead costs charged to the Conveyed Interests under the Applicable Operating Agreements and the Springfield Ownership

Agreement, but excluding Liabilities attributable to (a) personal injury, illness or death, property damage, other torts, breach of contract (other than failure to make payments under the terms of a contract) or violation of any Law (or private rights of action under any Law), (b) obligations to plug wells and dismantle or decommission facilities, close pits and restore the surface around such wells, facilities and pits, (c) environmental Liabilities, including obligations to Remediate any contamination of groundwater, surface water, soil, sediments or Personal Property, or the Remediation of any Environmental Condition under applicable Environmental Laws, (d) obligations with respect to Well Imbalances or Pipeline Imbalances, (e) obligations to pay Working Interests, royalties, overriding royalties or other interest owners revenues or proceeds attributable to sales of Hydrocarbons relating to the Conveyed Interests, including those held in suspense, (f) obligations with respect to Contracts which provide for an interest rate or commodity swap, cap, floor, collar, or any combination thereof, or option with respect to these or similar transactions, or otherwise constitute a futures or derivative transaction, (g) costs of restoring any Casualty Loss, and (h) claims for indemnification or reimbursement from any Third Party with respect to costs of the type described in preceding clauses (a) through (g), whether such claims are made pursuant to contract or otherwise.

"*Operating Account*" has the meaning set forth in *Exhibit D*.

"*Operator*" means the Person serving as operator under any Applicable Operating Agreement.

"*Outside Termination Date*" has the meaning set forth in Section 9.1(a) of the Acquisition Annex.

"*Package Sale*" means a Transfer together with other properties as part of a wider transaction.

"*Parent Guaranty*" means a Guaranty in substantially the form attached as *Exhibit F*, including, with respect to any Parent Guaranty except for the Mitsui Parent Guaranty, appropriate changes, including changes in the parties and the applicable limitations of liability, and changes to reflect the nature of the Joint Interest being Transferred.

"*Participating Interest*" means with respect to any Development Party and any Development Operation in which such Development Party is participating, such Development Party's Working Interest or other cost bearing interest in such Development Operation.

"*Participating Party*" means with respect to any Development Operation, a Development Party that is participating in such Development Operation.

"*Party*" and "*Parties*" have the meanings set forth in the preamble to this Agreement.

"*Permitted Encumbrances*" means:

(a) lessor's royalties, non-participating royalties, overriding royalties, reversionary interests and similar burdens upon, measured by or payable out of production if the net cumulative effect of such burdens does not (i) operate to reduce the Net Revenue Interest of SM in any Well to an amount less than the Net Revenue Interest set forth on *Exhibit A-2* for such

Well, (ii) obligate SM to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on *Exhibit A-2* for such Well (unless the Net Revenue Interest for such Conveyed Interest is greater than the Net Revenue Interest set forth on *Exhibit A-2* in the same proportion as any increase in such Working Interest), (iii) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in *Exhibit A*, or (iv) reduce the Net Acres for any Lease to an amount less than the Net Acres set forth in *Exhibit A* for such Lease;

(b) preferential rights to purchase and required Third Party consents to assignments and similar agreements;

(c) liens for Taxes or assessments not yet due or delinquent;

(d) Customary Post-Closing Consents;

(e) other than such rights that have already been triggered, conventional rights of reassignment upon final intention to abandon or release the Assets, or any of them;

(f) such Title Defects as Mitsui (i) may have expressly waived in writing or (ii) is deemed to have waived pursuant to the terms of Section 4.2(a) of the Acquisition Annex (except that the definition of "*Permitted Encumbrances*" applicable to the special warranty of title in the Assignment will be deemed not to include subclause (ii) of this clause (f));

(g) all applicable Laws, and rights reserved to or vested in any Governmental Authority (i) to control or regulate any Conveyed Interest in any manner; (ii) by the terms of any right, power, franchise, grant, license or permit, or by any provision of Law, to terminate such right, power, franchise grant, license or permit or to purchase, condemn, expropriate or recapture, which rights have not been exercised; (iii) to use such property in a manner which does not materially impair the use of such property for the purposes for which it is currently owned and operated; and (iv) to enforce any obligations or duties affecting the Conveyed Interests to any Governmental Authority, with respect to any franchise, grant, license or permit;

(h) rights of a common owner of any interest in rights-of-way or easements currently held by SM and such common owner as tenants in common or through common ownership to the extent that the same does not materially impair the use or operation of the Conveyed Interests as currently used and operated;

(i) easements, conditions, covenants, restrictions, servitudes, permits, rights-of-way, surface leases and other rights in the Conveyed Interests for the purpose of surface operations, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines and 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, (in each case) that do not (i) materially impair the use, ownership or operation of the Conveyed Interests (as currently owned and operated), (ii) reduce the Net Revenue Interest of SM in any Well to an amount less than the Net Revenue Interest set forth on *Exhibit A-2* for such Well, (iii) obligate SM to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on *Exhibit A-2* for such Well (unless the Net Revenue Interest for such Conveyed Interest is greater than the Net Revenue

Interest set forth on *Exhibit A-2* in the same proportion as any increase in such Working Interest), (iv) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in *Exhibit A* for such Lease, or (v) reduce the Net Acres for any Lease to an amount less than the Net Acres set forth in *Exhibit A* for such Lease;

(j) zoning and planning ordinances and municipal regulations;

(k) vendors, carriers, warehousemen's, repairmen's, mechanics, workmen's, materialmen's, construction or other like Encumbrances 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;

(l) Encumbrances created under Leases and/or Applicable Operating Agreements or by operation of Law in respect of obligations that are not yet due;

(m) any Encumbrance affecting the Conveyed Interests which is discharged by SM at or prior to Closing;

(n) any Contracts, restrictions or exclusions set forth on *Exhibit A* and all litigation referenced in *Schedule 1.7*; and

(o) the Leases and Contracts (including the Applicable Contracts), (and, solely for purposes of the definition of "*Permitted Encumbrances*" applicable to the special warranty of title in the Assignment, and not for purposes of the Title Defect adjustments or any other purposes hereunder, other Encumbrances and agreements, instruments, obligations, defects and irregularities affecting the Conveyed Interests) that (in each case) do not (i) materially impair the use, ownership or operation of the Conveyed Interests (as currently owned and operated), (ii) reduce the Net Revenue Interest of SM in any Well to an amount less than the Net Revenue Interest set forth on *Exhibit A-2* for such Well, (iii) obligate SM to bear a Working Interest for such Well in any amount greater than the Working Interest set forth on *Exhibit A-2* for such Well (unless the Net Revenue Interest for such Asset is greater than the Net Revenue Interest set forth on *Exhibit A-2* in the same proportion as any increase in such Working Interest), (iv) increase the royalty and overriding royalty burdens for any Lease to an amount greater than that set forth in *Exhibit A* for such Lease, or (v) reduce the Net Acres for any Lease to an amount less than the Net Acres set forth in *Exhibit A* for such Lease.

"*Person*" means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

"*Personal Property*" means equipment, machinery, fixtures, and other personal and mixed property, including saltwater disposal wells, water sourcing or disposal assets, well equipment, casing, rods, tanks, boilers, buildings, tubing, pumps, motors, fixtures, machinery, compression equipment, flow lines and separation facilities, structures, materials and other items used or held for use in the operation thereof and located upstream of the inlet flange of the Springfield Gathering Assets or other Third Party gathering assets to which the Wells included in the Assets are connected (or, in the case of Hydrocarbon liquids not transported by pipeline, upstream of the outlet flange in the tanks).

APPENDIX

"*Pipeline Imbalance*" means any imbalance at the pipeline or plant flange between the amount of Hydrocarbons nominated by or allocated to SM and the Hydrocarbons actually delivered on behalf of SM at that point over the same period with respect to the Conveyed Interests.

"*Preferential Rights*" has the meaning set forth in Section 1.10 of the Acquisition Annex.

"*Preliminary Settlement Statement*" has the meaning set forth in *Section 3.6(a)*.

"*Properties*" has the meaning set forth in clause (b) of the definition of "*Assets*".

"*Reassignment Notice*" has the meaning set forth in *Section 6.4*.

"*Records*" has the meaning set forth in *Section 2.1(c)(ii)*.

"*Remediation*" means, with respect to an Environmental Condition, the implementation and completion of any remedial, removal, response, construction, closure, disposal or other corrective actions required under Environmental Laws to correct or remove such Environmental Condition.

"*Remediation Amount*" means, with respect to an Environmental Condition (a) the cost (net to the Conveyed Interests) of the most cost effective Remediation of such Environmental Condition that is reasonably available, considering the use of the applicable property, *plus* (b) the amount of any Liabilities to Third Parties (net to the Conveyed Interests) in addition to Remediation as a consequence of the Environmental Condition.

"*Retained Interests*" means all of SM's right, title and interest in and to the (a) Assets, (b) Springfield Gathering Assets, and (c) assets described in *Section 2.1(c)*, in each case, other than the Conveyed Interests.

"*Retained Obligations*" has the meaning set forth in Section 10.1 of the Acquisition Annex.

"*Selling Party*" has the meaning set forth in Section 2.2(a) of the Transfer Provisions.

"*Service Eligible Assets*" has the meaning set forth in *Section 5.6(a)*.

"*Services*" has the meaning set forth in Section 6.4(a) of the Acquisition Annex.

"*SM*" has the meaning set forth in the preamble to this Agreement.

"*SM Indemnified Parties*" has the meaning set forth in Section 10.3 of the Acquisition Annex.

"*SM Termination Instruction*" has the meaning set forth in *Exhibit D*.

"*SMJOA*" means an operating agreement in the form attached hereto as *Exhibit B*.

"*Springfield Gathering Assets*" means all of SM's interest in the Springfield Ownership Agreement and all of SM's interest in the rights-of-way and other gathering assets held or acquired by SM and Springfield Pipeline, LLC under the Springfield Ownership Agreement.

"*Springfield Ownership Agreement*" means that certain Agreement for the Construction, Ownership, and Operation of Midstream Assets in Maverick, Dimmit, Webb and La Salle Counties, Texas with Springfield Pipeline, LLC, a gathering subsidiary of Anadarko, effective as of January 1, 2006, and pertaining to the acquisition and construction of a gathering system relating to the Springfield Gathering Assets.

"*Subject Oil and Gas Assets*" means all right, title and interest of the Development Parties within the AMI Area in and to those Leases and/or Wells in which both Development Parties hold an interest, whether held on, or acquired at or after, the Closing Date.

"*Tax Partnership*" has the meaning set forth in *Section 9.1*.

"*Tax Partnership Agreement*" means the Tax Partnership Agreement between SM and Mitsui, creating the Tax Partnership, substantially in the form attached hereto as *Exhibit C*.

"*Tax Purposes*" has the meaning set forth in *Section 9.1*.

"*Taxes*" shall mean any and all federal, state, local, foreign and other taxes or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, profit share, license, lease, service, service use, value added, withholding, payroll, employment, excise, estimated severance, stamp, occupation, premium, property, windfall profit or other taxes of any kind whatsoever, together with any interests, penalties, additions to tax, fines or other additional amounts imposed thereon or related thereto, and the term "*Tax*" means any one of the foregoing Taxes.

"*Term*" means the period from and after the Closing Date up to and including the Termination Date.

"*Termination Date*" means the date that is three months following the Carry Termination Event, unless earlier terminated pursuant to *Section 6.4* or by the written agreement of all of the Parties.

"*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*" has the meaning set forth in Section 10.7(b) of the Acquisition Annex.

"*Third Party Operating Agreements*" means those operating agreements, other than the SMJOA, to which Persons other than the Development Parties and SM are parties and which burden the Subject Oil and Gas Assets within the AMI Area.

"*Third Party Operator*" means a Third Party serving as Operator under any Third Party Operating Agreement.

"*Title Arbitrator*" has the meaning set forth in Section 4.2(j) of the Acquisition Annex.

"*Title Benefit*" means any right, circumstance or condition that operates to (a) increase the Net Revenue Interest being assigned to Mitsui in any Well above that shown for such Well in *Exhibit A-2* to the extent the same does not cause a greater than proportionate increase in the Working Interest being assigned to Mitsui therein above that shown in *Exhibit A-2*, (b) increase the Net Acres being assigned to the Mitsui in any Lease to greater than that shown therefor in *Exhibit A* for such Lease (but only to the extent the increase is not the result of an increase in Working Interest in the Lease without at least a proportionate increase in Net Revenue Interest) or (c) increase the Net Revenue Interest of the interest being assigned to Mitsui in any Lease above that shown on *Exhibit A* for such Lease, to the extent the same does not cause a greater than proportionate increase in the Working Interest being assigned to Mitsui therein above that shown in *Exhibit A* for such Lease.

"*Title Benefit Amount*" has the meaning set forth in Section 4.2(e) of the Acquisition Annex.

"*Title Benefit Notice*" has the meaning set forth in Section 4.2(b) of the Acquisition Annex.

"*Title Benefit Property*" has the meaning set forth in Section 4.2(b) of the Acquisition Annex.

"*Title Defect*" means any Encumbrance, defect or other matter that causes SM not to have Defensible Title in and to any Conveyed Interest; provided that the following shall not be considered Title Defects:

(a) defects in the chain of title consisting of the failure to recite marital status in a document or omissions of successions of heirship or estate proceedings, unless Mitsui provides affirmative evidence that such failure or omission could reasonably be expected to result in another Person's superior claim of title to the relevant Conveyed Interest;

(b) defects arising out of lack of survey, unless a survey is expressly required by applicable Laws;

(c) defects arising out of lack of corporate or other entity authorization unless Mitsui provides affirmative evidence that causes Mitsui to reasonably believe such corporate or other entity action may not have been authorized and could reasonably be expected to result in another Person's superior claim of title to the relevant Conveyed Interest;

(d) defects based on a gap in SM's chain of title in the state's records as to state Leases, or in the county records as to other Leases, unless such gap is affirmatively shown to exist in such records by an abstract of title, title opinion or landman's title chain or runsheet, which documents shall be included in a Title Defect Notice;

(e) defects that have been cured by applicable Laws of limitations or prescription; and

(f) any Encumbrance or loss of title resulting from (i) SM's election to consent or non-consent to operations after the Execution Date to the extent that such election is not prohibited by Section 6.1(b)(ii) of the Acquisition Annex, (ii) SM's execution or amendment of any Applicable Contract after the Execution Date not prohibited by Section 6.1(b)(iii), Section 6.1(b)(iv) or Section 6.1(b)(vi) of the Acquisition Annex, or (iii) any action after the Execution Date described in Section 6.1(x), Section 6.1(y) or Section 6.1(z) of the Acquisition Annex.

"*Title Defect Amount*" has the meaning set forth in Section 4.2(g) of the Acquisition Annex.

"*Title Defect Notice*" has the meaning set forth in Section 4.2(a) of the Acquisition Annex.

"*Title Defect Property*" has the meaning set forth in Section 4.2(a) of the Acquisition Annex.

"*Title Disputes*" has the meaning set forth in Section 4.2(j) of the Acquisition Annex.

"*Total Amount in Default*" means, as of any time, the following amounts: (a) the amounts that the Defaulting Party has failed to pay under the terms of this Agreement and the Associated Agreements as of such time and (b) any interest at the Default Interest Rate accrued on the (i) amount described in clause (a) from the date such amount is due by the Defaulting Party until paid in full by the Defaulting Party and (ii) amount under clause (b)(i) from the time such amount is incurred by SM until paid in full by the Defaulting Party.

"*Transfer*" and its syntactical variants mean any sale, assignment or other disposition by a Development Party of all or any part of its interest in the Subject Oil and Gas Assets; provided, however, that "*Transfer*" excludes (a) any disposition resulting from a direct or indirect Change in Control of a Party, and (b) any Encumbrance.

"*Transfer Provisions*" means *Exhibit H*, including its terms and conditions.

"*Transition Period*" has the meaning set forth in Section 6.4(a) of the Acquisition Annex.

"*Treasury Regulations*" means the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Internal Revenue 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.

"*TXCO Carry Amount*" has the meaning set forth in Section 2.4(a) of the Transfer Provisions.

"*TXCO Cash Amount*" has the meaning set forth in Section 2.4(a) of the Transfer Provisions.

"*TXCO Interest*" has the meaning set forth in Section 2.4(a) of the Transfer Provisions.

"*TXCO Notice*" has the meaning set forth in Section 2.4(a) of the Transfer Provisions.

"*TXCO Properties*" has the meaning set forth in clause (s) of the definition of "*Excluded Assets.*"

"*Ultimate Parent*" means the ultimate parent company within a Party's organization, which, as of the Execution Date, with respect to Mitsui, is Mitsui Parent, and with respect to SM, is SM.

"*Unit*" has the meaning set forth in clause (a) of the definition of "*Assets.*"

"*Well*" means all oil and gas wells and injection wells

"*Well Imbalance*" means any imbalance at the wellhead between the amount of Hydrocarbons produced from a Well included in the Assets and allocated to the interests of or lifted by SM and the shares of production from such Well to which SM is entitled over the same period with respect to the Conveyed Interests.

"*Working Interest*" means, with respect to any Unit, Well or Lease, the interest in and to such Unit, Well or Lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such Unit, Well or Lease, but without regard to the effect of any royalties, overriding royalties, production payments, net profits interests and other similar burdens upon, measured by, or payable out of production therefrom.

"*Year*" means a period of 12 consecutive Months commencing on the first day of January and ending on the following 31st day of December, according to the Gregorian calendar.

ANNEX A

ACQUISITION PROVISIONS

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

ANNEX A

ACQUISITION PROVISIONS

Unless otherwise indicated, references in this Acquisition Annex to (a) Sections, subsections and Articles refer to Sections, subsections and Articles of this Acquisition Annex and (b) Exhibits, Appendices and Schedules refer to Exhibits, Appendices and Schedules to the Acquisition and Development Agreement, dated as of June 29, 2011 (for purposes of this Acquisition Annex only, referred to as the "***Development Agreement***"), between SM and Mitsui, to which this Acquisition Annex is attached. The words "this Agreement," "herein," "hereby," "hereunder", "hereof" and words of similar import refer to the Development Agreement as a whole (including this Acquisition Annex and the Transfer Provisions) and not to any particular Article, Section, subsection, Exhibit, Appendix, Schedule or other subdivision of the Development Agreement or this Acquisition Annex unless expressly so limited.

Capitalized terms used in this Acquisition Annex and not otherwise defined in this Acquisition Annex shall have the meanings set forth in Appendix I of the Development Agreement.

ARTICLE I
REPRESENTATIONS AND WARRANTIES OF SM

SM represents and warrants to Mitsui as follows:

1.1 ***Organization, Existence.*** SM is a corporation duly formed and validly existing under the Laws of the State of Delaware. SM has all requisite power and authority to own and operate its property (including, without limitation, the Conveyed Interests) and to carry on its business as now conducted. SM is duly licensed or qualified to do business as a foreign corporation and is in good standing in the state of Texas and in any other jurisdiction in which such qualification is required by Law (except where the failure to qualify or be in good standing would not have a Material Adverse Effect).

1.2 ***Authorization.*** SM has full power and authority to enter into and perform this Agreement and the Associated Agreements to which it is a party and the transactions contemplated herein and therein. The execution, delivery and performance by SM of this Agreement has been, and the execution, delivery and performance of the Associated Agreements to which it is a party will be at Closing, duly and validly authorized and approved by all necessary corporate action on the part of SM. This Agreement is, and the Associated Agreements to which SM is a party when executed and delivered by SM will be, the valid and binding obligations of SM, enforceable against SM in accordance with their respective terms, subject however to the effects of bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and similar Laws relating to or affecting creditors' rights, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

1.3 ***No Conflicts.*** Assuming the receipt of all Consents and the waiver of all Preferential Rights, the execution, delivery and performance by SM of this Agreement and the consummation of the transactions contemplated hereby does not and will not (a) conflict with or

result in a breach of any provisions of the organizational documents or other governing documents of SM, (b) result in a default or the creation of any Encumbrance (other than Permitted Encumbrances) or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any Lease, Applicable Contract, note, bond, mortgage, indenture, license or other material agreement to which SM is a party or by which SM or the Conveyed Interests may be bound or (c) violate any Law applicable to SM or any of the Conveyed Interests.

1.4 ***Consents.*** Except (a) as set forth in*Schedule 1.4* (the "***Consents***"), (b) for any Customary Post-Closing Consents, (c) under Contracts that are terminable upon not greater than 60 days notice without payment of any fee, and (d) for Preferential Rights, there are no consents, other restrictions on assignment, including requirements for consents from third parties to any assignment, in each case, that would be applicable in connection with the transfer of the Conveyed Interests to Mitsui or the consummation by SM of the transactions contemplated by this Agreement.

1.5 ***Bankruptcy.*** There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to SM's Knowledge, threatened in writing against SM.

1.6 ***Foreign Person.*** SM is not a "disregarded entity" or a "foreign person" within the meaning of Section 1445 of the Code and its implementing Treasury Regulations.

1.7 ***Claims and Litigation.*** Except as set forth in*Schedule 1.7*, to SM's Knowledge, SM has received no material written claims asserting any breach of contract, tort or violation of Law (in each case) with respect to the Conveyed Interests by SM or by a Third Party Operator. There are no (a) investigations, suits, actions or litigation by any Person by or before any Governmental Authority, or (b) legal, administrative or arbitration proceedings, pending or, to SM's Knowledge (i) threatened in writing against SM or (ii) pending or threatened in writing against a Third Party Operator, in each case (A) with respect to the ownership or operation of the Conveyed Interests or (B) as of the date hereof, that would affect the ability of SM to consummate the transactions contemplated by this Agreement.

1.8 ***Material Contracts.***

(a) *Schedule 1.8(a)* sets forth each Applicable Contract of the type described below (collectively, the "***Material Contracts***"):

(i) any Applicable Contract that can reasonably be expected to result in aggregate payments by SM of more than $200,000 during the current or any subsequent fiscal year or $200,000 in the aggregate over the term of such Applicable Contract (in each case, based solely on the terms thereof and 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 SM of more than $200,000 during the current or any subsequent fiscal year or $200,000 in the aggregate over the term of such Applicable Contract (in each case, based solely on the terms thereof and without regard to any expected increase in volumes or revenues);

(iii) any Applicable Contract that is a Hydrocarbon purchase and sale, transportation, processing or similar Contract pursuant to which SM receives annual revenues or makes annual payments in excess of $200,000 and that is not terminable without penalty on 60 days or less notice;

(iv) any Applicable Contract that is an indenture, mortgage, loan, credit or sale-leaseback, guaranty of any obligation, bonds, letters of credit or similar financial Contract;

(v) any Applicable Contract that constitutes a lease under which SM is the lessor or the lessee of real, immovable, personal or movable property which lease (A) cannot be terminated by SM without penalty upon 60 days or less notice and (B) involves an annual base rental of more than $200,000;

(vi) any Applicable Contract that constitutes a non-competition agreement or any agreement that purports to restrict, limit or prohibit the manner in which, or the locations in which, SM conducts business, including area of mutual interest Contracts;

(vii) any Applicable Contract that is with any Affiliate of SM which will be binding on Mitsui after the Closing Date and will not be terminable by Mitsui within 30 days or less notice other than joint operating agreements;

(viii) any Applicable Contract that contains calls on production;

(ix) any Applicable Contract which provides for an interest rate, credit or commodity swap, cap, floor, collar or any combination of, or option with respect to, these or similar transactions or otherwise constitutes a futures or derivative transaction;

(x) any Applicable Contract where, as of the date of such Applicable Contract, the primary and principal purpose thereof was to provide a guarantee or indemnity for the benefit of another Person;

(xi) any Applicable Contract that constitutes a partnership agreement, joint venture agreement or similar Contract (in each case, other than a tax partnership);

(xii) any executory Applicable Contract that constitutes a purchase and sale agreement or acquisition agreement of any material Conveyed Interest (other than any Hydrocarbon purchase or sale agreement), where the purchase and/or sale thereunder has not been consummated;

(xiii) any executory Applicable Contract that constitutes a pending farmout agreement, exploration agreement, participation agreement or other similar Contract where the primary obligation thereunder has not fully been performed;

(xiv) any Applicable Contract that constitutes a joint operating agreement; and

(xv) any Applicable Contract that is a seismic or other geophysical acquisition agreement or license.

(b) The Material Contracts set forth in *Schedule 1.8(b)(i)* are in full force and effect as to SM and, to SM's Knowledge, each counterparty thereto. Except as set forth on *Schedule 1.8(b)(ii)*, there exist no material defaults under the Material Contracts by SM or, to SM's Knowledge, by any other Person that is a party to such Material Contracts. Prior to the execution of this Agreement, SM has made available to Mitsui true and complete copies of each Material Contract and all amendments thereto. As of the date hereof, SM has not received or given any unresolved written notice of price redetermination, market out, curtailment or termination with respect to any Material Contract.

1.9 ***No Violation of Laws.*** Except as set forth on *Schedule 1.9*, to SM's Knowledge, neither SM, its Affiliates nor, as of the date hereof, any Third Party Operator is in violation in any material respect of any applicable Laws with respect to the ownership by SM or operation by such Third Party Operator of the Conveyed Interests. This *Section 1.9* does not include any matters with respect to Environmental Laws, such matters being addressed exclusively in *Section 1.15*.

1.10 ***Preferential Rights.*** There are no preferential rights to purchase that are applicable to the transfer of the Conveyed Interests in connection with the transactions contemplated hereby ("***Preferential Rights***").

1.11 ***Royalties, Etc.*** Except for such items that are being held in suspense as permitted pursuant to applicable Law, to SM's Knowledge all Burdens due by SM with respect to the Properties have been paid in all material respects.

1.12 ***Payout Status.*** To SM's Knowledge, *Schedule 1.12* lists the payout status as of the date set forth in such Schedule of each Well that constitutes a part of the Assets and is subject to a reversion or other adjustment at some level of cost recovery or payout.

1.13 ***Imbalances.*** There are no Well Imbalances and no material Pipeline Imbalances, in each case, associated with the Conveyed Interests as of the Effective Time.

1.14 ***Current Commitments.*** *Schedule 1.14* sets forth, as of the Execution Date, all authorities for expenditures or other specifically approved capital commitments ("*AFEs*") relating to the Conveyed Interests to drill or rework Wells or for other capital expenditures that will be binding on Mitsui or any of the Conveyed Interests after Closing for which all of the activities anticipated in such AFEs have not been completed by the Execution Date.

1.15 ***Environmental.***

(a) With respect to the Conveyed Interests, SM has not entered into, and is not subject to, any agreement, consent, order, decree, judgment, license or permit condition or other directive of any Governmental Authority under Environmental Laws that (i) are in existence as of the Execution Date and (ii) require any Remediation or other change in the present conditions of any of the Conveyed Interests.

(b) Except as set forth in *Schedule 1.15*, as of the Execution Date, SM has not received written notice from any Person of any release, disposal, event, condition, circumstance, activity, practice or incident concerning any land, facility, asset or property included in the Conveyed Interests that: (i) interferes with or prevents compliance by SM with any Environmental Law or the terms of any license or permit issued pursuant thereto or (ii) gives rise to or results in any common Law or other liability of SM to any Person which, in the case of either clause (i) or (ii) hereof, would have a Material Adverse Effect.

(c) As of the date hereof, to the Knowledge of SM, (i) the Conveyed Interests have been (A) owned by SM and (B) operated and maintained by the applicable Third Party Operator, in each case, in compliance in all material respects with all applicable Environmental Laws and (ii) there has been no contamination of the air, groundwater, surface water, soil or sediments on the lands covered by the Properties or adjoining lands as a result of oil and gas operations on the Properties during SM's period of ownership of the applicable properties that requires remediation under applicable Specified Environmental Laws.

(d) All material written (i) notices from environmental Governmental Authorities, and (ii) reports and studies of Third Parties, including any Third Party Operator, in each case, specifically addressing environmental matters related to the ownership or operation of the Properties that are in SM's possession as of the date hereof, and which SM has the right to disclose to Mitsui (provided that SM has used its commercially reasonable efforts to obtain the right to disclose to Mitsui such notices, reports and studies), have been made available to Mitsui .

1.16 ***Taxes.*** Except as disclosed in *Schedule 1.16*:

(a) all Taxes payable by SM that could result in an Encumbrance upon any of the Conveyed Interests if not timely paid and that have become due and payable by SM prior to the Effective Time have been properly paid other than any Taxes that are being contested in good faith as described on *Schedule 1.16*;

(b) all returns with respect to Asset Taxes that are required to be filed by SM as the owner of the Conveyed Interests have been filed;

(c) SM has not received written notice of any pending claim against it (which remains outstanding) from any applicable Governmental Authority for assessment of Asset Taxes or Taxes that could result in an Encumbrance upon any of the Conveyed Interests and, to SM's Knowledge, no such claim has been threatened;

(d) no audit, litigation or other pending proceeding with respect to Taxes has been commenced, or is presently pending, against SM with respect to the Conveyed Interests or that could result in an Encumbrance upon any of the Conveyed Interests;

(e) the tangible personal property transferred pursuant to this Agreement, if any, is being transferred incidental to the transfer of real property; the transfer of tangible personal property, if any, is of an undivided interest in such property upon which sales Tax that was due has been paid; and SM is not regularly engaged in the business of selling tangible personal property of the type being transferred pursuant to this Agreement in the State of Texas;

(f) there are no liens for Taxes (including any interest, fine, penalty or additions to tax imposed by a Governmental Authority in connection with such taxes) payable by SM on the Conveyed Interests other than statutory liens for current taxes not yet due; and

(g) the Conveyed Interests are not subject to any Tax partnership (other than that created by Section 9.1 of the Development Agreement).

1.17 ***Brokers' Fees.*** SM has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement for which Mitsui or any Affiliate of Mitsui shall have any responsibility.

1.18 ***Advance Payments.*** SM is not obligated by virtue of any take-or-pay payment, advance payment or other similar payment (other than royalties, overriding royalties and similar arrangements reflected with respect to the Net Revenue Interests for the Wells set forth in *Exhibit A-2* and gas balancing arrangements), to deliver Hydrocarbons attributable to the Conveyed Interests, or proceeds from the sale thereof, at some future time without receiving payment therefore at or after the time of delivery.

1.19 ***Bonds and Credit Support.*** *Schedule 1.19* lists all bonds, letters of credit and other similar credit support instruments maintained by SM and its Affiliates with any Governmental Authority or other Third Party with respect to the Conveyed Interests for which Mitsui will be required to maintain from and after Closing.

1.20 ***Wells.***

(a) Except as set forth on *Schedule 1.20*, there are no Wells that constitute a part of the Assets (i) in respect of which SM, or as of the date hereof to SM's Knowledge, any Third Party Operator, has received an order from any Governmental Authority requiring that such Wells be plugged and abandoned, or (ii) that are neither in use for purposes of production or injection, nor shut-in, suspended, temporarily abandoned or permanently plugged and abandoned, that, to SM's Knowledge, should be plugged and abandoned in accordance with applicable Law.

(b) As of the date hereof, to SM's Knowledge (i) all Wells that constitute a part of the Assets have been drilled and completed within the limits permitted by all applicable Leases and pooling or unit agreements or orders, and (ii) no Well that constitutes a part of the Assets is subject to penalties on allowables after the Effective Time because of overproduction.

1.21 ***Permits.*** To SM's Knowledge (a) all Third Party Operators of the Conveyed Interests possess all material permits, licenses, orders, approvals, variances, waivers, franchise rights and other authorizations required to be obtained from any Governmental Authority for conducting their business with respect to the Conveyed Interests and (b) there are no material uncured violations by such Third Party Operators of the terms and provisions of such authorizations. This *Section 1.21* does not include any matters with respect to Environmental Laws, such matters being addressed exclusively in *Section 1.15*.

1.22 ***Conveyed Interests.*** SM's Affiliates are not owners of assets which relate to or are used or held for use in connection with the Properties and which, were they owned by SM, would be considered Conveyed Interests under this Agreement.

1.23 ***No Casualty Losses or Sales of Conveyed Interests.*** Except as set forth in *Schedule 1.23*, since the Effective Time up to the Execution Date, there has been no:

(a) to the Knowledge of SM, Casualty Loss to the Conveyed Interests;

(b) transfer, sale or other disposition by SM or its Affiliates of any material asset (other than sales of Hydrocarbons in the ordinary course of business and dispositions of surplus or obsolete equipment) that would otherwise have been a part of the Conveyed Interests; or

(c) action that would have required the consent of Mitsui under *Section 6.1(b)(vi)* had such Section been in effect as of the Effective Time.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF MITSUI

Mitsui represents and warrants to SM the following:

2.1 ***Organization; Existence.*** Mitsui is a limited partnership duly formed and validly existing under the Laws of Texas. Mitsui has all requisite power and authority to own and operate its property (including, at Closing, the Conveyed Interests) and to carry on its business as now conducted. Mitsui is duly licensed or qualified to do business as a foreign limited partnership and is in good standing in all jurisdictions in which such qualification is required by Law except where the failure to qualify or be in good standing would not have a material adverse effect upon the ability of Mitsui to consummate the transactions contemplated by this Agreement.

2.2 ***Authorization.*** Mitsui has full power and authority to enter into and perform this Agreement and the Associated Agreements to which it is a party and the transactions contemplated herein and therein. The execution, delivery and performance by Mitsui of this Agreement has been, and the execution, delivery and performance of the Associated Agreements to which it is a party will be at Closing, duly and validly authorized and approved by all necessary limited partnership action on the part of Mitsui.

This Agreement is, and the Associated Agreements to which Mitsui is a party, when executed and delivered by Mitsui, will be, the valid and binding obligations of Mitsui, enforceable against Mitsui in accordance with their respective terms, subject however to the effects of bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and similar Laws relating to or affecting creditors' rights, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

2.3 ***No Conflicts.*** The execution, delivery and performance by Mitsui of this Agreement and the consummation of the transactions contemplated herein will not (a) conflict with or result in a breach of any provisions of the organizational or other governing documents of Mitsui, (b) result in a default or the creation of any Encumbrance (other than Permitted Encumbrances) 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 Mitsui is a party or by which Mitsui or any of its property may be bound or (c) violate any Law applicable to Mitsui or any of its property, except in the case of clauses (b)

and (c) where such default, Encumbrance, termination, cancellation, acceleration or violation would not have a material adverse effect upon the ability of Mitsui to consummate the transactions contemplated by this Agreement.

2.4 ***Consents.*** There are no Third Party consents or other restrictions on assignment, including requirements for consents from third parties to any assignment, in each case, that would be applicable in connection with the consummation by Mitsui of the transactions contemplated by this Agreement.

2.5 ***Bankruptcy.*** There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to Mitsui's knowledge, threatened in writing against Mitsui.

2.6 ***Claims and Litigation.*** Mitsui has received no written claims asserting any breach of contract, tort, or violation of Law (in each case) by Mitsui in any material respect. There are no investigations, suits, actions or litigation by any Person by or before any Governmental Authority, and no legal, administrative or arbitration proceedings, pending or, to Mitsui's knowledge, threatened in writing against Mitsui, that would affect the ability of Mitsui to consummate the transactions contemplated by this Agreement.

2.7 ***Financing.*** Mitsui has, and shall have as of the Closing Date, sufficient funds with which to pay the Closing Cash Payment and consummate the transactions contemplated by this Agreement and, following Closing, Mitsui will have sufficient funds to fund the Carried Cost Obligation and meet its other payment obligations under this Agreement.

2.8 ***Independent Evaluation.*** Mitsui is sophisticated in the evaluation, purchase, ownership and operation of oil and gas properties and related facilities. In making its decision to enter into this Agreement and to consummate the transaction contemplated herein, Mitsui, except to the extent of SM's express representations and warranties in *Article I* hereof or in the certificate delivered by SM at Closing pursuant to*Section 7.1(f)* and the special warranty of title contained in the Assignment (a) has relied or shall rely solely on its own independent investigation and evaluation of the Conveyed Interests 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 engaged by SM, and (b) subject to SM's compliance with the provisions of *Section 3.1*, has satisfied or shall satisfy itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Conveyed Interests.

2.9 ***Brokers' Fees.*** Mitsui has incurred no liability, contingent or otherwise, for brokers' or finders' fees relating to the transactions contemplated by this Agreement or the Associated Agreements for which SM or any Affiliate of SM shall have any responsibility.

2.10 ***Accredited Investor.*** Mitsui is an "accredited investor," as such term is defined in Regulation D of the Securities Act of 1933, as amended, and will acquire the Conveyed Interests for its own account and not with a view to a sale or distribution thereof in violation of such Law and the rules and regulations thereunder, any applicable state blue sky Laws or any other applicable securities Laws.

ARTICLE III
ACCESS / DISCLAIMERS

3.1 ***Access.***

(a) From and after the Execution Date and up to and including the Closing Date (or earlier termination of this Agreement), but subject to the other provisions of this Agreement (including this *Section 3.1*) and obtaining the required consents of third parties, including Third Party Operators of the Conveyed Interests (with respect to which consents SM shall use its commercially reasonable efforts to obtain), SM shall afford to Mitsui, its Affiliates and its and their officers, employees, agents, accountants, attorneys, investment bankers, consultants and other authorized representatives (collectively, "***Mitsui's Representatives***") reasonable access, during normal business hours, to the Conveyed Interests and all Records in SM's or any of its Affiliates' possession. SM shall also make available to Mitsui and Mitsui's Representatives, upon reasonable notice during normal business hours, SM's personnel knowledgeable with respect to the Conveyed Interests in order that Mitsui may make such diligence investigation as Mitsui considers necessary or appropriate. All investigations and due diligence conducted by Mitsui or any Mitsui's Representative shall be conducted at Mitsui's sole cost, risk and expense; and any conclusions made from any examination done by Mitsui or any Mitsui's Representative shall result from Mitsui's own independent review and judgment. Mitsui shall coordinate its access rights and physical inspections of the Conveyed Interests with SM and any Third Party Operator to reasonably minimize any inconvenience to or interruption of the conduct of business by SM or any Third Party Operator. Mitsui shall, and shall cause all Mitsui's Representatives to, abide by SM's and any Third Party Operator's safety rules, regulations and operating policies of which they are notified in advance while conducting its due diligence evaluation of the Conveyed Interests including any environmental or other inspection or assessment of the Conveyed Interests.

(b) Before Mitsui or any of Mitsui's Representatives conduct any sampling, boring, drilling or other invasive investigation activities (***Invasive Activities***") on or with respect to any of the Conveyed Interests (i) Mitsui must furnish SM with a written description of the proposed scope of the Invasive Activities to be conducted, including a description of the activities to be conducted and a description of the approximate location and expected timing of such activities and (ii) SM must have received any required prior written consent of any applicable Third Party. SM shall, with the reasonable cooperation of Mitsui and in reasonable consultation with Mitsui, use its commercially reasonable efforts to obtain any such required Third Party consent. If any of the proposed Invasive Activities may unreasonably interfere with the normal operations of the Properties, SM may request an appropriate modification of the proposed Invasive Activity. Any Invasive Activities shall be conducted by a reputable environmental consulting or engineering firm that is approved in advance by SM and, if required under the Applicable Operating Agreement, any applicable Third Party Operator. Once approved, such environmental consulting or engineering firm shall be deemed to be a "Mitsui's Representative." SM hereby approves Ecology & Environment, Inc. and any Affiliate thereof as Mitsui's Representative, subject to any required approval from a Third Party. SM or its designee shall have the right, at its option and expense (A) to accompany Mitsui and Mitsui's Representatives whenever they are on site on the Conveyed Interests and to (B) 50% of all samples or materials taken from the Conveyed Interests pursuant to any Invasive Activity.

(c) Mitsui agrees to defend, indemnify and hold harmless (i) the SM Indemnified Parties for any and all Liabilities for which SM is required to indemnify, release, defend or hold harmless Anadarko pursuant to Section 4 of the Anadarko Access Agreement arising out of, resulting from or relating to any field visit, environmental property assessment or other due diligence activity conducted by Mitsui or any Mitsui's Representative (including any Invasive Activity) with respect to the Conveyed Interests, and (ii) each of the Operators of the Conveyed Interests and the SM Indemnified Parties from and against any and all Liabilities (other than Liabilities relating to the discovery or disclosure (except in breach of the Confidentiality Agreement) of any existing condition (or, in the case of Applicable Contracts or data, the existing contents of such Applicable Contract or data) of the Conveyed Interests, including any Environmental Conditions on the Conveyed Interests), arising out of, resulting from or relating to any field visit, environmental property assessment or other due diligence activity conducted by Mitsui or any Mitsui's Representative (including any Invasive Activity) with respect to the Conveyed Interests, in each case, **EVEN IF SUCH LIABILITIES ARISE OUT OF OR RESULT FROM, SOLELY OR IN PART, THE SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY A MEMBER OF THE SM INDEMNIFIED PARTIES, EXCEPTING ONLY LIABILITIES ACTUALLY RESULTING ON THE ACCOUNT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A MEMBER OF THE SM INDEMNIFIED PARTIES.**

(d) Mitsui shall disclose to SM all portions of its final environmental reports and test results prepared by Mitsui, any of Mitsui's Representatives or any Third Party consultants as may relate to any of the Environmental Defects claimed in any Environmental Defect Notice. Neither Mitsui by its delivery of said documents nor SM by its receipt of said documents shall be deemed to have made any representation or warranty, expressed, implied or statutory as to the condition to the Conveyed Interests or to the accuracy of said documents or the information contained therein.

(e) Upon completion of Mitsui's due diligence, Mitsui shall, at its sole cost and expense and without any cost or expense to SM or its Affiliates (i) repair all physical damage done to the Conveyed Interests in connection with Mitsui's due diligence, (ii) restore the Conveyed Interests to the approximate same or better physical condition than it was prior to commencement of Mitsui's due diligence and (iii) remove all equipment, tools or other property brought onto the Conveyed Interests in connection with Mitsui's due diligence. Any disturbance to the Conveyed Interests (including, without limitation, the real property associated with such Conveyed Interests) resulting from Mitsui's due diligence will be promptly corrected by Mitsui.

3.2 ***Confidentiality.*** Mitsui acknowledges that, pursuant to its right of access to the Records and the Conveyed Interests, Mitsui will become privy to confidential and other information of SM and that such confidential information shall be held confidential by Mitsui and Mitsui's Representatives in accordance with the terms of the Confidentiality Agreement. If Closing should occur, the foregoing confidentiality restriction on Mitsui, including the Confidentiality Agreement, shall terminate (except as to (a) any Conveyed Interests that are excluded from the transactions contemplated hereby pursuant to the provisions of this Agreement, (b) the Excluded Assets, and (c) information related to SM assets other than the

Assets, Springfield Gathering Assets and other assets described in Section 2.1 of the Development Agreement).

3.3 ***Disclaimers.***

(a) EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN*ARTICLE I*, THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 7.1(f)* OR THE SPECIAL WARRANTY OF TITLE CONTAINED IN THE ASSIGNMENT (I) SM MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) SM EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO MITSUI OR ANY OF MITSUI'S REPRESENTATIVES (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO MITSUI BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SM OR ANY OF ITS AFFILIATES).

(b) EXCEPT AS EXPRESSLY SET FORTH IN *ARTICLE I*, THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 7.1(f)* OR THE SPECIAL WARRANTY OF TITLE CONTAINED IN THE ASSIGNMENT, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SM EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE CONVEYED INTERESTS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY ENGINEERING, GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE CONVEYED INTERESTS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE CONVEYED INTERESTS, (IV) ANY ESTIMATES OF THE VALUE OF THE CONVEYED INTERESTS OR FUTURE REVENUES GENERATED BY THE CONVEYED INTERESTS, (V) THE ABILITY TO PRODUCE HYDROCARBONS FROM THE CONVEYED INTERESTS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE CONVEYED INTERESTS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY INFORMATION MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY SM OR THIRD PARTIES WITH RESPECT TO THE CONVEYED INTERESTS, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE TO MITSUI OR ANY OF MITSUI'S REPRESENTATIVES IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO AND (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT. EXCEPT AS EXPRESSLY SET FORTH IN *ARTICLE I*, THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 7.1(f)* OR THE SPECIAL WARRANTY OF TITLE CONTAINED IN THE ASSIGNMENT, SM FURTHER DISCLAIMS 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 CONVEYED INTERESTS, RIGHTS OF A PURCHASER UNDER APPROPRIATE STATUTES TO CLAIM

DIMINUTION OF CONSIDERATION OR RETURN OF CONSIDERATION, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT, SUBJECT TO MITSUI'S RIGHTS WITH RESPECT TO TITLE DEFECTS PURSUANT TO ARTICLE IV OR ENVIRONMENTAL DEFECTS PURSUANT TO ARTICLE V, MITSUI SHALL BE DEEMED TO BE OBTAINING THE CONVEYED INTERESTS 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 MITSUI HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS MITSUI DEEMS APPROPRIATE.

(c) OTHER THAN THOSE REPRESENTATIONS SET FORTH IN*SECTION 1.15* OR THE CERTIFICATE DELIVERED BY SM AT CLOSING PURSUANT TO *SECTION 7.1(f)* TO THE EXTENT IT RELATES TO THE REPRESENTATIONS SET FORTH IN*SECTION 1.15*, SM HAS NOT AND WILL NOT MAKE 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 CONVEYED INTERESTS, AND NOTHING IN THIS AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND SUBJECT TO MITSUI'S LIMITED RIGHTS UNDER *SECTION 5.1* AND *SECTION 1.15*, MITSUI SHALL BE DEEMED TO BE TAKING THE CONVEYED INTERESTS "AS IS" AND "WHERE IS" WITH ALL FAULTS FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION AND THAT MITSUI HAS MADE OR CAUSED TO BE MADE SUCH ENVIRONMENTAL

INSPECTIONS AS MITSUI DEEMS APPROPRIATE.

(d) SM AND MITSUI AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS *SECTION 3.3* ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSE OF ANY APPLICABLE LAW.

ARTICLE IV
TITLE MATTERS; CASUALTIES; TRANSFER RESTRICTIONS

4.1 ***SM's Title.*** Except for the special warranty of title as set forth in the Assignment with respect to the Conveyed Interests and without limiting Mitsui's remedies for Title Defects set forth in this *Article IV*, SM makes no warranty or representation, express, implied, statutory or otherwise with respect to its title to any of the Conveyed Interests and Mitsui hereby acknowledges and agrees that Mitsui's sole remedy for any defect of title, including any Title Defect, with respect to any of the Conveyed Interests (a) on or before the Defect Claim Date shall be as set forth in *Section 4.2* and (b) without duplication, from and after the Defect Claim Date, shall be (i) pursuant to the special warranty of title set forth in the Assignment and (ii) under *Section 10.2(b)* relating to a breach by SM of *Section 6.1(b)(vi)*. For the avoidance of doubt, any specific matter for which SM has made a representation or warranty in *Article I* shall not be considered a "Title Defect" hereunder and shall not be deemed waived by the provisions of this *Section 4.1* or *Section 4.2*.

4.2 ***Notice of Title Defects; Defect Adjustments.***

(a) Title Defect Notices. On or before 4:00 p.m. (Mountain Time) on the Defect Claim Date, Mitsui shall deliver notices to SM meeting the requirements of this *Section 4.2(a)* (each, a "***Title Defect Notice***") setting forth any matters which, in Mitsui's reasonable opinion, constitute Title Defects and which Mitsui intends to assert as a Title Defect pursuant to this *Section 4.2*. For all purposes of this Agreement and notwithstanding anything herein to the contrary, but subject to Mitsui's rights under *Section 10.2(b)* with respect to a breach of *Section 6.1(b)(vi)* by SM and under the special warranty of title set forth in the Assignment, Mitsui shall be deemed to have waived, and SM shall have no liability for, any Title Defect which Mitsui fails to assert as a Title Defect pursuant to a Title Defect Notice delivered in compliance with this *Section 4.2(a)* and received by SM on or before the Defect Claim Date. Mitsui may not claim under the special warranty of title set forth in the Assignment any Title Defect which was reported to Mitsui as part of the title reports prepared for it prior to the Defect Claim Date. To be effective, each Title Defect Notice shall be in writing and shall include (i) a description of the alleged Title Defect and the Conveyed Interests affected by such Title Defect (each a "***Title Defect Property***"), (ii) the Allocated Value of each Title Defect Property, (iii) supporting documents available to Mitsui reasonably necessary for SM to verify the existence of the alleged Title Defect(s), (iv) the amount by which Mitsui reasonably believes the Allocated Value of each Title Defect Property is reduced by the alleged Title Defect(s) and (v) the computations upon which Mitsui's belief is based. Mitsui may provide a single Title Defect Notice that covers multiple Title Defects and multiple Conveyed Interests so long as the notice includes the information listed in parts (i)-(v) of the preceding sentence with respect to each Title Defect and otherwise complies with this *Section 4.2(a)*. To give SM an opportunity to commence reviewing and curing Title Defects, Mitsui agrees to use reasonable efforts to give SM, on or before the end of each calendar week prior to the Defect Claim Date, written notice of all alleged Title Defects discovered by Mitsui during the preceding calendar week (including supporting documentation relating thereto), which notice may be preliminary in nature and supplemented prior to the expiration of the Defect Claim Date, provided that failure to provide preliminary notice of a Title Defect shall not prejudice Mitsui's right to assert such Title Defect hereunder. Mitsui shall also promptly furnish SM with written notice of any Title Benefit which is reported by any of Mitsui's employees or any Mitsui's Representative while conducting Mitsui's due diligence with respect to the Conveyed Interests prior to the Defect Claim Date.

(b) Title Benefit Notices. SM shall have the right, but not the obligation, to deliver to Mitsui on or before the Defect Claim Date, a notice setting forth any matters which, in SM's reasonable opinion, constitute Title Benefits and which SM intends to assert as a Title Benefit pursuant to this *Section 4.2* (each, a "***Title Benefit Notice***") including (i) a description of the Title Benefit and the Conveyed Interests affected by the Title Benefit (the "***Title Benefit Property***"), (ii) the amount by which SM reasonably believes the Allocated Value of the Title Benefit Property is increased by the Title Benefit, (iii) supporting documents available to SM reasonably necessary for Mitsui to verify the existence of the alleged Title Benefit(s) and (iv) the computations upon which SM's belief is based. SM shall be deemed to have waived all Title Benefits of which it, or Mitsui pursuant to *Section 4.2(a)*, has not given notice on or before the Defect Claim Date.

(c) SM's Right to Cure. SM shall have the right, but not the obligation, at its sole cost and at any time prior to the date that is 90 days following Closing (the "***Cure Period***"), to attempt to cure any Title Defects of which it has been advised by Mitsui. If SM intends to exercise its right to cure a Title Defect after Closing, then SM must deliver a notice to that effect to Mitsui on or before the Closing Date. Failure to provide such notice with respect to a Title Defect within such time period shall be deemed to be notice by SM to Mitsui that SM elects not to cure such Title Defect after the Closing. Should SM cure any Title Defect during the Cure Period for which an adjustment was made to the Carried Cost Obligation pursuant to *Section 4.2(d)(i)* and Section 3.5(b)(ii) of the Development Agreement, then, subject to Mitsui's right to dispute whether or not such Title Defect has been cured, the Carried Cost Obligation shall be increased by the same amount that the Carried Cost Obligation was decreased as a result of such Title Defect pursuant to pursuant to Section 3.5(b)(ii) of the Development Agreement.

(d) Remedies for Title Defects. Subject to SM's continuing right to dispute the existence of a Title Defect or the Title Defect Amount asserted with respect thereto and subject to the Individual Title Defect Threshold and the Aggregate Deductible, in the event that any Title Defect properly asserted by Mitsui in accordance with *Section 4.2(a)* is not waived in writing by Mitsui or cured on or before the day before Closing (the "***Defect Remedy Date***"), the Parties shall mutually elect, subject to *Section 4.2(c)*, to:

(i) reduce the Carried Cost Obligation by an amount determined pursuant to *Section 4.2(g)* or *Section 4.2(j)* as being the value of such Title Defect; or

(ii) have SM indemnify Mitsui against all Liability resulting from such Title Defect with respect to the Conveyed Interests pursuant to an indemnity agreement substantially in the form of *Exhibit K* to the Agreement;

provided that, in each case of alternative (i) or (ii) above, the Title Defect Property shall be conveyed to Mitsui at Closing. In the event that the Parties do not agree in writing by the Defect Remedy Date on an election of alternative (i) or (ii) above with respect to any Title Defect properly asserted by Mitsui in accordance with *Section 4.2(a)*, they shall be deemed to have elected alternative (i), provided that if the existence of a Title Defect or the Title Defect Amount asserted with respect thereto is disputed, no adjustment to the Carried Cost Obligation shall be implemented until the dispute is resolved pursuant to *Section 4.2(j)* (but this suspension of any adjustment shall not extend the Defect Remedy Date).

(e) Remedies for Title Benefits. With respect to each Well or Lease affected by Title Benefits reported under this *Section 4.2*, the aggregate Title Defect Amounts shall be decreased by an amount equal to the increase in the Allocated Value for such Asset caused by such Title Benefits, as determined pursuant to *Section 4.2(h)* (the "***Title Benefit Amount***"). Notwithstanding anything to the contrary, in no event shall there be any reductions to the aggregate Title Defect Amount for any individual Title Benefit for which the Title Benefit Amount does not exceed the Individual Title Benefit Threshold.

(f) Exclusive Remedy. Except for SM's special warranty of title under the Assignment and Mitsui's rights under *Section 10.2(b)* for a breach by SM of *Section 6.1(b)(vi)*, the

provisions set forth in *Section 4.2(d)* shall be the exclusive right and remedy of Mitsui with respect to SM's failure to have Defensible Title with respect to any Conveyed Interest.

(g) Title Defect Amount. The amount by which the Allocated Value of the affected Title Defect Property is reduced as a result of the existence of such Title Defect shall be the "***Title Defect Amount***" and shall be determined in accordance with the following terms and conditions:

(i) if Mitsui and SM agree on the Title Defect Amount, then that amount shall be the Title Defect Amount;

(ii) if the Title Defect is an Encumbrance that is undisputed and liquidated in amount, then the Title Defect Amount shall be the amount necessary to be paid to remove the Title Defect from the Title Defect Property;

(iii) if the Title Defect represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest for such Title Defect Property stated in *Exhibit A-2* and the Working Interest attributable to such Title Defect Property has reduced proportionately, then the Title Defect Amount shall be the product of the Allocated Value of such Title Defect Property multiplied by a fraction, the numerator of which is the positive difference between such Net Revenue Interest values, and the denominator of which is the Net Revenue Interest for such Title Defect Property stated in *Exhibit A-2.* If the Title Defect represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest for such Title Defect Property stated in *Exhibit A-2*, and the Working Interest attributable to such Title Defect Property has not been reduced proportionately, then the Title Defect Amount for Title Defect will be determined by considering both the proportion of reduction in the Net Revenue Interest (through the formula set forth above) and the effect of the disproportionate change in the Working Interest (through the provisions of *Section 4.2(g)(v)*);

(iv) if the Title Defect represents a discrepancy between (A) the Net Acres for any Title Defect Property and (B) the Net Acres for such Title Defect Property stated in *Exhibit A*, then the Title Defect Amount shall be the product obtained by multiplying the positive difference between such Net Acre amounts by the Net Acre Allocation applicable to such Title Defect Property;

(v) if the Title Defect represents an obligation or Encumbrance upon or other defect in title to the Title Defect Property of a type not covered by *Sections 4.2(g)(i)* through *4.2(g)(iv)* above, the applicable Title Defect Amount shall be determined by taking into account the Allocated Value of the Title Defect Property, the portion of the Title Defect Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the Title Defect Property, the values placed upon the Title Defect by Mitsui and SM and such other reasonable factors as are necessary to make a proper evaluation; provided, however, that if such Title Defect is reasonably capable of being cured, the Title Defect Amount

shall not be greater than the lesser of (A) the reasonable cost and expense of curing such Title Defect and (B) the Allocated Value of such Title Defect Property;

(vi) if a Title Defect affects both a Lease or Leases and a Well, then the Title Defect Amount for such Title Defect shall equal the sum of the (A) Title Defect Amount with respect to such Title Defect for such Lease(s), *plus* (B) Title Defect Amount with respect to such Title Defect for such Well. The Allocated Value for each Well does not include the Allocated Values for the Lease acreage within such Well's spacing unit;

(vii) the Title Defect Amount with respect to a Title Defect Property shall be determined without duplication of any costs or losses included in any other Title Defect Amount hereunder; and

(viii) notwithstanding anything to the contrary in this *Article IV*, the aggregate Title Defect Amounts attributable to the effects of all Title Defects upon any single Title Defect Property shall not exceed the Allocated Value of such Title Defect Property.

(h) Title Benefit Amount. The Title Benefit Amount resulting from a Title Benefit shall be determined in accordance with the following methodology, terms and conditions:

(i) if Mitsui and SM agree on the Title Benefit Amount, then that amount shall be the Title Benefit Amount;

(ii) if the Title Benefit represents an increase between (A) the Net Revenue Interest for any Title Benefit Property and (B) the Net Revenue Interest for such Title Benefit Property stated in *Exhibit A-2*, and the Working Interest attributable to such Title Benefit Property has increased proportionately, then the Title Benefit Amount shall be the product of the Allocated Value of such Title Benefit Property multiplied by a fraction, the numerator of which is the positive difference between such Net Revenue Interest values, and the denominator of which is the Net Revenue Interest for such Title Benefit Property stated in *Exhibit A-2,* provided that if the Net Revenue Interest increase does not affect the Title Benefit Property throughout its entire life, the Title Benefit Amount determined under this *Section 4.2(h)* shall be reduced to take into account the applicable time period only. If the Title Benefit represents an increase between (A) the Net Revenue Interest for any Title Benefit Property and (B) the Net Revenue Interest for such Title Benefit Property stated in *Exhibit A-2*, and the Working Interest attributable to such Title Benefit Property has not been increased proportionately in connection with such Title Benefit, then the Title Benefit Amount for such Title Benefit will be determined by considering both the proportion of increase in the Net Revenue Interest (through the formula set forth above) and the effect of the disproportionate change in the Working Interest (through the provisions of *Section 4.2(h)(iv)*);

(iii) if the Title Benefit represents an increase between (A) the Net Acres for any Title Benefit Property and (B) the Net Acres for such Title Benefit Property stated in *Exhibit A*, then the Title Benefit Amount shall be the product obtained

by multiplying the positive difference between such Net Acre amounts by the Net Acre Allocation applicable to such Title Benefit Property, provided that if the Net Acre increase does not affect the Title Benefit Property throughout its entire life, the Title Benefit Amount determined under this *Section 4.2(h)* shall be reduced to take into account the applicable time period only; and

(iv) if the Title Benefit is of a type not described above, then the applicable Title Benefit Amount shall be determined by taking into account the Allocated Value of the Title Benefit Property, the portion of the Title Benefit Property affected by such Title Benefit, the legal effect of the Title Benefit, the potential economic effect of the Title Benefit over the life of such Title Benefit Property, the values placed upon the Title Benefit by Mitsui and SM and such other reasonable factors as are necessary to make a proper evaluation.

(i) Title Threshold and Deductibles. Notwithstanding anything to the contrary, in no event shall there be any adjustments to the Carried Cost Obligation or other remedies provided by SM hereunder (i) for any individual Title Defect for which the Title Defect Amount does not exceed the Individual Title Defect Threshold; or (ii) for any Title Defect for which the Title Defect Amount does exceed the Individual Title Defect Threshold, unless the sum of (A) the aggregate Title Defect Amounts of all such Title Defects that exceed the Individual Title Defect Threshold (excluding any Title Defect Amounts attributable to (1) Title Defects cured by SM or (2) Title Defects for which SM indemnifies Mitsui pursuant to *Section 4.2(d)(ii)*), *plus* (B) the aggregate Remediation Amounts of all Environmental Defects that exceed the Individual Environmental Threshold (excluding any Remediation Amounts attributable to (1) Environmental Defects cured by SM or (2) Environmental Defects for which SM indemnifies Mitsui pursuant to *Section 5.1(c)(ii)*), exceeds 1.5% of the unadjusted Carried Cost Obligation (the "***Aggregate Deductible***"), after which point Mitsui shall be entitled to indemnification or adjustments to the Carried Cost Obligation only with respect to such Title Defect Amounts in excess of the Aggregate Deductible. For the avoidance of doubt, if (x) the Aggregate Deductible has been exceeded as set forth above and Mitsui is therefore entitled to a remedy for Title Defect Amounts in excess of the Aggregate Deductible, and (y) the Parties mutually select the remedy set forth in *Section 4.2(d)(ii)* with respect to any such Title Defect Amounts in excess of the Aggregate Deductible, then, as set forth above, the Title Defect Amount for such Title Defect (but only to the extent of the Title Defect Amount subject to the indemnity) will no longer be counted towards the computation of (a) whether the Aggregate Deductible has been exceeded, and (b) any adjustments to the Carried Cost Obligation.

(j) Title Dispute Resolution. SM and Mitsui shall attempt to agree on all disputed Title Defects (including any cure thereof), Title Benefits, Title Defect Amounts and Title Benefit Amounts (collectively, "***Title Disputes***") prior to the Defect Remedy Date. If SM and Mitsui are unable to agree on any Title Dispute by such date, such Title Dispute shall be exclusively and finally resolved pursuant to this *Section 4.2(j)*. There shall be a single arbitrator, who shall be a title attorney with at least 20 years experience in oil and gas title matters involving properties in Texas (the "***Title Arbitrator***"). The Title Arbitrator shall not have worked as an employee or performed more than $25,000 of work as outside counsel for any Party or its Affiliates during the five year period preceding the arbitration or have any financial interest in the dispute. The Title Arbitrator shall be selected by mutual agreement of Mitsui and SM within 15

days after any Party invokes the provisions of this *Section 4.2(j)* to resolve such Title Dispute. If the Parties do not mutually select a Title Arbitrator, the Houston office of the AAA shall appoint such Title Arbitrator under such conditions as the AAA, in its sole discretion, deems necessary or advisable, provided that any Title Arbitrator selected by the AAA must have the qualifications set forth in this *Section 4.2(j)*. The place of arbitration shall be Houston, Texas and the arbitration shall be conducted in accordance with the AAA Rules to the extent such rules do not conflict with the terms of this *Section 4.2(j)*. Each Party must submit its position with respect to the applicable Title Dispute, along with all supporting documentation relating to such Title Dispute, to the Title Arbitrator within 30 days following the selection of the Title Arbitrator. The Title Arbitrator's determination shall be made within 45 days after submission by the Parties of their positions with respect to such Title Dispute and shall be final and binding upon both Parties, without right of appeal. In making his determination, the Title Arbitrator shall be bound by the rules set forth in *Section 4.2(g)* and *Section 4.2(h)* and, subject to the foregoing, may consider such other matters as in the opinion of the Title Arbitrator are necessary to make a proper determination. The Title Arbitrator, however, may not award (i) Mitsui a greater Title Defect Amount than the Title Defect Amount claimed by Mitsui in the applicable Title Defect Notice or (ii) SM a greater Title Benefit Amount than the Title Benefit amount claimed by SM in the applicable Title Benefit Notice. The Title Arbitrator shall act for the limited purpose of determining the specific Title Dispute submitted by either Party. The Title Arbitrator may not award damages, interest or penalties to either Party with respect to any Title Dispute. SM and Mitsui shall each bear its own legal fees and other costs of presenting its case to the Title Arbitrator. Each of SM and Mitsui shall bear one-half of the costs and expenses of the Title Arbitrator. To the extent that the award of the Title Arbitrator with respect to any Title Defect Amount was not taken into account as an adjustment to the Carried Cost Obligation or the aggregate Title Defect Amounts, as applicable, at Closing pursuant to Section 3.5(b)(i) of the Development Agreement and an adjustment would otherwise be required under the provisions of *Section 4.2(d)(i)* (subject to the provisions of *Section 4.2(i)*), then, within 10 days after the Title Arbitrator delivers written notice to Mitsui and SM of his or her award with respect to such Title Defect Amount or a Title Benefit Amount, and subject to *Section 4.2(i)*, the Carried Cost Obligation will be adjusted pursuant to Section 3.5(b)(i) of the Development Agreement by the amount so awarded by the Title Arbitrator. Judgment on any award by the Title Arbitrator may be entered in any court having jurisdiction thereof.

4.3 ***Casualty or Condemnation Loss.***

(a) Notwithstanding anything herein to the contrary, from and after the Effective Time, if Closing occurs, Mitsui shall assume all risk of loss with respect to (i) production of Hydrocarbons from the Conveyed Interests through normal depletion (including watering out of any well, collapsed casing or sand infiltration of any well) and (ii) the depreciation of personal property due to ordinary wear and tear and, in each case, Mitsui shall not assert such matters as Casualty Losses or Title Defects hereunder.

(b) If, from and after the Effective Time but prior to the Closing Date, any portion of the Conveyed Interests is damaged or destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain, and the resulting loss from such casualty exceeds $50,000 (each, a "***Casualty Loss***"), then (i) Mitsui shall nevertheless be required to close the transactions contemplated by this Agreement and (ii) SM shall elect by written notice to Mitsui prior to Closing to either (A) cause, at SM's sole cost and as promptly as reasonably practicable

(which work may extend after the Closing Date), each Conveyed Interest affected by such Casualty Loss to be repaired or restored to at least its condition prior to such casualty or taking, or (B) indemnify Mitsui through a document to be delivered at Closing substantially in the form of *Exhibit K* to the Agreement against (1) any costs or expenses that Mitsui reasonably incurs to repair or restore any of the Conveyed Interests affected by such Casualty Loss to at least its condition prior to such casualty or (2) the value of the Casualty Loss with respect to those Conveyed Interests taken in condemnation or under right of eminent domain, as applicable. In each case, SM shall retain all rights to insurance, condemnation awards and other claims against third parties with respect to the casualty or taking except to the extent the Parties otherwise agree in writing.

4.4 ***Consents to Assign.***

(a) From and after the Execution Date up to Closing, SM shall use its commercially reasonable efforts to obtain all Consents (excluding any Customary Post-Closing Consents) and Mitsui shall reasonably cooperate with that effort; provided, however, that neither Party shall be required to incur any Liability or pay any money in order to obtain such Consents.

(b) SM, within 10 days after the Execution Date, shall send to each holder of a Consent a notice seeking such holder's consent to the transactions contemplated hereby.

(i) If (A) SM fails to obtain a Consent prior to Closing, the Consent is not a material consent required as a condition to Closing under *Section 7.1(g)* and the failure to obtain such Consent would cause (1) the assignment to Mitsui of any portion of the Conveyed Interests to be void or (2) the termination of a Lease under the express terms thereof or (B) a Consent requested by SM is denied in writing, then, in each case, that portion of the Conveyed Interests affected by such Consent and all Conveyed Interests associated therewith shall be excluded from the Conveyed Interests to be conveyed to Mitsui at Closing and the Carried Cost Obligation shall be reduced by the Allocated Value of such portion of the Conveyed Interests. In the event that a Consent that was not obtained prior to Closing is obtained following Closing then, within 10 days after such Consent is obtained, SM shall assign such excluded portion of the Conveyed Interests to Mitsui (unless otherwise excluded by another provision of this Agreement) pursuant to an assignment in substantially the form of the Assignment and the Carried Cost Obligation shall be increased by the Allocated Value of such portion of the Conveyed Interests so assigned.

(ii) If (A) SM fails to obtain a Consent prior to Closing, the Consent is not a material consent required as a condition to Closing under *Section 7.1(g)* and the failure to obtain such Consent would not cause (1) the assignment to Mitsui of any portion of the Conveyed Interests to be void or (2) the termination of a Lease under the express terms thereof and (B) such Consent requested by SM is not denied in writing, then that portion of the Conveyed Interests subject to such Consent shall be assigned by SM to Mitsui at Closing pursuant to the Assignment and Mitsui shall have no claim against, and SM shall have no Liability for, the failure to obtain such Consent.

(c) SM shall send to each holder of a right to receive notice of the transfer of the Conveyed Interests pursuant to any Lease or Applicable Contract such notice in accordance with the terms of such Lease or Applicable Contract, as applicable.

ARTICLE V
ENVIRONMENTAL MATTERS

5.1 ***Environmental Defects***.

(a) Environmental Defects Notice. On or before 4:00 p.m. (Mountain Time) on the Defect Claim Date, Mitsui shall deliver notices to SM meeting the requirements of this *Section 5.1(a)* (each, an "***Environmental Defect Notice***") setting forth any matters which, in Mitsui's reasonable opinion, constitute Environmental Defects and which Mitsui intends to assert as Environmental Defects pursuant to this *Section 5.1*. For all purposes of this Agreement but subject to Mitsui's rights with respect to any breach of *Section 1.15* and under *Section 10.2(d)*, Mitsui shall be deemed to have waived any Environmental Defect which Mitsui fails to properly assert as an Environmental Defect pursuant to an Environmental Defect Notice delivered in accordance with this *Section 5.1(a)* and received by SM on or before the Defect Claim Date. To be effective, each Environmental Defect Notice shall be in writing and shall include (i) a description of the Environmental Condition constituting the alleged Environmental Defect, (ii) each Conveyed Interest (or portion thereof) affected by the alleged Environmental Defect (the "***Environmental Defect Property***"), (iii) supporting documents available to Mitsui reasonably necessary for SM to verify the existence of the alleged Environmental Defect (including any available information regarding a potential violation of Environmental Law), (iv) the amount Mitsui reasonably believes is the Remediation Amount with respect to such Environmental Defect, (v) the computations upon which Mitsui's belief is based, and (vi) the recommendation of Mitsui's environmental consultants as to the type of proposed Remediation with respect to such Environmental Defect. Mitsui may provide a single Environmental Defect Notice that covers multiple Environmental Defects and multiple Conveyed Interests so long as the notice includes the information listed in parts (i)-(vi) of the preceding sentence with respect to each Environmental Defect and otherwise complies with this *Section 5.1(a)*. To give SM an opportunity to commence reviewing and curing Environmental Defects, Mitsui agrees to use reasonable efforts to give SM, on or before the end of each calendar week prior to the Defect Claim Date, written notice of all alleged Environmental Defects discovered by Mitsui during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the expiration of the Defect Claim Date, provided that failure to provide preliminary notice of an Environmental Defect shall not prejudice Mitsui's right to assert such Environmental Defect hereunder.

(b) SM's Right to Cure. SM shall have the right, but not the obligation, at its sole cost and at any time prior to the Defect Remedy Date, to attempt to cure any Environmental Defects of which it has been advised by Mitsui.

(c) Remedies for Environmental Defects. Subject to SM's continuing right to dispute the existence of an Environmental Defect or the Remediation Amount asserted with respect thereto and subject to the Individual Environmental Threshold and the Aggregate Deductible, in the event that any Environmental Defect timely asserted by Mitsui in accordance

with *Section 5.1(a)* is not waived in writing by Mitsui or cured on or before the Defect Remedy Date, the Parties shall mutually elect to:

(i) reduce the Carried Cost Obligation by the Remediation Amount for such Environmental Defect; or

(ii) have SM indemnify and hold harmless Mitsui against all Liability resulting from such Environmental Defect and Remediation with respect to the Conveyed Interests pursuant to an indemnity agreement substantially in the form of *Exhibit K* to the Agreement;

provided that, in each case of alternative (i) or (ii) above, the Environmental Defect Property shall be conveyed to Mitsui at Closing. In the event that the Parties do not agree in writing by the Defect Remedy Date on an election of alternative (i) or (ii) above with respect to any Environmental Defect properly asserted by Mitsui in accordance with *Section 5.1(a)*, they shall be deemed to have elected alternative (i), provided that if the existence of an Environmental Defect or the Remediation Amount asserted with respect thereto is disputed, no adjustment to the Carried Cost Obligation shall be implemented until the dispute is resolved pursuant to *Section 5.1(f)* (but this suspension of any adjustment shall not extend the Defect Remedy Date).

(d) Exclusive Remedy. Subject to Mitsui's rights with respect to any breach of *Section 1.15* and under *Section 10.2(d)*, *Section 5.1(c)* shall be the exclusive right and remedy of Mitsui with respect to any Environmental Defect.

(e) Environmental Threshold and Deductibles. Notwithstanding anything to the contrary, in no event shall there be any adjustments to the Carried Cost Obligation or other remedies provided by SM for (i) any individual Environmental Defect for which the Remediation Amount does not exceed $50,000 ("***Individual Environmental Threshold***"), or (ii) any Environmental Defect for which the Remediation Amount exceeds the Individual Environmental Threshold, unless the sum of (A) the aggregate Remediation Amounts of all such Environmental Defects that exceed the Individual Environmental Threshold (excluding any Remediation Amounts attributable to (1) Environmental Defects cured by SM or (2) Environmental Defects for which SM indemnifies Mitsui pursuant to *Section 5.1(c)(ii)*) *plus* (B) the aggregate Title Defect Amounts of all Title Defects that exceed the Individual Title Defect Threshold (excluding any Title Defect Amounts attributable to (1) Title Defects cured by SM or (2) Title Defects for which SM indemnifies Mitsui pursuant to *Section 4.2(d)(ii)*), exceeds the Aggregate Deductible, after which point Mitsui shall only be entitled to indemnification or adjustments to the Carried Cost Obligation with respect to such Remediation Amounts in excess of the Aggregate Deductible. For the avoidance of doubt, if (x) the Aggregate Deductible has been exceeded as set forth above and Mitsui is therefore entitled to a remedy for Remediation Amounts in excess of the Aggregate Deductible, and (y) the Parties mutually select the remedy set forth in *Section 5.1(c)(ii)* with respect to any such Remediation Amounts in excess of the Aggregate Deductible, then, as set forth above, the Remediation Amount for such Environmental Defect (but only to the extent of the Remediation Amount subject to the indemnity) will no longer be counted towards the computation of (a) whether the Aggregate Deductible has been exceeded, and (b) any adjustments to the Carried Cost Obligation.

(f) Environmental Dispute Resolution. SM and Mitsui shall attempt to agree on all disputed Environmental Defects (including any cure thereof) and Remediation Amounts (collectively, "***Environmental Disputes***"). If SM and Mitsui are unable to agree on any such matter by the Defect Remedy Date, any Environmental Defects or Remediation Amounts in Dispute will be exclusively and finally resolved by arbitration pursuant to this *Section 5.1(f)*. There will be a single arbitrator, who must be an environmental attorney with at least 10 years experience in environmental matters involving oil and gas properties in Texas (the "***Environmental Arbitrator***"). The

Environmental Arbitrator shall not have worked as an employee or performed more than $25,000 of Work as outside counsel for any Party or its Affiliates during the five year period preceding the arbitration or have any financial interest in the dispute. The Environmental Arbitrator shall be selected by mutual agreement of Mitsui and SM within 15 days after any Party invokes the provisions of this *Section 5.1(f)* to resolve any Environmental Dispute. If the Parties do not mutually elect an Environmental Arbitrator, the Houston office of the AAA shall appoint such Environmental Arbitrator under such conditions as the AAA in its sole discretion deems necessary or advisable, provided that any Environmental Arbitrator selected by the AAA must have the qualifications set forth in this *Section 5.1(f)*. The place of arbitration shall be Houston, Texas and the arbitration shall be conducted in accordance with the AAA Rules to the extent such rules do not conflict with the terms of this *Section 5.1(f)*. Each Party must submit its position with respect to the applicable Environmental Dispute, along with all supporting documentation relating to such Environmental Dispute, to the Environmental Arbitrator within 30 days following the selection of the Environmental Arbitrator. The Environmental Arbitrator's determination shall be made within 45 days after submission by the Parties of their positions with respect to such Environmental Dispute and shall be final and binding upon both Parties, without right of appeal. In making his or her determination, the Environmental Arbitrator shall be bound by the rules set forth in this *Section 5.1* and, subject to the foregoing, may consider such other matters as in the opinion of the Environmental Arbitrator are necessary or helpful to make a proper award. The Environmental Arbitrator, however, may not award Mitsui a greater Remediation Amount than the Remediation Amount claimed by Mitsui in the applicable Environmental Defect Notice. The Environmental Arbitrator will act for the limited purpose of determining the specific Environmental Disputes submitted by either Party and may not award damages, interest or penalties to either Party with respect to any matter. SM and Mitsui will each bear its own legal fees and other costs of presenting its case. Each Party will bear one-half of the costs and expenses of the Environmental Arbitrator. To the extent that the award of the Environmental Arbitrator with respect to any Remediation Amount is not taken into account as an adjustment to the Carried Cost Obligation at Closing pursuant to Section 3.5(b)(ii) of the Development Agreement and Mitsui would otherwise be entitled to an adjustment under the provisions of *Section 5.1(c)(i)* (subject to the provisions of *Section 5.1(e)*), then, within 10 days after the Environmental Arbitrator delivers written notice to Mitsui and SM of such award, and subject to *Section 5.1(e)*, the Carried Cost Obligation will be adjusted pursuant to Section 3.5(b)(ii) of the Development Agreement by such Remediation Amount.

5.2 ***NORM, Wastes and Other Substances.*** Mitsui acknowledges that the Conveyed Interests 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 or associated with the Conveyed Interests. Equipment and sites included in the Conveyed Interests may contain asbestos, NORM or other Hazardous Substances. NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms. The

wells, materials and equipment located on the Conveyed Interests or included in the Conveyed Interests may contain NORM and other wastes or Hazardous Substances. NORM containing material or other wastes or Hazardous Substances may have come in contact with various environmental media, including without limitation, water, soils or sediment. 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 Conveyed Interests. This Section shall not limit Mitsui's remedies under the other terms of this Agreement.

ARTICLE VI
CERTAIN AGREEMENTS

6.1 ***Conduct of Business.*** Except (x) as set forth in *Schedule 6.1*, (y) as expressly contemplated by this Agreement or (z) as expressly consented to in writing by Mitsui, SM agrees that from and after the Execution Date up to Closing:

(a) SM will, and will cause its Affiliates to:

(i) maintain the books of account and records relating to the Conveyed Interests in the usual, regular and ordinary manner, in accordance with its usual accounting practices;

(ii) give written notice to Mitsui as soon as is practicable of any written notice received or given by SM with respect to any alleged material breach by SM or a Third Party Operator of any Lease or Applicable Contract; and

(iii) give prompt notice to Mitsui of (A) any written notice of any material damage to or destruction of any of the Conveyed Interests, (B) any written notice received from any Third Party Operator regarding spills, other environmental contamination or remediation obligations relating to the Conveyed Interests, and (C) any written notice of any material claim asserting any breach of contract, tort or violation of Law or any investigation, suit, action or litigation by or before a Governmental Authority, that (in each case), has been received by SM and relates to the Conveyed Interests.

(b) SM will not, and will cause its Affiliates not to:

(i) propose any operation involving vertical wells or surface facilities not a part of equipping the Wells;

(ii) except for (A) emergency operations related to events endangering lives, property or the environment, (B) operations required under presently existing AFEs described on *Schedule 1.14*, or (C) operations to avoid any penalty under any order of a Governmental Authority, (1) propose or commit to any operations on the Conveyed Interests anticipated to cost (net to the Conveyed Interests) in excess of $200,000 per operation, or (2) commence any such operation, in each case, until the procedure in the remainder of this Section has been followed; provided that (x) the foregoing restrictions contained in this *Section 6.1(b)(ii),* to the extent relating to committing to or commencing operations proposed by others, shall only apply to operations with respect to which SM

had a right under the Applicable Operating Agreement to elect to participate or not participate, and (y) with respect to emergency operations, SM shall notify Mitsui of such emergency as soon as reasonably practicable. With respect to any operation proposed under an Applicable Operating Agreement or the Springfield Ownership Agreement anticipated to cost (net to the Conveyed Interest) in excess of $200,000 and in which SM may elect to participate or not participate under the Applicable Operating Agreement or the Springfield Ownership Agreement, SM shall forward the applicable AFE or other notice to Mitsui as soon as reasonably practicable following receipt thereof and Mitsui shall have five Business Days after receipt thereof (or such lesser time as is allowed under the terms of any applicable Third Party Operating Agreement and stated in SM's notice, provided that, if such allowed time is less than five Business Days from SM's receipt of such AFE, SM shall immediately forward such AFE to Mitsui) in which to elect whether to consent or not consent to such operation, and if Mitsui fails to consent or not consent within such time period, it shall be deemed to have responded in the same manner as SM. If Mitsui elects not to consent to any such operation, SM may nonetheless commit to the operation, in which case, upon Closing, the operation shall be deemed to be a sole risk Development Operation as between the Parties under the Applicable Operating Agreement, and no costs and expenses thereof, and no proceeds thereof, shall be reflected in the adjustments under Section 3.5 of the Development Agreement. In no event will SM be required to (a) consent to participate in any operation with respect to the Assets (including the Conveyed Interests) if it chooses not to do so with respect to the Retained Interest or (b) non-consent to any operation under the Springfield Ownership Agreement if SM is not permitted to non-consent to such operation pursuant to the terms of the Springfield Ownership Agreement;

(iii) enter into an Applicable Contract that, if entered into prior to the Execution Date, would be required to be listed in *Schedule 1.8(a)* (including any agreement with Anadarko or any of its Affiliates regarding the sale of residue gas derived from the processing of Hydrocarbons produced from or attributable to the Properties), or materially amend any Applicable Contract that, if so amended prior to the Execution Date, would have been required to be listed in *Schedule 1.8(a)*;

(iv) terminate (unless such Material Contract terminates pursuant to its stated terms) or materially amend the terms of any Material Contract;

(v) settle any suit or litigation or waive any material claims or rights of material value, in each case, attributable to the Conveyed Interests and affecting the period after the Effective Time;

(vi) transfer, sell, mortgage, pledge or dispose of any material portion of the Conveyed Interests other than the sale or disposal of Hydrocarbons in the ordinary course of business and sales of equipment that is no longer necessary in the operation of the Conveyed Interests or for which replacement equipment of equal or greater value has been obtained; or

(vii) commit to do any of the foregoing.

(c) Mitsui acknowledges that SM owns undivided interests in the Conveyed Interests with respect to which it is not the Operator, and Mitsui agrees that the acts or omissions of the other Working Interests owners (including the Third Party Operators) who are not SM shall not constitute a breach of the provisions of this *Section 6.1*, and no action required pursuant to a vote of Working Interest owners shall constitute a breach of the provisions of this *Section 6.1* so long as SM voted its interest in such a manner that complies with the provisions of this *Section 6.1*.

(d) In addition to obtaining Mitsui's prior written consent consistent with the provisions of *Section 6.1(b)(iii)*, SM agrees that, prior to entering into any Applicable Contract, or materially amending any Applicable Contract that, if entered into or amended prior to the Execution Date, would be required to be listed in *Schedule 1.8(a)*, it will also (i) consult with Mitsui during the negotiations of any such Contract, and (ii) if such Contract is a Contract with Anadarko or any of its Affiliates regarding the sale of residue gas derived from the processing of Hydrocarbons produced from or attributable to the Properties, involve Mitsui in the review of, and comments to, the drafts of such Contract.

6.2 ***Governmental Bonds***. Mitsui acknowledges that none of the bonds, letters of credit and guarantees, if any, posted by SM or its Affiliates with Governmental Authorities and relating to the Conveyed Interests are transferable to Mitsui. At or prior to Closing, Mitsui shall deliver to SM evidence of the posting of bonds or other security with all applicable Governmental Authorities meeting the requirements of such Governmental Authorities to own the Conveyed Interests.

6.3 ***Amendment to Schedules***. Mitsui agrees that, with respect to the representations and warranties of SM contained in this Acquisition Annex, SM has the right, for purposes only of delivery of SM's closing certificate under *Section 7.1(f)* and exercisable no later than 7 days prior to the Closing Date, to add, supplement or amend the Schedules to such representations and warranties with respect to any matter relating to SM or the Conveyed Interests which first arises or occurs after the Execution Date and does not result from a breach by SM of any provision of *Article I* or this *Article VI*, and would have been required to be set forth or described in such Schedules. For purposes of the Closing conditions set forth in *Article VII* and the indemnification provisions set forth in *Article X*, the Schedules to SM's representations and warranties contained in this Acquisition Annex will 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.

6.4 ***Transition Services.***

(a) For the period beginning on the Closing Date and ending on the earlier of (x) the end of the third full calendar Month following Closing or (y) the date Mitsui notifies SM that it no longer needs a specific service (the "***Transition Period***"), SM shall provide to Mitsui the following services on the same basis as were being provided by SM with respect to the Conveyed Interests as of the Execution Date and which are reasonably necessary or appropriate to effect the orderly transfer of ownership of the Conveyed Interests to Mitsui under this Agreement (the "***Services***"):

(i) corporate accounting, administrative and legal services relating to royalty and contract administration (to the extent handled by SM and consistent with SM's past practices) and assistance in the transfer of the records and documentation relating thereto to Mitsui;

(ii) accounting services relating to the processing of revenues and joint interest billings with respect to the Conveyed Interests (to the extent handled by SM and consistent with SM's past practices), including accounting services with respect to the calculation and payment of royalty and lease payments, the payment of accounts payable and the collection of accounts receivable, and calculation of severance and occupation Taxes;

(iii) assistance with the conversion and integration of Records regarding the Conveyed Interests stored and maintained on SM's computer systems, including the following:

(1) accounting records, reports and systems;

(2) application systems including royalties, revenues, land records, gas contracts and reserves;

(3) land records; and

(4) well data, production data, seismic and other geophysical data and other technical information relating to the Conveyed Interests;

(iv) records administration assistance, including updating land and division order databases to reflect information obtained from any Applicable Operator since transfer of the Records;

(v) nominations and confirmations and management of balancing obligations with respect to the Springfield Gathering Assets and any other relevant gathering system (to the extent handled by SM and consistent with SM's past practices); and

(vi) preparing and filing statutory producer's reports and other filings related to severance and occupation Taxes and providing royalty owners and other payees with such payment detail as may be required by applicable Law (to the extent handled by SM and consistent with SM's past practices).

(b) During the Transition Period, Mitsui shall pay to SM for each Service a monthly fee, prorated for any partial Month, as set forth on *Exhibit I*. The fee for each Month or partial Month will be payable within 10 days after the beginning of the following Month.

(c) In order that Mitsui may become familiar with the Services provided by the employees of SM and make orderly arrangements for the provision of such Services after the expiration of the Transition Period, Mitsui, upon the prior written consent of SM, not to be unreasonably withheld, will be entitled to consult with employees on the staff of SM that perform

the Services, during normal business hours and at the corporate offices of SM during the period that those employees are providing the Services described in this *Section 6.4*, provided that those consultations do not unreasonably interfere with the performance by those employees of their duties.

(d) SM shall maintain such records as it normally keeps for its own internal purposes in connection with the Services. Promptly following the expiration of the Transition Period, SM shall deliver those records to Mitsui, provided that SM may retain copies of any such records.

(e) SM DOES NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING THE SERVICES, AND HEREBY DISCLAIMS ANY AND ALL REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

(f) Mitsui assumes sole responsibility for and shall defend, indemnify, release and hold the SM Indemnified Parties harmless from and against any and all Liabilities suffered by the SM Indemnified Parties to Persons other than the SM Indemnified Parties arising out of or resulting from the performance of the Services or otherwise related to any actions or inactions by the SM Indemnified Parties pursuant to this *Section 6.4*, **REGARDLESS OF WHETHER CAUSED BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT) OR FAULT, OR STRICT LIABILITY OR ABSOLUTE LIABILITY OF ANY MEMBER OF THE SM INDEMNIFIED PARTIES OR ANY OTHER PERSON, NATURAL OR OTHERWISE, ANY DEFECT IN ANY PREMISES WHETHER PRE-EXISTING THIS AGREEMENT OR NOT AND WHETHER SUCH DAMAGES, LOSSES, LIABILITIES, CLAIMS OR DEMANDS ARISE FROM TORT, CONTRACT, QUASI-CONTRACT OR OTHERWISE, BUT EXCLUDING IN EACH CASE LIABILITIES TO THE EXTENT AND ONLY TO THE EXTENT RESULTING FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY SM INDEMNIFIED PARTY.**

(g) Mitsui acknowledges and agrees that SM shall have no liability for the consequences of its performance of (or failure to perform) the Services (except to the extent and only to the extent resulting from the gross negligence or willful misconduct of any SM Indemnified Party) and excluding SM's obligation to deliver to Mitsui proceeds actually received for Mitsui's production from the AMI Area (less deductions attributable to payment of royalties and other burdens on production, severance taxes, amounts payable to third parties in respect of gathering, treating, processing and transporting production, and other similar third party expenses, and subject to the other terms of this Agreement).

ARTICLE VII
CONDITIONS TO CLOSING

7.1 ***Mitsui's Conditions to Closing.*** The obligations of Mitsui to consummate the transactions contemplated by this Agreement are subject to the fulfillment (or waiver by Mitsui) on or prior to the Closing of each of the following conditions:

(a) ***Representations***. The representations and warranties of SM set forth in *Article I* shall be true and correct in all material respects (other than those representations and warranties of SM that are qualified by materiality, which shall be true and correct in all respects) as of the Closing Date as though made 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 those breaches, if any, of such representations and warranties that in the aggregate would not have a Material Adverse Effect.

(b) ***Performance***. SM shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by SM is required prior to or at the Closing Date.

(c) ***No Legal Proceedings.*** No material suit, action or other proceeding instituted by an unaffiliated third party shall be pending before any Governmental Authority or arbitrator seeking to restrain, prohibit, enjoin or declare illegal, or seeking substantial damages in connection with, the transactions contemplated by this Agreement. No order, award or judgment shall have been issued by any Governmental Authority or arbitrator to restrain, prohibit, enjoin, or declare illegal, or awarding substantial damages in connection with, the transactions contemplated by this Agreement.

(d) ***Title Defects; Casualty Losses; Consents; Environmental Defects.*** The sum of (i) all (A) Title Defect Amounts for Title Defects properly reported under *Section 4.2(d)(i)* and not cured by SM, *less* (B) all Title Benefit Amounts determined under *Section 4.2(h)*, *plus* (ii) the amount of all Casualty Losses under *Section 4.3(b)*, *plus* (iii) all Remediation Amounts for Environmental Defects properly reported under *Section 5.1(a)* and not cured by SM, *plus* (iv) all adjustments to the Carried Cost Obligation made pursuant to *Section 4.4(b)(i)* as a result of un-obtained Consents shall, in the aggregate, be less than 15% of the aggregate Carried Cost Obligation.

(e) ***Closing Deliverables.*** SM shall have delivered (or be ready, willing and able to deliver at Closing) to Mitsui the documents and other items required to be delivered by SM under *Section 8.3*.

(f) ***Officer's Certificate***. SM shall have executed and delivered a certificate from an authorized officer of SM certifying on behalf of SM that the conditions set forth in *Section 7.1(a)* and *Section 7.1(b)* have been fulfilled by SM.

(g) ***Consents.*** All consents and approvals required from third parties under the Applicable Contracts set forth on *Schedule 7.1(g)* for the consummation of the transactions contemplated by this Agreement shall have been granted.

(h) ***Environmental Defects***.

(i) The sum of all Remediation Amounts for Environmental Defects properly reported under *Section 5.1(a)* and not cured by SM shall, in the aggregate, be less than 10% of the aggregate Carried Cost Obligation; and

(ii) no single Environmental Defect shall exist which (A) has not been cured by SM and (B) has a Remediation Amount in excess of Twelve Million Five Hundred Thousand Dollars ($12,500,000).

7.2 ***SM's Conditions to Closing.*** The obligations of SM to consummate the transactions contemplated by this Agreement are subject to the fulfillment (or waiver by SM) on or prior to the Closing of each of the following conditions:

(a) ***Representations***. The representations and warranties of Mitsui set forth in *Article II* shall be true and correct in all material respects (other than those representations and warranties of Mitsui that are qualified by materiality, which shall be true and correct in all respects) as of the Closing Date as though made 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).

(b) ***Performance***. Mitsui shall have materially performed or complied with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by Mitsui is required prior to or at the Closing Date.

(c) ***No Legal Proceedings***. No material suit, action or other proceeding instituted by an unaffiliated third party shall be pending before any Governmental Authority or arbitrator seeking to restrain, prohibit, enjoin or declare illegal, or seeking substantial damages in connection with, the transactions contemplated by this Agreement. No order, award or judgment shall have been issued by any Governmental Authority or arbitrator to restrain, prohibit, enjoin, or declare illegal, or awarding substantial damages in connection with, the transactions contemplated by this Agreement.

(d) ***Title Defects; Casualty Losses; Consents; Environmental Defects***. The sum of (i) all (A) Title Defect Amounts for Title Defects properly reported under *Section 4.2(d)(i)* and not cured by SM, *less* (B) all Title Benefit Amounts determined under *Section 4.2(h)*, *plus* (ii) the amount of all Casualty Losses under *Section 4.3(b)*, *plus* (iii) all Remediation Amounts for Environmental Defects properly reported under *Section 5.1(a)* and not cured by SM, *plus* (iv) all adjustments to the Carried Cost Obligation made pursuant to *Section 4.4(b)(i)* as a result of un-obtained Consents shall, in the aggregate, be less than 15% of the aggregate Carried Cost Obligation.

(e) ***Closing Deliverables***. Mitsui shall have delivered (or be ready, willing and able to deliver at Closing) to SM the documents and other items required to be delivered by Mitsui under *Section 8.3*.

(f) ***Officer's Certificate***. Mitsui shall have executed and delivered a certificate from an authorized officer of Mitsui certifying on behalf of Mitsui that the conditions set forth in *Section 7.2(a)* and *Section 7.2(b)* have been fulfilled by Mitsui.

(g) ***Consents.*** All consents and approvals required from third parties under the Applicable Contracts set forth on *Schedule 7.1(g)* for the consummation of the transactions contemplated by this Agreement shall have been granted.

ARTICLE VIII
CLOSING

8.1 ***Date of Closing***. Subject to the conditions stated in this Agreement (including this Acquisition Annex), the transfer by SM and the acceptance by Mitsui of the Conveyed Interests (the "***Closing***") shall occur on September 15, 2011, or if all conditions to Closing in *Article VII* have not yet been satisfied or waived by that date, five Business Days after such conditions have been satisfied or waived, or such other date as Mitsui and SM may agree upon in writing. The date when Closing actually occurs shall be the "***Closing Date***".

8.2 ***Place of Closing***. Closing shall be held at the offices of Vinson & Elkins LLP, Suite 2500, 1001 Fannin, Houston, Texas 77002 or such other location as Mitsui and SM may agree upon in writing.

8.3 ***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) SM and Mitsui shall execute and deliver the Assignment, in sufficient counterparts to facilitate recording in the applicable counties where the Conveyed Interests are located;

(b) SM and Mitsui shall execute and deliver assignments, on appropriate forms, of state and of federal leases comprising portions of the Conveyed Interests, if any;

(c) SM shall deliver to Mitsui a list of any Material Contracts and seismic data that would be part of the Conveyed Interests but are not being conveyed to Mitsui at Closing as a consequence of unwaived transfer restrictions, provided that, in each case, if any such information is confidential or may not otherwise be disclosed by SM, then SM shall provide a general description of such omitted asset.

(d) SM and Mitsui shall execute and deliver an acknowledgment of the Preliminary Settlement Statement pursuant to Section 3.6(a) of the Development Agreement;

(e) Mitsui shall deliver to SM, to the accounts designated in the Preliminary Settlement Statement, by direct bank or wire transfer in same day funds, the adjusted Closing Cost Reimbursement, less the amount of the Deposit;

(f) Mitsui and SM shall deliver instructions to the Escrow Agent authorizing the release of the Deposit to SM pursuant to the terms of the Escrow Agreement;

(g) Mitsui shall deliver to SM, to the Operating Account, by direct bank or wire transfer in same day funds, the Closing Escrow Amount;

(h) SM shall deliver on forms supplied by Mitsui (and reasonably acceptable to SM) transfer orders or letters in lieu thereof directing all purchasers of production to make payment to Mitsui of proceeds attributable to Hydrocarbon production from the Conveyed

Interests from and after the Effective Time, for delivery by Mitsui to each purchaser of such Hydrocarbon production;

(i) SM shall deliver an executed statement described in Treasury Regulation § 1.1445-2(b)(2) certifying that SM is not a "foreign person" or a "disregarded entity";

(j) SM shall deliver a recordable release of any trust, mortgages, financing statements, fixture filings and security agreements (other than those provided for in any Third Party Operating Agreement) made by SM or its Affiliates affecting the Conveyed Interests;

(k) SM and Mitsui shall execute and deliver the Tax Partnership Agreement;

(l) SM or Mitsui, as applicable, shall deliver to the other Party, by direct bank or wire transfer in same day funds, the Cash Reconciliation Payment (A) if SM is making the Cash Reconciliation Payment, to an account designated by Mitsui at least three Business Days prior to Closing or (B) if Mitsui is making the Cash Reconciliation Payment, to the Cash Reconciliation Account; and

(m) SM and Mitsui shall execute and deliver any other Associated Agreements and other agreements, instruments and documents which are required by other terms of this Agreement to be executed or delivered at Closing.

8.4 ***Records***. In addition to the obligations set forth under *Section 8.3* above, as soon as reasonably practicable following Closing but in any event within 30 days following the Closing Date, SM shall deliver to Mitsui copies of the Records to which Mitsui is entitled pursuant to the terms of this Agreement, in electronic form where transferable in such format.

ARTICLE IX
ACQUISITION TERMINATION, DEFAULT AND REMEDIES

9.1 ***Right of Termination***. This Agreement and the transactions contemplated herein may be terminated at any time at or prior to Closing:

(a) by SM, if any of the conditions set forth in *Section 7.2* (other than the conditions set forth in *Section 7.2(c)*, *Section 7.2(d)* or *Section 7.2(g)*) have not been satisfied by Mitsui on or before October 17, 2011 (the "***Outside Termination Date***");

(b) by Mitsui, if any of the conditions set forth in *Section 7.1* (other than the conditions set forth in *Section 7.1(c)*, *Section 7.1(d)* or *Section 7.1(g)*) have not been satisfied by SM on or before the Outside Termination Date;

(c) by either Party if any of the conditions set forth in *Section 7.1(c)*, *Section 7.1(d)*, *Section 7.1(g)*, *Section 7.2(c)*, *Section 7.2(d)* or *Section 7.2(g)* are not satisfied on or before the Outside Termination Date; or

(d) by the mutual written agreement of SM and Mitsui;

provided, however, that no Party shall have the right to terminate this Agreement pursuant to *clause (a)*, *(b)* or *(c)* above if such Party or its Affiliates are at such time in material breach of any provision of this Agreement.

9.2 ***Effect of Termination***.

(a) If the obligation to close the transactions contemplated by this Agreement is terminated pursuant to any provision of *Section 9.1*, then, except for the provisions of (i) *Section 1.17, Section 2.9, Sections 3.1(c)* through *3.1(e)*, *Section 3.2*, *Section 3.3*, this *Section 9.2* and *Section 10.9*, (ii) Section 1.2, Section 3.4, Sections 11.1 through 11.8, Sections 11.11 through 11.19 and Appendix I of the Development Agreement and (iii) such other terms as are necessary in order to give context to any of the surviving Sections or Appendix, as applicable, this Agreement shall forthwith become void.

(b) If the transactions contemplated by this Agreement are not consummated because SM terminates this Agreement pursuant to *Section 9.1(a)*, and such termination is a result of a willful breach by Mitsui, then, in such event, SM shall have the right to, at its option (i) terminate this Agreement, receive the Deposit as partial payment of its damages (and in such case the Parties shall instruct the Escrow Agent to release the Deposit to SM pursuant to the terms of the Escrow Agreement) and seek such further damages to which SM may be entitled from Mitsui, provided that such further damages shall be subject to *Section 10.9* and shall not exceed 25% of the unadjusted Carried Cost Obligation or (ii) seek specific performance by Mitsui, in which case, the Deposit shall be applied as called for in this Agreement (provided that should SM be unsuccessful in obtaining specific performance, it shall not be precluded from seeking to terminate this Agreement, receive the Deposit and seek damages pursuant to *Section 9.2(b)(i)*).

(c) If the transactions contemplated by this Agreement are not consummated because Mitsui terminates this Agreement pursuant to *Section 9.1(b)* and such termination is the result of a willful breach by SM, then, in such event, Mitsui shall have the right to, at its option (i) terminate this Agreement, receive the Deposit free of any claims by SM (and in such case the Parties shall instruct the Escrow Agent to release the Deposit to Mitsui pursuant to the terms of the Escrow Agreement) and, seek all damages to which Mitsui is entitled from SM, provided that such damages shall be subject to *Section 10.9* and shall not exceed 25% of the unadjusted Carried Cost Obligation or (ii) seek specific performance by SM, in which case the Deposit shall be applied as called for in the Agreement (provided that should Mitsui be unsuccessful in obtaining specific performance, it shall not be precluded from seeking to terminate this Agreement, receive the return of the Deposit and enforce other remedies pursuant to *Section 9.2(c)(i)*).

(d) In the case of either *Section 9.2(b)* or *Section 9.2(c)*, a Party successfully enforcing its rights thereunder shall be entitled to recover court and arbitrator costs and attorneys' fees in addition to any other relief to which such Party is entitled.

(e) If this Agreement is terminated pursuant to *Section 9.1(b)*, *Section 9.1(c)* or *Section 9.1(d)*, or if the Closing does not occur on or before the Outside Termination Date for any reason other than as set forth in *Section 9.2(b)* or *Section 9.2(c)*, then Mitsui shall be entitled to the

delivery of the Deposit, free of any claims by SM with respect thereto (and in such case the Parties shall instruct the Escrow Agent to release the Deposit to Mitsui pursuant to the terms of the Escrow Agreement).

(f) Subject to the foregoing provisions of this *Section 9.2*, upon the termination of this Agreement, no Party shall have any other liability or obligation hereunder.

9.3 ***Return of Documentation and Confidentiality***. Upon termination of this Agreement, Mitsui shall return to SM or destroy all title, engineering, geological and geophysical data, environmental assessments or reports, maps and other information furnished by SM to Mitsui or prepared by or on behalf of Mitsui in connection with its due diligence investigation of the Conveyed Interests, in each case, in accordance with the Confidentiality Agreement (and subject to such retention rights as are provided in the Confidentiality Agreement), and an officer of Mitsui shall certify same to SM in writing.

ARTICLE X
ASSUMPTION; SURVIVAL, INDEMNIFICATION

10.1 ***Assumption by Mitsui***. Without limiting Mitsui's rights to indemnity under this *Article X* or rights with respect to Title Defects pursuant to *Article IV* or Environmental Defects pursuant to *Article V*, or pursuant to the special warranty of title under the Assignment, from and after Closing, Mitsui assumes and agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all obligations and Liabilities, known or unknown, with respect to the Conveyed Interests,

regardless of whether such obligations or Liabilities arose prior to, on or after the Effective Time, including, but not limited to, obligations and Liabilities attributable to or arising out of the use, ownership or operation of the Conveyed Interests such as obligations to: (a) furnish makeup gas and/or settle Pipeline Imbalances and Well Imbalances attributable to the Conveyed Interests according to the terms of applicable gas sales, processing, gathering or transportation Contracts, (b) pay working interests, royalties, overriding royalties and other interest owners' revenues or proceeds attributable to sales of Hydrocarbons produced from the Conveyed Interests (other than those held in suspense by the Operator), (c) pay the proportionate share attributable to the Conveyed Interests to properly plug and abandon any and all wells, including temporarily abandoned wells, located on the Conveyed Interests, (d) pay the proportionate share attributable to the Conveyed Interests to dismantle or decommission and remove any Personal Property and other property of whatever kind related to or associated with operations and activities conducted by whomever on the Conveyed Interests, (e) pay the proportionate share attributable to the Conveyed Interests to clean up, restore and/or remediate the Conveyed Interests in accordance with Applicable Contracts and Laws, and (f) pay the proportionate share attributable to the Conveyed Interests to perform all obligations applicable to or imposed under applicable Law or the Applicable Contracts on the owner of the Assets or the owner of the Springfield Gathering Assets, including the payment of all Taxes from and after the Effective Time (other than Income Tax Liabilities or Franchise Tax Liabilities) related to the Conveyed Interests based upon the allocations made pursuant to Section 9.2 of the Development Agreement (all of said obligations and Liabilities, subject to the exclusions below, herein being referred to as the "***Assumed Obligations***"); provided, Mitsui does not assume any obligations or Liabilities of SM attributable to the Conveyed Interests to the extent that such obligations or Liabilities consist of any of the following (the ***"Retained Obligations"***):

(i) attributable to or arise out of the ownership, use or operation of the Excluded Assets;

(ii) attributable to or arise out of the actions, suits or proceedings, if any, set forth on *Schedule 10.1*; or

(iii) attributable to any Income Tax Liability or Franchise Tax Liability.

10.2 ***Indemnities of SM***. Effective as of the Closing, subject to the limitations set forth in *Section 10.4* and otherwise contained in this *Article X*, SM is responsible for, shall pay on a current basis and agrees to defend, indemnify and hold harmless Mitsui and its Affiliates, and all of its and their respective stockholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, "***Mitsui Indemnified Parties***") from and against any and all Liabilities, arising from, based upon, related to or associated with:

(a) any breach by SM of its representations or warranties contained in *Article I*;

(b) any breach by SM of its covenants and agreements contained in this Acquisition Annex;

(c) the Retained Obligations;

(d) attributable to the disposal of any Hazardous Substances at, or the transportation of any Hazardous Substances to, in each case during the period of time in which SM owned the Conveyed Interests up to the Effective Time, any property that is not a Conveyed Interest or any properties pooled or unitized with any Conveyed Interest, where such Hazardous Substances arose out of or in connection with or were incident to the ownership or operation of the Conveyed Interests prior to the Effective Time;

(e) attributable to claims for bodily injury, illness or death accruing during the period of time in which SM owned the Conveyed Interests up to the Effective Time and arising out of, incident to or in connection with the ownership or operation of the Conveyed Interests prior to the Effective Time;

(f) attributable to Wells on the Properties (i) in which SM participated and (ii) that were permanently abandoned prior to the Effective Time;

(g) attributable to amounts payable to any Affiliate of SM with respect to the Conveyed Interests and the period prior to Effective Time;

(h) attributable to claims that SM failed to pay properly any royalties (including shut-in royalties and minimum royalties) owing with respect to SM's share of Hydrocarbon production from the Properties prior to the Effective Time; or

(i) attributable to fines or civil, criminal or other penalties levied by a Governmental Authority for violation of Laws by (A) SM with respect to the Conveyed Interests, or (B) a Third Party Operator to the extent and only to the extent for which the owner of the

Conveyed Interests is liable therefor under the Applicable Operating Agreement, and, in each case, which occurred prior to the Effective Time.

10.3 ***Indemnities of Mitsui***. Effective as of the Closing, Mitsui and its successors and assigns shall assume, be responsible for, shall pay on a current basis and agree to defend, indemnify, hold harmless and forever release SM and its Affiliates, and all of their respective stockholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, "***SM Indemnified Parties***") from and against any and all Liabilities arising from, based upon, related to or associated with:

(a) any breach by Mitsui of its representations or warranties contained in *Article II*;

(b) any breach by Mitsui of its covenants and agreements contained in this Acquisition Annex; or

(c) the Assumed Obligations, except for those Liabilities included in, or attributable to, the Assumed Obligations which SM is required to indemnify Mitsui under *Section 10.2* at the time that the Claim Notice is presented by the SM Indemnified Party to Mitsui.

10.4 ***Limitation on Liability***.

(a) Subject to *Section 10.10*, neither Party shall have any liability for any indemnification under *Section 10.2(a)*, *Section 10.2(b)* with respect to a breach of *Article VI*, *Section 10.3(a)* or *Section 10.3(b)* with respect to a breach of *Article VI*, unless the individual amount of any Liability for which a Claim Notice is delivered under this *Article X* and for which the Indemnifying Party is liable exceeds $50,000. SM shall not have any liability for any indemnification under *Section 10.2(a)* or under *Section 10.2(b)* with respect to a breach of *Article VI* unless the aggregate amount of such Liabilities for which SM is liable under this Agreement after the application of the provisions of the immediately preceding sentence exceeds 1.5% of the unadjusted Carried Costs Obligation. The provisions in this *Section 10.4(a)* shall not limit either Party's liability for breaches of a Fundamental Representation.

(b) For purposes of this *Article X*, any breach or inaccuracy in any representations or warranties shall be determined without regard to any dollar or materiality qualifiers (except the dollar amounts in *Section 1.8(a)*).

(c) Notwithstanding anything to the contrary contained in this Agreement (i) SM shall not be required to indemnify Mitsui for aggregate Liabilities

under *Section 10.2* (other than with respect to breaches of the Fundamental Representations under *Section 10.2(a)* and Liabilities relating to the Retained Obligations under *Section 10.2(c)*) in excess of 25% of the aggregate Carried Cost Obligation and (ii) SM shall not be required to indemnify Mitsui for aggregate Liabilities under *Section 10.2(a)* with respect to breaches of the Fundamental Representations and *Section 10.2(c)* in excess of 100% of the aggregate Carried Cost Obligation.

(d) In no event shall any Indemnified Person be entitled to duplicate compensation (including because of the actual recovery of insurance proceeds by the Indemnified

Party or its Affiliates) with respect to the same Liability under more than one provision of the Agreement and any document delivered in connection with the Closing.

10.5 ***Express Negligence***. EXCEPT AS OTHERWISE PROVIDED IN *SECTION 3.1(c)*, THE INDEMNIFICATION, RELEASE, ASSUMED OBLIGATIONS, WAIVER AND LIMITATION OF LIABILITY PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LIABILITIES, LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE OR RESULTED SOLELY OR IN PART FROM THE GROSS, SOLE, ACTIVE, PASSIVE, CONCURRENT OR COMPARATIVE NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OR VIOLATION OF LAW OF OR BY ANY INDEMNIFIED PERSON. MITSUI AND SM ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS "CONSPICUOUS".

10.6 ***Exclusive Remedy for Acquisition Annex***. Notwithstanding anything to the contrary contained in this Agreement, from and after Closing, *Section 3.1(c)*, *Section 5.11(c)*, *Section 10.2* and *Section 10.3* contain the Parties' exclusive remedy against each other with respect to breaches of the representations, warranties, covenants and agreements of the Parties contained in the Acquisition Annex and the affirmations of such representations, warranties, covenants and agreements contained in the certificate delivered by each Party at Closing pursuant to *Section 7.1(f)* or *Section 7.2(f)*, as applicable. Except for (a) the remedies contained in this *Article X*, (b) other remedies available to the Parties at Law or in equity for breaches of *Section 3.1(c)* and *Section 3.2* and (c) the remedies available at Law or in equity in connection with the Development Agreement and any Associated Agreement (other than the certificates delivered by the Parties pursuant to *Section 7.1(f)* and *Section 7.2(f)*, as applicable), from and after Closing, SM and Mitsui each release, remise and forever discharge the other Party and its Affiliates and all such Persons' stockholders, partners, members, officers, directors, employees, agents, advisors and representatives from any and all Liabilities in Law or in equity, known or unknown, which such Parties might now or subsequently may have, based on, relating to or arising out of (i) this Acquisition Annex or the consummation of the transactions contemplated by this Acquisition Annex, (ii) the ownership, use or operation of the Conveyed Interests prior to the Closing, or (iii) the condition, quality, status or nature of the Conveyed Interests prior to the Closing, including rights to contribution under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 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 either Party or any of its Affiliates.

10.7 ***Indemnification Procedures***. All claims for indemnification under Section 5.11 of the Development Agreement, Section 2.3(b) of the Transfer Provisions, Section 2.3(c)(i)(D) of the Transfer Provisions, *Section 3.1(c)*, *Section 5.11(c)*, *Section 10.2* and *Section 10.3* shall be asserted and resolved as follows:

(a) For purposes of this *Article X*, the term "***Indemnifying Party***", when used in connection with particular Liabilities, shall mean the Party having an obligation to indemnify another Party or Person(s) with respect to such Liabilities pursuant to this *Article X*, and the term "***Indemnified Party***", when used in connection with particular Liabilities, shall mean the Party or

Person(s) having the right to be indemnified with respect to such Liabilities by another Party pursuant to this *Article X*.

(b) To make claim for indemnification under Section 5.11 of the Development Agreement, Section 2.3(b) of the Transfer Provisions, Section 2.3(c)(i)(D) of the Transfer Provisions, *Section 3.1(c)*, *Section 5.11(c)*, *Section 10.2* or *Section 10.3*, an Indemnified Party shall notify the Indemnifying Party of its claim under this *Section 10.7*, including the specific details of and specific basis under the Development 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 10.7* shall not relieve the Indemnifying Party of its obligations under Section 5.11 of the Development Agreement, Section 2.3(b) of the Transfer Provisions, Section 2.3(c)(i)(D) of the Transfer Provisions, *Section 3.1(c)*, *Section 5.11(c)*, *Section 10.2* or *Section 10.3* (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 claim. In the event that the claim for indemnification is based upon an inaccuracy or breach of a representation, warranty, covenant or agreement, the Claim Notice shall specify the representation, warranty, covenant or agreement that was inaccurate or breached.

(c) In the case of a claim for indemnification based upon a Third Party Claim, the Indemnifying Party shall have 30 days from its receipt of the Claim Notice to notify the Indemnified Party whether it admits or denies its obligation 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 30 day period, at the expense of the Indemnifying Party, 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.

(d) If the Indemnifying Party admits its obligation to indemnify a Third Party Claim, it shall have the right and obligation to diligently defend, at its sole cost and expense, the Third Party Claim provided that, where the Third Party Claim consists of a civil, criminal or regulatory proceeding, action, indictment or investigation against the Indemnified Party by any Governmental Authority, the Indemnified Party shall at its option have the right to control the defense and proceedings. Except as provided in the preceding sentence, the Indemnifying Party 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 (provided, however, that the Indemnified Party shall not be required to bring any counterclaim or cross-complaint against any Person). 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 10.7(d)*. An Indemnifying Party shall not, without the written consent of the Indemnified Party, (i) settle any Third Party Claim or consent to the entry of any judgment with respect thereto which does not result in a final resolution of the Indemnified

Party's Liability in respect of such Third Party Claim (including in the case of a settlement 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).

(e) If the Indemnifying Party does not admit its obligation to indemnify and bear all expenses associated with a Third Party Claim or admits its

obligation to indemnify and bear all expenses associated with a Third Party Claim but fails to diligently prosecute or settle the Third Party Claim, then the Indemnified Party shall have the right to defend against the Third Party Claim at the sole cost and expense of the Indemnifying Party, with counsel of the Indemnified Party's choosing, subject to the right of the Indemnifying Party to admit its obligation to indemnify and bear all expenses associated with a Third Party Claim 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 obligation to indemnify and bear all expenses associated with 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 10 days following receipt of such notice to (i) admit in writing its obligation to indemnify and bear all expenses associated with a Third Party Claim and (ii) if such obligation is so admitted, reject, in its reasonable judgment, the proposed settlement. If the Indemnified Person settles any Third Party Claim, other than a Third Party Claim consisting of a civil, criminal or regulatory proceeding, action, indictment or investigation against the Indemnified Party by any Governmental Authority, without the written consent of the Indemnifying Party after the Indemnifying Party has timely admitted its obligation in writing and assumed the defense of the Third Party Claim, the Indemnified Party shall be deemed to have waived any right to indemnity therefor.

(f) In the case of a claim for indemnification not based upon a Third Party Claim, the Indemnifying Party shall have 30 days from its receipt of the Claim Notice to (i) cure the Liabilities complained of, (ii) admit its obligation to indemnify for and bear all expenses associated with such Liability or (iii) dispute the claim for such Liabilities. If the Indemnifying Party does not notify the Indemnified Party within such 30 day period that it has cured the Liabilities or that it disputes the claim for such Liabilities, the amount of such Liabilities shall conclusively be deemed a liability of the Indemnifying Party hereunder.

10.8 ***Survival***.

(a) The representations and warranties of SM contained in *Section 1.1*, *Section 1.2*, *Section 1.3(a)*, *Section 1.5*, *Section 1.6*, *Section 1.16* and *Section 1.17* (collectively, the "***Fundamental Representations***") shall, in each case, survive the Closing for the statute of limitations period applicable to such Fundamental Representation. The representations and warranties in *Section 1.15(c)(ii)* shall survive the Closing for a period of four months. The representations and warranties of SM other than in *Section 1.15(c)(ii)* and the Fundamental Representations and, except as provided in *Section 10.8(b)*, the covenants and agreements of SM contained in *Article VI* of this Acquisition Annex shall survive the Closing for a period of 12 months. The representations and warranties of Mitsui contained in *Article II,* and the other

covenants and agreements of the Parties contained in this Acquisition Annex shall, in each case, survive the Closing without time limit.

(b) The indemnities in *Section 10.2(a)* and *Section 10.2(b)* shall terminate as of the termination date of each respective representation, warranty, covenant or agreement that is subject to indemnification as set forth in *Section 10.8(a)*. The indemnities in *Section 10.2(d)* and *Section 10.2(g)* shall, in each case, survive Closing for the applicable statute of limitations period. The indemnities in *Section 10.2(e)*, *Section 10.2(f)*, *Section 10.2(h)* and *Section 10.2(i)* shall, in each case, survive Closing for a period of 24 months. The indemnities in *Section 10.2(c)* and *Section 10.3* shall, in each case, survive Closing without time limit. Notwithstanding the foregoing, there shall be no termination of any bona fide claim asserted pursuant the indemnities in *Section 10.2* prior to the date of termination for such indemnity.

(c) Representations, warranties, covenants and agreements shall be of no further force and effect after the date of their expiration; provided that there shall be no termination of any bona fide claim asserted pursuant to this Agreement with respect to such a representation, warranty, covenant or agreement prior to its expiration date.

10.9 ***Non-Compensatory Damages***. None of the Mitsui Indemnified Parties or SM Indemnified Parties shall be entitled to recover from SM or Mitsui, as applicable, or their respective Affiliates, any indirect, consequential, punitive or exemplary damages or damages for lost profits of any kind arising under or in connection with this Acquisition Annex or the transactions contemplated by this Acquisition Annex, except to the extent any such Party suffers such damages (including costs of defense and reasonable attorney's fees incurred in connection with defending of such damages) to a third party, which damages (including costs of defense and reasonable attorney's 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, Mitsui, on behalf of each of the Mitsui Indemnified Parties, and SM, on behalf of each of SM Indemnified Parties, each waive any right to recover punitive, special, exemplary and consequential damages, including damages for lost profits of any kind, arising in connection with this Acquisition Annex or the transactions contemplated by this Acquisition Annex. This Section shall not restrict any Party's right to obtain specific performance or injunctive relief pursuant to *Section 9.2*.

10.10 ***Exclusion of Certain Matters.*** Notwithstanding anything to the contrary elsewhere in the Agreement, (a) claims for Operating Expenses, and for Hydrocarbon production and revenue thereof, shall be handled pursuant to Sections 3.5, 3.6, 3.7 and 3.9 of the Development Agreement, (b) claims for Title Defects and Environmental Defects asserted under *Article IV* and *Article V* shall be handled under those Articles, and (c) claims with respect to the termination of the Agreement shall be handled under *Section 9.2*, and none of those matters shall be subject to the terms of this *Article X* (other than *Section 10.9*, which shall apply in all respects).

Exhibit 10.1

FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF

MAY 27, 2011

AMONG

SM ENERGY COMPANY,
AS BORROWER,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT,

BANK OF AMERICA, N.A.
AND
JPMORGAN CHASE BANK, N.A.,
AS CO-SYNDICATION AGENTS,

COMERICA BANK
AND
BBVA COMPASS,
AS CO-DOCUMENTATION AGENTS,

AND

THE LENDERS PARTY HERETO

WITH

WELLS FARGO SECURITIES, LLC
AS JOINT LEAD ARRANGER AND
SOLE BOOKRUNNER
AND
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,
AS JOINT LEAD ARRANGER

$2,500,000,000 SENIOR SECURED
REVOLVING CREDIT FACILITY

TABLE OF CONTENTS

THIS FOURTH AMENDED AND RESTATED CREDIT AGREEMENT dated as of May 27, 2011, is by and among SM ENERGY COMPANY, a corporation duly formed and existing under the laws of the State of Delaware (the "Borrower"); each of the Lenders from time to time party hereto; WELLS FARGO BANK, NATIONAL ASSOCIATION (in its individual capacity, "Wells Fargo"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, by operation of law or as otherwise provided herein, the "Administrative Agent"); Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Co-Syndication Agents; and Comerica Bank and BBVA Compass, as Co-Documentation Agents.

The parties hereto agree as follows:

RECITALS

(A) The Borrower, the Administrative Agent, the lenders from time to time party thereto and the other agents and parties referred to therein entered into that certain Credit Agreement dated as of January 27, 2003, (the "Original Credit Agreement"), which was amended and restated by that certain Amended and Restated Credit Agreement dated as of April 7, 2005, among the Borrower, the Administrative Agent, the lenders party thereto and the other agents and parties referred to therein, as amended by that certain First Amendment to Amended and Restated Credit Agreement dated as of March 19, 2007, (the "First Amendment", and such Amended and Restated Credit Agreement, as amended by the First Amendment, the "Amended and Restated Credit Agreement").

(B) The Amended and Restated Credit Agreement was amended and restated by that certain Second Amended and Restated Credit Agreement dated as of April 10, 2008, among the Borrower, the Administrative Agent, the lenders party thereto and the other agents and parties referred to therein (the "Second Amended and Restated Credit Agreement").

(C) The Second Amended and Restated Credit Agreement was amended and restated by that certain Third Amended and Restated Credit Agreement dated as of April 14, 2009, among the Borrower, the Administrative Agent, the lenders party thereto and the other agents and parties referred to therein (the "Existing Credit Agreement").

(D) The Borrower, the Administrative Agent, the Lenders (as defined below) and the other agents and parties hereto desire to amend and restate the Existing Credit Agreement, such restatement to supplement and replace the Existing Credit Agreement without affecting the requirements thereof with respect to periods occurring, or measured by dates, prior to the effective date of such amendment and restatement.

(E) 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, in doing so amending and restating in its entirety the Existing Credit Agreement effective as of the Effective Date without affecting the requirements of the Existing Credit Agreement existing, or measured by dates or periods, prior to the Effective Date, as more fully set forth herein.

ARTICLE I
Definitions and Accounting Matters

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

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

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

"Additional Lender" has the meaning assigned to such term in Section 2.06(c)(i).

"Additional Lender Certificate" has the meaning assigned to such term in Section 2.06(c)(ii)(F).

"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 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

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

"Affected Loans" has the meaning assigned such term in Section 5.05.

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

"Aggregate Commitment" at any time means the aggregate amount of the Commitments of all the Lenders, as reduced, increased or terminated from time to time pursuant to the terms hereof; provided that the Aggregate Commitment shall not at any time exceed the Maximum Credit Amount; andprovided further that, the initial Aggregate Commitment hereunder is $1,000,000,000 for the period from and including the Effective Date to but excluding the date such amount is reduced, increased or terminated pursuant to the terms hereof.

"Aggregate Revolving Credit Exposures" at any time means the aggregate amount of the Revolving Credit Exposures of all of the Lenders.

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

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (i) the Prime Rate in effect on such day, (ii) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (iii) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such

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day is not a Business Day, the immediately preceding Business Day) plus 1.0%; provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate reported by Bloomberg L.P. in its index of rates (or on any successor or substitute page) at approximately 11:00 a.m. London time on such day (or the immediately preceding Business Day if such day is not a day on which banks are open for dealings in dollar deposits in the London interbank market). Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

"Anti-Terrorism Laws" has the meaning assigned such term in Section 7.24.

"Applicable Margin" means, for any day, with respect to any ABR Loan or Eurodollar Loan, or with respect to any commitment fees payable hereunder, as the case may be, the rate per annum set forth in the Borrowing Base Utilization Grid below based upon the Borrowing Base Utilization Percentage then in effect:

Borrowing Base Utilization Grid

Borrowing Base Utilization Percentage	**<25%**	**≥25% <50%**	**≥50% <75%**	**≥75% <90%**	**≥90%**
Eurodollar Loans	1.500%	1.750%	2.000%	2.250%	2.500%
ABR Loans or Swingline Loans	0.500%	0.750%	1.000%	1.250%	1.500%
Commitment Fee Rate	0.375%	0.375%	0.500%	0.500%	0.500%

Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change, provided, however, that if at any time the Borrower fails to deliver a Reserve Report pursuant to Section 8.12(a), then until such time as the Reserve Report is delivered the "Applicable Margin" means 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 Commitment represented by such Lender's Commitment as such percentage is set forth on Annex I.

"Approved Counterparty" means (a) any Lender or any Affiliate of a Lender and (b) any other Person whose long term senior unsecured debt rating is BBB+/Baa1 by S&P or Moody's (or their equivalent) or higher.

"Approved Petroleum Engineers" 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 Administrative Agent.

"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 D or any other form approved by the Administrative Agent.

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

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

"Borrowing" means (a) Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Borrowing Base" means at any time an amount equal to the amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to Section 8.13(c), Section 9.02(j), Section 9.12 or Section 9.20.

"Borrowing Base Increase Lenders" means, at any time while no Loans or LC Exposure is outstanding, Lenders having more than ninety-five percent (95%) of the Aggregate Commitments (disregarding any Impacted Lender's Commitment); and at any time while any Loans or LC Exposure is outstanding, Lenders holding more than ninety-five percent (95%) 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) and disregarding the outstanding aggregate principal amount of the Loans or participation interests in Letters of Credit of any Impacted Lender).

"Borrowing Base Utilization Percentage" means, as of any day, the fraction expressed as a percentage, the numerator of which is the Aggregate Revolving Credit Exposures of the Lenders on such day, and the denominator of which is the Borrowing Base in effect on such day.

"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 Charlotte, North Carolina; Denver, Colorado; or Houston, Texas 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 a conversion of or into, or the Interest Period for, a Eurodollar Loan or a notice by the Borrower with respect to any such Borrowing or continuation, payment, prepayment, conversion or Interest Period, any day which is also a day on which dealings in dollar deposits are carried out in the London interbank market.

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

"Cash Collateralize" means, to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the Issuing Bank or Lenders, as collateral for LC Exposure or obligations of Lenders to fund participations in respect of LC Disbursements, cash or deposit account balances or, if the Administrative Agent and the Issuing Bank shall agree in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent and the 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.

"Casualty Event" means any uninsured loss, uninsured casualty or other uninsured damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Property of any Loan Party having a fair market value in excess of $15,000,000.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof), of Equity Interests representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Borrower, (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated or (c) the acquisition of direct or indirect Control of the Borrower by any Person or group.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the administration, interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 5.01(b)), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; 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 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.

"CLO" means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

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

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit and Swingline

Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) modified from time to time pursuant to Section 2.06 and (b) modified from time to time pursuant to assignments by or to such Lender pursuant to Section 12.04(b). The amount representing each Lender's Commitment shall at any time be such Lender's Applicable Percentage of the Aggregate Commitment. The amount of each Lender's initial Commitment is set forth opposite such Lender's name on Annex I under the caption "Commitment."

"Commitment Fee Rate" has the meaning set forth in the definition of "Applicable Margin".

"Commitment Increase Certificate" has the meaning assigned to such term in Section 2.06(c)(ii)(E).

"Consolidated Net Income" means with respect to the Borrower and the Consolidated Restricted Subsidiaries, for any period, the aggregate of the net income (or loss) of the Borrower and the Consolidated Restricted Subsidiaries after allowances for taxes for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein) the following: (a) the net income (or loss) of any Person in which the Borrower or any Consolidated Restricted Subsidiary has an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of the Borrower and the Consolidated Restricted Subsidiaries in accordance with GAAP) or of any Unrestricted Subsidiary, except to the extent of the amount of dividends, interest payments or distributions actually paid in cash during such period by such other Person or such Unrestricted Subsidiary to the Borrower or to a Consolidated Restricted Subsidiary, as the case may be; (b) the net income (but not loss) during such period of any Consolidated Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Consolidated Restricted 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 Consolidated Restricted Subsidiary or is otherwise restricted or prohibited, in each case determined in accordance with GAAP; (c) any non-cash gains or losses during such period; (d) any gains or losses attributable to writeups or writedowns of assets, including impairments of oil and gas properties; (e) mark-to-market adjustments related to the utilization of derivative instruments; (f) changes in the liability associated with the future payments of amounts under the Net Profits Interest Bonus Plan; (g) any gain or loss realized upon the sale or other disposition of any Property (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain or loss realized upon the sale or other disposition of any Equity Interests of any Person; (h) any extraordinary or nonrecurring gains or losses, together with any related provision for taxes on such gains or losses and all related fees and expenses; (i) the cumulative effect of a change in accounting principles; (j) income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued); and (k) all deferred financing costs written off, and premiums paid, in connection with any early extinguishment of Indebtedness.

"Consolidated Restricted Subsidiaries" means each Restricted Subsidiary of the Borrower (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of the Borrower in accordance with GAAP.

"Consolidated Subsidiaries" means each Subsidiary of the Borrower (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of the Borrower in accordance with GAAP.

"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.

"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; (c) all obligations of such Person to pay the deferred purchase price of Property or services (excluding accounts payable incurred in the ordinary course of business which are not greater than one hundred twenty (120) days past the date of invoice or which are being contested in good faith by appropriate action, if required, and for which adequate reserves have been maintained in accordance with GAAP; (d) all obligations 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 a Lien on any Property of such Person, whether or not such Debt is assumed by such Person (the amount of such indebtedness being deemed to be the lesser of the liquidation value of such Property or the principal amount of such Debt); (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 assuring a creditor against loss of a Debt; (i) obligations to deliver commodities, goods or services, including, without limitation, Hydrocarbons, in consideration of one or more advance payments, other than in the ordinary course of business; (j) 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; (k) Disqualified Capital Stock; and (l) the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment. The Debt of any Person shall include all obligations of such Person of the character described above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is not included as a liability of such Person under GAAP; provided, however, the contingent obligations of Borrower or any Subsidiary of Borrower pursuant to any purchase and sale agreement, stock purchase agreement, merger agreement or similar agreement shall not constitute "Debt" within this definition so long as none of same contains an obligation to pay money over time. It is hereby understood and

agreed that in calculating the amount of Debt in respect of borrowed money, the effect of FASB ASC 815-10 shall be disregarded.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"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) 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 of the Borrower organized under the laws of any jurisdiction within the United States.

"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, taxes, depreciation, depletion, amortization, exploration, non-cash abandonment, noncash impairment charges and other

noncash charges, minus all noncash income added to Consolidated Net Income. Noncash charges include mark-to-market adjustments related to the utilization of derivative instruments and changes in the liability associated with the future payments of amounts under the Net Profits Interest Bonus Plan.

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

"Engineering Reports" has the meaning assigned such term in Section 2.07(c)(i).

"Environmental Laws" means any and all Governmental Requirements pertaining in any way to health, safety, the environment or the preservation or reclamation of natural resources, 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 without limitation, the Oil Pollution Act of 1990 ("OPA"), as amended, the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 ("CERCLA"), as amended, the Federal Water Pollution Control Act, as

amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 ("RCRA"), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection Governmental Requirements. For purposes of this definition, Section 7.06 and Section 8.10, the term "oil" shall have the meaning specified in OPA, the terms "hazardous substance" and "release" (or "threatened release") have the meanings specified in CERCLA, the terms "solid waste" and "disposal" (or "disposed") have the meanings specified in RCRA and the term "oil and gas waste" shall have the meaning specified in Section 91.1011 of the Texas Natural Resources Code ("Section 91.1011"); provided, however, that (a) in the event any of OPA, CERCLA, RCRA or Section 91.1011 is amended so as to broaden the meaning of any term defined thereby, such broader meaning shall apply subsequent to the effective date of such amendment and (b) to the extent the laws of the state or other jurisdiction in which any Property of the Borrower or any Subsidiary is located establish a meaning for "oil," "hazardous substance," "release," "solid waste," "disposal" or "oil and gas waste" which is broader than that specified in either OPA, CERCLA, RCRA or Section 91.1011, such broader meaning shall apply.

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

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

"ERISA Affiliate" means each trade or business (whether or not incorporated) which together with the Borrower or a Subsidiary 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" described in section 4043 of ERISA and the regulations issued thereunder, (b) the withdrawal of the Borrower, a Subsidiary or any ERISA Affiliate from a Plan during a plan year in which it was a "substantial employer" as defined in section 4001(a)(2) of ERISA, (c) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under section 4041 of ERISA, (d) the institution of proceedings to terminate a Plan by the PBGC or (e) any other event or condition which might constitute grounds under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

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

"Event of Default" has the meaning assigned 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 GAAP; (b) Liens in connection with workers' compensation, unemployment insurance or other social security, old age pension or public liability obligations which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (c) landlord's liens, operators', vendors', carriers', warehousemen's, repairmen's, mechanics', suppliers', workers', materialmen's, construction or other like Liens arising 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 GAAP; (d) contractual Liens that arise in the ordinary course of business under operating agreements, joint venture agreements, oil and gas partnership agreements, oil and gas leases, farm-out agreements, division orders, contracts for the sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements, overriding royalty agreements, marketing agreements, processing agreements, net profits agreements, development agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or other geophysical permits or agreements, and other agreements which are usual and customary in the oil and gas business and are for claims which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP, provided that any such Lien referred to in this clause does not materially impair the use of the Property covered by such Lien for the purposes for which such Property is held by the Borrower or any Subsidiary or materially impair the value of such Property subject thereto; (e) Liens arising solely by virtue of any statutory, customary or common law provision 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 Borrower or any of its Subsidiaries to provide collateral to the depository institution; (f) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business; (g) Liens on existing and future cash, U.S. government securities, and letters of credit securing or supporting Swap Agreements permitted pursuant to Section 9.18; (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; and (i) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases (including Synthetic Leases) entered into by the Borrower and the Subsidiaries in the ordinary course of business covering only the Property under lease; provided, further that Liens described in clauses (a) through (e) 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 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 Foreign Subsidiary" means any Foreign Subsidiary in respect of which either the (a) pledge of all of the Equity Interests of such Subsidiary as collateral or (b) guaranteeing by such Subsidiary of the Indebtedness, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower or any Guarantor hereunder or under any other Loan Document, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America or such other jurisdiction 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, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower or any Guarantor is located and (c) in the case of a Foreign Lender, (i) any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts with respect to such withholding tax pursuant to Section 5.03(a) or Section 5.03(c), (ii) any United States withholding tax imposed under FATCA, or (iii) any withholding tax that is attributable to such Foreign Lender's failure to comply with Section 5.03(e).

"Executive Order" has the meaning assigned such term in Section 7.24.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement and any current or future regulations or official interpretations thereof.

"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.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"Financial Statements" means the financial statement or statements of the Borrower and its Consolidated Restricted Subsidiaries referred to in Section 7.04(a).

"First Tier Foreign Subsidiary" means a Foreign Subsidiary held directly by the Borrower or one or more Domestic Subsidiaries.

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

"Foreign Subsidiary" means any Subsidiary of the Borrower that is not a Domestic Subsidiary.

"Fronting Exposure" means, at any time there is an Impacted Lender, (a) with respect to the Issuing Bank, such Impacted Lender's LC Exposure other than LC Disbursements as to which such Impacted Lender's participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to the Swingline Lender, such Impacted Lender's Applicable Percentage of outstanding Swingline Loans made by such Swingline Lender other than Swingline Loans as to which such Impacted Lender's participation obligation has been reallocated to other Lenders.

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

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over any Loan Party, any of their Properties, any Agent, the Issuing Bank or any Lender.

"Governmental Requirement" means any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other directive or requirement, whether now or hereinafter in effect, including, without limitation, Environmental Laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

"Guarantors" means each Subsidiary that is both a Restricted Subsidiary and a Material Subsidiary other than any Excluded Foreign Subsidiary. As of the Effective Date, there are no Guarantors.

"Guaranty Agreement" means an agreement executed by the Guarantors in substantially the form of Exhibit D-2 to the Amended and Restated Credit Agreement, as the same may be amended, modified or supplemented from time to time.

"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 Indebtedness 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 products refined or separated therefrom.

"Impacted Lender" means, subject to Section 2.11(b) (a) any Lender (i) which has defaulted in its obligation to fund Loans hereunder within three Business Days of the date required to be funded by it 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 (which conditions precedent, together with the applicable default, if any, shall be specifically identified in such writing) has not been satisfied, (ii) which has failed to fund any portion of its participations in LC Disbursements or participations in Swingline Loans required to be funded by it hereunder within three Business Days of the date required to be funded by it hereunder, (iii) which has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, unless the subject of a good faith dispute, (iv) which has notified the Administrative Agent, or has stated publicly, that such Lender will not comply with any of its funding obligations under this Agreement (unless such notice 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 the applicable default, if any, shall be specifically identified in such notice or public statement) cannot be satisfied),

(v) 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 an Impacted Lender pursuant to this clause (v) upon receipt of such written confirmation by the Administrative Agent and the Borrower), (vi) has, or has a direct or indirect parent company that has, (A) become the subject of a proceeding under any Debtor Relief Law, or (B) 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 an Impacted 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 or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

"Indebtedness" means any and all amounts owing or to be owing by the Borrower or any Guarantor: (a) to the Administrative Agent, the Issuing Bank or any Lender under any Loan Document; (b) to any Lender or any Affiliate of a Lender under any present or future Swap

Agreements entered into between the Borrower or any Guarantor and any Lender or any Affiliate of a Lender, including, without limitation, the Swap Agreements entered into with a Lender or an Affiliate of a Lender, and (c) all renewals, extensions and/or rearrangements of any of the above; provided that (i) when any Lender or any Affiliate of a Lender under any present or future Swap Agreement assigns or otherwise transfers any interest held by it under such Swap Agreement to any other Person pursuant to the terms of such agreement, the obligations thereunder shall constitute Indebtedness only if such assignee or transferee is also then a Lender or an Affiliate of a Lender and (ii) if a Lender or any Affiliate of a Lender under any present or future Swap Agreement ceases to be a Lender hereunder or an Affiliate of a Lender hereunder, obligations owing to such Lender or any Affiliate of a Lender under such Swap Agreement shall continue to be included as Indebtedness, but only to the extent such obligations arise from transactions under such Swap Agreement entered into at or before the time such counterparty to such Swap Agreement was a Lender hereunder or an Affiliate of a Lender hereunder, without giving effect to any extensions, increases or modifications thereof which are made after such counterparty to such Swap Agreement ceases to be a Lender hereunder or an Affiliate of a Lender hereunder.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Information Memorandum" means the Confidential Information Memorandum dated April 2011, relating to the Borrower and the Transactions.

"Initial Reserve Report" means (a) the report of the Borrower, which includes reserve estimates as prepared by Ryder Scott Company, L.P. and Netherland, Sewell Associates, Inc., dated as of December 31, 2010, with respect to the value of the Oil and Gas Properties of the Borrower and its Material Subsidiaries as of December 31, 2008, and (b) the report of the Vice President, Engineering and Evaluation of the Borrower dated as of December 31, 2010, with respect to the value of the Oil and Gas Properties of the Borrower and its Material Subsidiaries as of December 31, 2010.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.04.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than any Swingline Loan), the last day of each calendar month, (b) with respect to any Eurodollar Loan (other than any Swingline 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 Borrowing 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 (c) as to any Swingline Loan, the day such Swingline Loan is paid.

"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, as the Borrower may elect or, with the consent of each Lender, nine or twelve 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 and (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. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interim Redetermination" has the meaning assigned such term in Section 2.07(b).

"Interim Redetermination Date" means the date on which a Borrowing Base that has been redetermined pursuant to an Interim Redetermination becomes effective as provided in Section 2.07(d).

"Investment" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of Equity Interests of any other Person or any agreement to make any such acquisition (including, without limitation, any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such short sale); (b) the making of any deposit with, or advance, loan 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 inventory or supplies sold by such Person in the ordinary course of business) or (c) the entering into of any guarantee (excluding performance guarantees) 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.

"Investment Grade Rating" means an issuer or family rating of the Borrower of at least Baa3 from Moody's or BBB- from S&P, each with stable or positive outlook, unless one of the two ratings is two or more categories lower than the other and the category that is one above the lower rating is not BBB-/Baa3 or better.

"Investment Grade Rating Date" means the date on which the Borrower achieves an Investment Grade Rating.

"Issuing Bank" means Wells Fargo Bank, N.A., in its capacity as an issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.08(j). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

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

"LC Commitment" at any time means $50,000,000.

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount 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.

"Lenders" means the Persons listed on Annex I, 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, and any Person that shall have become a party hereto pursuant to Section 2.06(c). Unless the context otherwise requires, the term "Lender" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement, and the outstanding letters of credit issued under the Original Credit Agreement, the Amended and Restated Credit Agreement or the Existing Credit 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 the Issuing Bank relating to any Letter of Credit.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate reported by Bloomberg L.P. in its index of rates (or on any successor or substitute page providing rate quotations comparable to those currently provided on such page, 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 Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of 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 not include easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations. For the purposes of this Agreement, the Borrower and its

Subsidiaries shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

"Loan Documents" means this Agreement, the Notes, the Letter of Credit Agreements, the Letters of Credit and the Security Instruments.

"Loan Parties" means, collectively, the Borrower and each Subsidiary of the Borrower that is both a Restricted Subsidiary and a Material Subsidiary.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement. Unless the context otherwise requires, the term "Loans" includes the Swingline Loans.

"Majority Lenders" means, at any time while no Loans or LC Exposure is outstanding, Lenders having more than fifty percent (50%) of the Aggregate Commitments (disregarding any Impacted Lender's Commitment); and at any time while any Loans or LC Exposure is outstanding, Lenders holding more than fifty percent (50%) 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) and disregarding the outstanding aggregate principal amount of the Loans or participation interests in Letters of Credit of any Impacted Lender).

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform any of its obligations under any Loan Document or (c) the rights and remedies of or benefits available to the Administrative Agent, the 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 the Borrower and its Restricted Subsidiaries in an aggregate principal amount exceeding $25,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Restricted Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Restricted Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

"Material Subsidiary" means a Subsidiary of Borrower that owns a Substantial Portion of the Property of Borrower and its Subsidiaries.

"Maturity Date" means May 27, 2016.

"Maximum Credit Amount" means at any time an amount equal to the lesser of (a) the then effective Borrowing Base and (b) $2,500,000,000.

"Minimum Collateral Amount" means, at any time, (i) with respect to Cash Collateral consisting of cash or deposit account balances, an amount equal to 100% of the Fronting Exposure of the Issuing Bank with respect to Letters of Credit issued and outstanding at such time and (ii) otherwise, an amount determined by the Administrative Agent and the Issuing Bank in their sole discretion.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency.

"Mortgaged Property" means any Property owned by the Borrower or any Material Subsidiary which is subject to the Liens existing and to exist under the terms of the Security Instruments.

"Multiemployer Plan" means a Plan which is a multiemployer plan as defined in section 3(37) or 4001 (a)(3) of ERISA.

"New Borrowing Base Notice" has the meaning assigned such term in Section 2.07(d).

"Non-Impacted Lender" means, at any time, each Lender that is not an Impacted Lender at such time.

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

"OFAC" has the meaning assigned such term in Section 7.24.

"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, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests; (d) all operating agreements, contracts and other agreements, including production sharing contracts and agreements, which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; (e) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, including all oil in tanks, and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; (f) all tenements, hereditaments, appurtenances and Properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests and (g) all Properties, rights, titles, interests and estates described or referred to above, including any and all Property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment, rental equipment or other personal Property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, 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. As used herein, "proved Oil and Gas Properties" means Oil and Gas Properties to which, as of the time in question, proved reserves of oil and gas have been attributed in the then most recent Reserve Report.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or Property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement and any other Loan Document.

"Participant" has the meaning set forth in Section 12.04(c)(i).

"PBGC" means the Pension Benefit Guaranty Corporation, 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 an average life no shorter than the average life of the Refinanced Debt; (c) such new Debt does not contain any covenants which are more onerous to any Loan Party than those imposed by the Refinanced Debt and (d) such new Debt (and any guarantees thereof) is subordinated in right of payment to the Indebtedness (or, if applicable, the Guaranty Agreement) to at least the same extent as the Refinanced Debt and is otherwise subordinated on terms substantially reasonably satisfactory to the Administrative Agent.

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

"Plan" means any employee pension benefit plan, as defined in section 3(2) of ERISA, which (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.

"Pledge - Borrower" means that certain Amended and Restated Pledge and Security Agreement dated as of April 7, 2005, between the Borrower and the Administrative Agent, pledging to the Administrative Agent as security for the Indebtedness (i) all equity interests held by the Borrower in any Guarantors and (ii) any equity interests of an Excluded Foreign Subsidiary required to be pledged pursuant to Section 8.14(b), as the same may be amended, modified or supplemented from time to time.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Wells Fargo as its prime rate in effect at its principal office in Charlotte, North Carolina; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. Such rate is set by Wells Fargo as a general reference rate of interest, taking into account such factors as Wells Fargo may deem appropriate; it being understood that many of Wells Fargo's commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any customer and that Wells Fargo may make various commercial or other loans at rates of interest having no relationship to such rate.

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

"Proposed Borrowing Base" has the meaning assigned to such term in Section 2.07(c)(i).

"Proposed Borrowing Base Notice" has the meaning assigned to such term in Section 2.07(c)(ii).

"Reaffirmation Agreements" means that certain Reaffirmation Agreement dated as of April 10, 2008, by the Borrower in favor of the Administrative Agent, in substantially the form of Exhibit G to the Amended and Restated Credit Agreement and that certain Reaffirmation Agreement dated as of even date herewith, by the Borrower in favor of the Administrative Agent, in substantially the form of Exhibit G hereto, as the same may from time to time be amended, modified, supplemented or restated.

"Redemption" means the repurchase, redemption, prepayment, repayment or defeasance (or the segregation of funds with respect to any of the foregoing) of the Material Indebtedness; provided, however, the term Redemption shall not include early termination of a Swap Agreement due to an ISDA "Termination Event" to the extent the amount due at termination does not exceed $25,000,000. "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 such term in the definition of "Permitted Refinancing Debt".

"Register" has the meaning assigned 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, partners, members, employees, agents and advisors of such Person and such Person's Affiliates.

"Remedial Work" has the meaning assigned such term in Section 8.10(a).

"Reserve Report" means a report, in form and substance reasonably satisfactory to the Administrative Agent, setting forth, as of each December 31st or June 30th (or such other date in the event of an Interim Redetermination) the oil and gas reserves attributable to the Oil and Gas Properties of the Borrower and the Material Subsidiaries, together with a projection of the rate of production and future net income, taxes, operating expenses and capital expenditures with respect thereto as of such date, based upon the pricing assumptions consistent with SEC reporting 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 the Borrower, or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Borrower or any option, warrant or other right to acquire any such Equity Interests in the Borrower.

"Restricted Subsidiary" means any Subsidiary of Borrower that is not an Unrestricted Subsidiary.

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans, its LC Exposure and its Swingline Loans at such time.

"Scheduled Redetermination" has the meaning assigned 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.

"Security Instruments" means any Guaranty Agreement, any Pledge — Borrower, the Reaffirmation Agreements and all assignments, mortgages, deeds of trust, amendments and supplements to mortgages and deeds of trust, and all other agreements, instruments or certificates described or referred to in Exhibit C, and any and all other agreements, instruments or certificates now or hereafter executed and delivered by the Borrower or any other Person (other than Swap Agreements with the Lenders or any Affiliate of a Lender or participation or similar agreements between any Lender and any other lender or creditor with respect to any Indebtedness pursuant to this Agreement) in connection with, or as security for the payment or performance of the Indebtedness, 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.

"Senior Convertible Notes" means those certain senior convertible notes issued and sold by the Borrower in accordance with and pursuant to the terms and provisions of the Senior Convertible Notes indenture, in the aggregate principal amount of $287,500,000, due on or about April 1, 2027. For purposes of this Agreement, the Senior Convertible Notes shall not be deemed a Swap Agreement subject to the prohibitions of Section 9.18.

"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.

"Special Redetermination" has the meaning assigned such term in Section 2.07(b).

"Special Redetermination Date" means the date on which a Borrowing Base that has been redetermined pursuant to a Special Redetermination becomes effective as provided in Section 2.07(d).

"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: (a) any Person of which at least a majority of the outstanding Equity Interests having by the terms thereof ordinary voting power to elect a majority of the board of directors, manager or other governing body of such Person (irrespective of whether or not at the time Equity Interests of any other class or classes of such Person shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Borrower or one or more of its Subsidiaries and (b) any partnership of which the Borrower or any of its Subsidiaries is a general partner. Unless otherwise indicated herein, each reference to the term "Subsidiary" shall mean a Subsidiary of the Borrower.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which represents more than 10% of the consolidated assets of the Borrower and its Subsidiaries or property which is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower and its Subsidiaries, in each case, as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries at the beginning of the twelve-month period ending with the month in which such determination is made (or if financial statements have not been delivered hereunder for that

month which begins the twelve-month period, then the financial statements delivered hereunder for the quarter ending immediately prior to that month).

"Supermajority 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 Aggregate Commitments (disregarding any Impacted Lender's Commitment); 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) and disregarding the outstanding aggregate principal amount of the Loans or participation interests in Letters of Credit of any Impacted Lender).

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

"Swingline Lender" means Wells Fargo Bank, N.A., in its capacity as a lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.09.

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

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

"Termination Date" means the earlier of the Maturity Date and the date of termination of the Commitments.

"Total Debt" means, as of any date of determination, all Debt of the Borrower and its Consolidated Restricted Subsidiaries (including any Debt proposed to be incurred on such date and excluding all Debt to be paid on such date with the proceeds thereof); provided that Debt identified in clause (b) in the definition thereof shall be excluded.

"Transactions" means, with respect to (a) the Borrower, the execution, delivery and performance by the Borrower of this Agreement, and 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, and the grant of Liens by the Borrower on Mortgaged Properties and other Properties pursuant to the Security Instruments and (b) each 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 Indebtedness and the other obligations under the Guaranty Agreement by such Loan Party and such Loan Party's grant of the security interests and provision of collateral thereunder, and the grant of Liens by such Loan Party on Mortgaged Properties and other Properties pursuant to the Security Instruments.

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

"Unrestricted Subsidiary" means any Subsidiary of the Borrower which the Borrower has designated in writing to the Administrative Agent to be an Unrestricted Subsidiary pursuant to Section 9.21 and all subsidiaries of such Person. As of the date of this Agreement, there are no Unrestricted Subsidiaries.

"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 or one or more of the Wholly-Owned Subsidiaries.

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

Section 1.04 Terms Generally. 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 or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (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 herein), (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 and (e) all references 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.

Section 1.05 Accounting Terms and Determinations; GAAP. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to the Administrative Agent or the Lenders hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent with the Financial Statements except for changes in which Borrower's independent certified public accountants concur and which are disclosed to 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.

ARTICLE II
The Credits

Section 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to the Borrower during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the Aggregate Revolving Credit Exposures exceeding the lesser of (i) the Borrowing Base then in effect or (ii) the Aggregate Commitments then in effect. Within the foregoing limits and subject to the terms and conditions set forth herein, 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) Types of Loans. Subject to Section 3.03, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. 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 shall be in an aggregate amount that is an integral multiple of $1,000,000 and not less than $3,000,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $500,000 and not less than $1,000,000; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.08(f). Borrowings of more than one Type may be outstanding at the

same time; provided that there shall not at any time be more than a total of six (6) Eurodollar Borrowings outstanding. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

(d) Notes. The Loans made by each Lender shall (if requested by such Lender) be evidenced by a single promissory note of the Borrower in substantially the form of Exhibit A, dated, in the case of (i) any Lender party hereto as of the date of this Agreement, as of the date of this Agreement, (ii) any Lender that becomes a party hereto pursuant to an Assignment and Assumption, as of the effective date of the assignment and assumption, or (iii) any Lender that becomes a party hereto in connection with an increase in the Aggregate Commitment pursuant to Section 2.06(c), as of the effective date of such increase, payable to such Lender in a principal amount equal to its Commitment as in effect on such date, and otherwise duly completed. In the event that any Lender's Commitment increases or decreases for any reason (whether pursuant to Section 2.06, Section 12.04(b) or otherwise), if requested by such Lender, 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 Commitment after giving effect to such increase or decrease, and otherwise duly completed. The date, amount, Type, interest rate and, if applicable, Interest Period of each Loan made by each Lender, and all payments made on account of the principal thereof, shall be recorded by such Lender on its books for its Note. Failure to make any such notation shall not affect any Lender's or the Borrower's rights or obligations in respect of such Loans.

Section 2.03 Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 1:00 p.m., Charlotte, North Carolina time, three Business Days before the date of the proposed Borrowing, or (b) in the case of a ABR Borrowing, including an ABR Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.08(f), not later than 1:00 p.m., Charlotte, North Carolina time, on the date of the proposed Borrowing, which date shall be a Business Day in the United States. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent 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 in the United States;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period";

(v) the amount of the then effective Borrowing Base, the current Aggregate Revolving Credit Exposures (without regard to the requested Borrowing) and the *pro forma* Aggregate Revolving Credit Exposures (giving effect to the requested Borrowing); and

(vi) 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.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Each Borrowing Request shall constitute a representation that the amount of the requested Borrowing shall not cause the Aggregate Revolving Credit Exposures to exceed the Aggregate Commitments then in effect.

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 Interest Elections.

(a) Conversion and Continuance. Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.04. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section, as it refers to Types of Loans, shall not apply to Swingline Loans, which may not be converted or continued.

(b) Interest Election Requests. To make an election pursuant to this Section 2.04, the Borrower shall notify the Administrative Agent of such election

by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Information in Interest Election Requests. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to Section 2.04(c)(iii) and (iv) shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

(d) If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(e) Notice to Lenders by the Administrative Agent. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(f) Effect of Failure to Deliver Timely Interest Election Request and Events of Default and Borrowing Base Deficiencies on Interest Election. If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing or if the Aggregate Revolving Credit Exposures exceed the Borrowing Base then in effect: (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing (and any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective) and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.05 Funding of Borrowings.

(a) Funding by 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. Charlotte, North Carolina time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.09. 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 maintained with the Administrative Agent in Charlotte, North Carolina and designated by the Borrower in the applicable Borrowing Request; provided that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.08(f) shall be remitted by the Administrative Agent to the Issuing Bank.

(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 ABR Loans; provided, however, such demands shall be made first upon the applicable Lender and then upon the Borrower. 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, Reduction and Increase of Aggregate Commitment.

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

(b) Optional Termination and Reduction of Aggregate Commitment.

(i) The Borrower may at any time terminate, or from time to time reduce, the Aggregate Commitment; provided that (A) each reduction of the Aggregate Commitment 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 Commitment if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 3.04(c), the Aggregate Revolving Credit Exposures would exceed the Aggregate Commitments.

(ii) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Aggregate Commitment 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. Each notice delivered by the Borrower pursuant to this Section 2.06(b)(ii) shall be irrevocable. Any termination or reduction of the Aggregate Commitment shall be permanent and may not be reinstated except pursuant to Section 2.06(c). Each reduction of the Aggregate Commitment shall be made ratably among the Lenders in accordance with each Lender's Applicable Percentage.

(c) Optional Increase in Aggregate Commitment.

(i) Subject to the conditions set forth in Section 2.06(c)(ii), the Borrower may increase the Aggregate Commitment then in effect by increasing the Commitment of a Lender or by causing a Person acceptable to the Administrative Agent that at such time is not a Lender to become a Lender (an "Additional

Lender").

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

(A) such increase shall not be less than $10,000,000 unless the Administrative Agent otherwise consents;

(B) no Default shall have occurred and be continuing at the effective date of such increase;

(C) if any Eurodollar Borrowings are outstanding on the effective date of such increase, the Borrower shall make any payments required pursuant to Section 5.02 in connection with such increase;

(D) each Lender shall have had the option to increase its Commitment by its Applicable Percentage of the amount of such increase; provided that, no Lender's Commitment may be increased without the consent of such Lender;

(E) if the Borrower elects to increase the Aggregate Commitment by increasing the Commitment of a Lender, the Borrower and such Lender shall execute and deliver to the Administrative Agent a certificate substantially in the form of Exhibit E (a "Commitment Increase Certificate"), and further, in the event a new Note is required to reflect the increased Commitment of such Lender, then in that case, the Borrower shall deliver a new Note (after presentation of same to Borrower by the Administrative Agent) payable to such Lender in a principal amount equal to its Commitment after giving effect to such increase, and otherwise duly completed, together with a processing and recordation fee of $3,500 payable by the Borrower to the Administrative Agent and the reimbursement by the Borrower of the reasonable legal fees of counsel to the Administrative Agent; and

(F) If the Borrower elects to increase the Aggregate Commitment by causing an Additional Lender to become a party to this Agreement, then the Borrower and such Additional Lender shall execute and deliver to the Administrative Agent a certificate substantially in the form of Exhibit F (an "Additional Lender Certificate"), together with an Administrative Questionnaire and a processing and recordation fee of $3,500 payable by such Additional Lender and the reimbursement by the Borrower of the reasonable legal fees of counsel to the Administrative Agent, and the Borrower shall deliver a Note (after presentation of same to Borrower by the Administrative Agent) payable to such Additional Lender in a principal amount equal to its Commitment, and otherwise duly completed.

(iii) Subject to acceptance and recording thereof pursuant to Section 2.06(c)(iv), from and after the effective date specified in the Commitment Increase Certificate or the Additional Lender Certificate (or if any Eurodollar Borrowings are outstanding, then the last day of the Interest Period in respect of such Eurodollar Borrowings): (A) the amount of the Aggregate Commitment shall be increased as set forth therein, and (B) in the case of an Additional Lender Certificate, any Additional Lender party thereto shall be a party to this Agreement and the other Loan Documents and have the rights and obligations of a Lender under this Agreement and the other Loan Documents. In addition, the Lender or the Additional Lender, as applicable, shall purchase a pro rata portion of the Aggregate Revolving Credit

Exposures of each of the other Lenders (and such Lenders hereby agree to sell and to take all such further action to effectuate such sale) such that each Lender (including any Additional Lender, if applicable) shall hold its Applicable Percentage of the Aggregate Revolving Credit Exposures after giving effect to the increase in the Aggregate Commitment.

(iv) Upon its receipt of a duly completed Commitment Increase Certificate or an Additional Lender Certificate, executed by the Borrower and the Lender or the Borrower and the Additional Lender party thereto, as applicable, the processing and recording fee referred to in Section 2.06(c)(ii), the Administrative Questionnaire referred to in Section 2.06(c)(ii), if applicable, and the written consent of the Administrative Agent to such increase required by Section 2.06(c)(i), the Administrative Agent shall accept such Commitment Increase Certificate or Additional Lender Certificate and record the information contained therein in the Register required to be maintained by the Administrative Agent pursuant to Section 12.04(b)(iv). No increase in the Aggregate Commitment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 2.06(c)(iv).

(v) After giving effect to an increase in the Aggregate Commitment, the Aggregate Commitment shall not exceed the Maximum Credit Amount.

Section 2.07 Borrowing Base.

(a) Initial Borrowing Base. For the period from and including the Effective Date to but excluding the first Redetermination Date, the amount of the Borrowing Base shall be $1,300,000,000. Notwithstanding the foregoing, the Borrowing Base shall be subject to further adjustments from time to time pursuant to this Section 2.07 and Section 8.13(c), Section 9.02(j), Section 9.12, 9.18 and Section 9.20.

(b) Scheduled, Interim and Special Redeterminations. Subject to Section 2.07(d), the Borrowing Base shall be redetermined (a "Scheduled Redetermination") no later than April 1 and October 1 of each year, commencing October 1, 2011. In addition, the Borrower may, by notifying the Administrative Agent thereof, and the Administrative Agent may, at the direction of the Majority Lenders, by notifying the Borrower thereof, elect to cause the Borrowing Base to be redetermined once between each Scheduled Redetermination (an "Interim Redetermination") in accordance with this Section 2.07. In addition to the Scheduled Redetermination and the Interim Redetermination, the Administrative Agent, acting alone or at the direction of the Majority Lenders, shall be permitted to make a redetermination (a "Special Redetermination") of the Borrowing Base on March 15, 2012.

(c) Scheduled, Interim and Special Redetermination Procedure.

(i) Each Scheduled Redetermination, each Interim Redetermination and the Special Redetermination shall be effectuated as follows: Upon receipt by the Administrative Agent of (A) the Reserve Report and the certificate required to be delivered by the Borrower to the Administrative Agent, in the case of a Scheduled Redetermination and the Special Redetermination, pursuant to Section 8.12(a) and (c), and, in the case of an Interim Redetermination, pursuant to Section 8.12(b) and (c), and (B) such other reports, data and supplemental information, including, without limitation,

the information provided pursuant to Section 8.12(c), as may, from time to time, be reasonably requested by the Majority 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 good faith, propose a new Borrowing Base (the "Proposed Borrowing Base") based upon such information and such other information (including the status of title information with respect to the Oil and Gas Properties as described in the Engineering Reports and the existence of any other

Debt) as the Administrative Agent deems appropriate and consistent with its normal oil and gas lending criteria as it exists at the particular time.

(ii) The Administrative Agent shall notify the Borrower and the 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) and (c) in a timely and complete manner, then on or before March 15th and September 15th of such year following the date of delivery 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) and (c) in a timely and complete manner, then promptly after the Administrative Agent has received complete Engineering Reports from the Borrower and has had a reasonable opportunity to determine the Proposed Borrowing Base in accordance with Section 2.07(c)(i); and

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

(iii) Any Proposed Borrowing Base that would increase the Borrowing Base then in effect must be approved or deemed to have been approved by the Borrowing Base Increase Lenders as provided in this Section 2.07(c)(iii); and any Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect must be approved or be deemed to have been approved by the Supermajority Lenders 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) days, any Lender has not communicated its approval or disapproval in writing to the Administrative Agent, such silence shall be deemed to be an approval of the Proposed Borrowing Base. If, at the end of such 15-day period, the Borrowing Base Increase Lenders, in the case of a Proposed Borrowing Base that would increase the Borrowing Base then in effect, or the Supermajority Lenders, in the case of a Proposed Borrowing Base that would decrease or maintain the Borrowing Base then in effect, have approved or deemed to have approved, as aforesaid, then the Proposed Borrowing Base shall become the new Borrowing Base, effective on the date specified in Section 2.07(d). If, however, at the end of such 15-day period, the Borrowing Base Increase Lenders or the Supermajority Lenders, as applicable, have not approved or deemed to have approved, as aforesaid,

then for purposes of this Section 2.07, the Administrative Agent shall poll the Lenders to ascertain the highest Borrowing Base then acceptable (aa) to the Supermajority Lenders, if such amount would decrease the Borrowing Base then in effect, or (bb) to the Borrowing Base Increase Lenders, if such amount would increase the Borrowing Base then in effect, which amount shall become the new Borrowing Base, effective on the date specified in Section 2.07(d).

(iv) If any Lender refuses to approve a Proposed Borrowing Base pursuant to Section 2.07(c)(iii), the Borrower shall have the right to cause the Commitment of such dissenting Lender to be replaced pursuant to Section 5.06.

(d) Effectiveness of a Redetermined Borrowing Base. After a redetermined Borrowing Base is approved or is deemed to have been approved by the Borrowing Base Increase Lenders or the Supermajority 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 Agents, the Issuing Bank and the Lenders:

(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) and (c) in a timely and complete manner, then no later than April 1 or October 1, as applicable, following such notice, 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) and (c) in a timely and complete manner, then on the Business Day next succeeding delivery of such notice; and

(B) in the case of an Interim Redetermination and a Special Redetermination, on the Business Day next succeeding delivery of such notice.

(C) Such amount shall then become the Borrowing Base until the next Scheduled Redetermination Date, the next Interim Redetermination Date, the Special Redetermination Date or the next adjustment to the Borrowing Base under Section 8.13(c), Section 9.02(j) or Section 9.12, whichever occurs first. Notwithstanding the foregoing, no Scheduled Redetermination, Interim Redetermination or Special Redetermination shall become effective until the New Borrowing Base Notice related thereto is received by the Borrower.

Section 2.08 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account or for the account of any of other Loan Party, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period; provided that the Borrower may not request the issuance, amendment, renewal or extension of Letters of Credit hereunder if the Aggregate Revolving Exposures exceed the Borrowing Base then in effect at such time or the Aggregate Revolving Exposures would exceed the Borrowing Base then in effect 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 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 Issuing Bank) to the 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) a notice:

(i) requesting the issuance of a Letter of Credit or identifying the Letter of Credit to be amended, renewed or extended;

(ii) specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day);

(iii) specifying the date on which such Letter of Credit is to expire (which shall comply with Section 2.08(d));

(iv) 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

(vi) specifying the amount of the then effective Borrowing Base, the current Aggregate Revolving 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* Aggregate Revolving 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 Commitment and (ii) the Aggregate Revolving Credit Exposures shall not exceed the Aggregate Commitments. Notwithstanding the foregoing, the Issuing Bank shall not at any time be obligated to issue, amend, renew or extend any Letter of Credit if any Lender is at such time an Impacted Lender hereunder, unless (x) the Borrower cash collateralizes such Impacted Lender's portion of the total LC Exposure (calculated after giving effect to the issuance, amendment, renewal or extension of such Letter of Credit) in accordance with the procedures set forth in Section 2.08(k) or (y) the Issuing Bank has entered into arrangements satisfactory to the Issuing Bank in its sole discretion with the Borrower or such Impacted Lender to eliminate the Issuing Bank's risk with respect to such Impacted Lender's portion of the total LC Exposure.

(c) If requested by the 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.

(d) 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 thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(e) 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 Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the 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 the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.08(f), 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(e) 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 or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(f) Reimbursement. If the 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 12:00 noon, Charlotte, North Carolina time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 12:00 noon, Charlotte, North Carolina time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon Charlotte, North Carolina time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 12:00 noon, Charlotte, North Carolina time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that if such LC Disbursement is not less than $1,000,000, the Borrower may, subject to the conditions to Borrowing set forth herein, request in accordance with Section 2.03 (or Section 2.09 in the case of a Swingline Loan) that such payment be financed with a ABR Borrowing or a Swingline 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 ABR Borrowing or Swingline Loan. If the Borrower makes such a request (and if the Borrower fails to make such a request and has not made the relevant reimbursement, it shall be deemed to have made such a request), 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 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(f), the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this Section 2.08(f) to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear.

(g) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.08(f) 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 the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not 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(g), 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 the 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 the Issuing Bank; provided that the foregoing shall not be construed to excuse the 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 the 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 or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the 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, the 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.

(h) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) 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 Issuing Bank and the Lenders with respect to any such LC Disbursement.

(i) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, until the Borrower shall have reimbursed the Issuing Bank for such LC Disbursement (either with its own funds or a Borrowing under Section 2.08(f)), 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 ABR Loans. Interest accrued pursuant to this Section 2.08(i) shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to Section 2.08(f) to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(j) Replacement of the Issuing Bank. The 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 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 be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of the Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of the 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.

(k) Cash Collateralization. If (i) any Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Majority Lenders demanding the deposit of cash collateral pursuant to this Section 2.08(k), (ii) 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), (iii) the Borrower elects to cash collateralize the LC Exposure of any Impacted Lender pursuant to Section 2.08(b) or (iv) any Letter of Credit is outstanding at the time any Lender is an Impacted Lender and the Borrower receives written request from the Issuing Bank demanding the deposit of cash collateral pursuant to this Section 2.08(k), 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 Lenders, an amount in cash equal to, in the case of an Event of Default, the LC Exposure, and in the case of a payment required by Section 3.04(c), the amount of such excess as provided in Section 3.04(c), and in the case of an Impacted Lender, an amount in cash equal to such Impacted Lender's portion of the total LC Exposure at such time as calculated pursuant to clause (x) of Section 2.08(b) (less any amounts already on deposit in such account representing cash collateral for any portion of such Impacted Lender's portion of the total LC Exposure), as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral 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 any Loan Party described in Section 10.01(h) or Section 10.01(i). The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, an exclusive first priority and continuing perfected security interest in and

Lien on such account and all cash, checks, drafts, certificates and instruments, if any, from time to time deposited or held in such account, all deposits or wire transfers made thereto, any and all investments purchased with funds deposited in such account, all interest, dividends, cash, instruments, financial assets and other Property from time to time received, receivable or otherwise payable in respect of, or in exchange for, any or all of the foregoing, and all proceeds, products, accessions, rents, profits, income and benefits therefrom, and any substitutions and replacements therefor. The Borrower's obligation to deposit amounts pursuant to this Section 2.08(k) shall be absolute and unconditional, without regard to whether any beneficiary of any such Letter of Credit has attempted to draw down all or a portion of such amount under the terms of a Letter of Credit, and, to the fullest extent permitted by applicable law, shall not be subject to any defense or be affected by a right of set-off, counterclaim or recoupment which the Borrower or any of its Subsidiaries may now or hereafter have against any such beneficiary, the Issuing Bank, the Administrative Agent, the Lenders or any other Person for any reason whatsoever. Such deposit shall be held as collateral securing the payment and performance of the Borrower's and the Guarantor's obligations under this Agreement and the other Loan Documents. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the written request and instruction of the Borrower but at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other obligations of the Borrower and the Guarantors under this Agreement or the other Loan Documents. If the Borrower is required to provide an amount of cash collateral pursuant to paragraphs (i), (iii) or (iv) above, and the Borrower is not otherwise 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), then such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after (x) in the case of cash collateral provided pursuant to paragraph (i) above, all Events of Default have been cured or waived and (y) in the case of cash collateral provided pursuant to paragraphs (iii) or (iv) above, the applicable Impacted Lender is no longer an Impacted Lender. The Borrower may at any time request confirmation from the Administrative Agent that an Impacted Lender is no longer an Impacted Lender, and the Administrative Agent shall promptly confirm such request or provide written confirmation to the Borrower that such Lender remains an Impacted Lender and the basis for such determination.

Section 2.09 Swingline Loans.

(a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $25,000,000 or (ii) the Aggregate Revolving Credit Exposures exceeding the lesser of (i) the Borrowing Base then in effect or (ii) the Aggregate Commitments then in effect. Within the foregoing limits and subject

to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone not later than 2:00 p.m., Charlotte, North Carolina time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery, telecopy or transmitted by electronic communication to the Swingline Lender of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the date of such Borrowing, which shall be a Business Day in the United States, and aggregate amount of the requested Borrowing. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.08(f), by remittance to the Issuing Bank) by 4:00 p.m., Charlotte, North Carolina time, on the date such Borrowing is requested.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., Charlotte, North Carolina time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Swingline Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such

Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, 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 Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be

refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

Section 2.10 Cash Collateral. At any time that there shall exist an Impacted Lender, within one Business Day following the written request of the Administrative Agent or the Issuing Bank (with a copy to the Administrative Agent), the Borrower shall Cash Collateralize the Issuing Bank's Fronting Exposure with respect to such Impacted Lender (determined after giving effect to Section 2.11(a)(iv) and any Cash Collateral provided by such Impacted 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 Impacted Lender, such Impacted Lender, hereby grants to the Administrative Agent, for the benefit of the Issuing Bank, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Impacted Lender's obligation to fund participations in respect of Letters of Credit, 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 Bank as herein provided (other than the Liens permitted under Section 9.03), 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 Impacted Lender).

(b) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.10 or Section 2.11 in respect of Letters of Credit shall be applied to the satisfaction of the Impacted Lender's obligation to fund participations in respect of Letters of Credit (including, as to Cash Collateral provided by an Impacted 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 the Issuing Bank's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this Section 2.10 following (i) the elimination of the applicable Fronting Exposure (including by the termination of Impacted Lender status of the applicable Lender), or (ii) the determination by the Administrative Agent and the Issuing Bank that there exists excess Cash Collateral; provided that, subject to Section 2.11 the Person providing Cash Collateral and the 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.

Section 2.11 Impacted Lenders.

(a) Impacted Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes an Impacted Lender, then, until such time as such Lender is no longer an Impacted Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Impacted 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 definitions of Borrowing Base Increase Lenders, Majority Lenders and Supermajority Lenders.

(ii) Impacted Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Impacted Lender (whether voluntary or mandatory, at maturity, pursuant to Article X or otherwise) or received by the Administrative Agent from an Impacted 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 Impacted Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Impacted Lender to the Issuing Bank or the Swingline Lender hereunder; *third*, to Cash Collateralize the Issuing Bank's Fronting Exposure with respect to such Impacted Lender in accordance with Section 2.10; *fourth*, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Impacted 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 Impacted Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize the Issuing Bank's future Fronting Exposure with respect to such Impacted Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.10; *sixth*, to the payment of any amounts owing to the Lenders, the Issuing Bank or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, the Issuing Bank or the Swingline Lender against such Impacted Lender as a result of such Impacted Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default exists, 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 Impacted Lender as a result of such Impacted Lender's breach of its obligations under this Agreement; and *eighth*, to such Impacted 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 Impacted 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-Impacted Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Disbursements owed to, such Impacted Lender until such time as all Loans and LC Exposures and Swingline Loans are held by the Lenders pro rata in accordance with the Commitments hereunder without giving effect to Section 2.11(a)(iv). Any payments, prepayments or other amounts paid or payable to an Impacted Lender that are applied (or held) to pay amounts owed by an Impacted Lender or to post Cash Collateral pursuant to this Section 2.11(a)(ii) shall be deemed paid to and redirected by such Impacted Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) No Impacted Lender shall be entitled to receive any commitment fee pursuant to Section 3.05(a) for any period during which that Lender is an

Impacted 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 Impacted Lender).

(B) No Impacted Lender shall be entitled to receive Letter of Credit Fees under Section 3.05(b)(i) for any period during which that Lender is an Impacted 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 Impacted Lender).

(C) With respect to any commitment fee or Letter of Credit fee not required to be paid to any Impacted Lender pursuant to clause (a)(iii)(A) or (a)(iii)(B) above, the Borrower shall (x) pay to each Non-Impacted Lender that portion of any such fee otherwise payable to such Impacted Lender with respect to such Impacted Lender's LC Exposure or participation in Swingline Loans that has been reallocated to such Non-Impacted Lender pursuant to clause (a)(iv) below, (y) pay to the Issuing Bank and the Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Impacted Lender to the extent allocable to the Issuing Bank's or the Swingline Lender's Fronting Exposure to such Impacted 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 Impacted Lender's LC Exposure and participation in Swingline Loans shall be reallocated among the Non-Impacted Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Impacted 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 Revolving Credit Exposure of any Non-Impacted Lender to exceed such Non-Impacted Lender's Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against an Impacted Lender arising from that Lender having become an Impacted Lender, including any claim of a Non-Impacted Lender as a result of such Non-Impacted Lender's increased exposure following such reallocation.

(v) Cash Collateral, Repayment of Swingline Loans. If the reallocation described in clause (a)(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, (x) first, prepay Swingline Loans in an amount equal to the Swingline Lender's Fronting Exposure and (y) second, Cash Collateralize the Issuing Bank's Fronting Exposure in accordance with the procedures set forth in Section 2.10.

(b) Impacted Lender Cure. If the Borrower, the Administrative Agent, the Swingline Lender and Issuing Bank agree in writing that a Lender is no longer an Impacted 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 and Swingline Loans to be held pro rata by the

Lenders in accordance with the Commitments hereunder (without giving effect to Section 2.11(a)(iv), whereupon such Lender will cease to be an Impacted Lenderprovided 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 an Impacted Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Impacted Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been an Impacted Lender.

(c) New Swingline Loans/Letters of Credit. So long as any Lender is an Impacted Lender, (i) the Swingline Lender shall not be required to fund any Swingline Loans unless it is satisfied that the participations therein will be fully allocated among non-Impacted Lenders in a manner consistent with clause (a)(iv) above and the Impacted Lender shall not participate therein and (ii) the Issuing Bank shall not be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that the LC Exposure related to any existing Letters of Credit as well as the new, extended, renewed or increased Letter of Credit has been or will be fully allocated among the non-Impacted Lenders in a manner consistent with clause (a)(iv) above and such Impacted Lender shall not participate therein except to the extent such Impacted Lender's participation has been or will be fully Cash Collateralized in accordance with Section 2.10.

ARTICLE III
Payments of Principal and Interest; Prepayments; Fees

Section 3.01 Repayment of Loans. The Borrower hereby unconditionally promises to pay to the (a) Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Termination Date and (b) Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of (i) the Termination Date and (ii) seven (7) Business Days after such Swingline Loan is made; provided that on each date that a Loan is made, the Borrower shall repay all Swingline Loans then outstanding.

Section 3.02 Interest.

(a) ABR Loans. The Loans comprising each ABR Borrowing shall bear interest on the unpaid principal amount of such Loans at the Alternate Base Rate plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(b) Eurodollar Loans. The Loans comprising each Eurodollar Borrowing shall bear interest on the unpaid principal amount of such Loans at 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.

(c) Swingline Loans. Each Swingline Loan shall bear interest on the unpaid principal amount of such Swingline Loan at the Alternate Base Rate plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(d) Post-Default Rate. Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower or any Guarantor hereunder or under any other Loan Document is not paid when due, whether at stated maturity,

upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to two percent (2%) plus the rate applicable to ABR Loans as provided in Section 3.02(a), but in no event to exceed the Highest Lawful Rate.

(e) Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and on the Termination Date; provided that (i) accrued interest on any Swingline Loan shall be payable on the earlier of (a) the Termination Date and (b) seven (7) Business Days after such Swingline Loan is made, (ii) interest accrued pursuant to Section 3.02(d) shall be payable on demand, (iii) in the event of any repayment or prepayment of any Loan (other than an optional prepayment of an ABR Loan prior to the Termination Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and (iv) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

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

Section 3.03 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; or

(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; 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, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

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 by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 1:00 p.m. Charlotte, North Carolina time, three Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m. Charlotte, North Carolina time, on the date of prepayment, which date shall be a Business Day in the United States. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. 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 of the same Type 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.

(c) Mandatory Prepayments.

(i) If, after giving effect to any termination or reduction of the Aggregate Commitment pursuant to Section 2.06(b), the Aggregate Revolving Credit Exposures exceed the Aggregate Commitments, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to such excess, or, if the Borrower does not have an Investment Grade Rating, add to the Mortgaged Property, Oil and Gas Properties, having value, as determined by the Administrative Agent and the Majority Lenders, equal to or greater than such excess, or, if the Borrower does not have an Investment Grade Rating, a combination thereof and (B) if any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(k). The Borrower will be obligated to make such prepayment, provide such collateral and/or deposit of cash collateral within ninety (90) days following such termination or reduction of the Aggregate Commitment; provided that all payments required to be made pursuant to this Section 3.04(c)(i) must be made on or prior to the Termination Date.

(ii) Upon any redetermination of or adjustment to the amount of the Borrowing Base in accordance with Section 2.07 or Section 8.13(c), if the Aggregate Revolving Credit Exposures exceed the redetermined or adjusted Borrowing Base, then the Borrower shall either (A)(1) prepay the Borrowings in an aggregate principal amount equal to such excess, or, if the Borrower does not have an Investment Grade Rating, add to the Mortgaged Property, Oil and Gas Properties, having value, as determined by the Administrative Agent and the Majority Lenders, equal to or greater than such excess, or, if the Borrower does not have an Investment Grade Rating, a combination thereof and (2) if any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(k) or (B) prepay, subject to the payment of any funding indemnification amounts required

by Section 5.02 but without premium or penalty, the principal amount of such excess in not more than six (6) equal monthly installments plus accrued interest thereon with the first such monthly payment being due within thirty (30) days following its receipt of the New Borrowing Base Notice in accordance with Section 2.07(d) or the date the adjustment occurs. The Borrower shall be obligated to make any prepayment pursuant to Section 3.04(c)(ii)(A)(1) and/or provide any collateral pursuant to Section 3.04(c)(ii)(A)(1) and/or deposit cash collateral pursuant to Section 3.04(c)(ii)(A)(2) within ninety (90) days following its receipt of the New Borrowing Base Notice in accordance with Section 2.07(d) or the date the adjustment occurs. The Borrower shall be obligated to make all payments required to be made pursuant to Section 3.04(c)(ii)(B) on or prior to the Termination Date. Notwithstanding any of the foregoing, all payments, additions of mortgages on Oil and Gas Properties and cash collateral deposits required to be made pursuant to this Section 3.04(c)(ii) must be made on or prior to the Termination Date.

(iii) Upon any adjustments to the Borrowing Base pursuant to Section 9.12 or Section 9.20, if the Aggregate Revolving Credit Exposures exceed the Borrowing Base as adjusted, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to such excess, or, if the Borrower does not have an Investment Grade Rating, add to the Mortgaged Property, Oil and Gas Properties, having value, as determined by the Administrative Agent and the Majority Lenders, equal to or greater than such excess, or, if the Borrower does not have an Investment Grade Rating, a combination thereof and (B) if any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(k). The Borrower shall be obligated to make such prepayment, provide such collateral and/or deposit of cash collateral within ninety (90) days following such adjustment to the Borrowing Base (or, if sooner, on the date the Borrower receives cash proceeds as a result of a disposition pursuant to Section 9.12); provided that all payments required to be made pursuant to this Section 3.04(c)(iii) must be made on or prior to the Termination Date.

(iv) Each prepayment of Borrowings pursuant to this Section 3.04(c) shall be applied, first, ratably to any ABR Borrowings then outstanding, and, second, 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.

(v) Each prepayment of Borrowings pursuant to this Section 3.04(c) shall be applied ratably to the Loans included in the prepaid

Borrowings. Prepayments pursuant to this Section 3.04(c) shall be accompanied by accrued interest to the extent required by Section 3.02.

(d) No Premium or Penalty. Prepayments permitted or required under this Section 3.04 shall be without premium or penalty, except as required under Section 5.02.

Section 3.05 Fees.

(a) Commitment Fees. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the applicable Commitment Fee Rate on the daily unused amount of the Commitment of such Lender during the period from and including the date of this Agreement to but excluding the Termination Date. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the Termination 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). If a Lender is an Impacted Lender, commitment fees shall cease to accrue pursuant to this Section 3.05(a) on the entire Commitment of such Lender until such Lender is no longer an Impacted Lender.

(b) Letter of Credit Fees. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender 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 on the average daily amount of such Lender's LC Exposure (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 on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (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, provided that in no event shall such fee be less than $300 during any quarter, and (iii) to the 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 through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last 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 Termination Date and any such fees accruing after the Termination Date shall be payable on demand. Any other fees payable to the 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 2:00 p.m. Charlotte, North Carolina time, on the date when due, in immediately available funds, without defense, deduction, recoupment, set-off or counterclaim. Fees, once paid, 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, except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Section 2.09, 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 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 (other than, in the case of Swingline Loans, the Swingline 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 to a particular Lender 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. 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 or the 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 or the 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 or the 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(b), Section 2.08(e), Section 2.08(f) 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.

Section 4.04 Disposition of Proceeds. The Security Instruments contain an assignment by the Borrower and/or the Material Subsidiaries unto and in favor of the Administrative Agent for the benefit of the Lenders of all of the Borrower's or each Material Subsidiary'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 Indebtedness 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 and its Material Subsidiaries 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 Material Subsidiaries.

ARTICLE V
Increased Costs; Break Funding Payments; Taxes; Illegality

Section 5.01 Increased Costs.

(a) Eurodollar Changes in Law. If any Change in Law shall:

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

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar 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 of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) Certificates. A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the 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 the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Effect of Failure or Delay in Requesting Compensation. Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section 5.01 shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Loan Parties shall not be required to compensate a Lender or any Issuing Bank pursuant to this Section 5.01 for any increased costs or reductions incurred more than one hundred eighty (180) days prior to the date that such Lender or such 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 such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the one hundred eighty (180) day 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 conversion of any Eurodollar Loan into an ABR Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto, then, in any such event, the Borrower shall compensate each 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, convert 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 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) 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 free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other

Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5.03(a)), the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. The Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative

Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 5.03) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate of the Administrative Agent, a Lender or the Issuing Bank as to the amount of such payment or liability under this Section 5.03 shall be delivered to the Borrower and shall be conclusive absent manifest error.

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

(e) Foreign Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement or any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

(f) FATCA Documentation. 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 paragraph (f), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) Tax Refunds. If the Administrative Agent or a Lender determines, in its reasonable discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 5.03, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 5.03 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay

the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section 5.03 shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

Section 5.04 Designation of Different Lending Office. If any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.03, then such Lender shall 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 Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its applicable lending office to honor its obligation to make or maintain Eurodollar Loans either generally or having a particular Interest Period hereunder, then (a) such Lender shall promptly notify the Borrower and the Administrative Agent thereof and such Lender's obligation to make such Eurodollar Loans shall be suspended (the "Affected Loans") until such time as such Lender may again make and maintain such Eurodollar Loans and (b) all Affected Loans which would otherwise be made by such Lender shall be made instead as ABR Loans (and, if such Lender so requests by notice to the Borrower and the Administrative Agent, all Affected Loans of such Lender then outstanding shall be automatically converted into ABR Loans on the date specified by such Lender in such notice) and, to the extent that Affected Loans are so made as (or converted into) ABR Loans, all payments of principal which would otherwise be applied to such Lender's Affected Loans shall be applied instead to its ABR Loans. Subject to Section 5.06, no Commitment of any Lender shall be increased or otherwise affected solely as a result of the operation of this Section 5.05 and, except as otherwise expressly provided in this Section 5.05, performance by the Borrower of its obligations hereunder and the other Loan Documents shall not be excused or otherwise modified solely as a result of the operation of this Section 5.05.

Section 5.06 Replacement of Lenders

(a) If any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.03, or if any Lender has Affected Loans pursuant to Section 5.05, or if any Lender becomes an Impacted Lender, or if any Lender refuses to approve a Proposed Borrowing Base pursuant to Section 2.07(c)(iii) and as a result, the Borrower elects to replace such dissenting Lender pursuant to Section 2.07(c)(iv), 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 Section 12.04(b)), all its interests, rights

and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 5.01 or payments required to be made pursuant to Section 5.03, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE VI
Conditions Precedent

Section 6.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank 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 all fees and other amounts due and payable on or prior to the Effective Date, including, without limitation, to the extent invoiced, reimbursement or payment of all of the Administrative Agent's out-of-pocket expenses including, without limitation, the reasonable fees, charges and disbursements of counsel for the Administrative Agent, required to be reimbursed or paid by the Borrower hereunder.

(b) The Administrative Agent shall have received a certificate of the Secretary or an Assistant Secretary of each of the Borrower and each Guarantor setting forth (i) resolutions of its board of directors with respect to the authorization of the Borrower or such Guarantor 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 the Borrower or such Guarantor (y) who are authorized to sign the Loan Documents to which the Borrower or such Guarantor 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) articles or certificate of incorporation and bylaws of the Borrower and such Guarantor. The Administrative Agent and the Lenders may conclusively rely on such certificate until the Administrative Agent receives notice in writing from the Borrower to the contrary.

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

(d) The Administrative Agent shall have received a compliance certificate which shall be substantially in the form of Exhibit B, duly and properly executed by a Responsible Officer and dated as of the Effective Date certifying compliance (including compliance with Section 8.12) with the Existing Credit Agreement as of such date.

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

(f) The Administrative Agent shall have received duly executed Notes payable to each requesting Lender in a principal amount equal to such requesting Lender's Commitment dated as of the date hereof.

(g) The Administrative Agent shall have received from each party thereto duly executed and completed counterparts (in such number as may be requested by the Administrative Agent) of the Security Instruments, including the Reaffirmation Agreements and the other Security Instruments described on Exhibit C. In connection with the execution and delivery of the Security Instruments, the Administrative Agent shall:

(i) be reasonably satisfied that the Security Instruments create first priority, perfected Liens (subject only to Excepted Liens identified in clauses (a) to (d) of the definition thereof, but subject to the provisos at the end of such definition) on at least 75% of the total value of the Oil and Gas Properties evaluated in the Initial Reserve Report sufficient in the reasonable opinion of the Administrative Agent to justify a Borrowing Base of $1,300,000,000 on the Effective Date hereof; and

(ii) have received certificates, together with undated, blank stock powers for each such certificate, representing all of the issued and outstanding Equity Interests of each of the Guarantors.

(h) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Thompson & Knight LLP, special counsel to the Borrower and the Guarantors, covering such matters relating to the Borrower, the Guarantors, this Agreement, the other Loan Documents and the transactions contemplated hereby and thereby as the Administrative Agent shall reasonably request, and such other legal opinions, including opinions of local counsel, certificates, notes, documents and other instruments as the Administrative Agent may request.

(i) The Administrative Agent shall have received a certificate of insurance coverage of the Borrower evidencing that the Borrower is carrying insurance in accordance with Section 7.13.

(j) The Administrative Agent shall have received title opinions, in form and substance satisfactory to the Administrative Agent, or other evidence of title, in form and substance satisfactory to the Administrative Agent, setting forth the status of title to at least 85% of the Borrowing Base value of the Mortgaged Properties evaluated in the Initial Reserve Report and the Administrative Agent shall be reasonably satisfied with the status of title reflected therein.

(k) The proceeds of the initial Loans shall be used to renew, rearrange, modify and extend the outstanding amounts under the Existing Credit Agreement and all "Commitments" (as defined in the Existing Credit Agreement) thereunder shall have been terminated.

(l) The Administrative Agent shall be reasonably satisfied with the environmental condition of the Oil and Gas Properties of the Borrower and its Material Subsidiaries.

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

(n) The Administrative Agent shall have received the financial statements referred to in Section 7.04(a) and the Initial Reserve Report accompanied by a certificate covering the matters described in Section 8.12(c).

(o) The Administrative Agent shall have received appropriate UCC search certificates reflecting no prior Liens encumbering the Properties of the

Borrower and the Material Subsidiaries in Delaware and any other jurisdiction requested by the Administrative Agent; other than those being assigned or released on or prior to the Effective Date or Liens permitted by Section 9.03.

(p) The Administrative Agent shall have received a letter from Corporation Service Company evidencing the appointment of Corporation Service Company as authorized agent for service of process on the Borrower under each Loan Document to which it is a party,

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

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank 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 5:00 p.m., Charlotte, North Carolina time, on May 27, 2011 (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 (including the initial funding), and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

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

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Material Adverse Effect shall have occurred.

(c) The representations and warranties of the Loan Parties set forth in this Agreement and in the other Loan Documents shall be true and correct in all material respects 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 as of such specified earlier date.

(d) The making of such Loan or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, would not conflict with, or cause any Lender or the Issuing Bank to violate or exceed, any applicable Governmental Requirement, and no Change in Law shall have occurred, and no litigation shall be pending or threatened, which does or, with respect to any threatened litigation, seeks to, enjoin, prohibit or restrain, the making or repayment of any Loan, the issuance, amendment, renewal, extension or repayment of any Letter of Credit or any participations therein or the consummation of the transactions contemplated by this Agreement or any other Loan Document.

(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 in accordance with Section 2.08(b), as applicable.

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

ARTICLE VII
Representations and Warranties

The Borrower 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 material governmental licenses, authorizations, consents and approvals necessary, to own its assets and to carry on its business as now conducted, and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where failure to have such power, authority, licenses, authorizations, consents, approvals and qualifications could not reasonably be expected to have a Material Adverse Effect.

Section 7.02 Authority; Enforceability. The Transactions are within the each Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. Each Loan Document to which each Loan Party is a party has been duly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party enforceable in accordance with its terms, subject to applicable

bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 7.03 Approvals; No Conflicts. The Transactions (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 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 any applicable law or regulation or the charter, by-laws or other organizational documents of any Loan Party or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon any Loan Party or its Properties, or give rise to a right thereunder to require any payment to be made by such 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) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows as of and for the fiscal year ended December 31, 2010, reported on by Deloitte & Touche, independent public accountants. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Consolidated Subsidiaries as of such date and for such period in accordance with GAAP.

(b) Since December 31, 2010, (i) there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Loan Parties, taken as a whole and (ii) the business of each Loan Party has been conducted only in the ordinary course consistent with past business

practices.

(c) No Loan Party has on the date hereof (i) any material Debt (including Disqualified Capital Stock), except as referred to or reflected or provided for in the Financial Statements, or (ii) any contingent liabilities, off-balance sheet liabilities or partnerships, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, incurred outside the ordinary course of such Loan Party's business.

Section 7.05 Litigation.

(a) Except as set forth on Schedule 7.05, there are no material actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting any Loan Party (i) 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) that 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, or materially increased the likelihood of, a Material Adverse Effect.

Section 7.06 Environmental Matters. Except as could not be reasonably expected to have a Material Adverse Effect (or with respect to (c), (d) and (e) below, where the failure to take such actions could not be reasonably expected to have a Material Adverse Effect):

(a) no Property of any Loan Party nor the operations conducted thereon violate any order or requirement of any court or Governmental Authority or any Environmental Laws.

(b) no Property of any Loan Party nor the operations currently conducted thereon or, to the knowledge of the Borrower, by any prior owner or operator of such Property or operation, are in violation of or subject to any existing, pending or threatened action, suit, investigation, inquiry or proceeding by or before any court or Governmental Authority or to any remedial obligations under Environmental Laws.

(c) all notices, permits, licenses, exemptions, approvals or similar authorizations, if any, required to be obtained or filed in connection with the operation or use of any and all Property of each Loan Party, including past or present treatment, storage, disposal or release of a hazardous substance, oil and gas waste or solid waste into the environment, have been duly obtained or filed, and each Loan Party is in compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations.

(d) to the knowledge of the Borrower, all hazardous substances, solid waste and oil and gas waste, if any, generated at any and all Property of any Loan Party have in the past been transported, treated and disposed of in accordance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and, in transporting, treating or disposing of the same all such transport carriers and treatment and disposal facilities have been and are operating in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment, and are not the subject of any existing, pending or threatened action, investigation or inquiry by any Governmental Authority in connection with any Environmental Laws.

(e) the Borrower has taken all steps reasonably necessary to determine and has determined that no oil, hazardous substances, solid waste or oil and gas waste, have been

disposed of or otherwise released and there has been no threatened release of any oil, hazardous substances, solid waste or oil and gas waste on or to any Property of any Loan Party except in compliance with Environmental Laws and so as not to pose an imminent and substantial endangerment to public health or welfare or the environment.

(f) to the extent applicable, all Property of each Loan Party currently satisfies all design, operation, and equipment requirements imposed by the OPA, and the Borrower does not have any reason to believe that such Property, to the extent subject to the OPA, will not be able to maintain compliance with the OPA requirements during the term of this Agreement.

(g) no Loan Party has any known contingent liability or Remedial Work in connection with any release or threatened release of any oil, hazardous substance, solid waste or oil and gas waste into the environment.

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 do any of the foregoing under any indenture, note, credit agreement or instrument pursuant to which any Material Indebtedness is outstanding or by which such Loan Party or any of its Properties is bound.

(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 [Intentionally Omitted].

Section 7.10 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 such Loan Party has set aside on its books adequate reserves in accordance with GAAP or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Loan Parties in respect of Taxes and other governmental charges are, in the reasonable opinion of the Borrower, adequate. No Tax Lien has been filed and, to the knowledge of the Borrower, no claim is being asserted with respect to any such Tax or other such governmental charge.

Section 7.11 ERISA.

(a) The Loan Parties and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan.

(b) Each Plan is, and has been, maintained in substantial compliance with ERISA and, where applicable, the Code.

(c) No act, omission or transaction has occurred which could result in imposition on any Loan Party 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.

(d) No Plan (other than a defined contribution plan) or any trust created under any such Plan has been terminated since September 2, 1974. No liability to the PBGC (other than for the payment of current premiums which are not past due) by any Loan Party or any ERISA Affiliate has been or is expected by the 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.

(e) Full payment when due has been made of all amounts which any Loan Party or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan as of the date hereof, and no accumulated funding deficiency (as defined in section 302 of ERISA and section 412 of the Code), whether or not waived, exists with respect to any Plan.

(f) 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. The term "actuarial present value of the benefit liabilities" shall have the meaning specified in section 4041 of ERISA.

(g) Neither any Loan Party nor any ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by any Loan Party or any ERISA Affiliate in its sole discretion at any time without any material liability.

(h) Neither any Loan Party 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, any Multiemployer Plan.

(i) Neither any Loan Party nor any ERISA Affiliate is required to provide security under section 401(a)(29) of the Code due to a Plan amendment that results in an increase in current liability for the Plan.

Section 7.12 Disclosure; No Material Misstatements. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which any of the Loan Parties is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. Neither the Information Memorandum nor any of the other reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party 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) contains 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 information, prospect information, geological and geophysical data and engineering projections, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. To the knowledge of the Borrower, there is no fact peculiar to any 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 any Loan Party prior to, or on, the date hereof in connection with the transactions contemplated hereby. There are no material statements or conclusions known to the Borrower 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 that the Loan Parties do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate.

Section 7.13 Insurance. Each Loan Party has (a) all insurance policies sufficient for the compliance by it with all material Governmental Requirements and all material agreements and (b) insurance coverage in at least 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 such Loan Party.

Section 7.14 Restriction on Liens. No Loan Party is a party to any material agreement or arrangement (other than Capital Leases creating Liens permitted by Section 9.03(c), but then only on the Property subject of such Capital Lease), 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 Indebtedness and the Loan Documents.

Section 7.15 Subsidiaries. Except as set forth on Schedule 7.15 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 7.15, the Borrower has no Subsidiaries. As of the Effective Date, there are no Material Subsidiaries.

Section 7.16 Location of Business and Offices. The Borrower's jurisdiction of organization is Delaware; the name of the Borrower as listed in the public records of its

jurisdiction of organization is SM Energy Company; and the organizational identification number of the Borrower in its jurisdiction of organization is 44728. The Borrower's principal place of business and chief executive office are located at the address specified in Section 12.01 (or as set forth in a notice delivered pursuant to Section 8.01(m) and Section 12.01(c)). Each other Loan Party'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 7.15 (or as set forth in a notice delivered pursuant to Section 8.01(m)).

Section 7.17 Properties; Titles, Etc. Except for matters which could not reasonably be expected to have a Material Adverse Effect:

(a) Each Loan Party has good and defensible title to the proved Oil and Gas Properties evaluated in the most recently delivered Reserve Report and good title to all its personal Properties, 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 the ownership of such Properties shall not in any material respect obligate such 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 such 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 would affect in any material respect the conduct of the business of the Loan Parties, taken as a whole.

(c) 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 all material respects in the same manner as its business has been conducted prior to the date hereof.

(d) All of the Properties of the Loan Parties which are reasonably necessary for the operation of their businesses are in good working condition and are maintained in accordance with prudent business standards.

(e) Each Loan Party owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual Property material to its business, and the use thereof by such Loan Party does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. 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) have been maintained, operated and developed in a good and workmanlike manner and in conformity with all Government 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. Specifically in connection with the foregoing, except for those as could not be reasonably expected to have a Material Adverse Effect, (i) no proved Oil and Gas Property 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 proved Oil and Gas Properties (or Properties unitized therewith) is deviated from the vertical more than the maximum permitted by Government Requirements, and such wells are, in fact, bottomed under and are producing from, and the well bores are wholly within, the proved Oil and Gas Properties (or in the case of wells located on Properties unitized therewith, such unitized Properties). 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 that are operated by any of the Loan Parties, in a manner consistent with such Loan Party's past practices (other than those the failure of which to maintain in accordance with this Section 7.18 could not reasonably be expect to have a Material Adverse Effect).

Section 7.19 Reserved.

Section 7.20 Reserved.

Section 7.21 Reserved.

Section 7.22 Use of Loans and Letters of Credit. The proceeds of the Loans and the Letters of Credit shall be used (a) to provide working capital for exploration, development and production operations, (b) to finance the acquisition of Oil & Gas Properties, (c) to renew, rearrange, modify and extend the Debt under the Existing Credit Agreement, (d) for general corporate purposes, (e) to repay Swingline Loans and (f) to purchase or otherwise make payments in respect of the Senior Convertible Notes subject to the limitations on such purchases and payments provided herein. No Loan Party is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation T, U or X of the Board). No part of the proceeds of any Loan or Letter of Credit will be used for any purpose which violates the provisions of Regulations T, U or X of the Board.

Section 7.23 Solvency. After giving effect to the 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 each Loan Party 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 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 7.24 Anti-Terrorism Laws.

(a) No Loan Party is, and to the knowledge of each Loan Party, none of its Affiliates, officers or directors is in violation of any Governmental Requirement relating to terrorism or money laundering ("Anti-Terrorism Laws"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order"), the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, and the Trading with the Enemy Act, 50 U.S.C. App. 1 et seq., in each case, as amended from time to time.

(b) No Loan Party is, and to the knowledge of each Loan Party, no Affiliate, officer, director, broker or other agent of such Loan Party 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;

(iv) 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 ("OFAC") at its official website or any replacement website or other replacement official publication of such list.

ARTICLE VIII
Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit shall have expired or terminated

and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 8.01 Financial Statements; Ratings Change; Other Information. The Borrower will furnish to the Administrative Agent for electronic or other distribution to each Lender:

(a) Annual Financial Statements. Within 90 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Deloitte & Touche or other 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 the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied.

(b) Quarterly Financial Statements. Within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes.

(c) Certificate of Financial Officer — Compliance. Concurrently with any delivery of financial statements under Section 8.01(a) or Section 8.01(b), a certificate of a Financial Officer in substantially the form of Exhibit B 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 8.13(b) and Section 9.01 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 7.04 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 Insurer — Insurance Coverage. Concurrently with any delivery of financial statements under Section 8.01(a), a certificate of insurance coverage from each insurer with respect to the insurance required by Section 8.07, in form and substance satisfactory to the Administrative Agent, and, if requested by the Administrative Agent or any Lender, all copies of the applicable policies.

(f) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other material 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 such Loan Party, and a copy of any response by such Loan Party, or the Board of Directors of such Loan Party, 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, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be; provided, however, that the Borrower shall be deemed to have furnished the information required by this Section 8.01(g) if it shall have timely made the same available on "EDGAR" on the worldwide web.

(h) Notices Under Material Instruments. Promptly after the furnishing thereof, copies of any financial statement, report or notice furnished to or by any Person pursuant to the terms of any preferred stock designation, indenture, loan or credit or other similar agreement, 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. Promptly following the written request from the Administrative Agent thereof, a list of all Persons purchasing Hydrocarbons from any Loan Party.

(j) Notice of Sales of Oil and Gas Properties. In the event any Loan Party intends to sell, transfer, assign or otherwise dispose of any Oil or Gas Properties or any Equity Interests in any Subsidiary in accordance with Section 9.12 for consideration in excess of $25,000,000, prior written notice of such disposition, the price thereof and the anticipated date of closing.

(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) Issuance of Permitted Refinancing Debt. In the event the Borrower intends to refinance any Debt with the proceeds of Permitted Refinancing Debt, prior written notice of such intended offering therefor, the amount thereof and the anticipated date of closing to Agent and the Borrower will furnish to Agent a copy of the preliminary offering memorandum (if any) and the final offering memorandum (if any).

(m) Information Regarding Loan Parties. Prompt written notice (and in any event within thirty (30) days upon becoming aware thereof) of any change (i) in any 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 any 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) Other Requested Information. Promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary (including, without limitation, 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 and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, 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 and its Subsidiaries in an aggregate amount exceeding $10,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section 8.02 shall be accompanied by a statement of a Responsible Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 8.03 Existence; Conduct of Business. Each Loan Party will 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 proved Oil and Gas Properties are located or the ownership of its Properties requires such qualification, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 9.11.

Section 8.04 Payment of Obligations. Each Loan Party will pay its obligations, including Tax liabilities of such Loan Party 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) such Loan Party has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect or result in the seizure or levy of any Property of such Loan Party having a fair market value, individually or in the aggregate, in excess of $8,000,000.

Section 8.05 Performance of Obligations under Loan Documents. The Borrower will pay the Notes according to the reading, tenor and effect thereof, and each Loan Party will do and

perform every act and discharge all of the obligations to be performed and discharged by them under the Loan Documents, including, without limitation, this Agreement, at the time or times and in the manner specified.

Section 8.06 Operation and Maintenance of Properties. Except for matters that could not reasonably be expected to result in a Material Adverse Effect, each Loan Party, at its own expense, will:

(a) operate its Oil and Gas Properties and other material Properties or cause such Oil and Gas Properties and other material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance with all 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) keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, preserve, maintain and keep in good repair, working order and efficiency (ordinary wear and tear excepted) all of its material proved Oil and Gas Properties and other material Properties, including all equipment, machinery and facilities.

(c) promptly pay and discharge, or make reasonable and customary efforts to cause to be paid and discharged, all delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its proved Oil and Gas Properties and will do all other things necessary to keep unimpaired their rights with respect thereto and prevent any forfeiture thereof or default thereunder.

(d) promptly perform or make reasonable and customary 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.

(e) operate its Oil and Gas Properties and other material Properties or cause or make reasonable and customary efforts to cause such Oil and Gas Properties and other material Properties to be operated in accordance with the practices of the industry and in material compliance with all applicable contracts and agreements and in compliance in all material respects with all Governmental Requirements.

(f) to the extent such Loan Party is not the operator of any Property, the Borrower shall use reasonable efforts to cause the operator to comply with this Section 8.06.

Section 8.07 Insurance. Each Loan Party will maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

Section 8.08 Books and Records; Inspection Rights. Each Loan Party will keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. Each Loan Party will 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. Each Loan Party will 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) Each Loan Party shall at its sole expense: (i) comply, and shall cause its Properties and operations to comply, with all applicable Environmental Laws, the breach of which could be reasonably expected to have a Material Adverse Effect; (ii) not dispose of or otherwise release any oil, oil and gas waste, hazardous substance, or solid waste on, under, about or from any of such Loan Party's Properties or any other Property to the extent caused such Loan Party's 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 all notices, permits, licenses, exemptions, approvals, registrations or other authorizations, if any, required under applicable Environmental Laws to be obtained or filed in connection with the operation or use of such Loan Party's 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 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 oil, oil and gas waste, hazardous substance or solid waste on, under, about or from such Loan Party's Properties, which failure to commence and diligently prosecute to completion could reasonably be expected to have a Material Adverse Effect; and (v) establish and implement such procedures as may be necessary to continuously determine and assure that such Loan Party's 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) The Borrower will promptly, but in no event later than five days of the occurrence of a triggering event, notify the Administrative Agent and the Lenders in writing of any threatened action, investigation or inquiry by any Governmental Authority or any threatened demand or lawsuit by any landowner or other third party against any Loan Party or such Loan Party's Properties of which the Borrower has knowledge in connection with any Environmental Laws (excluding routine testing and corrective action) if the Borrower reasonably anticipates that such action will result in liability (whether individually or in the aggregate) in excess of $17,500,000, not fully covered by insurance, subject to normal deductibles.

(c) In connection with any future acquisitions of Oil and Gas Properties or other Properties, each Loan Party will provide environmental audits and tests in accordance with American Society of Testing Materials standards upon request by the Administrative Agent and the Lenders, except in circumstances in which such Loan Party is acquiring an additional interest in an Oil and Gas Property or other Property.

Section 8.11 Further Assurances.

(a) Each Loan Party will 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 such Loan Party in the Loan Documents, including the Notes, or to further evidence and more fully describe the collateral intended as security for the Indebtedness, 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 reasonable discretion of the Administrative Agent, in connection therewith.

(b) The Borrower hereby authorizes the Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Mortgaged Property without the signature of any 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. The Administrative Agent will promptly send the Borrower any financing or continuation statements it files without the signature of any Loan Party and the Administrative Agent will promptly send the Borrower the filing or recordation information with respect thereto.

Section 8.12 Reserve Reports.

(a) On or before February 28th (or February 29th, as applicable) and August 31st of each year, commencing August 31, 2011, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report. The Reserve Report as of December 31 of each year shall have the majority of PV-10 value prepared or audited by one or more Approved Petroleum Engineers, and the Reserve Report as of June 30 of each year shall be prepared by or under the supervision of the Vice President, Engineering and Evaluation of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding December 31 Reserve Report.

(b) In the event of an Interim Redetermination, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report prepared by or under the supervision of the Vice President, Engineering and Evaluation of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding December 31 Reserve Report. For any Interim Redetermination requested by the Administrative Agent or the Borrower pursuant to Section

2.07(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 from a Responsible Officer certifying that to his knowledge after reasonable inquiry, in all material respects: (i) the information contained in the Reserve Report and any other information delivered in connection therewith is based on information that was prepared in good faith based upon assumptions believed to be reasonable at the time, Material Subsidiaries own good and defensible title to the proved 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, (ii) none of their proved Oil and Gas Properties have been sold since the date of the last Borrowing Base determination except as set forth on an exhibit to the certificate, which certificate shall list all of its proved Oil and Gas Properties sold and in such detail as reasonably required by the Administrative Agent and (iii) attached thereto is a schedule of the proved Oil and Gas Properties evaluated by such Reserve Report that are Mortgaged Properties and demonstrating the percentage of the Borrowing Base that the value of such Mortgaged Properties represent.

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 deliver title information in form and substance acceptable to the Administrative Agent covering enough of the proved Oil and Gas Properties evaluated by such Reserve Report that were not included in the immediately preceding Reserve Report, so that the Administrative Agent shall have received together with title information previously delivered to the Administrative Agent, satisfactory title information on at least 85% of the Borrowing Base value of the of the Mortgaged 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), (f) and (g) of such definition) having an equivalent value or (iii) deliver title information in form and substance 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 at least 85% of the Borrowing Base value of the of the Mortgaged 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 at least 85% of the Borrowing Base value of the Mortgaged 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 reasonably satisfied with title to any Mortgaged Property after the 60-day period has elapsed, such unacceptable Mortgaged Property shall not count towards the 75% 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 Majority Lenders to cause the Borrower to be in compliance with the requirement to provide acceptable title information at least 85% of the Borrowing Base value of the of the Mortgaged 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)(iii)) to ascertain whether the Mortgaged Properties represent at least 75% of the total value 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 75% of such total value, then the Borrower shall, and shall cause each of its Material Subsidiaries (other than an Excluded Foreign Subsidiary) to, grant to the Administrative Agent as security for the Indebtedness a first-priority Lien interest (subject only to Excepted Liens of the type described in clauses (a) to (d) of the definition thereof, 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 75% of such total value. 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 Material Subsidiary places a Lien on its Oil and Gas Properties and such Material Subsidiary is (a) a Restricted Subsidiary that is not an Excluded Foreign Subsidiary and (b) not a Guarantor, then it shall become a Guarantor and comply with Section 8.14(b).

(b) In the event that any Restricted Subsidiary becomes a Material Subsidiary after the Closing Date, the Borrower shall promptly cause such Restricted Subsidiary (other than any Excluded Foreign Subsidiary) to guarantee the Indebtedness pursuant to the Guaranty Agreement. In connection with any such guaranty, the Borrower shall, or shall cause such Restricted Subsidiary (other than any Excluded Foreign Subsidiary) to, (A) execute and deliver a supplement to the Guaranty Agreement executed by such Restricted Subsidiary, (B) execute and deliver a Pledge — Borrower, pledging all of the Equity Interests of such Restricted Subsidiary (including, without limitation, delivery of original stock certificates evidencing the Equity Interests of such Restricted Subsidiary, together with an appropriate undated stock powers for each certificate duly executed in blank by the registered owner thereof) and (C) execute and deliver such other additional closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent. In addition, in the event that any

Excluded Foreign Subsidiary that is a First Tier Foreign Subsidiary becomes a Material Subsidiary after the Closing Date, Borrower shall deliver a Pledge — Borrower, pledging 65% of such Excluded Foreign Subsidiary's outstanding voting Equity Interests and 100% of such Excluded Foreign Subsidiary's outstanding non-voting Equity Interests to the extent such pledge will not result in adverse tax consequences to the Borrower. Notwithstanding the foregoing, if any Subsidiary (other than any Excluded Foreign Subsidiary) guarantees any Debt, the Borrower shall promptly cause such Subsidiary to guarantee the Indebtedness pursuant to the Guaranty Agreement. In connection with any such guaranty, the Borrower shall, or shall cause such Subsidiary to, execute and deliver (x) a supplement to the Guaranty Agreement and (y) such other additional closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent.

(c) The Security Instruments shall remain in effect at all times unless otherwise released pursuant to the terms of this Agreement; provided, however, that on the Investment Grade Rating Date, if no Default or Event of Default has occurred and is continuing, then (i) Section 8.14(a) shall have no further force or effect and (ii) upon written request of the Borrower to the Administrative Agent, the Administrative Agent shall use reasonable efforts to promptly release all of the Mortgaged Properties from the Liens of the Security Instruments; provided, further, that if, after such release of any or all of the Mortgaged Properties under the Security Instruments, the Borrower ceases to have an Investment Grade Rating, then (1) Section 8.14(a) shall be automatically reinstated and (2) the Borrower will, and will cause each other applicable Subsidiary to, re-execute and re-deliver to the Administrative Agent any and all Security Instruments that are required to be delivered pursuant to the terms and provisions of this Agreement.

Section 8.15 ERISA Compliance. Each Loan Party and any ERISA Affiliate will promptly furnish to the Administrative Agent (i) promptly after the filing thereof with the United States Secretary of Labor, the Internal Revenue Service or the PBGC, copies of each annual and other report with respect to each Plan or any trust created thereunder, (ii) immediately upon becoming aware of the occurrence of any ERISA Event or of any "prohibited transaction," as described in section 406 of ERISA or in section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by the President or the principal Financial Officer, such Loan Party or the ERISA Affiliate, as the case may be, specifying the nature thereof, what action such Loan Party or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto, and (iii) immediately upon receipt thereof, copies of any notice of the PBGC's intention to terminate or to have a trustee appointed to administer any Plan. With respect to each Plan (other than a Multiemployer Plan), each Loan Party will (i) satisfy in full and in a timely manner, without incurring any late payment or underpayment charge or penalty and without giving rise to any lien, all of the contribution and funding requirements of section 412 of the Code (determined without regard to subsections (d), (e), (f) and (k) thereof) and of section 302 of ERISA (determined without regard to sections 303, 304 and 306 of ERISA), and (ii) pay, or cause to be paid, to the PBGC in a timely manner, without incurring any late payment or underpayment charge or penalty, all premiums required pursuant to sections 4006 and 4007 of ERISA.

ARTICLE IX
Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 9.01 Financial Covenants.

(a) Ratio of Total Debt to EBITDAX. The Borrower will not, at any time, permit its ratio of Total Debt as of such time to EBITDAX 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 greater than 4.0 to 1.0. For purposes of calculating the ratio of Total Debt to EBITDAX for any four fiscal quarter period, acquisitions of Oil and Gas Properties during any such four fiscal quarter period may, at the Borrower's option, be included on a pro forma basis, as if such acquisitions had occurred at the beginning of the four fiscal quarter period. Unless an Event of Default has occurred and is continuing, for purposes of determining the ratio of Total Debt to EBITDAX as of any date of determination, the calculation of Total Debt shall be made by subtracting therefrom an aggregate amount of cash on deposit in any cash collateral account as of such date as a result of the existence of any Impacted Lender.

(b) Current Ratio. The Borrower will not permit, as of the last day of any fiscal quarter, its ratio of (i) consolidated current assets (including the unused amount of the Aggregate Commitment, but excluding non-cash assets under ASC 815) to (ii) consolidated current liabilities (excluding non-cash obligations under ASC 815 and the current portion of the Aggregate Commitment) to be less than 1.0 to 1.0. Unless an Event of Default has occurred and is continuing, for purposes of determining the ratio of consolidated current assets to consolidated current liabilities the calculation of consolidated current liabilities shall be made by subtracting therefrom the aggregate cash on deposit in any cash collateral account as of such date as a result of the existence of any Impacted Lender.

Section 9.02 Debt. No Loan Party will incur, create, assume or suffer to exist any Debt, except:

(a) the Notes or other Indebtedness arising under the Loan Documents or any guaranty of or suretyship arrangement for the Notes or other Indebtedness arising under the Loan Documents.

(b) Debt of the Loan Parties in respect of the $350,000,000 of 6.625% Senior Notes due 2019 and other Debt of the Loan Parties existing on the date hereof that is reflected in the Financial Statements, and any Permitted Refinancing Debt in respect of any of the foregoing.

(c) Debt incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Leases and any Debt assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Debt that do not increase the

outstanding principal amount thereof; provided that (i) in the case of any acquisition, construction or improvement of any fixed or capital asset, such Debt (other than Capital Leases) is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Debt permitted by this clause (d) shall not exceed $75,000,000 at any time outstanding.

(d) Debt associated with surety bonds or other surety obligations to secure performance of obligations owing in the ordinary course of its business.

(e) intercompany Debt between the Borrower and any Restricted Subsidiary or between Restricted Subsidiaries to the extent permitted by Section 9.05(g); provided that such Debt is not held, assigned, transferred, negotiated or pledged to any Person other than the Borrower or one of its Wholly-Owned Subsidiaries, and, provided further, that any such Debt owed by either the Borrower or any Restricted Subsidiary shall be subordinated to the Indebtedness on terms set forth in the Guaranty Agreement.

(f) endorsements of negotiable instruments for collection in the ordinary course of business.

(g) non-recourse Debt secured by Property other than Oil and Gas Properties evaluated by the Lenders for purposes of establishing the Borrowing Base not to exceed $40,000,000 in the aggregate at any one time outstanding.

(h) other Debt not to exceed $25,000,000 in the aggregate at any one time outstanding.

(i) Debt of the Borrower evidenced by the Senior Convertible Notes, together with any and all refinancings thereof, so long as all of same are either unsecured or expressly subordinated to this Agreement and all of same are scheduled to mature after the Maturity Date under this Agreement.

(j) unsecured senior Debt or subordinated Debt of the Borrower maturing (giving effect to mandatory prepayments) no earlier than at least six months after the Maturity Date under this Agreement; provided that effective immediately upon the issuance of any such unsecured senior Debt or subordinated Debt, other than Permitted Refinancing Debt, the Borrowing Base shall be reduced by an amount equal to twenty-five percent (25%) of the aggregate principal amount of such Debt.

Section 9.03 Liens. No Loan Party will 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 Indebtedness.

(b) Excepted Liens.

(c) Liens securing Capital Leases and other Debt permitted by Section 9.02(c) but only on the Property thereunder.

(d) Any Lien existing on Property of a Person immediately prior to its being consolidated with or merged into a Loan Party or its becoming a Restricted Subsidiary, or any Lien existing on any Property acquired by a Loan Party at the time such Property is so acquired, provided that (i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person's becoming a Restricted Subsidiary or such acquisition of Property, and (ii) each such Lien shall extend solely to the item or items of Property so acquired and any other Property which is an improvement or accession to such acquired Property.

(e) Liens on Property not included in the then most recent Reserve Report and not otherwise permitted by the foregoing clauses of this Section 9.03; provided that the principal or face amount of all Debt secured under this Section 9.03(e) shall not exceed $25,000,000 in the aggregate for all Loan Parties.

(f) 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.

(g) Liens on Property securing non-recourse Debt permitted by Section 9.02(g).

Section 9.04 Dividends, Distributions, Redemptions and Restricted Payments. No Loan Party will declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, return any capital to its stockholders or make any distribution of its Property to its Equity Interest holders, except (a) the Borrower may declare and pay dividends with respect to its Equity Interests payable solely in additional shares of its common stock (other than Disqualified Capital Stock), (b) so long as no Event of Default shall have occurred which is continuing, the Borrower may declare and pay annual cash dividends not to exceed $50,000,000 on an annual basis, (c) the Loan Parties (other than the Borrower) may declare and pay dividends ratably with respect to their Equity Interests, (d) the Borrower may make Restricted Payments pursuant to and in accordance with restricted stock plans, stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries and (e) the Borrower may make interest payments and principal payments on any and all issued and sold Senior Convertible Notes and deliver cash, stock, or any combination thereof upon payment, settlement upon conversion (whether a general or a net share settlement), or redemption of any and all issued and sold Senior Convertible Notes so long as (i) all such cash payments, settlements upon conversions, and redemptions are in accordance with the terms of the Senior Convertible Notes indenture, (ii) no Default shall exist or be occasioned by such payments, settlements upon conversions, or redemptions, and (iii) with respect to any such cash redemptions of such Senior Convertible Notes on the put date occurring on April 1, 2012, after giving effect to such cash redemptions (x) the availability under this Agreement shall be no less than $75,000,000 and (y) both before and after giving effect to such cash redemptions, the Borrower's ratio of Total Debt to EBITDAX 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 is not greater than 3.75 to 1.0. The calculation of Total Debt to EBITDAX under Section 9.04(e) shall be made in accordance with the provisions of Section 9.01(a). No Loan Party will make any payment or prepayment on, or redemption or acquisition for value of, any outstanding

subordinated Indebtedness if an Event of Default has occurred and is continuing or would exist after giving effect to such payment, prepayment, redemption or acquisition.

Section 9.05 Investments, Loans and Advances. No Loan Party will make or permit to remain outstanding any Investments in or to any Person, except that the foregoing restriction shall not apply to:

(a) Investments reflected in the Financial Statements or which are disclosed to the Lenders in Schedule 9.05(a).

(b) accounts receivable 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 creation thereof.

(d) commercial paper maturing within one year from the date of creation thereof rated in the highest grade 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 $100,000,000 (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 or, in the case of any Foreign Subsidiary, a bank organized in a jurisdiction in which the Foreign Subsidiary conducts operations having assets in excess of $500,000,000 (or its equivalent in another currency).

(f) deposits maturing within one year from the date of creation thereof which are either (i) in money market funds investing exclusively in Investments described in Section 9.05(c), Section 9.05(d) or Section 9.05(e) or (ii) rated AAA/Aaa by S&P or Moody's.

(g) Investments (i) made by the Borrower in or to the other Loan Parties, and (ii) made by a Loan Party in or to the Borrower or any other Loan Party.

(h) subject to the limits in Section 9.07, Investments (including, without limitation, capital contributions) in general or limited partnerships or other types of entities (each a "venture") entered into by such Loan Party with others in the ordinary course of business; provided that (i) any such venture is engaged exclusively in oil and gas exploration, development, production, processing and related activities, including transportation, except for existing Investments described or referred to on Schedule 9.05(h) and Investments permitted by Section 9.05(i), (ii) the interest in such venture is acquired in the ordinary course of business and on fair and reasonable terms and (iii) such venture interests acquired and capital contributions made (valued as of the date such interest was acquired or the contribution made) do not exceed, in the aggregate at any time outstanding an amount equal to $125,000,000.

(i) subject to the limits in Section 9.07, additional Investments (including, without limitation, capital contributions) in the ventures described or referred to on Schedule 9.05(h) and new Investments (including, without limitation, capital contributions) in ventures entered into by such Loan Party with others in the ordinary course of business; provided that (i) any such venture is not engaged exclusively in oil and gas exploration, development, production, processing and related activities, including transportation, (ii) the interest in such venture is acquired in the ordinary course of business and on fair and reasonable terms and (iii) such venture interests acquired and capital contributions made (valued as of the date such interest was acquired or the contribution made) do not exceed, in the aggregate at any time outstanding an amount equal to $25,000,000.

(j) subject to the limits in Section 9.07, Investments in direct ownership interests in additional Oil and Gas Properties 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.

(k) so long as no Event of Default shall have occurred which is continuing, from and after the date hereof, the Borrower may make repurchases of its stock; provided, however, during any time the Borrower's ratio of Total Debt to consolidated tangible net worth is greater than 2.50 to 1.00, the aggregate amount paid by the Borrower in connection with such repurchases shall not exceed $75,000,000.

(l) so long as (i) no Default or Event of Default exists either before or after giving effect thereto and (ii) the Borrower is in compliance with Section 9.01 both before and after giving effect thereto on a pro forma basis, Investments in Unrestricted Subsidiaries, provided that the aggregate amount of all such Investments at any one time shall not exceed $200,000,000.

Section 9.06 Designation of Material Subsidiaries. Unless designated as a Non-Material Subsidiary on Schedule 7.15 as of the date hereof or thereafter, assuming compliance with Section 9.15, any Person that becomes a Subsidiary of the Borrower or any of its Material Subsidiaries shall be classified as a Material Subsidiary.

Section 9.07 Nature of Business; International Operations. No Loan Party will allow any material change to be made in the character of its business as an independent oil and gas exploration and production company. From and after the date hereof, no Loan Party will acquire or make any other expenditure (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 or Canada in excess of $15,000,000 in the aggregate.

Section 9.08 Proceeds of Notes. The Borrower will not permit the proceeds of the Notes to be used for any purpose other than those permitted by Section 7.22. Neither the Borrower nor any Person acting on behalf of the Borrower has taken or will take any action which might cause any of the Loan Documents to violate Regulations U or X or any other regulation of the Board or to violate Section 7 of the Securities Exchange Act of 1934 or any rule

or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. If requested by the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 or such other form referred to in Regulation U or Regulation X of the Board, as the case may be.

Section 9.09 ERISA Compliance. No Loan Party will at any time:

(a) engage in, or permit any ERISA Affiliate to engage in, any transaction in connection with which such Loan Party or any ERISA Affiliate could be subjected to either a civil penalty assessed pursuant to subsections (c), (i) or (l) of section 502 of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code.

(b) terminate, or permit any ERISA Affiliate to terminate, any Plan in a manner, or take any other action with respect to any Plan, which could result in any liability of such Loan Party or any ERISA Affiliate to the PBGC.

(c) fail to make, or permit any ERISA Affiliate to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, such Loan Party or any ERISA Affiliate is required to pay as contributions thereto.

(d) permit to exist, or allow any ERISA Affiliate to permit to exist, any accumulated funding deficiency within the meaning of section 302 of ERISA or section 412 of the Code, whether or not waived, with respect to any Plan.

(e) permit, or allow any ERISA Affiliate to permit, the actuarial present value of the benefit liabilities under any Plan maintained by such Loan Party or any ERISA Affiliate which is regulated under Title IV of ERISA to 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. The term "actuarial present value of the benefit liabilities" shall have the meaning specified in section 4041 of ERISA.

(f) contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume an obligation to contribute to, any Multiemployer Plan.

(g) acquire, or permit any ERISA Affiliate to acquire, an interest in any Person that causes such Person to become an ERISA Affiliate with respect to such Loan Party or with respect to any ERISA Affiliate of the such Loan Party 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, (1) any Multiemployer Plan, or (2) any other Plan that is subject to Title IV of ERISA under which the actuarial present value of the benefit liabilities under such Plan exceeds 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.

(h) incur, or permit any ERISA Affiliate to incur, a liability to or on account of a Plan under sections 515, 4062, 4063, 4064, 4201 or 4204 of ERISA.

(i) contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume an obligation to contribute to, any employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability.

(j) amend, or permit any ERISA Affiliate to amend, a Plan resulting in an increase in current liability such that such Loan Party or any ERISA Affiliate is required to provide security to such Plan under section 401(a)(29) of the Code.

Section 9.10 Sale or Discount of Receivables. Except for receivables obtained by any Loan Party out of the ordinary course of business or the settlement of joint interest billing accounts in the ordinary course of business or discounts granted to settle collection of accounts receivable or the sale of defaulted accounts arising in the ordinary course of business in connection with the compromise or collection thereof and not in connection with any financing transaction, no Loan Party will discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

Section 9.11 Mergers, Etc. No Loan Party will merge into or with or consolidate with any other Person, 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 (any such transaction, a "consolidation"); provided that

(a) any Loan Party may participate in a consolidation with any other Person; provided that (i) no Default is continuing, (ii) any such consolidation would not cause a Default hereunder, (iii) if the Borrower consolidates with any Person, the Borrower shall be the surviving Person and (iv) if any other Loan Party consolidates with any Person (other than the Borrower or another Loan Party) and such other Loan Party is not the surviving Person, such surviving Person shall expressly assume in writing (in form and substance satisfactory to the Administrative Agent) all obligations of such Loan Party under the Loan Documents; and

(b) any Loan Party may participate in a consolidation with the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or any other Loan Party and if one of such Loan Parties is a Wholly-Owned Subsidiary, then the surviving Person shall be a Wholly-Owned Subsidiary.

Section 9.12 Sale of Properties. No Loan Party will sell, assign, farm-out, convey or otherwise transfer any Property except for (a) the sale of Hydrocarbons in the ordinary course of business; (b) farmouts of undeveloped acreage and assignments in connection with such farmouts; (c) the sale or transfer of equipment that is no longer necessary for the business of such Loan Party or is replaced by equipment of at least comparable value and use; (d) the sale, transfer or other disposition of Equity Interests in Subsidiaries that are not Loan Parties; (e) sales or other dispositions of Oil and Gas Properties or any interest therein or Material Subsidiaries owning Oil and Gas Properties; provided that (i) if such sales or other dispositions of Oil and Gas Properties or Material Subsidiaries owning Oil and Gas Properties included in the most recently delivered Reserve Report during any period between two successive Scheduled Redetermination Dates has a fair market value in excess of ten percent (10%) of the Borrowing

Base, individually or in the aggregate, the Borrowing Base shall be reduced, effective immediately upon such sale or disposition, by an amount equal to the value, if any, assigned such Property in the most recently delivered Reserve Report and (ii) if any such sale or other disposition is of a Material Subsidiary owning Oil and Gas Properties,

such sale or other disposition shall include all the Equity Interests of such Material Subsidiary; and (f) sales and other dispositions of Properties (other than Oil and Gas Properties) not regulated by Sections 9.12(a) to (e) having a fair market value not to exceed $50,000,000 during any 12-month period.

Section 9.13 Environmental Matters. No Loan Party will cause or permit any of its Property to be in violation of, or do anything or permit anything to be done which will subject any such Property to any Remedial Work under any Environmental Laws, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to such Property where such violations or remedial obligations could reasonably be expected to have a Material Adverse Effect.

Section 9.14 Transactions with Affiliates. No Loan Party will enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate (other than any other Loan Party and Wholly-Owned Subsidiaries of the Borrower) 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 Subsidiaries. No Loan Party shall create or acquire any additional Material Subsidiary or redesignate a Subsidiary as a Material Subsidiary unless the Borrower gives written notice to the Administrative Agent of such creation or acquisition and complies with Section 8.14(b). The Borrower shall not, and shall not permit any Material Subsidiary to, sell, assign or otherwise dispose of any Equity Interests in any Material Subsidiary except in compliance with Section 9.12(e).

Section 9.16 Negative Pledge Agreements; Dividend Restrictions. No Loan Party will create, incur, assume or suffer to exist any contract, agreement or understanding which in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property in favor of the Administrative Agent and the Lenders or restricts any Material Subsidiary from paying dividends or making distributions to the Borrower or any Guarantor, or which requires the consent of or notice to other Persons in connection therewith; provided, however, that the preceding restrictions will not apply to encumbrances or restrictions arising under or by reason of (a) the Loan Documents, (b) any leases or licenses as they affect any Property or Lien subject to such lease or license, (c) any contract agreement or understanding creating Liens on Capital Leases or to secure purchase money Debt permitted by Section 9.03(c) (but only to the extent related to the Property on which such Liens were created), or (d) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or substantially all the equity or Property of such Restricted Subsidiary (or the Property that is subject to such restriction) pending the closing of such sale or disposition.

Section 9.17 Reserved.

Section 9.18 Swap Agreements. No Loan Party will enter into any Swap Agreements with any Person other than (a) Swap Agreements in respect of commodities (i) with an Approved Counterparty and (ii) the notional volumes for which (when aggregated with other commodity Swap Agreements then in effect) do not exceed, as of the date such Swap Agreement is executed, 75% of the reasonably anticipated projected production from proved, developed, producing Oil and Gas Properties for each month during the period during which such Swap Agreement is in effect, provided that the restrictions in (i) and (ii) shall not apply to floor or put arrangements setting a minimum commodity price, (b) Swap Agreements effectively converting interest rates from floating to fixed (i) with an Approved Counterparty and (ii) the notional amounts of which (when aggregated with other interest rate Swap Agreements then in effect effectively converting interest rates from floating to fixed) do not exceed 100% of principal amount of the Borrower's floating rate Debt in respect of borrowed money, (c) Swap Agreements effectively converting interest rates from fixed to floating (i) with an Approved Counterparty and (ii) the notional amounts of which (when aggregated with other interest rate Swap Agreements then in effect effectively converting interest rates from fixed to floating) do not exceed 100% of principal amount of the Borrower's fixed rate Debt in respect of borrowed money, and (d) Swap Agreements in respect of currencies (i) with an Approved Counterparty and (ii) such transactions are to hedge actual or expected fluctuations in currencies and are not for speculative purposes. 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 usual and customary requirements to deliver letters of credit or post cash collateral. If, between Scheduled Redeterminations, any Loan Party assigns, terminates, or unwinds any Swap Agreements which have, individually or in the aggregate, a value in the then effective Borrowing Base (as determined by the Administrative Agent) equal to more than five percent 5% of the then effective Borrowing Base, the Borrowing Base shall be reduced, effective immediately, by an amount equal to the value, if any, assigned the liquidated portion of such Swap Agreements.

Section 9.19 Reserved.

Section 9.20 Release of Liens. During any period between two successive Scheduled Redetermination Dates, the Borrower shall be entitled to cause Mortgaged Properties having an aggregate fair market value not to exceed seven and a half percent (7.5%) of the Borrowing Base, individually or in the aggregate, to be released from the Liens created by and existing under the Security Instruments without the consent of the Lenders; provided that (a) no Event of Default shall have occurred which is continuing, (b) following any such release, the total value of the remaining Mortgaged Property shall be sufficient to support the Aggregate Commitment in the sole opinion of the Administrative Agent, and (c) following any such release, the Administrative Agent shall adjust the then current Borrowing Base to take into account the release of such Mortgaged Properties and any mandatory prepayment required as a result thereof shall be made at the time of such release.

Section 9.21 Designation and Conversion of Restricted and Unrestricted Subsidiaries.

(a) Assuming compliance with Section 9.21(b), any Person that becomes a Subsidiary of the Borrower or any of its Restricted Subsidiaries shall be classified as a Restricted Subsidiary.

(b) The Borrower may designate by prior written notice thereof to the Administrative Agent, any Restricted Subsidiary, including a newly formed or newly acquired Subsidiary, as an Unrestricted Subsidiary if (i) immediately prior, and after giving effect, to such designation, (A) the representations and warranties of each Loan Party contained in each of the Loan Documents are true and correct in all material respects on and as of such date as if made on and as of the date of such redesignation (or, if stated to have been made expressly as of an earlier date, were true and correct in all material respects as of such date), and (B) no Default or Event of Default exists or would exist (and the Borrower shall be in compliance, on a pro forma basis, with the covenants set forth in Section 9.01); and (ii) the Investment deemed to be made in such Subsidiary pursuant to the next sentence would be permitted to be made at the time of such designation under Section 9.05(l). The designation of any Restricted Subsidiary as an Unrestricted Subsidiary shall constitute an Investment in an Unrestricted Subsidiary in an amount equal to the fair market value of the Borrower's direct and indirect ownership interest in such Subsidiary. Except as provided in this Section 9.21(b), no Restricted Subsidiary may be redesignated as an Unrestricted Subsidiary.

(c) The Borrower may designate by prior written notice thereof to the Administrative Agent any Unrestricted Subsidiary to be a Restricted Subsidiary if (i) immediately prior, and after giving effect to such designation, (A) the representations and warranties of each Loan Party contained in each of the Loan Documents are true and correct in all material respects on and as of such date as if made on and as of the date of such redesignation (or, if stated to have been made expressly as of an earlier date, were true and correct in all material respects as of such date), (B) no Default or Event of Default exists or would exist (and the Borrower shall be in compliance, on a pro forma basis, with the covenants set forth in Section 9.01) and (ii) the Borrower is in compliance with the requirements of Section 8.14 and Section 9.22. Any such designation shall (x) be treated as a cash dividend in an amount equal to the lesser of the fair market value of the Borrower's direct and indirect ownership interest in such Subsidiary or the amount of the Borrower's cash investment previously made for purposes of the limitation on Investments under Section 9.05(l) and (y) constitute the incurrence at the time of such designation of any Investment, Indebtedness or Liens of such Subsidiary existing at such time.

Section 9.22 Unrestricted Subsidiaries. No Loan Party will:

(a) Incur, assume, guarantee or be or become liable for any Indebtedness of any of the Unrestricted Subsidiaries.

(b) Permit any Unrestricted Subsidiary to hold any Equity Interests in, or any Indebtedness of, any Loan Party.

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) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in Section 10.01(a)) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days.

(c) any representation or warranty made or deemed made by or on behalf of any 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, 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 respect material to the Borrower's creditworthiness or to the rights or interests of the Lenders when made or deemed made.

(d) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 8.02, Section 8.03 or in ARTICLE IX.

(e) any 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) or Section 10.01(d)) or any other Loan Document, and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of the Majority Lenders).

(f) any 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 (subject to applicable grace periods), unless such payment is being contested in good faith and by proper proceedings and against which adequate reserves are being maintained.

(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 any Material Indebtedness (other than Indebtedness in respect of Swap Agreements) or any trustee or agent on its or their behalf to cause any Material Indebtedness (other than Indebtedness in respect of Swap Agreements) to become due, or to require the Redemption thereof or any offer to Redeem to be made in respect thereof, prior to its scheduled maturity or require any Loan Party to make an offer in respect thereof or there occurs under any Swap Agreement constituting Material Indebtedness an Early Termination Date (as defined in such Swap Agreement) resulting from (A) any event of default under such Swap Agreement as to which the Borrower or any Restricted Subsidiary is the Defaulting Party (as defined in such Swap Agreement) or (B) any Termination Event (as so defined) under such Swap Agreement as to which the Borrower or any Restricted Subsidiary is an Affected Party (as so defined).

(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 debts, or of a substantial part of its assets, under any Debtor Relief Laws or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered.

(i) any Loan party shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Debtor Relief Laws, (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 such Loan Party or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing.

(j) any Loan Party shall become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(k) one or more judgments for the payment of money in an aggregate amount in excess of $25,000,000 (to the extent not covered by independent third party insurance provided by insurers of the highest claims paying rating or financial strength as to which the insurer does not dispute coverage and is not subject to an insolvency proceeding) shall be rendered against any Loan Party or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days and for 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.

(l) the 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 any Loan Party 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 of the collateral purported to be covered thereby, except to the extent permitted by the terms of this Agreement, or any Loan Party or any of their Affiliates shall so state in writing.

(m) an ERISA Event shall have occurred that, in the opinion of the Majority Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect.

(n) a Change in Control shall occur.

(o) the Borrower shall fail to pay any mandatory prepayment or provide additional collateral as provided in Section 3.04(c)

Section 10.02 Remedies.

(a) In the case of an Event of Default other than one described in Section 10.01(h), Section 10.01(i) or Section 10.01(j), at any time thereafter during the continuance of such Event of Default, the Administrative Agent may, and at the request of the Majority Lenders, shall, 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) 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, without limitation, the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(k)), shall become due and payable immediately, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived by each Loan Party; and in case of an Event of Default described in Section 10.01(h), Section 10.01(i) or Section 10.01(j), the Commitments shall automatically terminate and the Notes and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and the other obligations of the Loan Parties accrued hereunder and under the Notes and the other Loan Documents (including, without limitation, the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(k)), shall automatically become due and payable, without presentment, demand, protest 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 collateral, including, without limitation, proceeds realized from the liquidation or other disposition of collateral or otherwise received after maturity of the Notes, whether by acceleration or otherwise, shall be applied: *first*, to reimbursement of expenses and indemnities provided for in this Agreement and the Security Instruments; *second*, to accrued interest on the Notes; *third*, to fees; *fourth*, pari passu amongst (i) Indebtedness owing to a Lender or an Affiliate of a Lender under any Swap Agreement permitted hereby and (ii) principal outstanding on the Notes (to be shared pro rata amongst the Lenders); *fifth*, to any other Indebtedness; *sixth*, to serve as cash collateral to be held by the Administrative Agent to secure the LC Exposure; and any excess 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 and the Issuing Bank hereby irrevocably appoints Wells Fargo Bank, N.A. to act on its behalf as the Administrative Agent hereunder and under the Loan Documents 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 or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Bank, and neither the Borrower nor any of its Subsidiaries shall have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the

use of the term "agent" herein or in any other Loan Documents (or any other similar term) 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. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

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, and its duties under the Loan Documents shall be administrative in nature. 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, (b) the Administrative Agent shall not have any 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 of its Subsidiaries 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, (vi) the existence, value, perfection or priority of any collateral security or the financial or other condition of the Borrower and its Subsidiaries 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.

Section 11.03 Action by Administrative Agent. The Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby 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 exposes the Administrative Agent to personal liability or which is contrary to this Agreement, the Loan Documents or applicable law. 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 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 (including any electronic message, Internet or intranet website posting or other distribution) 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, 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. In determining compliance with any condition hereunder to the making of a Loan, or the issuance, extension, renewal or increase of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Lender or the Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Lender or the Issuing Bank prior to the making of such Loan or the issuance of such Letter of Credit. 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 its duties and exercise its rights and powers hereunder or under any other Loan Document 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 the preceding Sections 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. The Administrative Agent shall not be responsible for the negligence or

misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

Section 11.06 Resignation or Removal of Administrative Agent. 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 (where applicable) 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 Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York or San Francisco, California, or an Affiliate of any such bank. 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. If the Administrative Agent is an Impacted Lender due to the circumstances described in clause (vi) of the definition of Impacted Lender, the Majority Lenders shall have the right to appoint a successor Administrative Agent which shall be a commercial bank or trust company that is, if no Event of Default exists, reasonably acceptable to the Borrower. If no successor Administrative Agent has been so appointed and shall have accepted such appointment by the 20th Business Day after the date the Administrative Agent became an Impacted Lender due to the circumstances described in clause (vi) of the definition of Impacted Lender, the Administrative Agent shall be deemed to have been replaced and the Lenders shall thereafter perform all the duties of the Administrative Agent hereunder and under any other Loan Document until such time, if any, as the Majority Lenders appoint a successor Administrative Agent as provided above. After the Administrative Agent is replaced in accordance with this Section 11.06, the provisions of this Article XI and Section 12.03 shall continue in effect for the benefit of such replaced 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 such replaced Administrative Agent was acting as Administrative Agent.

Section 11.07 Administrative Agent as Lenders. Wells Fargo, serving as 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 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 Subsidiary or other Affiliate thereof as if it were not Administrative Agent hereunder.

Section 11.08 No Reliance. Each Lender acknowledges that 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 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 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 Administrative Agent shall not be required to keep itself informed as to the performance or observance by the Borrower or any of its Subsidiaries of this Agreement, the Loan Documents or any other document referred to or provided for herein or to inspect the Properties or books of the Borrower or its Subsidiaries. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder or 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 of its Affiliates) which may come into the possession of the Administrative Agent or any of its Affiliates. In this regard, each Lender acknowledges that Vinson & Elkins L.L.P. 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 Authority of Administrative Agent to Release Collateral and Liens. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to release any collateral that is permitted to be sold or released pursuant to the terms of the Loan Documents. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to execute and deliver to the Borrower, at the Borrower's sole cost and expense, any and all releases of Liens, termination statements, assignments or other documents reasonably requested by the Borrower in connection with any sale or other disposition of Property to the extent such sale or other disposition is permitted by the terms of Section 9.12 or is otherwise authorized by the terms of the Loan Documents.

Section 11.10 Co-Syndication Agents and Co-Documentation Agents. The Lenders identified in this Agreement as Co-Syndication Agents and as Co-Documentation Agents shall not have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, the Co-Syndication Agents and the Co-Documentation Agents shall not have or be deemed to have a fiduciary relationship with any Lender.

Section 11.11 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 its Subsidiaries, 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 Indebtedness 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 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 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 Indebtedness 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.

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, sent by telecopy or, to the extent permitted in Sections 2.08(b), 2.09(b), 8.01 and 12.01(b), transmitted by electronic communication, as follows:

(i) if to the Borrower, to it at 1775 Sherman Street, Suite 1200, Denver, Colorado 80203, Attention of Matthew J. Purchase (Telecopy No. 303/861-0934) (E-mail Address: mpurchase@SM-Energy.com);

(ii) if to the Administrative Agent, to it at 1700 Lincoln, Sixth Floor, MAC C7300-061, Denver, Colorado 80202, Attention of Joseph Rottinghaus (Telecopy No. 303/863-5196), with a copy to Wells Fargo Bank, National Association, 1525 West W.T. Harris Blvd - 1B1, Mailcode: MACD1109-019, Charlotte, NC 28262, Attention of Agency Services (Telecopy No. 704/590-2782) (E-mail Address: agencyservices.requests@wachovia.com);

(iii) if to the Issuing Bank, to it at, 1700 Lincoln, Sixth Floor, MAC C7300-061, Denver, Colorado 80202, Attention of Joseph Rottinghaus (Telecopy No. 303/863-5196);

(iv) if to the Swingline Lender, to it at the address set forth in clause (ii) above; or

(v) 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, the Issuing Bank or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege, or any abandonment or discontinuance of steps to enforce such right, power or privilege, under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Loan Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by Section 12.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof nor any Security Instrument nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Majority Lenders or by the Borrower and the Administrative Agent with the consent of the Majority Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) increase the Borrowing Base without the written consent of the Borrowing Base Increase Lenders, modify Section 2.07 without the written consent of all of the Lenders, or decrease or maintain the Borrowing Base then in effect under Section 2.07, without

the written consent of the Supermajority Lenders (other than any Impacted Lender), (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 Indebtedness hereunder or under any other Loan Document, without the written consent of each Lender affected thereby, (iv) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or any other Indebtedness hereunder or under any other Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone or extend the Termination Date without the written consent of each Lender affected thereby, (v) change Section 4.01(b), Section 4.01(c) or Section 10.02(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (vi) change the definition of the term "Material Subsidiary" or "Substantial Portion", without the written consent of each Lender (other than any Impacted Lender), (vii) release any Guarantor (except as set forth in the Guaranty Agreement), release all or substantially all of the collateral, or reduce the percentage set forth in Section 8.14 to less than 75%, without the written consent of each Lender (other than any Impacted Lender), (viii) change any of the provisions of this Section 12.02(b) or the definition of "Borrowing Base Increase Lenders" or the definition of "Majority Lenders" or the definition of "Supermajority 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 (other than any Impacted Lender) or (ix) increase the Aggregate Commitment above the Maximum Credit Amount 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, the Swingline Lender or the Issuing Bank hereunder or under any other Loan Document without the prior written consent of the Administrative Agent, the Swingline Lender or the Issuing Bank, as the case may be. Notwithstanding the foregoing, any supplement to Schedule 7.15 (Subsidiaries) 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 Commitment and outstanding Borrowings of any Impacted Lender shall be disregarded for all purposes of any determination of whether the requisite Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to this Section 12.02); provided that, except as set forth in Sections 12.02(b)(vi), (vii) and (viii), any waiver, amendment or modification requiring the consent of all Lenders shall require the consent of such Impacted Lender.

Section 12.03 Expenses, Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including, without limitation, the reasonable fees, charges and disbursements of counsel and other outside consultants for the Administrative Agent, the reasonable travel, photocopy, mailing, courier, telephone and other similar expenses, and the cost of environmental 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 costs, expenses, Taxes, assessments and other charges incurred by the Administrative Agent or any Lender in connection with any filing, registration, recording or perfection of any security interest contemplated by this Agreement or any Security Instrument or any other document referred to therein, (iii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, (iv) all out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or any other Loan Document, including its rights under this Section 12.03, or in connection with the Loans made or Letters of Credit issued hereunder, including, without limitation, all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) THE BORROWER SHALL INDEMNIFY THE ADMINISTRATIVE AGENT, THE ISSUING BANK, THE SWINGLINE LENDER AND EACH OTHER LENDER, AND EACH RELATED PARTY OF ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE REASONABLE FEES, CHARGES AND DISBURSEMENTS OF ANY COUNSEL FOR ANY INDEMNITEE, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE DIRECTLY ARISING OUT OF, DIRECTLY IN CONNECTION WITH, OR DIRECTLY 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, 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, (ii) THE FAILURE OF THE BORROWER OR ANY RESTRICTED SUBSIDIARY TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, (iii) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OR COVENANT OF THE BORROWER OR ANY GUARANTOR SET FORTH IN ANY OF THE LOAN DOCUMENTS OR ANY INSTRUMENTS, DOCUMENTS OR CERTIFICATIONS DELIVERED IN CONNECTION THEREWITH, (iv) ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS THEREFROM, INCLUDING, WITHOUT LIMITATION, (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, (v) ANY OTHER ASPECT OF THE LOAN DOCUMENTS, (vi) THE OPERATIONS OF THE BUSINESS OF THE BORROWER AND ITS SUBSIDIARIES BY THE BORROWER AND ITS SUBSIDIARIES, (vii) ANY ASSERTION THAT THE

LENDERS WERE NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, (viii) ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY SUBSIDIARY OR ANY OF THEIR PROPERTIES, INCLUDING WITHOUT LIMITATION, 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 SUBSTANCES ON ANY OF THEIR PROPERTIES, (ix) THE BREACH OR NON-COMPLIANCE BY THE BORROWER OR ANY SUBSIDIARY WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE BORROWER OR ANY SUBSIDIARY, (x) THE PAST OWNERSHIP BY THE BORROWER OR ANY SUBSIDIARY 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, (xi) 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 SUBSTANCES ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE BORROWER OR ANY SUBSIDIARY OR ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY THE BORROWER OR ANY OF ITS SUBSIDIARIES, (xii) ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO THE BORROWER OR ANY OF ITS SUBSIDIARIES, OR (xiii) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE LOAN DOCUMENTS, OR (xiv) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO, AND SUCH INDEMNITY SHALL EXTEND TO EACH INDEMNITEE NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNITEES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNITEES; PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES (X) ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE OR (Y) RESULT FROM A CLAIM BROUGHT BY THE BORROWER OR ANY GUARANTOR AGAINST AN INDEMNITEE FOR A MATERIAL BREACH IN BAD FAITH OF SUCH INDEMNITEE'S OBLIGATIONS UNDER THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, IF THE BORROWER OR SUCH GUARANTOR HAS OBTAINED A FINAL AND NONAPPEALABLE JUDGMENT IN ITS FAVOR ON SUCH CLAIM AS DETERMINED BY A COURT OF COMPETENT JURISDICTION.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Swingline Lender or the Issuing Bank under Section 12.03(a) or (b), each Lender severally agrees to pay to the Administrative Agent, the Swingline Lender or the Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Swingline Lender or the Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not 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.

(e) All amounts due under this Section 12.03 shall be payable promptly 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 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) (i) Subject to the conditions set forth in Section 12.04(b)(ii), any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender or, if an Event of Default has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignee that is a Lender immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment 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, and, after giving effect thereto, the assigning Lender shall have commitments and Loans aggregating at least $5,000,000, in each case, unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire;

(E) in the case of an assignment to a CLO, the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver described in the first proviso to Section 12.02 that affects such CLO; and

(F) no assignment shall be made to (1) the Borrower or any of the Borrower's Affiliates or Subsidiaries or (2) a natural Person.

(iii) 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, 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).

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Maximum Credit Amount of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). Notwithstanding any other provision in any Loan Document to the contrary, the entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders shall 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.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 12.04(b) and any written consent to such assignment required by 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).

(c) (i) Any Lender may, without the consent of the Borrower, the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (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 and (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. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the proviso to Section 12.02 that affects such Participant. In addition such agreement must provide that the Participant be bound by the provisions of Section 12.03. Subject to Section 12.04(c)(ii), 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.

(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 Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 5.03 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 5.03(e) as though it were a 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, 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 of the foregoing, the Borrower will not and will not permit any of its Affiliates to assume, purchase, or otherwise acquire, directly or indirectly, all or any portion of any Lender's rights and obligations under this Agreement (including all or any portion of any Lender's Commitment and Loans). Notwithstanding any of the foregoing, no Lender shall assign, sell, sell participations, or otherwise dispose, directly or indirectly, of all or any portion of any its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it) to the Borrower or to any of the Borrower's Affiliates.

Section 12.05 Survival; Revival; Reinstatement.

(a) All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Section 5.01, Section 5.02, Section 5.03 and Section 12.03 and ARTICLE XI shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement, any other Loan Document or any provision hereof or thereof.

(b) To the extent that any payments on the Indebtedness 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 Indebtedness so satisfied shall be revived and continue as if such payment or proceeds had not been received and the Administrative Agent's and the Lenders' Liens, security interests, rights, powers and remedies under this Agreement and each Loan Document shall continue in full force and effect. In such event, each Loan Document shall be automatically reinstated and the Borrower shall take such action as may be reasonably requested by the Administrative Agent and the Lenders to effect such reinstatement.

Section 12.06 Counterparts; Integration; Effectiveness.

(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile transmission or other electronic transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

(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 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 any Loan Party against any of and all the obligations of any 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 SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK EXCEPT TO THE EXTENT THAT UNITED STATES FEDERAL LAW PERMITS ANY LENDER TO CONTRACT FOR, CHARGE, RECEIVE, RESERVE OR TAKE INTEREST AT THE RATE ALLOWED BY THE LAWS OF THE STATE WHERE SUCH LENDER IS LOCATED.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THE LOAN DOCUMENTS SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HEREBY ACCEPTS FOR ITSELF AND (TO THE EXTENT PERMITTED BY LAW) IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. THIS SUBMISSION TO JURISDICTION IS NON-EXCLUSIVE AND DOES NOT PRECLUDE A PARTY FROM OBTAINING JURISDICTION OVER ANOTHER PARTY IN ANY COURT OTHERWISE HAVING JURISDICTION.

(c) THE BORROWER HEREBY IRREVOCABLY DESIGNATES, APPOINTS AND EMPOWERS AND HEREBY CONFERS AN IRREVOCABLE SPECIAL POWER, AMPLE AND SUFFICIENT, TO CORPORATION SERVICE COMPANY, WITH OFFICES ON THE DATE HEREOF AT DENVER, COLORADO AS ITS DESIGNEE, APPOINTEE AND AGENT WITH RESPECT TO ANY SUCH ACTION OR PROCEEDING IN NEW YORK TO RECEIVE, ACCEPT AND ACKNOWLEDGE FOR AND ON ITS BEHALF, AND IN RESPECT OF ITS PROPERTY, SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS WHICH MAY BE SERVED IN ANY SUCH PROCEEDING AND AGREES THAT THE FAILURE OF SUCH AGENT TO GIVE ANY ADVICE OF ANY SUCH SERVICE OF PROCESS TO THE BORROWER SHALL NOT IMPAIR OR AFFECT THE VALIDITY OF SUCH SERVICE OR OF ANY CLAIM BASED THEREON. IF FOR ANY REASON SUCH DESIGNEE, APPOINTEE AND AGENT SHALL CEASE TO BE AVAILABLE TO ACT AS SUCH, THE BORROWER

AGREES TO DESIGNATE A NEW DESIGNEE, APPOINTEE AND AGENT IN NEW YORK REASONABLY SATISFACTORY TO THE ADMINISTRATIVE AGENT ON THE TERMS AND FOR THE PURPOSES OF THIS PROVISION. 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 UPON RECEIPT. 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 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, partners, members, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (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 (or at least as restrictive)

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 or (ii) any actual or prospective counterparty (or its advisors) to any Swap Agreement relating to the Borrower and its obligations, (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 the Borrower or any Subsidiary relating to the Borrower or any Subsidiary and their businesses, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower or a Subsidiary; provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 12.11 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding anything herein to the contrary, "Information" shall not include, and the Borrower, the Borrower's Subsidiaries, the Administrative Agent, each Lender and the respective Affiliates of each of the foregoing (and the respective partners, directors, officers, employees, agents, advisors and other representatives of the aforementioned Persons), and any other party, may

disclose to any and all Persons, without limitation of any kind (a) any information with respect to the U.S. federal and state income tax treatment of the transactions contemplated hereby and any facts that may be relevant to understanding the U.S. federal or state income tax treatment of such transactions ("tax structure"), which facts shall not include for this purpose the names of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, or any pricing terms or other nonpublic business or financial information that is unrelated to such tax treatment or tax structure, and (b) all materials of any kind (including opinions or other tax analyses) that are provided to the Borrower, the Administrative Agent or such Lender relating to such tax treatment or tax structure.

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 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: (i) the aggregate of all consideration which constitutes interest under law applicable to any Lender that is contracted for, taken, reserved, charged or received by such Lender under any of the Loan Documents or agreements or otherwise in connection with the Notes shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by such Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Notes is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or

otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to any Lender may never include more than the 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 Indebtedness (or, to the extent that the principal amount of the Indebtedness 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 evidenced by the Notes 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 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 12.14 Existing Credit Agreement

(a) On the Effective Date, the Existing Credit Agreement shall be amended and restated in its entirety by this Agreement, and the Existing Credit Agreement shall be replaced hereby; provided that the Borrower, the Administrative Agent and the Lenders agree that (i) on the date of the initial funding of Loans hereunder, the loans and other Debt of the Borrower under the Existing Credit Agreement shall be renewed, rearranged, modified and extended with the proceeds of the initial funding and the "Commitments" of the lenders under the Existing Credit Agreement shall be superseded by this Agreement and terminated (except as otherwise expressly provided in Section 12.05(a) of the Existing Credit Agreement with respect to the survival of certain covenants and agreements made by the Borrower in the Existing Credit Agreement), (ii) the Existing Credit Agreement shall continue to evidence the representations and warranties made by the Borrower prior to the Effective Date, (iii) except as expressly stated herein or amended, the other Loan Documents are ratified and confirmed as remaining unmodified and in full force and effect with respect to all Indebtedness, (iv) the Existing Credit Agreement shall continue to evidence and govern any action or omission performed, required to be performed or approved pursuant to the Existing Credit Agreement prior to the Effective Date (including, without limitation, any failure, prior to the Effective Date, to comply with the covenants contained in the Existing Credit Agreement and any permitted releases of collateral) and any act, omission or event to occur or measured by any date or period of time commencing on, or including any date or period prior to, the Effective Date and (v) the terms and provisions of the Existing Credit Agreement shall continue in full force and effect to the extent provided in clause (d) of this Section 12.14. The amendments and restatements set forth herein shall not cure any breach thereof or any "Default" or "Event of Default" under and as defined in the Existing Credit Agreement existing prior to the Effective Date. This Agreement is not in any way intended to constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement or evidence payment of all or any portion of such obligations and liabilities.

(b) The terms and conditions of this Agreement and the Administrative Agent's, the Lenders' and the Issuing Banks' rights and remedies under this Agreement and the other Loan Documents shall apply to all of the Indebtedness incurred under the Existing Credit Agreement and the Letters of Credit issued thereunder.

(c) On and after the Effective Date, (i) all references to the Existing Credit Agreement (or to any amendment or any amendment and restatement thereof) in the Loan Documents (other than this Agreement) shall be deemed to refer to the Existing Credit Agreement, as amended and restated hereby, (ii) all references to any section (or subsection) of the Existing Credit Agreement or in any Loan Document (but not herein) shall be amended to become, *mutatis mutandis*, references to the corresponding provisions of this Agreement and (iii) except as the context otherwise provides, on or after the Effective Date, all references to this Agreement herein (including for purposes of indemnification and reimbursement of fees) shall be deemed to be references to the Existing Credit Agreement, as amended and restated hereby.

(d) This amendment and restatement is limited as written and is not a consent to any other amendment, restatement or waiver, whether or not similar and, except as expressly provided herein or in any other Loan Document, all terms and conditions of the Loan Documents remain in full force and effect unless specifically amended hereby or by any other Loan Document.

(e) The undersigned waive any right to receive any notice of such termination and any right to receive any notice of prepayment of amounts owed under the Existing Credit Agreement. Each Lender that was a party to the Existing Credit Agreement hereby agrees to return to the Borrower, with reasonable promptness, any promissory note delivered by the Borrower to such Lender in connection with the Existing Credit Agreement.

Section 12.15 Collateral Matters; Swap Agreements. The benefit of the Security Instruments and of the provisions of this Agreement relating to any collateral securing the Indebtedness shall also extend to and be available to those Lenders or their Affiliates which are counterparties to any Swap Agreement with the Borrower or any of its Subsidiaries on a *pro rata* basis in respect of any obligations of the Borrower or any of its Subsidiaries which arise under any such Swap Agreement while such Person or its Affiliate is a Lender, but only while such Person or its Affiliate is a Lender, including any Swap Agreements between such Persons in existence prior to the date hereof. 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 12.16 No Third Party Beneficiaries. This Agreement, the other Loan Documents, and the agreement of the Lenders to make Loans and the Issuing Bank to issue, amend, renew or extend Letters of Credit hereunder are solely for the benefit of the Borrower, and no other Person (including, without limitation, any Subsidiary of the Borrower, any obligor, contractor, subcontractor, supplier or materialsman) shall have any rights, claims, remedies or privileges hereunder or under any other Loan Document against the Administrative Agent, any other Agent, the Issuing Bank or any Lender for any reason whatsoever. There are no third party beneficiaries.

Section 12.17 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 "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 Act.

The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER:

SM ENERGY COMPANY

By: /s/ A. WADE PURSELL
Name: A. Wade Pursell
Title: Executive Vice President and Chief Financial Officer

AGENTS AND LENDERS:

WELLS FARGO BANK, NATIONAL ASSOCIATION, Individually and as Administrative Agent

By: /s/ RICHARD GAN
Name: Richard Gan
Title: Managing Director

BANK OF AMERICA, N.A., Individually and as Co-Syndication Agent

By: /s/ STEPHEN J. HOFFMAN
Name: Stephen J. Hoffman
Title: Managing Director

JP MORGAN CHASE BANK, N.A., Individually and as Co-Syndication Agent

By: /s/ BRIAN ORLANDO
Name: Brian Orlando
Title: Authorized Officer

COMPASS BANK

By: /s/ GREG DETERMANN
Name: Greg Determann
Title: Senior Vice President

COMERICA BANK, Individually and as Co-Documentation Agent

By: /s/ PAUL J. EDMONDS

Name: Paul J. Edmonds
Title: Vice President

BARCLAYS BANK PLC

By: /s/ DAVID BARTON
Name: David Barton
Title: Director

ROYAL BANK OF CANADA

By: /s/ DON J. MCKINNERNEY
Name: Don J. McKinnerney
Title: Authorized Signatory

BOKF, NA DBA BANK OF OKLAHOMA

By: /s/ GUY C. EVANGELISTA
Name: Guy C. Evangelista
Title: Senior Vice President

BANK OF SCOTLAND PLC, NEW YORK BRANCH

By: /s/ JULIA R. FRANKLIN
Name: Julia R. Franklin
Title: Assistant Vice President

CAPITAL ONE, NATIONAL ASSOCIATION

By: /s/ ERIC BROUSSARD
Name: Eric Broussard
Title: Senior Vice President

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ MICHAEL GETZ
Name: Michael Getz
Title: Vice President

By: /s/ MARCUS M. TARKINGTON
Name: Marcus M. Tarkington
Title: Director

GOLDMAN SACHS BANK USA

By: /s/ MARK WALTON
Name: Mark Walton
Title: Authorized Signatory

KEYBANK NATIONAL ASSOCIATION

By: /s/ DAVID MORRIS
Name: David Morris
Title: Vice President

THE BANK OF NOVA SCOTIA

By: /s/ JOHN FRAZELL
Name: John Frazell
Title: Director

U.S. BANK NATIONAL ASSOCIATION

By: /s/ DARIA MAHONEY
Name: Daria Mahoney
Title: Vice President

ANNEX I
LIST OF COMMITMENTS

Name of Lender	Applicable Percentage		Commitment
Wells Fargo Bank, National Association	10.00%	$	100,000,000
Bank of America, N.A.	10.00%	$	100,000,000
JPMorgan Chase Bank, N.A.	10.00%	$	100,000,000
Compass Bank	7.50%	$	75,000,000
Comerica Bank	7.50%	$	75,000,000
Barclays Bank PLC	7.50%	$	75,000,000
Royal Bank of Canada	7.50%	$	75,000,000
BOKF, NA dba Bank of Oklahoma	5.00%	$	50,000,000
Bank of Scotland plc, New York Branch	5.00%	$	50,000,000
Capital One, National Association	5.00%	$	50,000,000
Deutsche Bank Trust Company Americas	5.00%	$	50,000,000
Goldman Sachs Bank USA	5.00%	$	50,000,000
KeyBank National Association	5.00%	$	50,000,000
The Bank of Nova Scotia	5.00%	$	50,000,000
U.S. Bank National Association	5.00%	$	50,000,000
TOTAL	100.00%	$	1,000,000,000

EXHIBIT A
[FORM OF] NOTE

[$] [ ], 201[ ]

FOR VALUE RECEIVED, SM Energy Company, a Delaware corporation (the "Borrower") hereby promises to pay to [ ] (the "Lender"), at the principal office of Wells Fargo Bank, National Association (the "Administrative Agent"), at [ ], the principal sum of [ ] Dollars ($[ ]) (or such lesser amount as shall equal 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, Type, 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. Failure to make any such notation shall not affect any Lender's or the Borrower's rights or obligations in respect of such Loans.

This Note is one of the Notes referred to in the Fourth Amended and Restated Credit Agreement dated as of May 27, 2011 among the Borrower, the Administrative Agent, and the other agents and lenders signatory thereto (including the Lender), and evidences Loans made by the Lender thereunder (such Credit Agreement as the same may be amended, supplemented or restated 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 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.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SM ENERGY COMPANY

By: _____
Name: _____
Title: _____

EXHIBIT B
[FORM OF]
COMPLIANCE CERTIFICATE

The undersigned hereby certifies that he/she is the [ ] of SM Energy Company, a Delaware corporation (the "Borrower"), and that as such he/she is authorized to execute this certificate in the foregoing capacity and on behalf of the Borrower. With reference to the Fourth Amended and Restated Credit Agreement dated as of May 27, 2011 (together with all amendments, supplements or restatements thereto being the "Agreement") among the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the other agents and lenders (the "Lenders") which are or become a party thereto, the undersigned represents and warrants as follows (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

(a) The representations and warranties of the Borrower contained in Article VII of the Agreement and in the Loan Documents and otherwise made in writing by or on behalf of the Borrower pursuant to the Agreement and the Loan Documents were true and correct when made, and are repeated at and as of the time of delivery hereof and are true and correct in all material respects at and as of the time of delivery hereof, except to the extent such representations and warranties are expressly limited to an earlier date or the Majority Lenders have expressly consented in writing to the contrary.

(b) The Borrower has performed and complied in all material respects with all agreements and conditions contained in the Agreement and in the Loan Documents required to be performed or complied with by it prior to or at the time of delivery hereof [or specify default and describe].

(c) Since [ ], 201[ ], no change has occurred, either in any case or in the aggregate, in the condition, financial or otherwise, of the Borrower or any Material Subsidiary which could reasonably be expected to have a Material Adverse Effect [or specify event].

(d) There exists no Default or Event of Default [or specify Default and describe].

(e) Attached hereto are the detailed computations necessary to determine whether the Borrower is in compliance with Section 9.01 as of the end of the [fiscal quarter][fiscal year] ending [ ], 201[ ].

(f) The representations and warranties of the Borrower contained in Section 8.14 of the Agreement were true and correct when made, and are repeated at and as of the time of delivery hereof and are true and correct in all material respects at and as of the time of delivery hereof.

(g) The representations and warranties of the Borrower contained in Section 8.12(a) of the Agreement were true and correct when made, and are repeated at and as of the time of delivery hereof and are true and correct in all material respects at and as of the time of delivery hereof. These representations and warranties specifically include that the Reserve Report dated

as of December 31, 2010, is and was true and accurate, and prepared in accordance with procedures used in the immediately preceding December 31 Reserve Report.

EXECUTED AND DELIVERED this [ ] day of 201[ ].

SM ENERGY COMPANY

By: _____
Name: _____
Title: _____

EXHIBIT C
SECURITY INSTRUMENTS

1. Reaffirmation Agreement dated as of April 10, 2008, by the Borrower in favor of the Administrative Agent.

2. Reaffirmation Agreement dated as of April 14, 2009, by the Borrower in favor of the Administrative Agent.

3. Reaffirmation Agreement dated as of even date herewith, by the Borrower in favor of the Administrative Agent.

4(a). Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement, from St. Mary Land & Exploration Company et al. to First American Title Company of Utah, Trustee and Bank of America, N.A., Agent, dated May 2, 2002.

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Cameron Parish, LA	#2758140	MOB 269	5/22/02
Cameron Parish, LA (Act of Correction)	#277008	MOB 271	8/15/02
Claiborne Parish, LA	#404428	MOB 430, Page 94	5/23/02
Claiborne Parish, LA (Act of Correction)	#404924	MOB 432, Page 299	7/9/02
Iberia Parish, LA	#02-7059	MOB A891	5/22/02
Lincoln Parish, LA	#038438	MOB 783, Page 154	5/22/02
Lincoln Parish, LA (Act of Correction)	#039540	MOB 786, Page 383	7/8/02
Pointe Coupee Parish, LA		MOB 313, Page 27	6/19/02

St. Mary Parish, LA	#251,111	MOB 912, Page 563	5/22/02
St. Mary Parish, LA (Act of Correction)	#251,850	MOB 917, Page 382	7/9/02
Union Parish, LA	#2002-00308589	MOB 533, Page 459	5/22/02
Union Parish, LA (Act of Correction)	#2002-00309997	MOB 538, Page 548	8/21/02

Exhibit C- 1

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Vermilion Parish, LA	#20206340		5/22/02
Vermilion Parish, LA (Act of Correction)	#20209765		8/15/02
Roosevelt County, MT	#512014	Book B-174, Page 1	5/23/02
Sheridan County, MT	#457810	Book 602, Page 963	5/23/02
Eddy County, NM	#0205725	Book 458, Page 1049	5/30/02
Lea County, NM	#22218	Volume 1148, Page 342	5/22/02
Billings County, ND	#118336	Book 91, Page 627	6/4/02
Bottineau County, ND	#357094	Book 288, Page 397	5/22/02
McKenzie County, ND	#342457		5/30/02
Williams County, ND	#601345		5/22/02
Beaver County, OK	#2002-1598	Book 1081, Page 174	5/22/02
Beckham County, OK	#03511	Book 1740, Page 1	5/22/02
Caddo County, OK	#023865	Book 2388, Page 495	5/22/02
Canadian County, OK	#2002013463	Book 2572, Page 483	5/22/02
Coal County, OK	#13047	Book 610, page 722	5/23/02
Comanche County, OK	#2002009236	Book 3807, Page 39	5/22/02
Custer County, OK	#2846	Book 1167, Page 203	5/22/02
Grady County, OK	#06935	Book 3380, Page 391	5/22/02
Roger Mills County, OK	#2002-2102	Book 1678, Page 461	5/23/02

Exhibit C- 2

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Washita County, OK	#2511	Book 942, Page 394	5/23/02
Brazoria County, TX	#02-029059		6/10/02
Coke County, TX	#006404	Book 156, Page 87	6/10/02
Henderson County, TX	#0010103	Book 2195, Page 399	6/11/02
Jefferson County, TX	#2002021337		6/10/02
Limestone County, TX	#022686	Book 1085, Page 817	6/10/02
Nueces County, TX	#2002027462		6/10/02
Red River County, TX	#20464	Book 521, Page 772	6/19/02
Runnels County, TX	#1232	Book 208, Page 559	6/10/02
Shelby County, TX	#2002 2938	Book 940, Page 451	6/10/02
Ward County, TX	#1594	Book 725, Page 583	6/11/02
Uintah County, UT	#2002004250	Book 800, Page 17	6/10/02
Carbon County, WY	#0899162	Book 1020, Page 116	6/10/02

UCC Financing Statements

St. Mary Energy Company	Filed: Delaware Original Filing #2166787 6 Filed: June 6, 2002
(File Stamped copy returned)	Filed: State of Louisiana Parish of Pointe Coupee Original Filing #: 112448 CM Book 26 Filed: June 3, 2002
Nance Petroleum Corporation (No file stamped copy returned)	Filed: State of Montana Original Filing #: 68711760

Exhibit C- 3

	Filed 06/06/2002
St. Mary Minerals Inc. (File Stamped copy returned)	Filed: State of Colorado Original Filing #: 20022059855 Filed: 06/06/2002
Roswell, L.L.C. (File Stamped copy returned)	Filed: State of Texas Document #: 12464920002 Original Filing #: 02-0032813251 Filed: 6/06/2002
St. Mary Operating Company (File Stamped copy returned)	Filed: State of Colorado Original Filing #: 20022059856 Filed: 06/06/2002

(File Stamped copy returned)	Filed: State of Louisiana Parish of Pointe Coupee Original Filing #: 112450 CM Book 26 Filed: June 3, 2002
Parish Corporation	Filed: State of Colorado Original Filing #20022060343 M Date Filed: June 7, 2002
Four Winds Marketing	Filed: State of Colorado Original Filing #20022060345 M Date Filed: June 7, 2002
St. Mary Land & Exploration Company	Filed: Delaware Original Filing #2166800 7 Date Filed: June 6, 2002
(File Stamped copy returned)	Filed: State of Louisiana Parish of Pointe Coupee Original Filing #112449, CM Book 26 Filed: June 3, 2002

4(b). Assignment of Undivided Interest in Notes and Liens dated effective as of January 27, 2003, from Bank of America, N.A., as Agent, to Wachovia Bank, National Association, as Administrative Agent.

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Cameron Parish, LA	279313	MB275	01-31-03

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Claiborne Parish, LA	406860	445/27	02-03-03
Iberia Parish, LA	03-1413	MB-A928	02-03-03
Lincoln Parish, LA	F44322	MB804/471	02-07-03
Pointe Coupee Parish,		MB324/No. 004	02-03-03
St. Mary Parish, LA	255273	MB939/415	01-31-03
Union Parish, LA	2003-00312604	548/1	01-31-03
Vermilion Parish, LA	20301198		01-31-03
Richland County, MT	516266	D-15/693	01-31-03
Roosevelt County, MT	361850	604/141	02-03-03
Sheridan County, MT	458999	604/1276	01-31-03
Eddy County, NM	0301182	489/1173	01-31-03
Lea County, NM	33256	1202/597	02-03-03
Billings County, ND	119316	093/379	02-04-03
Bottineau County, ND	359180	295/69	02-04-03
McKenzie County, ND	344187		02-04-03
Williams County, ND	604706		02-05-03
Beaver County, OK	1-2003-000418	1094/476	02-04-03
Beckham County, OK	1-2003-000916	1763/203	02-03-03
Caddo County, OK	030893	2430/128	02-03-03
Canadian County, OK	2003003217	2680/34-50	02-03-03
Coal County, OK	14749	616/281-312	01-31-03
Comanche County, OK	2003002045	3982/242-258	01-31-03
Custer County, OK	1-2003-000659	1192/465-495	02-03-03
Grady County, OK	1679	3456/415	02-03-03
Roger Mills County, OK	1-2003-000429	1700/1	02-03-03
Washita County, OK	525	955/150-503	02-03-03
Brazoria County, TX	03 006330		01-31-03
Coke County, TX	7139	161/278	02-03-03
Henderson County, TX	0001832	2263/882	01-31-03
Jefferson County, TX	2003003622		01-31-03

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Limestone County, TX	030550	1103/817	02-03-03
Nueces County, TX	2003004977		01-31-03
Red River County, TX	22401	530/722	01-31-03
Runnels County, TX	214	217/166	02-04-03
Shelby County, TX	2003-489	955/216	01-31-03
Ward County, TX	195	735/418	01-31-03
Uintah County Recorder, UT	2003000752	825/749-762	01-31-03
Carbon County, WY	0902114	1032/0059	02-04-03

4(c). UCC-3 Financing Statement (Assignments) from Bank of America, N.A., as Agent.

Jurisdiction	File No.	Book/Page	Date Filed

Colorado Secretary of State			
St. Mary Minerals Inc.	20032011716C		01-31-03
St. Mary Operating Company	20032011717C		01-31-03
Parish Corporation	20032011714C		01-31-03
Four Winds Marketing	20032011715C		01-31-03
Delaware Secretary of State			
St. Mary Land & Exploration Company	3027304 8		01-30-03
St. Mary Energy Company	3027306 3		01-30-03
Montana Secretary of State			
Nance Petroleum Corporation	71827348		02-05-03
Pointe Coupe Parish, LA			
St. Mary Land & Exploration Company	113028	CM26	01-31-03
St. Mary Energy Company	113030	CM26	01-31-03
St. Mary Operating Company	113029	CM26	01-31-03
Texas Secretary of State			
Roswell, L.L.C.	03-32011718 C		01-30-03

4(d). First Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of January 27, 2003, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File No.	Book/Page	Date Filed
Cameron Parish, LA	279314	MB275	01-31-03
Claiborne Parish, LA	406861	445/39	02-03-03
Iberia Parish, LA	03-1414	MB-A928	02-03-03
Lincoln Parish, LA	F44323	MB804/490	02-04-03
Pointe Coupee Parish, LA		MB324/No. 005	02-03-03
St. Mary Parish, LA	255274	MB939/427	01-31-03
Union Parish, LA	2003-00312605	548/15	01-31-03
Vermilion Parish, LA	20301199		01-31-03
Richland County, MT	516267	B178/584	01-03-03
Roosevelt County, MT	361851	604/142	02-03-03
Sheridan County, MT	459000	604/1307	01-31-03
Eddy County, NM	0301183	489/1185	01-31-03
Lea County, NM	33257	1202/609	02-03-03
Billings County, ND	119317	093/393	02-04-03
Bottineau County, ND	359181	295/83	02-04-03
McKenzie County, ND	344188		02-04-03
Williams County, ND	604707		02-05-03
Beaver County, OK	1-2003-000419	1094/492	02-04-03
Beckham County, OK	1-2003-000917	1763/414	02-03-03
Caddo County, OK	030894	2430/161	2-03-03
Canadian County, OK	2003003218	2680/51-79	2-03-03
Coal County, OK	14750	616/313-356	01-31-03
Comanche County, OK	2003002051	3982/264-292	01-31-03
Custer County, OK	1-2003-000660	1192/496-538	02-03-03
Grady County, OK		3456/472	02/03/03
Roger Mills County, OK	1-2003-000430	1700/66	02-03-03
Washita County, OK	525	955/540-870	02-03-03

Jurisdiction	File No.	Book/Page	Date Filed
Brazoria County, TX	03 006331		01-31-03
Coke County, TX	007140	161/288	02-03-03
Henderson County, TX	0001833	2264/001	01-31-03
Jefferson County, TX	2003003623		01-31-03
Limestone County, TX	030551	1103/829	02-03-03
Nueces County, TX	2003004978	24	01-31-03
Red River County, TX	22402	530/734	01-31-03
Runnels County, TX	215	217/174	02-04-03
Shelby County, TX	2003-490	955/228	01-31-03
Ward County, TX	196	735/430	1-31-03
Uintah County Recorder, UT	2003000753	825/763/788	01-31-03
Carbon County, WY	0902115	1032/0060	02-04-03

4(e). Second Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 16, 2003, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Cameron Parish, LA	280347	278	4/25/03
Claiborne Parish, LA	407719	452/35	4-23-03
Pointe Coupee Parish,		328/104	4-23-03
St. Mary Parish, LA	256,817	949/140	4-23-03
Vermilion Parish, LA	20305083		4-29-03
Eddy County, NM		503/0917	5-08-03
Lea County, NM	37323	1220/841	4-28-03
Bottineau County, ND	359989	298/24	5-03-03

Beckham County, OK	1-2003-004011	1772/286	4-25-03
Caddo County, OK	033653	2440/481-514	4-29-03
Coal County, OK	15617	619/74-129	4-28-03
Custer County, OK	1-2003-002720	1202/345-373	5-01-03
Grady County, OK	6012	3483-150	4-23-03

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Roger Mills County, OK	2003-001893	1708/217-245	4-25-03
Washita County, OK	2132	960/895-939	4-25-03
Brazoria County, TX	03024211		4-24-03
Shelby County, TX	2003-1818	B-960-699-726	4-24-03
Carbon County, WY	0903151	B-1036/P-0061	4-25-03

4(f). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 7, 2005, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Bienville Parish, LA	20051586		4-14-05
Claiborne Parish, LA	415336	502/128	4-14-05
Lincoln Parish, LA	063713	875/179	4-15-05
Union Parish, LA	2005-00326133	597/91	4-18-05
Billings County, ND	124015		6-27-05
Bottineau County, ND	365951		4-25-05
Bowman County, ND	161240		4-26-05
Burke County, ND	206034	178/309	4-25-05
Divide County, ND	230283	232M/638	5-6-05
Dunn County, ND	3013067	B-147/P-43	6-24-05
Golden Valley County, ND	92123		4-25-05
Stark County, ND	3037098		4-25-05
Williams County, ND	623256		4-19-05
Canadian County, OK	20058762	3049/641-665	4-18-05
Sweetwater County, WY	1439819	1025/559-78	4-19-05

4(g). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company

Jurisdiction	File No.	Book/Page	Date Filed
Bienville Parish, LA	#2009 1537		4/29/09
Cameron Parish, LA	#315253		4/29/09
Claiborne Parish, LA	#434334	MOB 593, Page 282	4/29/09
Iberia Parish, LA	#2009-00005005	MOB 1316, Page 203	5/4/09
Lincoln Parish, LA	#F104101	MOB 981, Page 197	4/29/09
St. Mary Parish, LA	#293658	MOB 1201, Page 693	4/29/09
Union Parish, LA	#2009-00350696	MOB 675, Page 314	5/4/09
Vermilion Parish, LA	#20904251		4/29/09
Richland County, MT		Book B217, Page 622	5/4/09
Roosevelt County, MT	#380976		5/1/09
Sheridan County, MT		Book 624, Page 505	5/1/09
Eddy County, NM		Book 775, page 1037	5/4/09
Lea County, NM		Book 1629, Page 850	5/4/009
Billings County, ND	#131331		5/11/09
Bottineau County, ND	#380937		6/12/09
Bowman County, ND	#167880		5/5/09
Burke County, ND	#224265		5/4/09
Divide County, ND	#244261		5/8/09
Dunn County, ND	#3036114		5/14/09
Golden Valley County, ND	#96045		6/4/09
McKenzie County, ND	#388555		5/5/09
Stark County, ND	#3063297		5/29/09
Williams County, ND	#668835		6/1/09
Beaver County, OK		Book 1207, Page	5/1/09

Jurisdiction	File No.	Book/Page	Date Filed
		655	
Beckham County, OK		Book 1975, Page 438	5/4/09
Caddo County, OK		Volume 2728, Page 7	5/4/09
Canadian County, OK		Book 3551, Page 21	5/7/09
Coal County, OK		Book 740, Page 471	5/1/09
Comanche County, OK		Book 5876, Page 106	5/1/09
Custer County, OK		Book 1432, Page 300	5/1/09
Grady County, OK		Book 4178, Page 1	5/1/09

Roger Mills County, OK		Book 1956, Page 1	5/1/09
Washita County, OK		Book 1137, page 22	5/5/09
Brazoria County, TX	#2009018426		4/30/09
Coke County, TX		Volume 222, Page 291	5/1/09
Henderson County, TX	#2009-00006797		5/4/09
Jefferson County, TX	#2009015486		4/30/09
Limestone County, TX		Volume 1310, Page 615	5/4/09
Nueces County, TX	#2009016780		5/4/09
Red River County, TX		Volume 630, Page 185	5/1/09
Runnels County, TX		Volume 316, Page 315	5/1/09
Shelby County, TX	#2009003537		5/5/09
Ward County, TX		Volume 860, Page 776	5/4/09

Jurisdiction	File No.	Book/Page	Date Filed
Uintah County, UT		Book 1142, Page 590	5/4/09
Carbon County, WY		Book 1174,, Page 118	5/8/09
Sweetwater County, WY		Book 1143/Page 423	5/11/09

5(a). Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of January 27, 2003, from St. Mary Land & Exploration Company, et al, covering the Burlington Properties.

Jurisdiction	File No.	Book/Page	Date Filed
Richland County, MT	516268	B178/625	01-31-03
Roosevelt County, MT	361852	604/143	02-03-03
Rosebud County, MT	0093439	103/573	02-04-03
Sheridan County, MT	459001	604/1351	01-31-03
Wibaux County, MT	0100404	31/394	02-03-03
Billings County, ND	119318	093/419	02-04-03
Bowman County, ND	158041		02-03-03
Burke County, ND	202024	174/41	02-04-03
Divide County, ND	224437	218M/224	02-03-03
Dunn County, ND	3007810	B137/1	02-04-03
Golden Valley County, ND	89737		02-04-03
McKenzie County, ND	344189		02-04-03
Stark County, ND	3021953		02-03-03

5(b). UCC-1 Financing Statement naming NPC, Inc., as Debtor, and Wachovia Bank, National Association, as Secured Party.

Jurisdiction	File No.	Book/Page	Date Filed
Colorado Secretary of State	20032011718 C		01-31-03

5(c). First Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 16, 2003, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File No.	Book/Page	Date Filed
Richland County, MT	518181	180/307-350	4-25-03
Roosevelt County, MT	362400	604/207	4-25-03
Sheridan County, MT	459308	605/766	4-24-03
Billings County, ND	119518	94/115	4-25-03
Bowman County, ND	158346		4-24-03
Divide County, ND	224847	219M/146	5-27-03
Dunn County, ND	3008107	/1 of 25	4-29-03
McKenzie County, ND	344998		5-02-03
Stark County, ND	3023766	/1 of 23	4-30-03

5(d). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company, covering the Burlington Properties.

Jurisdiction	File No.	Book/Page	Date Filed
Richland County, MT		Book B217, Page 696	5/4/09
Roosevelt County, MT	#380977		5/1/09
Rosebud County, MT		Book 125, Page 784	5/4/09
Sheridan County, MT		Book 624, Page 555	5/1/09
Wibaux County, MT		Book 1, Page 796	5/1/09
Billings County, ND	#131332		5/11/09
Bowman County, ND	#167879		5/5/09
Burke County, ND	#224264		5/4/09
Divide County, ND	#244260		5/8/09
Dunn County, ND	#3036113		5/14/09
Golden Valley County, ND	#96044		6/4/09

Jurisdiction	File No.	Book/Page	Date Filed

McKenzie County, ND	#388554		5/5/09
Stark County, ND	#3063296		5/29/09

6(a). Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 16, 2003, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File No.	Book/Page	Date Filed
Bienville Parish, LA	20031493	371/21	4-23-03
LaSalle Parish, LA	188236	262, 279/292, 452	4-25-03
Carbon County, MT	306896		4-24-03
Glacier County, MT	252494	69/283	4-24-03
Powder River County, MT	128180	69/0546	4-24-03
Stillwater County, MT	312063		4-24-03
Toole County, MT	348946	66/741	4-24-03
Ward County, ND	2817213	Pgs 1-54	4-25-03
Williams County, ND	605875	1-56	4-29-03
Renville County, ND	178019	171/293	4-25-03
Dewey County, OK	001261	1191/94	4-24-03
Stephens County, OK	00055546	2820/272	5-07-03
Schleicher County, TX	080705	434/682	5-05-03
Galveston County, TX	2003025934	###-##-####	4-23-03
Campbell County, WY	815203	1862/418-531	4-25-03
Converse County, WY	892472	1219/800	5-08-03
Crook County, WY	561879	405/536	4-25-03
Fremont County, WY	1242358		6-24-03
Hot Spring County, WY	449338	100/703-757	4-30-03
Johnson County, WY	013622	295/325-379	4-25-03
Lincoln County, WY	889463	518/747	4-24-03
Natrona County, WY	0715663	/1 of 61	5-06-03
Niobrara County, WY	380587	413/0354	4-24-03

Jurisdiction	File No.	Book/Page	Date Filed
Sweetwater County, WY	1385265	0973/1730	5-02-03
Sublette County, WY	296777	100/83	4-25-03
Uinta County, WY	113005	795/417-468	4-24-03
Washakie County, WY	499528	93/769-820	4-24-03
Weston County, WY	659277	263/985	4-25-03

6(b). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company.

Jurisdiction	File No.	Book/Page	Date Filed
Bienville Parish, LA	#2009 1538		4/29/09
LaSalle Parish, LA	#211645	MOB 326, Page 531	5/4/09
Carbon County, MT	#337044		5/1/09
Glacier County, MT		Book 72, Page 487	5/26/09
Powder River County, MT		Book 83, Page 51	5/5/09
Stillwater County, MT	#340083		5/1/09
Toole County, MT	#360281	Book 68, Page 33	5/1/09
Renville County, ND	#189021	Book 188, Page 145	5/8/09
Ward County, ND	#2897745		5/26/09
Williams County, ND	#668834		6/1/09
Dewey County, OK		Book 1331, Page 2	5/1/09
Stephens County, OK		Book 3863, Page 150	5/4/09
Galveston County, TX	#2009022990		5/1/09
Schleicher County, TX	#20090000317		5/1/09
Campbell County, WY		Book 2445, Page 1	5/11/09
Converse County, WY		Book 1365, Page	5/5/09

Jurisdiction	File No.	Book/Page	Date Filed
		244	
Crook County, WY		Book 484, Page 221	5/7/09
Fremont County, WY	#2009-1322249		5/11/09
Hot Spring County, WY		Book 136, Page 54	5/18/09
Johnson County, WY		Book 88A-197, Page 647	5/4/09
Lincoln County, WY		Book 721, Page 859	5/4/09
Natrona County, WY	#866389	5/14/09	
Niobrara County, WY		Book 441, Page 373	5/5/09
Sublette County, WY		Book 140, Page 352	5/11/09
Sweetwater County, WY		Book 1143/Page 482	5/11/09
Uinta County, WY	#R147642	Book 932, Page 160	5/4/09
Washakie County, WY		Book 117, Page 889	5/4/09
Weston County, WY		Book 314, Page 678	5/4/09

7(a). Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 16, 2003, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File No.	Book/Page	Date Filed
Cheyenne County, CO	2003-221982	1-51	4-25-03
Moffat County, CO	2003L-1925	1 of 60	4-24-03
Harding County, SD	03-327	103 O &G/79-129	4-29-03
Nye County, NV	561302		4-24-03

7(b). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company.

Jurisdiction	File No.	Book/Page	Date Filed
Cheyenne County, CO	#228698		5/4/09
Moffat County, CO	#20091803		5/4/09
Nye County, NV	#726534		5/1/09
Harding County, SD		Book 124, Page 39	5/11/09

8(a). Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of May 4, 2004, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Sheridan County, MT	460961	608/800	5-17-04
McKenzie County, ND	348516		5-14-04
Beckham County, OK	I-2004-004556	1811/653	5-14-04
Shelby County, TX	2004-2675	B-989/P-1	5-13-04

8(b). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company.

Jurisdiction	File/Entry No.	Book/Page	Date Filed
Sheridan County, MT	Book 624, Page 538		5/1/09
McKenzie County, ND	#388553		5/5/09
Beckham County, OK	Book 1975, Page 354		5/4/09
Shelby County, TX	#2009003536		5/5/09

9(a). Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 7, 2005, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File No.	Book/Page	Date Filed
Bossier Parish, LA	831932	1472/	4-18-05
Caddo Parish, LA	1970675		4-19-05
DeSoto Parish, LA	616921	319/1	4-14-05
Morehouse Parish, LA	193172	582/183	4-18-05
Natchitoches Parish, LA	M280911/228839	768/261	4-15-05
Webster Parish, LA	477794	602/772	4-15-05
Richland County, MT	529711	192/318	4-18-05
McKenzie County, ND	356243		4-25-05
Mountrail County, ND	315745	717/505	4-14-05
Alfalfa County, OK	031160	581/734	4-15-05
Beckham County, OK	I-2005-003117	1843/675	4-15-05
Blaine County, OK	1640	913/470	4-14-05
Carter County, OK	I-2005-004091	4285/68	4-14-05
Coal County, OK	027249	652/494-558	4-22-05
Ellis County, OK	I-A-009471	706/347-394	04-18-05
Garfield County, OK	4125	1752/927	4-15-05
Grady County, OK	I-2005-005326	3720/91-141	4-15-05
Grant County, OK	608	562/192	4-14-05
Haskell County, OK	301537	681/101-157	4-14-05
Hughes County, OK	003075	1027/1	4-14-05
Latimer County, OK	I-2005-035223	653/178-228	4-14-05
LeFlore County, OK	3842	1552/446	4-14-05
Logan County, OK	3536	1851/45	4-14-05
Murray County, OK	I-2005-001180	767/1-48	4-14-05
Pittsburg County, OK	133088	1372/379-475	4-19-05
Roger Mills, OK	I-2005-003179	1789/349	5-12-05
Seminole County, OK	2563	2697/200	4-14-05
Washita County, OK	I-2005-002861	1009/597	4-15-05
Cass County, TX	37589		4-14-05
Gregg County, TX	200507947		4-14-05

Jurisdiction	File No.	Book/Page	Date Filed
Houston County, TX	051641		4-14-05
Marion County, TX	1250		4-14-05
Panola County, TX	100387	1262/467	4-15-05
Rusk County, TX	010774	254/432	4-14-05
Smith County, TX	2005-R0017684	7765/818	4-14-05
Sutton County, TX	051971	337/352	4-14-05
Wheeler County, TX	15347	535/583	4-19-05
Albany County, WY	2005-2399		4-14-05
Park County, WY	2005-2693		4-18-05

9(b). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company.

Jurisdiction	File No.	Book/Page	Date Filed
Bossier Parish, LA	#963271		5/4/09
Caddo Parish, LA	#2222435		4/29/09
DeSoto Parish, LA	#662088	MOB 402, Page 83	4/30/09
Morehouse Parish, LA	#217342	MOB 652, Page 319	5/21/09
Natchitoches Parish, LA	#323702	MOB 900, Page 198	5/6/09
Webster Parish, LA	#512076	MOB 712, Page 28	5/5/09
Richland County, MT		Book B217, Page 714	5/4/09
McKenzie County, ND	#388552		5/5/09
Mountrail County, ND	#354639		5/4/09
Alfalfa County, OK		Book 626, Page 78	5/1/09
Beckham County, OK		Book 1975, Page 393	5/4/09

Jurisdiction	File No.	Book/Page	Date Filed
Blaine County, OK		Book 1010, Page 448	5/1/09
Carter County, OK		Book 4992, Page 155	5/4/09
Coal County, OK		Book 741, Page 1	5/1/09
Ellis County, OK		Book 778, Page 13	5/1/09
Garfield County, OK		Book 1942, Page 295	5/1/09
Grady County, OK		Book 4177, Page 582	5/1/09
Grant County, OK		Book 598, Page 930	5/1/09
Haskell County, OK		Book 759, Page 122	5/5/09
Hughes County, OK		Book 1176, Page 521	5/4/09
Latimer County, OK		Book 734, Page 235	5/1/09
LeFlore County, OK		Book 1733, Page 562	5/1/09
Logan County, OK		Book 2127, page 32	5/1/09
Murray County, OK		Book 950, Page 119	5/1/09
Pittsburg County, OK		Book 1698, Page 453	5/7/09
Roger Mills, OK		Book 1955, Page 560	5/1/09
Seminole County, OK		Book 3187, Page 56	5/4/09
Washita County, OK		Book 1137, Page 1	5/5/09
Cass County, TX	#2009001867		5/4/09
Gregg County, TX	#200908758		5/4/09

Jurisdiction	File No.	Book/Page	Date Filed
Houston County, TX	#0901533		5/1/09
Marion County, TX		Volume 784, Page 456	5/7/09
Panola County, TX		Volume 1502, Page 226	5/4/09
Rusk County, TX		Volume 2929, Page 802	5/4/09
Smith County, TX	#2009-R00020481		5/1/09
Sutton County, TX		Volume 369, Page 71	5/1/09
Wheeler County, TX		Volume 599, Page 273	5/1/09
Albany County, WY	#2009-2645		5/7/09
Park County, WY	#2009-4057		5/11/09

10(a). Deed of Trust, Mortgage, Line of Credit Mortgage Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of February 20, 2007, from St. Mary Land & Exploration Company, et al.

Jurisdiction	File No.	Book/Page	Date Filed
Upton County, TX	00140457	782/61-120	2-26-07
Midland County, TX	4234	OR/02818/71	2-23-07

10(b). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company.

Jurisdiction	File No.	Book/Page	Date Filed
Midland County, TX	#2009-8989		5/4/09
Upton County, TX		Volume 815, Page 515	5/4/09

11(a). Deed of Trust, Mortgage, Line of Credit Mortgage Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of February 1, 2008, from St. Mary Land & Exploration Company

Jurisdiction	File No.	Book/Page	Date Filed
Dimmit County, TX	9830	345/665	4/23/08
Webb County, TX	995989	2540/142	3/4/08

11(b). UCC Financing Statement with St. Mary Land & Exploration Company as debtor and Wachovia Bank, National Association, as Administrative Agent, as secured party, with respect to item 11(a) above.

Jurisdiction	File No.	Book/Page	Date Filed
Secretary of State of Delaware	2008 0765394		3/3/08
Secretary of State of Texas	08-0007324670		2/29/08

11(c). Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company

Jurisdiction	File No.	Book/Page	Date Filed
Dimmit County, TX		Volume 361, Page 112	5/7/09
Webb County, TX		Volume 2749, Page 178	5/1/09

12(a). UCC Financing Statement with St. Mary Land & Exploration Company as debtor and Wachovia Bank, National Association, as Administrative Agent, as secured party, covering all assets.

Jurisdiction	File No.	Book/Page	Date Filed
Secretary of State of Delaware	2008 2574356		7/28/08

12(b). UCC Financing Statement with St. Mary Land & Exploration Company as debtor and Wachovia Bank, National Association, as Administrative Agent, as secured party, with respect to item 4 above

Jurisdiction	File No.	Book/Page	Date Filed
Pointe Coupee Parish, LA	#26-118166		8/1/08

12(c). UCC Financing Statement Amendment amending secured party's name to read Wachovia Bank, National Association, as Administrative Agent

Jurisdiction	Original File No./Date	File No.	Date Filed
Pointe Coupee Parish, LA	#26-118166, 8/1/09	CM Book 76, #118939	6/1/09

12(d). UCC Financing Statement Amendment restating collateral to attach full copy of item 4

Jurisdiction	Original File No./Date	File No.	Date Filed
Pointe Coupee Parish, LA	#26-118166, 8/1/09	CM Book 76, #118940	6/1/09

13. UCC Financing Statement with St. Mary Land & Exploration Company as debtor and Wachovia Bank, National Association, as Administrative Agent, as secured party, with respect to item 6 above

Jurisdiction	File No.	Book/Page	Date Filed
Pointe Coupee Parish, LA	#26-118941	CM Book 76	6/9/09

14. UCC Financing Statement with St. Mary Land & Exploration Company as debtor and Wachovia Bank, National Association, as Administrative Agent, as secured party, with respect to item 9 above

Jurisdiction	File No.	Book/Page	Date Filed
Pointe Coupee Parish, LA	#26-118942	CM Book 76	6/9/09

15. Deed of Trust, Mortgage, Line of Credit Mortgage Assignment, Security Agreement, Fixture Filing and Financing Statement dated effective as of April 14, 2009 from St. Mary Land & Exploration Company

Jurisdiction	File No.	Book/Page	Date Filed
Iberia Parish, LA	#2009-00005399	MOB 1318, Page 201	5/13/09
Vermilion Parish, LA	#20904672		5/8/09
Brazoria County, TX	#2009019900		5/8/09
Galveston County, TX	#2009025032		5/11/09
Minerals Management Service	OCS G-11307, 12497, 06105, 03152, 23829 and 14412		5/26/09

16. UCC Financing Statement with St. Mary Land & Exploration Company as debtor and Wachovia Bank, National Association, as Administrative Agent, as secured party, with respect to item 15 above

Jurisdiction	File No.	Book/Page	Date Filed
Pointe Coupee Parish, LA	#119015	CM Book 76	7/7/09

17. Supplement and Amendment to Deed of Trust, Mortgage, Line of Credit Mortgage, Assignment, Security Agreement, Fixture Filing and Financing Statement dated

effective as of March 31, 2011 from SM Energy Company, filed as follows:

Jurisdiction	File No.	Book/Page	Date Filed
Divide County, ND	#257052		4/14/11
McKenzie County, ND	#416451		4/21/11
Richland County, MT		B230/465	4/11/11

EXHIBIT D
FORM OF ASSIGNMENT AND ASSUMPTION

Reference is made to the Fourth Amended and Restated Credit Agreement dated as of May 27, 2011 (as the same may from time to time be amended, modified, supplemented or restated, the "Credit Agreement"), among SM Energy Company, the Lenders named therein and Wells Fargo Bank, National Association, as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named on the reverse hereof hereby sells and assigns, without recourse, to the Assignee named on the reverse hereof, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth on the reverse hereof, the interests set forth on the reverse hereof (the "Assigned Interest") in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth on the reverse hereof in the Commitment of the Assignor on the Assignment Date and Loans owing to the Assignor which are outstanding on the Assignment Date, together with the participations in Letters of Credit and LC Disbursements held by the Assignor on the Assignment Date, but excluding accrued interest and fees to and excluding the Assignment Date. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the Assigned Interest, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Assumption is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 5.03(e) and Section 5.03(f) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The Assignor shall pay the fee payable to the Administrative Agent pursuant to Section 12.04(b) of the Credit Agreement.

This Assignment and Assumption shall be governed by and construed in accordance with the laws of the State of New York.

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment

("Assignment Date"):

Facility	Principal Amount Assigned	Percentage Assigned of Facility/Commitment (set forth, to at least 8 decimals, as a percentage of the Facility and the aggregate Commitments of all Lenders thereunder)
Commitment Assigned:	$	%
Loans:		

The terms set forth above and on the reverse side hereof are hereby agreed to:

[Name of Assignor], as Assignor

By: _____
Name:
Title:

[Name of Assignee], as Assignee

By: _____
Name:
Title:

The undersigned hereby consent to the within assignment:(1)

SM Energy Company

Wells Fargo Bank, National Association, as Administrative Agent

By: _____
Name:
Title:

By: _____
Name:
Title:

(1) Consents to be included to the extent required by Section 12.04(b) of the Credit Agreement.

EXHIBIT E
FORM OF COMMITMENT INCREASE CERTIFICATE

[ ], 201[ ]

To: Wells Fargo Bank, National Association,
as Administrative Agent

The Borrower, the Administrative Agent and the other Agents and certain Lenders have heretofore entered into a Fourth Amended and Restated Credit Agreement, dated as of May 27, 2011, as amended from time to time (the "Credit Agreement"). Capitalized terms not otherwise defined herein shall have the meaning given to such terms in the Credit Agreement.

This Commitment Increase Certificate is being delivered pursuant to Section 2.06(c) of the Credit Agreement.

Please be advised that the undersigned has agreed to increase its Commitment under the Credit Agreement effective [ ], 201[ ] from $[ ] to $[ ] and (b) that it shall continue to be a party in all respect to the Credit Agreement and the other Loan Documents.

The [Borrower/Lender] shall pay the fee payable to the Administrative Agent pursuant to Section 2.06(c)(ii) of the Credit Agreement.

Very truly yours,

[ ]

By: _____
Name:
Title:

Accepted and Agreed:

Wells Fargo Bank, National Association,
as Administrative Agent

By: _____
Name:
Title:

Accepted and Agreed:

SM Energy Company

By: _____
Name:
Title:

EXHIBIT F
FORM OF ADDITIONAL LENDER CERTIFICATE

[ ], 201[ ]

To: Wells Fargo Bank, National Association
as Administrative Agent

The Borrower, the Administrative Agent and the other Agents and certain Lenders have heretofore entered into a Fourth Amended and Restated Credit Agreement, dated as of May 27, 2011, as amended from time to time (the "Credit Agreement"). Capitalized terms not otherwise defined herein shall have the meaning given to such terms

in the Credit Agreement.

This Additional Lender Certificate is being delivered pursuant to Section 2.06(c) of the Credit Agreement.

Please be advised that the undersigned has agreed (a) to become a Lender under the Credit Agreement effective [ ], 201[ ] with a Commitment of $[ ] and (b) that it shall be a party in all respect to the Credit Agreement and the other Loan Documents.

This Additional Lender Certificate is being delivered to the Administrative Agent together with (i) if the Additional Lender is a Foreign Lender, any documentation required to be delivered by such Additional Lender pursuant to Section 5.03(e) and Section 5.03(f) of the Credit Agreement, duly completed and executed by the Additional Lender, and (ii) an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Additional Lender. The [Borrower/Additional Lender] shall pay the fee payable to the Administrative Agent pursuant to Section 2.06(c)(ii) of the Credit Agreement.

Very truly yours,

[ ]

By: _____
Name: _____
Title: _____

Accepted and Agreed:

Wells Fargo Bank, National Association,
as Administrative Agent

By: _____
Name: _____
Title: _____

Accepted and Agreed:

SM Energy Company

By: _____
Name: _____
Title: _____

EXHIBIT G

REAFFIRMATION AGREEMENT

1. This Reaffirmation Agreement (this "Reaffirmation") dated as of May 27, 2011, is made (a) in connection with, and as a condition to, that certain Fourth Amended and Restated Credit Agreement dated of even date herewith (as may be amended, restated or otherwise modified from time to time, the "Credit Agreement") among SM ENERGY COMPANY, a Delaware corporation (the "Borrower"); each of the Lenders from time to time party thereto; WELLS FARGO BANK, NATIONAL ASSOCIATION (in its individual capacity, "Wells Fargo"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent"); and the other parties and agents signatory thereto and (b) for the benefit of the respective secured parties and beneficiaries described in the Security Instruments (as defined below). Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Credit Agreement.

2. The Borrower has executed certain Loan Documents to secure the Indebtedness, including, without limitation, that certain Amended and Restated Pledge and Security Agreement dated as of April 7, 2005, by the Borrower in favor of the Administrative Agent (as the same may be amended, supplemented, restated or otherwise modified from time to time, the "Pledge Agreement"), each of the mortgages, deeds of trust, amendments and supplements to mortgages and deeds of trust, and all other agreements, instruments or certificates described or referred to in Schedule I (collectively, the "Deeds of Trust").

3. The Borrower (a) has reviewed the Credit Agreement, (b) agrees that according to its terms its obligations (and the security interests granted by it) under the Pledge Agreement, the Deeds of Trust and each such other Loan Document to which the Borrower is a party (collectively, the "Security Instruments") will continue in full force and effect to secure the Indebtedness, and, as the same may be amended, supplemented, or otherwise modified, and such other amounts in accordance with the terms of the Security Instruments, (c) acknowledges, represents, warrants and agrees that the liens and security interests created by it pursuant to the Pledge Agreement, the Deeds of Trust and each other Security Instrument are valid and subsisting and create a first priority perfected security interest to secure the Indebtedness, (d) ratifies and affirms its obligations under, and acknowledges, renews and extends its continued liability under, the Pledge Agreement, the Deeds of Trust and each other Security Instrument to which it is a party and agrees that the Pledge Agreement, the Deeds of Trust and each other Security Instrument to which it is a party remain in full force and effect, and (e) represents and warrants to the Lenders that as of the date hereof: (i) all of the representations and warranties contained in the Pledge Agreement, the Deeds of Trust and each other Security Instrument to which it is a party are true and correct, except (x) to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct as of such specified earlier date and (y) except for any changes in the facts or circumstances represented thereby not prohibited by the Pledge Agreement, the Deeds of Trust, each other Security Instrument or the Existing Credit Agreement, (ii) no Default has occurred and is continuing (iii) since the Effective Date, there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

4. Each of the Pledge Agreement, the Deeds of Trust and each other Security Instrument remains in full force and effect as executed by the parties hereto, and nothing herein shall act as a waiver of any of the Administrative Agent's or other Secured Parties' rights under the Pledge Agreement, the Deeds or any other Security Instrument.

5. This Reaffirmation is a Loan Document for the purposes of the provisions of the other Loan Documents.

6. This Reaffirmation is a Security Instrument for the purposes of the provisions of the other Security Instruments

7. This Reaffirmation shall be governed by and construed and enforced in accordance with the laws of the State of New York.

8. This Reaffirmation may be signed in any number of counterparts, each of which shall be an original. Delivery of an executed signature page to this Reaffirmation by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Reaffirmation.

9. THIS REAFFIRMATION AND THE OTHER LOAN DOCUMENTS REPRESENT THEFINAL AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

10. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[The rest of this page has been left blank intentionally]

The Borrower has caused this Reaffirmation to be duly executed as of the date first above written.

BORROWER

SM ENERGY COMPANY

By: _____
Name: _____
Title: _____

Accepted by:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent

By: _____
Name:
Title:

Schedule I

SCHEDULE 7.05
LITIGATION

None.

SCHEDULE 7.15
SUBSIDIARIES AND PARTNERSHIPS; NON-MATERIAL SUBSIDIARIES

Non-Material Subsidiaries	Jurisdiction of Organization	Organizational Identification Number	Percentage Owned By Borrower
1974 H.B. JA	Colorado	N/A	4%
1976 H.B. JA	Colorado	N/A	9%
1977 H.B. JA	Colorado	N/A	8%
Belring GP LLC	Delaware	4463634	100%
Box Church Gas Gathering LLC	Colorado	19981230772	58.6754%
Energy Leasing, Inc.	Oklahoma	1912099337	100%
Four Winds Marketing LLC	Colorado	20011197680	100%
Hilltop Investments	Colorado	N/A	100%

Parish Ventures	Colorado	N/A	100%
Potato Creek Midstream, LLC	Pennsylvania	3985301	70%
SMT Texas LLC	Colorado	20041120054	100%
St. Mary Energy Louisiana LLC	Delaware	4449884	100%
St. Mary Land East Texas L.P.	Texas	12941010	1% (SMT Texas LLC – 99%)
Sycamore Gas System	Oklahoma	N/A	3.11%

SCHEDULE 9.05(a)
INVESTMENTS

None.

SCHEDULE 9.05(h)
EXISTING INVESTMENTS (NON-OIL AND GAS)

1. 100% general partnership interest in Hilltop Investments holding approximately 41 acres of undeveloped land in Jefferson County at C-470 and Quincy.

2. Residual net profits interest in land located in Grand Junction, Colorado if reclaimed by gravel operator and sold as lots in Mid-America Business Park, a rail served industrial park.

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN REDACTED AND ARE THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST PURSUANT TO RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934. REDACTED PORTIONS ARE MARKED WITH [*****] AND HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

GAS GATHERING AGREEMENT

DATED MAY 31, 2011

BETWEEN

REGENCY FIELD SERVICES LLC
(GATHERER)

AND

SM ENERGY COMPANY
(PRODUCER)

GAS GATHERING AGREEMENT

THIS AGREEMENT (Agreement) is entered and effective on this 31st day of May, 2011,**(Effective Date)** between **Regency Field Services LLC (Gatherer)**, and **SM Energy Company (Producer)**. Gatherer and Producer may be referred to herein individually as "Party" or collectively as "Parties."

RECITALS

WHEREAS Producer desires to dedicate Lease(s) and/or its interests in Well(s) completed for production within the Dedicated Area to Gatherer hereunder and to have Gas gathered from the Receipt Point(s) to the Delivery Point(s) as set forth in this Agreement and Gatherer desires to gather such Gas; and

WHEREAS Producer desires that Gatherer construct for Producer's benefit certain facilities to enable Gatherer to gather such Gas and related Condensate and Gatherer desires to construct such facilities; and

WHEREAS Producer and Gatherer's affiliate, Regency Texas Pipeline LLC ("RTP") shall enter into, contemporaneously herewith, an agreement governed by tariffs setting forth the terms and conditions for the gathering of Condensate (such agreement and tariffs, collectively, the "Condensate Agreement"), but the facilities necessary to enable RTP to gather such Condensate in accordance with the Condensate Agreement will be constructed by Gatherer on behalf of RTP in accordance with this Agreement; and

WHEREAS Producer is conveying to Gatherer pursuant to that certain Purchase and Sale Agreement of even date herewith, certain of Producer's existing Gas pipeline assets, which shall become a part of the Facilities as defined below.

NOW THEREFORE, for the consideration set forth herein, the Parties agree as follows:

ARTICLE I
DEFINITIONS

1. **Anchor Shipper** shall mean a shipper that dedicates no less than one hundred fifty thousand (150,000) acres to Gatherer for gathering and related services on the Facilities under an agreement with a minimum term of twenty (20) years on or before the later of the Effective Date or the date that Gatherer commences construction of the New Facilities.

2. **Annual Throughput Commitment** means for each Commitment Year the quantities of Gas set forth on**Exhibit "E"** hereto for such Commitment Year.

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3. **Affiliate** means, with respect to Gatherer, any entity controlled by or under common control with Regency Energy Partners LP and, with respect to Producer, means any entity controlling, controlled by, or under common control with Producer. For purposes of this definition, the term "control" (including its derivatives and similar terms) means ownership of more than fifty percent (50%) of the voting interest of the entity with the authority to direct or cause the direction of the management and policies of the relevant Person.

4. **Briscoe/Catarina System** means the portion of the System located within the portion of the Dedicated Area identified as "Briscoe/Catarina" on**Exhibit "A-1"** hereto.

5. **Briscoe/Galvan System** means the portion of the System located within the portion of the Dedicated Area identified as "Briscoe/Galvan" on**Exhibit "A-1"** hereto.

6. **British thermal unit** or **Btu** means the amount of heat required to raise the temperature of one avoirdupois pound of pure water from fifty-eight and five-tenths degrees (58.5°) Fahrenheit to fifty-nine and five-tenths degrees (59.5°) Fahrenheit.

7. **Central Backbone** shall have the meaning ascribed to it in Section 2 of Article III hereof.

8. **Commitment Year** shall mean a period of twelve (12) consecutive Months commencing on the first Day of the Month following the Effective Date and each subsequent period of twelve (12) consecutive Months thereafter up to a maximum of ten (10) Commitment Years, except that the period from the Effective Date until the first Day of the following Month shall be part of the first Commitment Year.

9. **Condensate** means liquid hydrocarbons produced from a well that are delivered into the Facilities at a Receipt Point as part of Producer's Gas (including but not limited to liquid hydrocarbons delivered to a Receipt Point) that, during movement in the Facilities, experiences a phase change to a liquid state and/or is subsequently recovered as a liquid from the Facilities in oil and Gas separators, pipeline drips, compressor discharges, suction scrubbers, pigging/slug catchers and other similar equipment.

10. **Condensate Agreement** shall have the meaning ascribed to it in the Recitals above.

11. **Condensate Delivery Point(s)** shall have the meaning ascribed to the term "Delivery Point(s)" in the Condensate Agreement.

12. **Condensate Facilities** shall have the meaning ascribed to the term "Facilities" in the Condensate Agreement.

13. **Condensate MDQ** shall have the meaning ascribed to the term "MDQ" in the Condensate Agreement.

14. **Condensate Receipt Point(s)** shall have the meaning ascribed to the term "Receipt Point(s)" in the Condensate Agreement.

15. **Connection Deadline** shall have the meaning ascribed to it in Sections 4 and 5 of Article III hereof.

16. **Connection Delay** shall have the meaning ascribed to it in Section 6 of Article III hereof.

17. **DA Offset Well** shall have the meaning ascribed to it in Section 5 of Article III hereof.

18. **Day, day** or **Daily** means a period of twenty-four (24) consecutive hours, beginning and ending at 9:00 a.m. Central Time; provided, that on the Day on which Daylight Saving Time becomes effective, the period will be twenty-three (23) consecutive hours; and on the Day on which Standard Time becomes effective, the period will be twenty-five (25) consecutive hours.

19. **Dedicated Area** means the lands described and depicted by plat on **Exhibit "A-1"**, strictly limited to the formations between the surface of such lands and the base of the Eagle Ford Formation underlying such lands and shall include the Lease(s) and Well(s) within the Dedicated Area.

20. **Development Area** means a discrete geographic portion of the Dedicated Area designated by Producer that will be developed by Producer in accordance with the Drilling Plan.

21. **Drilling Plan** shall mean Producer's plan and schedule for developing the Dedicated Area as further described in, and updated by Producer as set forth in, Article III hereof. The current Drilling Plan as of the Effective Date is set forth on **Exhibit "F"** hereto.

22. **Eagle Ford Formation** shall mean the Cenomanian-aged geological formation known as the Eagle Ford formation. The base of the Eagle Ford formation is defined by the gamma ray tool as a change from a high radioactive response at the base of the Eagle Ford formation to a very low radioactive response from the underlying limestones of the Buda formation as defined in Producer's Briscoe G 1H well at a measured depth of 7,704 feet.

23. **Excess Pressure** shall have the meaning ascribed to it in Section 2 of Article VI hereof.

24. **Excess Pressure Event** shall have the meaning ascribed to it in Section 2 of Article VI hereof.

25. **Facilities** means all pipeline and associated equipment to be purchased, constructed, owned, operated and/or maintained by Gatherer as necessary to receive, separate, gather, dehydrate and treat, as applicable, Producer's Gas hereunder from the Receipt Point(s) and to redeliver the Residue Gas to the Delivery Point(s) in accordance with this Agreement.

26. **Fees** means all of the fees set forth on **Exhibit "B"** hereto.

27. **Fixed Location Lateral** shall have the meaning ascribed to it in Section 3(c) of Article III hereof.

28. **Force Majeure** shall have the meaning ascribed to it in Article XIV hereof.

29. **Fuel** means (a) Gas used by Gatherer as fuel in the operation of the Facilities and (b) Gas lost and unaccounted for on the Facilities through normal operations of the Facilities.

30. **Gas** or **gas** means natural gas as produced in its natural state, including all of the hydrocarbon constituents thereof.

31. **Gathering Fee** means the gathering fee specified in **Exhibit "B"** attached hereto.

32. **Gathering Segment** means, collectively: (a) a Tank Battery; (b) one or more lateral pipelines of at least ten (10) inches diameter connecting with such Tank Battery, running through the central zone of a Development Area and connecting directly or indirectly to (i) the Central Backbone on the Briscoe/Galvan System or (ii) one or more Delivery Point(s) and Condensate Delivery Point(s) on the LaSalle System or the Briscoe/Catarina System, as applicable; and (c) one or more pipelines connecting the Receipt Point(s) to such laterals.

33. **Gross Heating Value** means the number of Btu produced by the complete combustion of a cubic foot of Gas (excluding hydrogen sulfide) at a temperature base of sixty degrees (60º) Fahrenheit and a pressure base of fourteen and seventy-three one hundredths (14.73) Psia. Heating values shall be expressed in Btu per cubic foot and may be determined by calorimeter, calculation from compositional analysis or other acceptable industry practices. For the purpose of making Btu calculations at each Delivery Point(s), the downstream pipeline's determination of Gross Heating Value shall apply.

34. **GSB Plan** means the Gathering Segment Build-out Plan that addresses each Development Area consistent with the Drilling Plan and in accordance with the procedures set forth in Section 3 of Article III. The initial GSB Plan is set forth on **Exhibit "D"** hereto.

35. **L&U** shall have the meaning ascribed to it in the Condensate Agreement.

36. **LaSalle System** means the portion of the System located within the portion of the Dedicated Area identified as "LaSalle" on **Exhibit "A-1"** hereto.

37. **Lateral** means a lateral pipeline of a Gathering Segment, excluding, however, pipelines connecting the Receipt Point(s) to such laterals.

38. **Lease(s)** means all interests of every kind and character now owned or hereafter acquired during the term of this Agreement by Producer, or any Affiliate of Producer, in, to, or under any oil and gas lease, mineral interest, royalty interest, overriding royalty interest, production payment, and profits interest, mineral servitude, or other right with respect to Gas and related hydrocarbons covering the lands and formations within the Dedicated Area. The term "Lease" includes all interests of every kind and character now owned or hereafter acquired by Producer, or any Affiliate of Producer, in, to, and under any unit declaration, unit agreement, unit order, the units created pursuant thereto, and all Gas and other hydrocarbons produced therefrom as the result of the inclusion in such units of all or any portion of any Lease. The term "Lease" also includes any renewal or extension of the relevant Lease (as to all or any portion of the lands and formations covered thereby) and any wholly new oil and gas lease (including any top lease) covering all or a portion of the same lands and formations as the relevant existing Lease that is executed and delivered during the term of, or within one (1) year after the expiration of the term of, such predecessor Lease, to the extent of the interests therein owned by Producer, or any Affiliate of Producer, during the term of this Agreement. Notwithstanding the foregoing or anything else herein to the contrary, the term "Lease" shall not include any interests with respect to formations below the base of the Eagle Ford Formation.

39. **Maximum Daily Quantity or MDQ** shall mean, as measured at the applicable Delivery Point(s): (a) 600,000 Mcf of Gas per Day for the Briscoe/Galvan System; (b) 80,000 Mcf of Gas per Day for the LaSalle System; and (c) 20,000 Mcf of Gas per Day for the Briscoe/Catarina System.

40. **Maximum Pressure** shall mean the maximum allowable operating pressure of the pipe, which shall be 1,440 psig at each Receipt Point(s), unless Producer has altered the Maximum Pressure applicable to the Gathering Segment to which such Receipt Point(s) is connected, as provided in Article VI, Section 2 hereof.

41. **Mcf** means one thousand (1,000) cubic feet of Gas at a base temperature of sixty degrees (60°) Fahrenheit, and at a pressure base of fourteen and seventy-three one hundredths (14.73) Psia and containing the amount of water vapor present at actual production pressure and temperature.

42. **Minimum Production** means actual deliveries of Gas measured from a Receipt Point that are at least seventy-five (75) Mcf per day, when averaged over three (3) consecutive Months.

43. **MMBtu** means one million (1,000,000) British thermal units.

44. **Month** means the period beginning at 9:00 a.m. Central Time on the first Day of each calendar Month and ending at 9:00 a.m. Central Time on the first Day of the next succeeding calendar Month.

45. **New Facilities** means, collectively, the new Receipt Point and the other new portions of the System necessary (a) to receive, separate, gather, dehydrate and treat, as applicable, Producer's Gas from a new Well Pad and to redeliver the Residue Gas to the Delivery Point(s) in accordance with this Agreement, (b) to deliver the Condensate to RTP in accordance with this Agreement and the Condensate Agreement and (c) to gather and redeliver the Condensate to the Condensate Delivery Point(s) in accordance with the Condensate Agreement. For the avoidance of doubt, if such New Facilities include a new Tank Battery, such New Facilities shall also include a new Condensate Receipt Point at such Tank Battery.

46. **Non-conforming Delivery Gas/Condensate** shall have the meaning ascribed to it in Section 6 of Article IX hereof.

47. **Non-conforming Receipt Gas/Condensate** shall have the meaning ascribed to it in Section 5 of Article IX hereof.

48. **Operational Date**, as it applies to a specific portion of New Facilities, means the date on which such New Facilities are complete, operational and ready to receive Gas from the applicable new Well Pad for provision of the gathering and related services under this Agreement and the Condensate Agreement.

49. **Person** means any individual or entity, including, without limitation, any corporation, limited liability company, joint stock company, general or limited partnership, or government authority (including any agency or administrative group thereof).

50. **Producer's Dedicated Gas** means all Gas owned or controlled by Producer or its Affiliates and produced during the term of this Agreement from or allocable to all current and future Wells located on lands within the Dedicated Area. As used in this definition: (a) the word "owned" refers to Gas to which Producer has title by virtue of its ownership of a Lease or its purchase thereof from another Person; and (b) the phrase "controlled by" refers to Gas owned by Persons other than Producer or its Affiliates and produced from Wells in the Dedicated Area during the period that Producer or its Affiliates have the contractual right (pursuant to a marketing, agency, operating, unit or similar agreement) to market such Gas; and if for any reason the contractual right of Producer or its Affiliates to market any such Gas (the "subject Gas") terminates or expires, then the subject Gas shall cease to constitute Producer's Dedicated Gas upon such termination or expiration. The phrase "controlled by" does not refer to, and Producer's Dedicated Gas does not include, Gas owned by Persons other than Producer or its Affiliates and produced from Well(s) not operated by Producer or any of its Affiliates.

51. **Producer's Gas** means all Gas tendered under this Agreement by Producer to the Receipt Point(s) for gathering and related services hereunder.

52. **Psia** means pounds per square inch absolute.

53. **Purchased Assets** means those assets purchased by Gatherer from Producer pursuant to that certain Purchase and Sale Agreement of even date herewith.

54. **Qualifying Pipe** shall mean electrostatic resistance welded ("ERW"), coated and wrapped pipe that is: (i) to be used in construction of the New Facilities; (ii) delivered FOB Gardendale, Texas; (iii) from a steel mill that is on Gatherer's list of approved mills; and (iv) deliverable in a timely manner so as not to cause Gatherer to miss any deadlines set forth herein.

55. **Residue Gas** shall mean the hydrocarbons attributable to Producer's Gas that remain in a gaseous state after treating and removal of water and Condensate from Producer's Gas at each Tank Battery.

56. **ROW Allocation** means [*****] dollars ($[*****]).

57. **ROW Costs** means the total of all amounts paid by Gatherer to landowners for rights-of-way for System facilities constructed during the ROW Window, excluding any rights-of-way needed due to System design or construction errors not caused by Producer, errors in the modeling calculations and/or formulae used to determine the System facilities necessary to meet Gatherer's obligations under this Agreement and RTP's obligations under the Condensate Agreement, and/or topography impediments encountered by Gatherer requiring additional rights-of-way to route around such impediments.

58. **ROW Window** shall have the meaning ascribed to it in Section 8 of Article III hereof.

59. **Scheduled Lateral** means any Lateral scheduled on the GSB Plan for which the anticipated well completion date for the first Well to be completed in the Development Area in which such Lateral is to be constructed is more than one hundred twenty (120) days after the date of Gatherer's receipt of a request by Producer to connect a Well in such Development Area pursuant to Section 5 of Article III hereof.

60. **Selected Segment** shall have the meaning ascribed to it in Section 2 of Article VI hereof.

61. **Shipper's Condensate** shall have the meaning ascribed to it in the Condensate Agreement.

62. **System** means, collectively, the Facilities and the Condensate Facilities.

63. **Tank Battery** means any tank battery/compressor station of the Facilities installed at various centralized locations between the Receipt Point(s) and the Delivery Point(s) to provide separation of the combined Gas stream into Residue Gas, Condensate and water and at which applicable compression facilities will be installed and at which separated Condensate will be delivered by Gatherer on behalf of Producer under the Condensate Agreement.

64. **Taxes** means any or all severance, production, extraction, first use, conservation, Btu or energy, gathering, transport, pipeline, utility, gross receipts, Gas or oil revenue, Gas or oil import, privilege, sales, use, consumption, excise, lease, transaction, and other or new taxes or increases therein, other than taxes based on or assessed against net income or net worth.

65. **Tcf** shall mean one trillion cubic feet of Gas at a base temperature of sixty degrees (60°) Fahrenheit, and at a pressure base of fourteen and seventy-three one hundredths (14.73) Psia and containing the amount of water vapor present at actual production pressure and temperature.

66. **Total Throughput Commitment** shall mean [*****], subject to adjustment in accordance with Sections 5 and 8 of Article III hereof.

67. **Well(s)** means any well that is now completed or may be hereafter completed under the Lease(s). Notwithstanding the foregoing or anything else herein to the contrary, the term "Well(s)" shall not include any well(s) completed in and/or producing from any formation below the base of the Eagle Ford Formation.

68. **Well Pad** means each drilling pad at which one or more Well(s) are drilled and completed for production of Producer's Dedicated Gas.

69. **Year** or **year** means a period of three hundred sixty-five (365) consecutive Days; provided, that any year that contains a date of February 29 will consist of three hundred sixty-six (366) consecutive Days.

ARTICLE II
DEDICATION AND QUANTITY

1. **Dedication.**

(a) Subject to the reservations contained in Section 3 of this Article II, Producer hereby commits and dedicates to the performance of this Agreement, during the term of this Agreement, all of Producer's Dedicated Gas. Notwithstanding anything to the contrary set forth in this Agreement, all Gas produced from existing or future wells that deliver Gas to Producer's gathering system commonly known as the Olmos System, in Webb County, Texas, for redelivery out of such system at the Huber Sales Meter #6000

up to 10,000 Mcf per day (as measured at such meter) ("Olmos Gas"), is dedicated by Producer to Gatherer under that certain Gas Gathering Agreement dated September 1, 2010 bearing Gatherer's Contract No. PF-028 and is excluded from the commitment and dedication under this Agreement. Any Gas delivered from the Olmos System in excess of 10,000 Mcf per day shall be dedicated under this Agreement.

(b) The dedication by Producer of Producer's Dedicated Gas to the performance of this Agreement shall be a covenant running with the land with respect to the Lease(s) and shall be binding on all successors and assigns of Producer thereunder. To that end, counterparts of a recording memorandum for this Agreement, a form of which is attached hereto as **Exhibit "G"**, shall be filed of record by Gatherer in all counties in which the Dedicated Area is located. If, at any time during the term of this Agreement, Producer sells, transfers, conveys, assigns, grants, or otherwise disposes of all or any interests in the Lease(s), any such sale, transfer, conveyance, assignment, or other disposition shall be expressly made subject to the terms of this Agreement.

(c) Producer represents and warrants that, prior to the Effective Date, it has not dedicated any of the Lease(s) currently in effect for the Dedicated Area, any Gas produced therefrom, or any other interest in or portion of the Dedicated Area to a third Person under another Gas gathering, transportation or similar agreement which would conflict with Producer's dedication hereunder. Notwithstanding the foregoing, if, after the Effective Date, Producer or its Affiliates acquire additional Lease(s) covering lands and formations in the Dedicated Area that, at the time of Producer's or its Affiliates' acquisition thereof, are subject to existing purchase, gathering, transportation, or similar agreements executed by Producer's predecessors in interest with third Persons that contain acreage or production dedications, such Lease(s) and the lands and formations covered thereby shall not be deemed to be committed or dedicated to the performance of this Agreement until such existing acreage or production dedications expire or are terminated or released pursuant to the terms of any such agreements.

2. **Gathering Quantity.** Except as otherwise allowed under Section 3 of this Article III of this Agreement, Producer will deliver each Day to Gatherer at the Receipt Point(s) all of Producer's Dedicated Gas produced from the Lease(s) and Well(s). Additionally, Producer shall have the right, but not any obligation, to deliver to the Facilities Gas (collectively, "Non-Dedicated Gas") (a) owned or controlled by non-Affiliated third Persons and/or (b) produced from lands and/or formations outside of the Dedicated Area; provided that any Receipt Point for such Non-Dedicated Gas shall be located at a mutually acceptable point on the Facilities and installed at Producer's sole cost and expense. Producer shall also be responsible for installing, at its sole cost and expense, such lines and other facilities as are necessary to deliver such Gas to the Facilities at such additional Receipt Point(s). Gatherer agrees to receive Producer's Gas and to redeliver thermally equivalent quantities, less Fuel, to the Delivery Point(s) set forth on **Exhibit "C"** designated by Producer from time to time for the redelivery of Residue Gas, not to exceed the maximum daily quantity for each Delivery Point(s) as set forth on **Exhibit "C."** Notwithstanding anything in this Article II, Section 2 to the contrary, Gatherer shall not be obligated to receive Non-Dedicated Gas from a Receipt Point if such Receipt Point is on a Selected Segment and receipt of such Non-Dedicated Gas would, in Gatherer's good faith

opinion, cause Excess Pressure at any existing Receipt Point(s) on such Selected Segment. Producer shall use commercially reasonable efforts to deliver Producer's

Dedicated Gas to Gatherer at uniform rates of flow; provided, however, the Parties acknowledge that such commercially reasonable efforts shall not require Producer to alter the flow of actual production of Producer's Dedicated Gas.

3. Reservations of Producer. Producer reserves the following rights under this Agreement:

(a) to pool or unitize the Leases with other leases in the same field,provided that all Gas attributable to Producer's or its Affiliates' interest in any unit so formed shall, to the extent of Producer's or its Affiliates' interest in the Leases, be deemed subject to this Agreement;
(b) to use Gas in developing and operating the Wells and the Leases and delivering Producer's Gas to the Receipt Point(s).
(c) to retain and/or be provided (for the Condensate that Gatherer recovers) all Condensate separated from Producer's Gas prior to redelivery of the Residue Gas to Producer at the Delivery Point(s), including liquid hydrocarbons collected by Gatherer as a result of pigging, compression and other operations in the Facilities.

Gatherer shall recover such Condensate from the Facilities in oil and Gas separators, pipeline drips, compressor discharges, suction scrubbers, pigging/slug catchers and other locations at various collection points along the Facilities and shall inject all such Condensate (except as otherwise provided in the following sentence) into the lines of RTP at the Condensate Receipt Point(s) for gathering and redelivery for Gatherer in compliance with the Condensate Agreement. Condensate pigged from the Central Backbone will be stored in a vessel (provided by Gatherer at its sole cost and expense) located at or near each Delivery Point and trucked out as needed at the sole cost and expense of Producer.

4. Reservations of Gatherer. Notwithstanding anything herein to the contrary, Gatherer reserves the right to cease taking deliveries of Gas at any Receipt Point(s) for so long as Gatherer, in its reasonable judgment, believes that continuing to take Gas from such Receipt Point(s) poses a threat of imminent danger to persons or property.

5. Status of Producer. Gatherer and Producer acknowledge that Producer's status on the Facilities shall be that of an Anchor Shipper and that, as an Anchor Shipper, Producer's Gas shall have the highest priority for scheduling and all other purposes on the Facilities, and Gatherer shall not curtail Producer's Gas for any reason, including Force Majeure, until all non-Anchor Shippers have been curtailed to zero.

ARTICLE III

SYSTEM FACILITIES

1. System Facilities. Upon execution of this Agreement by the Parties hereto, Gatherer shall proceed with the final planning, design, acquisition of rights of way, and the construction of the New Facilities in accordance with this Article III. The Parties agree and acknowledge that:

a. the Purchased Assets constitute a portion of the System and are existing and operating, and are being purchased by Gatherer from Producer concurrently with execution of this Agreement;

b. Gatherer shall construct the New Facilities for itself (with respect to the Facilities) and on behalf of RTP (with respect to the Condensate Facilities) as set forth herein, and Gatherer and RTP shall operate and maintain the Purchased Assets and the New Facilities as a single integrated System as set forth herein;

c. the Facilities, when fully constructed, will be capable of receiving, separating, gathering, dehydrating and treating, as applicable, Producer's Gas from each Receipt Point(s) and redelivering the Residue Gas to the Delivery Point(s) in accordance with this Agreement, at least up to the MDQ;

d. the Condensate Facilities, when fully constructed, will be capable of receiving and transporting Shipper's Condensate from each Condensate Receipt Point(s) and redelivering such Shipper's Condensate, less L&U, to the Condensate Delivery Point(s) in accordance with the Condensate Agreement, at least up to the Condensate MDQ;

e. except as required by applicable laws, the Facilities shall be dedicated exclusively to this Agreement and shall be used solely for the provision of the gathering and related services hereunder for Producer's Gas; and

f. the dedication by Gatherer of the Facilities exclusively to the performance of this Agreement shall be a covenant running with the land with respect to the Facilities and shall be binding on all successors and assigns of Gatherer thereto. If, at any time during the term of this Agreement, Gatherer sells, transfers, conveys, assigns, grants, or otherwise disposes of all or any interest in the Facilities, any such sale, transfer, conveyance, assignment, or other disposition shall be expressly made subject to the terms of this Agreement.

2. Central Backbone. Gatherer shall construct and place into service approximately forty-two (42) miles of 16" main gathering pipeline as depicted on**Exhibit "H"** (the "Central Backbone") hereto no later than one hundred eighty (180) Days after the Effective Date, and the System facilities necessary for redelivery of Residue Gas at each Delivery Point(s) and for redelivery of Shipper's Condensate, less L&U, at each Condensate Delivery Point(s) shall be completed and operational: (i) by May 31, 2011 for the Delivery Point(s) and the Condensate Delivery Point(s) on the Briscoe/Galvan System; (ii) by one hundred twenty (120) days from the Effective Date hereof for the Delivery Point(s) and the Condensate Delivery Point(s) on the Briscoe/Catarina System; and (iii) upon one hundred eighty (180) days prior notice from Producer to Gatherer for the Delivery Point(s) and the Condensate Delivery Point(s) on the

LaSalle System. The Parties acknowledge that certain portions of the lands of the Dedicated Area are subject to hunting seasons that in some cases commence in October of each year. Gatherer shall use commercially reasonable efforts to construct the Central Backbone on such lands, prior to such hunting seasons, to avoid any delays that might be caused by such hunting seasons.

3. GSB Plan. Except as provided in Section 5 below of this Article III, Producer intends to initially drill in multiple Development Areas at the same time and to drill as many Wells as is commercially and geologically feasible in each Development Area and to fully develop each Development Area in accordance with the Drilling Plan. However, for drilling and operational reasons, in order to maximize production from a Development Area, Producer does not intend to drill all Well(s) to be drilled in a Development Area at once, before moving its drilling rigs and operations from such Development Area to another Development Area, and Producer may move its rigs and operations to other Development Areas and later return to the original area for further drilling operations. The Parties acknowledge the importance of having New Facilities complete and ready to receive Producer's Gas upon completion of the Well(s) to be serviced by such New Facilities, and, in furtherance thereof, the Parties shall reasonably cooperate and coordinate with each other and shall attend and conduct joint planning meetings on a regular basis in a collaborative effort to assist Gatherer in planning for timely construction of New Facilities and to avoid delays to such construction, including working together in an effort to obtain permission to drill Well(s) and construct New Facilities during applicable hunting season(s) where Lease(s) and/or rights-of-way would otherwise restrict such activities during such hunting season(s). Through such meetings, the GSB Plan will be periodically updated consistent with the Drilling Plan, and the GSB Plan will address each Development Area in accordance with the procedures set forth below; provided, however, the initial GSB Plan attached hereto as **Exhibit "D"** sets forth the Gathering Segment build-out plan for calendar years 2011

and 2012 and will not be modified for such years except as otherwise mutually agreed by the Parties.

a. The GSB Plan shall reflect plans for at least one full year of anticipated production.

b. The GSB Plan shall include the location for each Lateral anticipated as being needed for such production.

c. Producer shall, from time to time, revise the GSB Plan, provided, however, that Producer may not, without incurring additional charges in accordance with Section 5(b) hereof, alter the location of a Lateral within one hundred and eighty (180) days prior to the projected completion date in the Drilling Plan for the first Well to be completed in the Development Area in which such Lateral is to be constructed (each such Lateral, for which the location cannot be changed, being hereinafter a "Fixed Location Lateral").

d. When Producer alters the GSB Plan, Producer shall promptly provide Gatherer with an updated GSB Plan.

4. Drilling Plan. The GSB Plan shall include a schedule for each Gathering Segment, consistent with the Drilling Plan, for connection of Well Pads to such Gathering Segment. The

Drilling Plan shall reflect Producer's plans for at least one full year of Producer's anticipated drilling in the Dedicated Area and shall include the following information:

a. the number of drilling rigs to be operated in each Development Area and the anticipated dates of operation; and

b. the anticipated timing for completion of each Well identified in the Drilling Plan and the location of each Well Pad identified in the Drilling Plan; and

c. the estimated quantity of Gas, Condensate and free water anticipated from each Well identified in the Drilling Plan.

Producer shall periodically update and amend the Drilling Plan as needed, provided, however, that no changes will be made to the anticipated timing for completion of any individual Well identified in the Drilling Plan within one hundred and twenty (120) days prior to the projected completion date for such Well as set forth in the Drilling Plan without incurring additional charges in accordance with Section 5(b) hereof. Producer shall issue Gatherer a notice to connect a Well Pad identified in the Drilling Plan (each a "Connection Notice" which will contain the information set forth on **Exhibit "I"** hereto) no sooner than one hundred twenty (120) days prior to the anticipated completion date for the first Well to be drilled on such Well Pad, and Gatherer shall connect each such Well Pad on or before the later of (as applicable, the "Connection Deadline") (a) one hundred twenty (120) days after the date of the Connection Notice for such Well Pad or (b) the date on which Producer is ready to deliver Gas from such Well Pad; provided, however, the Connection Deadline for Offset Wells shall be determined as described in Section 5 of this Article III. Notwithstanding the foregoing, with respect to Receipt Point(s) for new Well Pads to be connected after the second anniversary of the Effective Date, for which Gatherer has timely completed all New Facilities required to accept Gas from such Receipt Point(s), if Producer has not tendered any Gas at ten (10) or more such Receipt Point(s) for reasons other than well failure or Force Majeure (each an "Idle Receipt Point") by the end of the second (2nd) day after the date Gatherer is ready to accept Gas at such Idle Receipt Points, but no sooner than one hundred twenty (120) days after the date of the latest Connection Notice applicable to such Idle Receipt Points, then, during the period commencing on the day immediately following such second (2nd) day or such one hundred twenty (120) day period, as applicable, and ending thereafter once Producer has fewer than ten (10) Idle Receipt Points ("Alternative Deadline Period"), the Connection Deadline applicable to each Connection Notice issued to Gatherer under this Section 4 during such Alternative Deadline Period shall be one hundred twenty (120) days after the date that the first Well is spud on the applicable Well Pad to which such Connection Notice pertains. The normal Connection Deadline shall apply for Connection Notices issued after the Alternative Deadline Period.

5. Exceptions.

a. Offset Wells. In the event that Producer requires that a single Well be drilled that is two (2) miles or more from (i) any existing Gathering Segment, (ii) the Central Backbone and (iii) any Scheduled Lateral, such single Well shall be referred to herein as an **"Offset Well."** Upon receipt of a request to connect

an Offset Well, Producer shall provide Gatherer with the optimal route to secure rights-of-way and Gatherer shall promptly provide Producer with a reasonably detailed estimate of costs to connect the Offset Well. If Producer elects to have the Offset Well connected, Gatherer shall connect the Offset Well to the System and the Total Throughput Commitment shall be adjusted by a quantity equal to the total actual direct costs incurred by Gatherer to connect such Offset Well to the System (excluding rights-of-way acquisition costs) divided by the then-current Gathering Fee (converted to a fee per Mcf based on the average Btu content of Residue Gas delivered at all of the Delivery Point(s) during the three (3) Months immediately preceding the date of completion of the Offset Well). Gatherer shall use commercially reasonable efforts to connect such Offset Well to the System by the date specified by Producer in its Connection Notice for such Offset Well (the "Offset Connection Date"), but such date shall not be earlier than one hundred eighty (180) days after the date of such Connection Notice. If such Offset Well will be located within a Development Area in which (1) a Gathering Segment has been constructed or (2) a Fixed Location Lateral is scheduled for construction under the GSB Plan as of the date of the Connection Notice for such Offset Well (each a "DA Offset Well"), the Connection Deadline for such DA Offset Well shall be the later of (a) the Offset Connection Date for such DA Offset Well or (b) the date on which Producer is ready to deliver Gas from such DA Offset Well. No Connection Deadline will apply with respect to an Offset Well that is not a DA Offset Well, and the provisions of and credit under Section 6 below, of this Article III, shall not apply with respect to such Offset Well.

b. Untimely Changes. In the event that Producer requires a change in the location of a Fixed Location Lateral and notifies Gatherer of such change less than one hundred eighty (180) days prior to the projected completion date for the first Well to be completed on such Fixed Location Lateral, Producer shall bear all actual direct incremental costs incurred by Gatherer as a result of such change in the Fixed Location Lateral, in addition to all Fees applicable hereunder. In the event that Producer requires that a change be made to the anticipated timing for completion of an individual Well less than one hundred twenty (120) days prior to the anticipated completion date for the first Well to be drilled on the Well Pad for such Well, Producer shall bear all actual direct incremental costs incurred by Gatherer as a result of such change of timing, in addition to all Fees applicable hereunder.

6. Failure to Complete Construction. For each new Well Pad and the corresponding New Facilities, if the Operational Date does not occur on or before the Connection Deadline for such Well Pad (including the Well Pad for a DA Offset Well) Producer shall be entitled to the following exclusive remedies for such failure, provided that, if the initial GSB Plan attached

hereto as **Exhibit "D"** is modified by Producer for calendar years 2011 and 2012, without Gatherer's written consent, Producer shall not be entitled to such remedies for such failure for Connection Deadlines occurring in 2011 or 2012:

a. The number of days between the Connection Deadline and the Operational Date shall be referred to herein as the "Connection Delay"; provided, however, if Gatherer's failure to cause the Operational Date to occur on or before the Connection Deadline is caused, in whole or in part, by an event of Force Majeure or by the negligence, gross negligence or willful misconduct of Producer or any Affiliate of Producer, then such Connection Deadline shall be extended by a number of days equal to the number of days the Operational Date was so delayed by reason of Force Majeure or the negligence, gross negligence or willful misconduct of Producer or any of its Affiliates.

b. Upon completion of the subject New Facilities, Producer shall be exempt from Gathering Fees for the affected Well Pad for a number of days equal to the Connection Delay. In addition, Producer shall be entitled to a credit towards Producer's Annual Throughput Commitment for the year in which the Connection Delay occurs equal to the volumes of Producer's Gas delivered through the Receipt Point(s) for such Well Pad for a time period equal to the Connection Delay and measured from the first day of deliveries through such Receipt Point(s).

7. **Annual Throughput Commitment.** As consideration for construction of the System, Producer agrees to tender quantities of Producer's Gas each Commitment Year that at least equal the Annual Throughput Commitments set forth on **Exhibit "E"**, and to make a payment to Gatherer after each Commitment Year (the "Annual Shortfall Payment") as set forth below if the Annual Throughput Commitment is not met for such Commitment Year.

The Annual Shortfall Payment shall be calculated as follows:

[((A — B) — C) — D]) x $[*****] = Annual Shortfall Payment (expressed in Dollars)

Where:

A= the Annual Throughput Commitment (in Mcf); and

B= the actual quantity (in Mcf) of Producer's Gas measured at the Delivery Point(s) during the Commitment Year, if such amount was less than the Annual Throughput Commitment; and

C = the quantity (in Mcf) by which the previous Commitment Years' actual deliveries (including credits) of Producer's Gas exceeded the Annual Throughput Commitment(s) applicable to such Commitment Year(s), if any. For the avoidance of doubt, any quantities of Gas delivered and/or credited under this Section during a Commitment Year

in excess of the Annual Throughput Commitment for such Commitment Year will be credited against the Annual Throughput Commitment for the succeeding Commitment Year(s).

D = the quantity of credits applied to the Annual Throughput Commitment pursuant to Section 6 of this Article III and the last paragraph of this Section 7.

For purposes of example only, if (A) the Annual Throughput Commitment for the third Commitment Year is 65,750,000 Mcf (i.e., 65.75 Bcf) and (B) the actual quantity of Producer's Gas redelivered to the Delivery Point(s) during such third Commitment Year (including credits) is 50,000,000 Mcf and (C) the cumulative excess quantities of Producer's Gas redelivered to the Delivery Point(s) during the first and second Commitment Years (including credits) are 10,000,000 Mcf, the Annual Shortfall Payment for the third Commitment Year would be $[*****] (i.e., (65,750,000 - 50,000,000 - 10,000,000 = 5,750,000) x $[*****]). Gatherer shall invoice Producer for any Annual Shortfall Payment no later than the end of the second full Month after the completion of the Commitment Year to which the Annual Throughput Commitment applies. Payment shall be due in accordance with the payment terms hereof. The Parties agree that Producer's obligation to tender the Annual Throughput Commitment or to make any Annual Shortfall Payment when due will not be excused for any reason, including, but not limited to, Force Majeure affecting any Well(s) or the failure or rescission of any Lease(s). When total deliveries of Producer's Gas to Gatherer hereunder (including credits) exceed [*****] Bcf, Producer shall have no further liability to make Annual Shortfall Payments.

In determining whether any Annual Throughput Commitment has been met, Producer shall receive a one (1) Mcf credit against such Annual Throughput Commitment for each one (1) Mcf of Gas which Producer was ready and able to deliver hereunder in accordance with this Agreement during the applicable Commitment Year (determined as provided below) but which Gatherer failed to receive for any reason other than Force Majeure; provided, however, such credit shall not exceed, for any Day, a quantity of Gas equal to the applicable MDQ(s) less the quantity of Gas (in Mcf) which was delivered hereunder during such Day to the applicable Facilities system(s) (e.g., Briscoe/Catarina System, Briscoe/Galvan System and/or LaSalle System). For purposes of this paragraph, determination of the quantity of Gas which Producer was ready and able to deliver hereunder shall be made by reference to the weighted average daily quantity of Producer's Gas delivered (in Mcf) to the applicable Receipt Point(s) during the five (5) Days immediately preceding Gatherer's failure to receive such Gas. Notwithstanding anything to the contrary, the credit under this paragraph shall not apply to Connection Delays, delays in connection of an Offset Well that is not a DA Offset Well, or Gas not taken as a result of an Excess Pressure Event.

8. **Gatherer's Right-of way.** Gatherer shall be responsible for acquisition of all rights-of-way for the System, subject, however, to the provisions of this Section 8. During the first sixty (60) months after the Effective Date (the "ROW Window"), Gatherer shall purchase rights-of-way for the System consistent with the GSB Plan. On or before the date that is eighteen (18)

months after the Effective Date, Producer may give Gatherer written notice of the location of any portion of the rights-of-way to be acquired by Gatherer during the ROW Window, in which event Gatherer shall acquire such rights-of-way (the "Required ROW") pursuant to the fixed pricing in effect as of the Effective Date with landowners located in the Dedicated Area. The ROW Costs incurred for acquisition of rights-of-way (including the Required ROW) shall be applied towards the ROW Allocation. However, to the extent Producer changes the location of (a) the Required ROW after the foregoing notice by Producer, (b) a Well within 120 days of the projected completion date set forth for such Well in the Drilling Plan, (c) a Lateral within 180 days of the projected completion date of the first Well to be completed in the Development Area in which such Lateral is to be constructed or (d) any other right-of-way which Producer specifically designates, in writing, that Gatherer acquire, the additional amounts paid by Gatherer to landowners for the additional rights-of-way needed as a result of such changes shall not be applied to the ROW Allocation but shall instead be reimbursed by Producer to Gatherer within thirty (30) days after receipt of Gatherer's invoice therefor, including reasonable supporting documentation. If, at the end of the ROW Window, the ROW Costs exceed the ROW Allocation, the Total Throughput Commitment shall be adjusted in accordance with the following formula:

E/F = quantity added to the Total Throughput Commitment expressed in Mcf

Where

E = the amount by which the ROW Costs exceed the ROW Allocation; and

F = the then-current Gathering Fee (converted to a fee per Mcf based on the average Btu content of Producer's Gas at all of the Delivery Point(s) during the three (3) Months immediately preceding the last day of the ROW Window).

Except as otherwise provided above with respect to additional rights-of-way acquired due to Producer's changes to the location of Required ROW, all costs of rights-of-way acquired for System facilities constructed after the ROW Window shall be borne solely by Gatherer.

9. **Steel Prices.** If Gatherer notifies Producer in writing at least one hundred eighty (180) days prior to the first applicable Connection Deadline for a specific Gathering Segment that the price for Qualifying Pipe for such Gathering Segment exceeds $[*****] per ton, Gatherer shall use a competitive bidding process mutually agreeable to the Parties to obtain the best possible price for such Qualifying Pipe. To the extent the best price obtained through such bidding process exceeds $[*****] per ton, Producer shall bear [*****] percent ([*****] %) of such excess costs actually incurred by Gatherer for Qualifying Pipe, and Producer shall pay such share of such excess within thirty (30) days after receipt of Gatherer's invoice therefor, including reasonable supporting documentation. Notwithstanding the foregoing or anything else to the contrary, Producer shall not be obligated to pay for any such excess steel costs with respect to: (a) any price above $[*****] per ton that is not obtained through the foregoing bidding process

after prior written notice to Producer; or (b) any pipeline needed due to (i) System design or construction errors not caused by Producer, (ii) errors in the modeling calculations and/or formulae used to determine the System facilities necessary to meet Gatherer's obligations under this Agreement and RTP's obligations under the Condensate Agreement, and/or (iii) topography impediments encountered by Gatherer requiring additional pipeline to route around such impediments.

ARTICLE IV
RECEIPT POINT(S), DELIVERY POINT(S) AND FACILITIES

1. **Receipt Point(s).** The point(s) at which Producer shall tender and Gatherer shall receive Producer's Gas in accordance with this Agreement ("**Receipt Point(s)**") shall be at the inlet of Gatherer's Facilities at the edge of the Well Pads, and at such other locations as are mutually agreed by the Parties. The initial Receipt Point(s) hereunder are listed on **Exhibit "A**," and when a new point of receipt is installed at a Well Pad as provided in this Agreement, such point shall automatically become a Receipt Point(s) hereunder. Upon request by either Party, given no more frequently that once per calendar quarter, the Parties shall add such new Receipt Point(s) to **Exhibit "A"** hereto by amendment. Producer shall maintain and operate accurate, real-time measurement equipment immediately upstream of each Receipt Point to separately measure the Gas, Condensate and water which is then combined into Producer's Gas and delivered to such Receipt Point, and Producer shall provide such data to Gatherer.

2. **Tank Batteries.** At each Tank Battery, Gatherer shall separate the Gas tendered at the Receipt Point(s) upstream of such Tank Battery into Residue Gas, Condensate and water. Gatherer shall redeliver the Residue Gas at the Delivery Point(s). Gatherer shall deliver the Condensate in accordance with the Condensate Agreement. At each Tank Battery, Gatherer shall install and maintain facilities to store no less than one thousand eight hundred (1800) barrels of water separated at the Tank Battery. Producer shall be responsible for disposing of such water in the storage tanks so as not to impair Gatherer's operations. Notwithstanding anything herein to the contrary, Gatherer shall have no liability hereunder for suspension of service when such suspension is due to Producer's failure to timely empty the water tanks as provided in this Section 2 of Article IV. In addition, the Parties understand and acknowledge that RTP's facilities for transporting Condensate from the Condensate Receipt Point(s) initially listed on Exhibit "A" to the Condensate Agreement will not be operational on the Effective Date, and Producer agrees to arrange and bear all costs of trucking Condensate from such initial Condensate Receipt Point(s) until such facilities are in-service. During such period, Gatherer shall have no liability for failure to perform services hereunder due to Producer's failure to truck Condensate from such initial Condensate Receipt Point(s). However, Gatherer shall, within one hundred eighty (180) Days after the Effective Date, construct and place into service such RTP facilities as are necessary for receiving and transporting Shipper's Condensate from such initial Condensate Receipt Point(s) and redelivering such Shipper's Condensate, less L&U, to the applicable Condensate Delivery Point(s) in accordance with the Condensate Agreement, at least up to the applicable Condensate MDQ.

3. **Delivery Point(s).** The point(s) at which Gatherer shall redeliver the Residue Gas to Producer or its designee in accordance with this Agreement (**Delivery Point(s)**") shall be at the point(s) of interconnection listed on **Exhibit "C**." As additional delivery point(s) are installed on the Facilities for deliveries of Gas out of the Facilities, the Parties shall add the same to **Exhibit "C"** hereto by amendment.

4. **Maintenance of Facilities.** Gatherer agrees to construct, operate and maintain the Facilities necessary to receive, separate, gather, dehydrate and treat, as applicable, Producer's Gas from each Receipt Point(s) and to redeliver the Residue Gas to the Delivery Point(s) in accordance with this Agreement, at least up to the MDQ. The Condensate Facilities shall be constructed in accordance with Article III of this Agreement but shall be operated and maintained by RTP in accordance with the Condensate Agreement. If the deliveries at a Receipt Point total less than the Minimum Production, Gatherer shall continue to maintain its Facilities used to provide gathering and related services hereunder for Producer's Gas from such Receipt Point and charge Producer a fee of $250.00 per Month (which shall be adjusted pursuant to Article V, Section 2 hereof) in addition to all other applicable fees hereunder for such Receipt Point commencing at the end of the three (3) consecutive Months period over which the Minimum Production was first calculated and ending at the end of the Month in which the Minimum Production is exceeded at such Receipt Point.

ARTICLE V
COMPENSATION AND DISPOSITION

1. **Fees.** For each Mcf or MMBtu (as applicable) of Residue Gas delivered hereunder by Gatherer at the Delivery Point(s), Producer will pay Gatherer the applicable fee(s) set forth on **Exhibit "B**."

2. **Adjustments to Fee(s).** The Fees set out on **Exhibit "B,"** the $[*****] credit rate set forth in Article VI, Section 2, and the fee for Minimum Production set forth in Article IV, Section 4 shall each be adjusted beginning on January 1st of the second calendar year following the Effective Date and each January 1st thereafter (the "Fee Escalation Date") in accordance with the following formula:

{[(A/B — 1) * [*****]] * C} + C = adjusted fee

Where

A = the Consumer Price Index, All Urban Consumers, U. S. City Average, All Items, as published by the U. S. Department of Labor, Bureau of Labor Statistics (CPI-U) or its most comparable successor for the Month of December of the year immediately preceding the Fee Escalation Date

B = the CPI-U for the month of January of the year immediately preceding the Fee Escalation Date

C = then-current rate that is subject to adjustment hereunder.

Notwithstanding anything herein to the contrary, such adjustment shall not reduce such Fees and credit rate below the amounts originally set forth herein for the same.

3. **Fee Reduction.** Upon the later of (a) ten (10) Years from the first day of the Month following the Month in which Producer's Gas first flows under this Agreement or (b) Producer's tender of the Total Throughput Commitment to Gatherer (as adjusted herein) under this Agreement, the then-existing Gathering Fee, and the then-existing $[*****] credit rate under Article VI, Section 2 hereof, as adjusted under Article V, Section 2, shall be reduced by [*****] percent ([*****] %), but such reduced Gathering Fee and credit rate shall be thereafter subject to annual adjustment as provided in Article V, Section 2.

4. **Fuel.** In addition to the amounts payable under this Agreement, Producer shall provide in-kind, at Producer's sole cost and expense, all Fuel; provided, however, if any of the Facilities are utilized to move Gas for any Person other than Producer, Fuel will be allocated among Producer and such other Person(s) on a pro rata basis as mutually agreed by the Parties. Each Party agrees to provide to the other Party data in its possession reasonably required to calculate Fuel. In the event that (a) Producer desires to and can secure access to an alternative fuel source(s) and (b) Gatherer can accommodate such alternative fuel source(s) without compromising Gatherer's ability to meet its commitments hereunder, and without additional cost to Gatherer (unless Producer agrees to reimburse Gatherer for such additional cost, which additional cost shall be determined by Gatherer based on Gatherer's actual direct costs), the Parties shall make the changes required to accommodate the alternative fuel source(s), and Producer shall bear the full cost of such alternative fuel; provided, however if any of the Facilities utilizing such alternative fuel are utilized to move Gas for any Person other than Producer, the cost of such alternative fuel will be allocated among Producer and such other Person(s) on a pro rata basis as mutually agreed by the Parties.

ARTICLE VI
RECEIPT AND DELIVERY PRESSURES AND RATE OF FLOW

1. **Pressure — Producer's Obligation.** Producer shall deliver, or cause to be delivered, Producer's Gas to Gatherer at the Receipt Point(s) at the line pressures existing in the Facilities at such Receipt Point(s), as such pressure may exist from time to time, not to exceed the Maximum Pressure. Producer shall promptly provide Gatherer data regarding the pressures in effect from time to time at the Receipt Point(s). Producer shall install, operate and maintain, at its sole expense, such pressure-regulating devices as may be necessary to regulate the pressure of Producer's Gas prior to delivery to Gatherer at the Receipt Point(s) so as not to exceed the Maximum Pressure. If Producer fails to regulate such pressure at any Receipt Point(s) as

required by this Article, Gatherer may provide Producer written notice of such fact specifying the grounds for such requirement and the Receipt Point(s) at which pressure-regulating devices are required by this Article. If Producer fails to regulate such pressure at such Receipt Point(s) as required by this Article within five (5) business Days after receipt of such notice, then Gatherer may install such pressure-regulating devices on the Facilities at or downstream of such Receipt Point(s) and Producer shall reimburse Gatherer for all costs of such installation and equipment. Notwithstanding anything in this Agreement to the contrary, if Gatherer installs such pressure-regulating devices and they are operating properly and are triggered due to Producer's failure to regulate the pressure at the Receipt Point(s) as required by this Article, then Producer is responsible for any loss of Producer's Gas or any emissions of the Producer's Gas stream from such pressure-regulating devices, and any damage to persons, property or the environment, and the violation of any applicable laws, rules or regulations, caused by such release on the Facilities and will indemnify, defend and hold harmless Gatherer from all claims, losses, costs and expenses incurred by Gatherer as a result thereof, notwithstanding any indemnification by Gatherer set forth in Article XII, Section 4 to the contrary. As each new Well(s) is connected to the System and commences its first flow of Gas to the System, Producer shall bring on such new Well(s) in a manner consistent with the practices of a prudent operator (i.e., gradually stepping up flow of Gas from such Well(s) as necessary to a stabilized rate of flow).

2. **Pressure — Gatherer's Obligation.** On a Gathering Segment-by-Gathering Segment basis, Producer shall have the right to require that the Maximum Pressure for any Gathering Segment be set at 80 psig upon no less than thirty (30) Days prior written notice to Gatherer, provided that deliveries of water at each Receipt Point(s) on such Gathering Segment do not exceed two thousand four hundred (2,400) barrels per day per Receipt Point(s). Upon such notice, such Gathering Segment shall become a "Selected Segment"; provided, however, all Gathering Segments within the portion of the Briscoe/Galvan System identified on **Exhibit "J"** are hereby each deemed a Selected Segment. Thereafter, Gatherer shall maintain the pressure on such Selected Segment at 80 psig or less, and Producer shall not be obligated to deliver Producer's Gas to the Receipt Point(s) on such Selected Segment at pressures in excess of 80 psig. If the actual operating pressure on the Facilities at any Receipt Point on a Selected Segment, as measured by Producer's Gas measurement equipment located on the Well Pad directly upstream from such Receipt Point, exceeds 80 psig ("Excess Pressure"), and Producer gives Gatherer notice of same, then Gatherer shall promptly use reasonable efforts to reduce such pressure at such Receipt Point to a pressure at or below 80 psig within forty-eight (48) hours after delivery of such notice. If there is Excess Pressure at any Receipt Point on a Selected Segment as averaged over a period of fourteen (14) or more consecutive Days, excluding any days during such fourteen day period on which an event of Force Majeure caused, in whole or in part, such Excess Pressure, and excluding the first two days of Excess Pressure caused in whole or in part by the completion and connection of a Well on the affected Gathering Segment (an "Excess Pressure Event"), then Producer shall provide Gatherer with written notice containing the applicable dates of the Excess Pressure Event, and Gatherer shall issue Producer an "Excess Pressure Credit" calculated as follows:

(G x H) = Excess Pressure Credit

Where:

G = $[*****]; and
H = the quantity of Gas (in MMBtus) delivered at the Receipt Point during all days of the Excess Pressure Event plus the quantity of Gas (in MMBtus) delivered at the Receipt Point during a period immediately following the Excess Pressure Event equal to the number of days of the Excess Pressure Event.

For purposes of example only, if an Excess Pressure Event exists for twenty (20) days, and Producer delivers 500 Mcf per day during the Excess Pressure Event and 1,000 Mcf per day during the 20 days following the Excess Pressure Event, the Excess Pressure Credit will be as follows:

($[*****] x 30,000) = $[*****].

The foregoing $[*****] credit rate will be annually adjusted as provided in Article V, Section 2.

On a Gathering Segment-by-Gathering Segment basis, prior to any period when Producer requires, as provided above, that the Maximum Pressure for a given Gathering Segment be set at 80 psig, Producer may request, on one or more occasions, but not more than four (4) times per year, upon no less than thirty (30) days prior written notice to Gatherer, to have the Maximum Pressure for such Gathering Segment set at the pressure specified by Producer in such notice between 1,440 psig and 80 psig (the "Requested Pressure"). Thereafter, Gatherer shall use commercially reasonable efforts to maintain the pressure at the Receipt Point(s) on such Gathering Segment at or below the Requested Pressure.

Gatherer shall use commercially reasonable efforts to operate the Facilities as efficiently as it can while still meeting its pressure obligations under this Section.

3. Third-Party Gatherers and Pipelines. Producer shall make, or cause to be made, all necessary arrangements with other pipelines or parties at or upstream of the Receipt Point(s) and at or downstream of the Delivery Point(s) in order to effect Gatherer's receipt of Producer's Gas and redelivery of the Residue Gas in accordance with this Agreement. Producer represents and warrants that the downstream pipelines receiving the Residue Gas at the Delivery Point(s) have contractual commitments to Producer to maintain the pressure at the Delivery Point(s) at or below the pressures set forth on **Exhibit "C"**, and Gatherer shall not be obligated to deliver the Residue Gas to the Delivery Point(s) at pressures in excess of the applicable pressures set forth on **Exhibit "C"**. Arrangements for deliveries of the Residue Gas out of the Facilities to the Delivery Point(s) must be coordinated with Gatherer's Gas control or Gas scheduling department. Upon Gatherer's request, Producer will provide Gatherer with any quality specifications of any downstream pipeline(s) applicable at the Delivery Point(s).

ARTICLE VII
NOMINATIONS

1. Nominations. Gatherer shall not require nominations from Producer for Producer's Gas under this Agreement.

ARTICLE VIII
MEASUREMENT

1. General. For billing and payment purposes, Producer's Gas delivered hereunder shall be measured by the downstream pipeline(s) at the Delivery Point(s), and the measurement by such downstream pipeline(s) at the applicable Delivery Point(s) shall be used for all purposes hereunder in determining the Mcfs and MMBtus of Producer's Gas delivered at such Delivery Point(s).

2. Meters Owned by Gatherer. Gatherer may install meters on the Facilities for measurement of Fuel and Gas compressed and/or treated and for other operational purposes, and Gatherer shall design, install, maintain and operate such meters in a prudent manner and in accordance with the then-most current industry accepted standards.

ARTICLE IX
QUALITY

1. Receipt Point Specifications. The Gas received at each Receipt Point shall meet the following quality specifications:

(a) Oxygen - not to exceed ten (10) parts per million (PPM) of uncombined oxygen, and Producer shall make reasonable efforts to maintain the Gas free from oxygen;

(b) Sulfur — not to exceed five (5) grains per one hundred (100) cubic feet;

(c) Liquids - the Gas shall be free of objectionable liquids at the temperature and pressure at which the Gas is received, except that water shall not constitute an objectionable liquid;

(d) Dust, Gums and Solid Matter — the Gas shall be commercially free of dust, gums, gum forming constituents, and other media or solid matter, except that the Gas may include dust due to fracing for a period after frac work on any Well(s) delivering Gas to such Receipt Point;

(e) Temperature - have a temperature of not less than forty degrees (40º) Fahrenheit and not more than one hundred twenty degrees (120º) Fahrenheit;

(f) Hazardous Waste - not contain hazardous waste as defined in the Resources Conservation and Recovery Act of 1976;

(g) Downstream Specs - if the quality specifications of the downstream pipeline receiving such Gas at the applicable Delivery Point(s) for the items in clauses (a) through (f) above are more stringent than the quality specifications set forth above in such clauses, then the Gas shall meet such more stringent quality specifications (excluding the exceptions in clauses (c) and (d) above); and

(h) Hydrogen Sulfide — not to exceed 90 parts per million.

2. Tank Battery Specifications. Gatherer shall have the unqualified right to reject receipt of any Gas tendered at any Receipt Point hereunder to the extent that such Gas causes the Gas measured at each Tank Battery to fail to meet the following specifications, provided however, Gatherer shall waive the requirements below if, in Gatherer's sole good faith discretion, it can do so and still meet all specifications of all downstream pipelines at the Delivery Point(s) to which Producer's Gas is being delivered:

(a) Carbon Dioxide - not to exceed two percent (2%) by volume;

(b) Nitrogen - not to exceed two percent (2%) by volume;

(c) Heating Value - contain a Gross Heating Value of at least nine hundred fifty (950) Btu per cubic foot; and

(d) Other - not to exceed four percent (4%) by volume of total non-hydrocarbon Gases.

Additionally, Gatherer shall have the unqualified right to reject receipt of any Condensate tendered at any Receipt Point hereunder as part of Producer's Gas to the extent that such Condensate causes the Condensate measured at each Tank Battery to fail to meet the quality specifications of the downstream pipeline receiving Shipper's Condensate at the applicable Condensate Delivery Point(s), excluding the quality specifications of such downstream pipelines with respect to basic sediment and water ; provided, however, Gatherer shall waive such requirement if RTP determines in accordance with the Condensate Agreement that it can do so and still meet all specifications of all downstream pipelines at the Condensate Delivery Point(s) to which Shipper's Condensate is being delivered. For the avoidance of doubt, Gatherer shall be responsible for causing the Condensate to meet the quality specifications of such downstream pipelines with respect to basic sediment and water .

3. Tank Battery Treating. If the Hydrogen Sulfide concentration of Producer's Gas exceeds 4 PPM at a Tank Battery, Regency will use commercially reasonable efforts to implement treating service at such Tank Battery to remove Hydrogen Sulfide as soon as possible and, upon implementation of such treating service, Producer's Gas that is treated shall be subject to additional treating fees in accordance with **Exhibit "B"** hereto.

4. Delivery Point Specifications. Provided Producer is in compliance with the quality specifications set forth above in this Article IX, (a) the Residue Gas delivered by Gatherer at the Delivery Point(s) shall meet the minimum quality specifications of the downstream pipeline(s) at the Delivery Point(s) to which the Residue Gas is being

delivered, and (b) the Condensate delivered by Gatherer to RTP at the Condensate Receipt Point(s) shall meet the minimum quality

specifications of the downstream pipeline(s) at the Condensate Delivery Point(s) to which Shipper's Condensate is being delivered under the Condensate Agreement.

5. Non-conforming Receipt Gas/Condensate. If any Gas (including Condensate) delivered by Producer to a Receipt Point or to the applicable Tank Battery fails to conform to the applicable quality specifications set forth above in this Article IX (as applicable, "Non-conforming Receipt Gas/Condensate"), Gatherer may, subject to Section 2 of this Article IX, refuse to accept delivery of such Non-conforming Receipt Gas/Condensate until Producer has corrected the quality deficiency. Gatherer's option to refuse delivery of Non-conforming Receipt Gas/Condensate is in addition to other remedies available to Gatherer. If Gatherer at any time accepts delivery of Non-conforming Receipt Gas/Condensate, such acceptance will not constitute a waiver of this provision with respect to any future delivery of Gas/Condensate, and Producer will indemnify Gatherer for any costs, expenses, losses, damages and liabilities arising out of such accepted Non-conforming Receipt Gas/Condensate. Notwithstanding any provisions herein to the contrary, if Non-conforming Receipt Gas/Condensate is delivered into Gatherer's pipeline without the prior knowledge or approval of Gatherer and the quality deficiency of that Gas/Condensate damages Gatherer's or any other Person's facilities, Producer will indemnify, hold harmless and/or reimburse Gatherer for all damages caused, or to the extent contributed to, by such Non-conforming Receipt Gas/Condensate, including but not limited to, without limitation, physical damage to any pipeline or appurtenant facilities.

6. Non-conforming Delivery Gas/Condensate. Provided Producer is in compliance with the applicable quality specifications set forth above in this Article IX, if any Residue Gas delivered by Gatherer to a Delivery Point fails to conform to the quality specifications of the downstream pipeline at such Delivery Point or if any Condensate delivered by Gatherer to a Condensate Receipt Point fails to conform to the minimum quality specifications of the downstream pipeline(s) at the Condensate Delivery Point(s) to which Shipper's Condensate is being delivered under the Condensate Agreement (as applicable, "Non-conforming Delivery Gas/Condensate"), Producer (or its designee) may refuse to accept delivery of such Non-conforming Delivery Gas/Condensate until Gatherer has corrected the quality deficiency. Producer's (or its designee's) option to refuse delivery of Non-conforming Delivery Gas/Condensate is in addition to other remedies available to Producer. If Producer (or its designee) at any time accepts delivery of Non-conforming Delivery Gas/Condensate, such acceptance will not constitute a waiver of this provision with respect to any future delivery of Gas/Condensate, and Gatherer will indemnify Producer for any costs, expenses, losses, damages and liabilities arising out of such accepted Non-conforming Delivery Gas/Condensate. Notwithstanding any provisions herein to the contrary, if Non-conforming Delivery Gas/Condensate is delivered into a downstream pipeline without the prior knowledge or approval of Producer or its designee and the quality deficiency of that Gas/Condensate damages any Person's facilities, Gatherer will indemnify, hold harmless and/or reimburse Producer for all damages caused, or to the extent contributed to by, such Non-conforming Delivery Gas/Condensate, including but not limited to, without limitation, physical damage to any pipeline or appurtenant facilities.

ARTICLE X
STATEMENTS, BILLINGS AND PAYMENTS

1. Statements. On or before the twenty-fifth (25th) Day of each Month, Gatherer shall deliver to Producer a statement or invoice for the Producer's Gas delivered during the preceding Month that includes any fees, charges and/or credits due under this Agreement for the gathering and related services performed hereunder by Gatherer with respect to such Gas, including reasonable details regarding calculation of such fees, charges and credits. If the actual quantity of Producer's Gas delivered is not available, the statement will be prepared based upon estimates. Gatherer shall make appropriate adjustments to reflect the actual quantity delivered on the following Month's statement or as soon thereafter as actual delivery information is available.

2. Payment Method. Producer will pay by wire transfer or ACH transfer to the account or remittance address set forth herein or according to the instructions set forth in the applicable statement or invoice, the full amount payable according to such statement or invoice, on the later of: (a) the last Day (or the next business Day if the last day is on a weekend or bank holiday) of the Month following the Month of delivery of Producer's Gas, or (b) on or before ten (10) Days following receipt of such invoice by Producer. However, if Producer in good faith disputes any part of any statement or invoice issued pursuant to this Agreement, it shall timely pay the undisputed portion of such statement or invoice and give Gatherer written notice explaining the dispute on or before the due date for such statement or invoice. The Parties shall promptly confer to resolve the disputed portion, and, upon resolution of such dispute, Producer shall pay the applicable remaining amount, if any. However, any failure by Producer to dispute any statement or invoice on or before the applicable due date shall not constitute or be deemed as waiver of any right of Producer to later dispute such statement or invoice. Gatherer may net or aggregate, as appropriate, all undisputed amounts due and owing between the Parties under this Agreement so that all such amounts are netted or aggregated monthly to a single liquidated amount payable by the Party owing such amount to the other Party. Gatherer shall include information regarding any such netting in its monthly statement or invoice to Producer.

3. Taxes and Royalties. Producer shall be responsible for all royalties due with respect to the production of Producer's Gas delivered hereunder at the Receipt Point(s). Producer agrees to reimburse Gatherer within thirty (30) days after receipt of invoice for the full amount of any new Taxes (i.e., Taxes enacted after the Effective Date) levied, assessed or fixed by any municipal or governmental authority against Gatherer or its business attributable to the volumes, value or gross receipts from the gathering of Producer's Gas received from Producer hereunder or against such Gas itself, whether such new Tax is based upon the volume, value or gross receipts from the gathering of such Gas, excluding, however, ad valorem or other property taxes based upon the value of Gatherer's facilities. Producer shall indemnify, reimburse, defend and hold harmless Gatherer from and against any and all claims, losses, costs and expenses attributable to such Taxes and royalties for which Producer is responsible under this Section. Except as provided above, Gatherer shall be responsible for and pay all Taxes levied on or in respect to Producer's

Gas and the handling thereof from and after the delivery of such Gas to Gatherer at the Receipt Point(s) and prior to the redelivery of such Gas to Producer or its designee at the Delivery Point(s). Gatherer shall indemnify, reimburse, defend and hold harmless Producer from and against any and all claims, losses, costs and expenses attributable to such Taxes for which Gatherer is responsible under this Section.

4. Delinquent Payments. If Producer is delinquent in any undisputed payments hereunder and fails to cure the same within ten (10) Days after Producer receives written notice from Gatherer of such delinquency, Gatherer may suspend service hereunder and/or discontinue the construction of any New Facilities without liability to Producer until all such undisputed amounts are paid in full. Any suspension of construction in accordance with this Section shall lengthen the time that Gatherer otherwise would have had under this Agreement to complete any portion of the New Facilities by an equivalent number of Days.

5. Examination of Books and Records. Each Party hereto, or its representative, has the right at all reasonable times to examine the books and records of the other Party to the extent necessary to verify the accuracy of any statement, charge, computation or demand made hereunder. Any statement or invoice hereunder is final as to both Parties unless questioned within two (2) years after receipt of such statement or invoice by Producer.

ARTICLE XI
TERM

1. **Term.** This Agreement is effective on the Effective Date and shall continue in effect for a period of twenty (20) years beginning with the first day of the Month following the Month in which Producer's Gas first flows under this Agreement (the "**Primary Term**"); provided, however, that Gatherer shall have the right to terminate this Agreement upon one hundred eighty (180) days prior written notice ("Economic-Out Notice") at any time during the last five (5) years of the Primary Term in the event Gatherer establishes, with reasonable supporting documentation included as part of the Economic-Out Notice, that the Fees generated by services performed hereunder and the fees generated by services performed under the Condensate Agreement, as averaged over a three (3) consecutive Month period within such 5-year period, do not cover Gatherer's and RTP's actual, direct operating costs incurred to provide such services during such three-Month period; provided further, however, that Producer shall have the right to prevent such termination for so long as Producer agrees to pay Gatherer and RTP, as applicable, for each Month after receipt of the Economic-Out Notice, the additional amount necessary, if any, to cover the deficiency for such Month. Gatherer agrees that it will operate and maintain the Facilities at all times as a prudent operator of gathering and condensate pipelines would. Following the Primary Term, this Agreement shall continue in effect on a year-to-year basis thereafter unless terminated by either Party providing at least sixty (60) days written notice prior to the expiration of the Primary Term or any subsequent year thereafter.

2. **Effect of Governmental Action.** It is understood that performance hereunder shall be subject to all valid rules and regulations of duly constituted governmental authorities having jurisdiction or control over the matters related hereto. Neither Party will be in default of this Agreement as a result of compliance with laws and regulations; provided, however, to the maximum extent possible a Party's compliance with laws and regulations shall occur in such a manner that does not result in a breach of any provision of this Agreement.

ARTICLE XII
WARRANTIES AND INDEMNIFICATION

1. **Warranty of Title.** Producer warrants that it will at the time of delivery of Producer's Gas to Gatherer under this Agreement have good title to or good right to deliver all Producer's Gas so made available and that such Gas will be free and clear of all liens, encumbrances, and adverse claims of any kind. Producer further warrants that all Gas delivered to Gatherer for gathering hereunder will not cause Gatherer to lose its gathering exemption under Section 1(b) of the Natural Gas Act.

2. **Gatherer's Warranty.** Gatherer warrants that it has the full legal right and authority to gather and provide the related services hereunder for Producer with respect to all Producer's Gas and to redeliver Producer's Gas and Condensate in accordance with this Agreement. Gatherer warrants that such Producer's Gas and Condensate shall be free and clear of all liens, encumbrances and claims whatsoever created by, through or under Gatherer.

3. **Indemnification by Producer.** PRODUCER SHALL RELEASE, DEFEND, INDEMNIFY AND SAVE GATHERER HARMLESS FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CAUSES OF ACTION, CLAIMS, AND DEMANDS ARISING FROM OR OUT OF ANY ADVERSE CLAIMS MADE BY ANY THIRD PARTY OR BY PRODUCER FOR ANY LOSS, DAMAGE, COST OR EXPENSE RELATING TO, CAUSED BY, OR ARISING OUT OF: (i) PRODUCER'S OPERATION OF ITS FACILITIES, (ii) THE BREACH BY PRODUCER OF ANY REPRESENTATION OR WARRANTY MADE BY PRODUCER IN THIS AGREEMENT AND (iii) THE FAILURE BY PRODUCER TO COMPLY WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS TO THE EXTENT SUCH FAILURE AFFECTS PERFORMANCE HEREUNDER AND (iv) THE LOSS OF OR DAMAGE TO PRODUCER'S GAS BEFORE GATHERER'S RECEIPT OF PRODUCER'S GAS AND AFTER GATHERER'S REDELIVERY OF PRODUCER'S GAS FOR REASONS OTHER THAN THE NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF GATHERER OR ITS AFFILIATES.

4. **Indemnification by Gatherer.** GATHERER SHALL RELEASE, DEFEND, INDEMNIFY, AND SAVE PRODUCER HARMLESS FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CAUSES OF ACTION, CLAIMS, AND DEMANDS ARISING FROM OR OUT OF ANY ADVERSE CLAIMS MADE BY ANY THIRD PARTY OR BY GATHERER FOR ANY LOSS, DAMAGE, COST, OR EXPENSE RELATING TO, CAUSED

BY, OR ARISING OUT OF (i) GATHERER'S OPERATION OF ITS FACILITIES, (ii) THE BREACH BY GATHERER OF ANY REPRESENTATION OR WARRANTY MADE BY GATHERER IN THIS AGREEMENT AND (iii) THE FAILURE BY GATHERER TO COMPLY WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS TO THE EXTENT SUCH FAILURE AFFECTS PERFORMANCE HEREUNDER AND (iv) EXCEPT LOSSES INCLUDED AS FUEL, THE LOSS OF OR DAMAGE TO PRODUCER'S GAS (INCLUDING CONDENSATE) AFTER GATHERER'S RECEIPT OF PRODUCER'S GAS (INCLUDING CONDENSATE) AND BEFORE GATHERER'S REDELIVERY OF PRODUCER'S GAS (INCLUDING CONDENSATE) TO PRODUCER OR ITS DESIGNEE FOR REASONS OTHER THAN THE NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL OF PRODUCER OR ITS AFFILIATES.

5. **LIMITATION OF LIABILITY. EXCEPT AS PROVIDED IN THE NON-CONFORMING GAS/CONDENSATE SECTIONS OF ARTICLE IX, QUALITY, HEREOF, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR EXEMPLARY OR PUNITIVE DAMAGES OR ANY SPECIAL, INDIRECT, INCIDENTAL, OR CONSEQUENTIAL DAMAGES INCLUDING, WITHOUT LIMITATION, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, COST OF CAPITAL, CANCELLATION OF PERMITS OR LEASES, TERMINATION OF CONTRACTS, TORT CLAIMS, OR LOST PRODUCTION PRIOR TO DELIVERY TO GATHERER, IRRESPECTIVE OF WHETHER CLAIMS FOR SUCH DAMAGES ARE BASED UPON TORT, CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE; PROVIDED, HOWEVER, THIS WAIVER SHALL NOT BE CONSTRUED TO LIMIT ANY INDEMNIFIED PARTY'S ABILITY TO RECOVER UNDER THE INDEMNIFICATIONS SET FORTH IN THIS AGREEMENT WITH RESPECT TO CLAIMS OF NON-AFFILIATED THIRD PERSONS BROUGHT AGAINST SUCH INDEMNIFIED PARTY.**

ARTICLE XIII
POSSESSION AND CONTROL

Producer shall be deemed to be in control and in possession of Producer's Gas prior to such Gas being received by Gatherer at the Receipt Point(s) and shall be responsible for any damages, losses or injuries caused thereby until the same shall have been received by Gatherer at the Receipt Point(s), except for injuries and damages which have been occasioned solely and proximately by the willful misconduct or negligence of Gatherer or its designee. Gatherer shall be in control and in possession of Producer's Gas (including Condensate) subsequent to such Gas (including Condensate) being received by Gatherer at the Receipt Point(s) and shall be responsible for any damages, losses or injuries caused thereby until the same shall have been redelivered to Producer or its designee at the Delivery Point(s) (or, in the case of Condensate, until such Condensate shall have been delivered by Gatherer to RTP at the Condensate Receipt Point(s) as provided herein), except for injuries and damages that have been occasioned solely and proximately by the willful misconduct or negligence of Producer or its designee.

ARTICLE XIV
FORCE MAJEURE

If either Gatherer or Producer is rendered unable, wholly or in part, by any of the events or occurrences listed below (each of which shall constitute an event of "Force Majeure"), individually or in the aggregate, to perform or comply with any obligation or condition of this Agreement, such obligation or condition will be suspended during the continuance of the inability so caused and such Party will be relieved of liability for damages and losses, direct or indirect, immediate or remote, by reason of, caused by, arising out of, or in any way attributable to the suspension of performance of such obligation or condition during such period:

(a) Any cause not reasonably within the control of the affected Party;
(b) Any act or omission by parties not Affiliated with the Party having the difficulty;
(c) Any act or omission by parties Affiliated with the Party having the difficulty, if the same is not reasonably within the control of such Affiliate(s);
(d) Acts of God and the public enemy;
(e) Civil disorder or criminal activity;
(f) The elements (including but not limited to rain, hurricanes, floods, earthquakes, tornados, and freezing of wells or lines of pipe), or threats thereof;
(g) Fire, accidents, or breakdowns;
(h) Strikes and any other industrial, civil, or public disturbance;
(i) Failure of non-Affiliated downstream pipelines to install facilities or to take or transport Gas or Condensate;
(j) Failure of an Affiliated downstream pipeline to install facilities or take or transport Gas or Condensate, if the same is not reasonably within the control of such Affiliate;
(k) Accidents, repairs, maintenance or alteration to lines of pipe or equipment;
(l) Inability to obtain or acquire, or seasonal restrictions on, grants, servitudes, rights-of-way, easements or property rights required for the construction or operation of any facilities required hereunder on terms and conditions that are commercially reasonable to the Party seeking such property rights;
(m) Inability to obtain, acquire, install or erect equipment, materials, supplies, permits or labor or other goods or services required for the construction or operation of any facilities required hereunder;
(n) Any laws, order, rules, regulations, acts or restraints of any government or governmental body or authority, civil or military;
(o) Any other unplanned for or non-scheduled occurrence, condition, situation, or threat thereof, not covered by subparagraphs (a) through (n) above, which renders either Party unable to perform its obligations under this Agreement; provided that such occurrence, condition, situation, or threat thereof, is beyond the reasonable control of the Party claiming such inability.

Notwithstanding anything herein to the contrary, (i) the obligation to make payments then due hereunder will not be suspended by an event of Force Majeure, and (ii) the Party suffering an event of Force Majeure shall give notice and reasonably full particulars to the other Party as soon as reasonably possible upon the occurrence of such event and shall diligently take all commercially reasonable steps to mitigate the effects of the event of Force Majeure as soon as reasonably possible. Nothing herein shall obligate Gatherer or Producer to settle strikes or lockouts under terms that are unacceptable to the affected Party.

ARTICLE XV
NOTICES & PAYMENTS

Any notice, request, statement, or other correspondence provided for in this Agreement shall be given in writing to the Parties hereto at the addresses shown below or at such other addresses as may be hereafter furnished by one Party to the other Party in writing:

Gatherer:

Notices:
Regency Field Services LLC
2001 Bryan Street, Suite 3700
Dallas, TX 75201
Attn: Contract Administration
Phone: (214) 750-1771
Fax: (214) 750-1749

Payments: Wire Transfer:
JPMorgan Chase Bank
New York, NY
ABA# [*****]
Account # [*****]
Account name: Regency Gas Services LP

Payments: Check
Regency Gas Services LP
P.O. Box 730588
Dallas, TX 75373-0588

Producer:

Notices:
SM Energy Company
1775 Sherman Street, Suite 1200
Attn: Dave Whitcomb
Denver, CO 80203
Phone: (303) 861-8140
Fax: (303) 830-2216

Payments: Wire Transfer:

Wells Fargo Bank West N.A.
ABA #: [*****]
Account#: [*****]
Acct: SM Energy Company

TAX ID #:
41-0518430

Any such notice, request, statement, or other correspondence given hereunder shall be deemed delivered when, if sent via facsimile, the sender receives confirmation that the

facsimile has been delivered (provided a hard copy of the facsimile is delivered to the recipient within five (5) business Days thereafter); or, if sent by certified mail, the return receipt is signed or refusal to accept the notice is noted thereon (or the first attempt date of delivery if unclaimed); or, if sent by reputable national overnight courier, the notice is actually delivered or refused, as reflected in the courier company's delivery records.

ARTICLE XVI
MISCELLANEOUS

1. Regulatory Bodies. This Agreement shall be subject to all valid applicable federal, state and local laws, rules and regulations of any governmental body or official having jurisdiction. The Parties hereto shall be entitled to treat all laws, orders, rules and regulations issued by any federal or state regulatory body as valid and may act in accordance therewith until such time as the same may be invalidated by final judgment in a court of competent jurisdiction.

2. Modification. Any modification of terms or amendment of provisions of this Agreement shall become effective only by supplemental written agreement between the Parties.

3. Waiver. If a Party fails to enforce its rights under this Agreement, such failure shall not constitute a waiver of such Party's rights to enforce this Agreement strictly in accordance with its terms in the future.

4. Default and Dispute Resolution. If either Party fails to comply with any material term hereof, the non-breaching Party shall not be entitled to terminate this Agreement or discontinue performance of its own obligations hereunder until final resolution of such dispute by agreement of the Parties or final court order, and then only in accordance with such agreement or order. If a dispute arises under this Agreement (a "Dispute"), either Party may invoke the following dispute resolution procedure by delivering written notice thereof ("Dispute Notice") to the other Party:

(a) The Parties shall first attempt in good faith to promptly resolve such Dispute by negotiation between officers who have authority to settle the Dispute. The officers shall be at a higher level of management in their respective organizations than the persons with direct responsibility for the administration of this Agreement.

(b) If such negotiations do not resolve the Dispute, or if either Party fails to participate in such negotiations, within fifteen (15) days of a Party's Dispute Notice, then either Party may demand that the Dispute be finally resolved by arbitration in accordance with the International Institute for Conflict Prevention & Resolution Global Rules for Accelerated Commercial Arbitration ("CPR Rules"), by providing the other Party with written notice of such demand ("Arbitration Notice"). The arbitration shall be conducted by a single arbitrator having no less than ten (10) years of upstream Gas production experience and agreed to by both Parties within fifteen (15) days of the Arbitration Notice. If the Parties cannot agree on a single arbitrator within such 15-day period, an arbitrator meeting the qualifications set forth above shall be selected by the International Institute for Conflict Prevention and Resolution. Any arbitration shall occur at a mutually agreeable location within the state of Texas. The Party invoking arbitration shall serve its Statement of Claim (as defined in the CPR Rules) within ten (10) days of the final appointment of the arbitrator. The arbitrator's decision shall be due no later than ninety (90) days from the date the arbitrator is selected. In all other respects, the arbitration shall proceed in accordance with the CPR Rules.

5. Governing Law. AS TO ALL MATTERS OF CONSTRUCTION AND INTERPRETATION, THIS AGREEMENT SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS, DISREGARDING ANY CONFLICTS OF LAWS PRINCIPLES THAT WOULD REQUIRE REFERENCE TO THE LAWS OF A DIFFERENT JURISDICTION. ANY SUIT BROUGHT RELATING TO THIS AGREEMENT IN ANY WAY SHALL BE BROUGHT IN EITHER THE FEDERAL OR STATE COURTS OF TEXAS. THE PARTIES AGREE THAT IF EITHER PARTY INSTITUTES SUIT TO ENFORCE ANY RIGHT OR OBLIGATION AGAINST THE OTHER PARTY ARISING OUT OF OR INCIDENTAL TO THIS AGREEMENT THEN THE PREVAILING PARTY SHALL BE ENTITLED TO RECOVER REASONABLE ATTORNEY'S FEES, COURT COSTS, AND EXPENSES RELATED THERETO.

6. Assignment. This Agreement may not be assigned by either Party, in whole or in part, without the prior written consent of the other Party, which shall not be unreasonably withheld and any assignment in contravention of this provision shall be null and void; provided, however, that either Party may assign this Agreement to a credit-worthy Affiliate without the other Party's written consent.

7. Disconnect. If this Agreement lawfully terminates for any reason whatsoever, or all Well(s) behind a Receipt Point(s) are permanently released from this Agreement, Producer hereby consents to and agrees that Gatherer can disconnect from the Well(s), the Lease(s), or any of the facilities utilized by Producer that delivers Producer's Gas at such Receipt Point(s) hereunder. Disconnect for the purposes of this Section means to remove metering facilities, pipelines and any other interconnection facilities through which Producer's Gas was delivered under this Agreement and that are either owned by Gatherer or owned by the pipeline with which Gatherer contracted for the gathering or transportation services at the Receipt Point(s). This consent and agreement by

Producer in this paragraph applies to both Gatherer and Gatherer's transporter or gatherer, without distinction, and is intended in all respects to satisfy the requirements of any local, state or federal governmental agency having jurisdiction over such matters. Notwithstanding anything to the contrary, nothing in this Section shall be construed to waive either Party's rights, remedies or obligations under applicable laws, rules or regulations.

8. Controlling Agreement. This Agreement and the Condensate Agreement replace and supersede all prior agreements between Gatherer and its Affiliates, and Producer and its Affiliates, relating to the subject matter hereof (including, but not necessarily limited to, that certain Confidentiality Agreement dated December 21, 2010, by and between Producer and Regency Energy Partners LP, and that certain Memorandum of Understanding dated as of January 3, 2011, between Producer and Gatherer, and that certain Cost Reimbursement Letter Agreement dated as of January 3, 2011, as amended, between Producer and Gatherer), which prior agreements are terminated effective as of the Effective Date.

9. Confidentiality. The Parties will keep confidential all of the terms, conditions and obligations of this Agreement; provided, however, each Party may disclose such terms, conditions and obligations (a) to the extent as may be required to effectuate the transportation or gathering of Producer's Gas, or to meet the requirements of any applicable law and/or any court or regulatory agency having jurisdiction over the matter for which information is sought; (b) in conjunction with any proposed sale, disposition or other transfer (directly or indirectly, including, but not limited to any proposal of a joint venture) of all or any portion of such Party's rights and interests in and to this Agreement and/or any Lease(s), Well(s) and/or Facilities; (c) to lenders, accountants, consultants and other representatives of such Party, and royalty, working and other interest owners, with a need to know such information; and/or (d) in conjunction with a merger, consolidation, share exchange or other form of statutory reorganization involving such Party.

[Signature page follows.]

This Agreement is executed by the duly authorized representatives of the Parties as of the Effective Date shown above.

GATHERER:
REGENCY FIELD SERVICES LLC
By: Regency Gas Services LP, its sole member
By: Regency OLP GP LLC, its general partner

By: /s/ Jim Holotik
Name: Jim Holotik
Title: Vice President

PRODUCER:
SM ENERGY COMPANY

By: /s/ Dave Whitcomb
Name: Dave Whitcomb
Title: Vice President - Marketing

EXHIBIT "A"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Receipt Point(s)

Receipt Point or Well Name	Longitude (DMS)	Latitude (DMS)
BRIGGS RANCH 1H	99° 20' 8.247" W	28° 18' 9.415" N
BRIGGS RANCH 2H	99° 18' 40.973" W	28° 18' 7.917" N
BRISCOE B 11H	99° 57' 34.613" W	28° 5' 3.548" N
BRISCOE B 1H	99° 56' 40.56" W	28° 4' 16.32" N
BRISCOE B 2H	99° 57' 45.72" W	28° 4' 15.528" N
BRISCOE B 3H	99° 57' 33.12" W	28° 5' 10.32" N
BRISCOE B 4H	99° 59' 34.581" W	28° 4' 6.206" N
BRISCOE B GU1 5H	99° 59' 15.808" W	28° 4' 32.708" N
BRISCOE B GU1 6H	99° 59' 3.008" W	28° 4' 43.92" N
BRISCOE B GU1 7H	99° 58' 55.01" W	28° 4' 49.879" N
BRISCOE B GU2 13H	99° 59' 21.488" W	28° 5' 39.292" N
BRISCOE B GU3 12H	99° 57' 31.346" W	28° 5' 17.312" N
BRISCOE C 1H	100° 0' 27.036" W	28° 6' 14.616" N
BRISCOE C 2H	99° 58' 17.214" W	28° 6' 37.524" N
BRISCOE C 3H	99° 56' 11.746" W	28° 6' 35.996" N
BRISCOE C 4H	99° 59' 20.9" W	28° 6' 29.3" N
BRISCOE C 5H	99° 57' 2.38" W	28° 6' 8.789" N
BRISCOE C 9H	99° 56' 50.239" W	28° 6' 48.813" N
BRISCOE C GU1 10H	99° 57' 24.84" W	28° 7' 10.668" N
BRISCOE G 12H	99° 54' 55.44" W	28° 7' 1.344" N
BRISCOE G 13H	99° 54' 36.284" W	28° 8' 21.205" N
BRISCOE G 2H	99° 54' 35.928" W	28° 4' 20.892" N
BRISCOE G 4H	99° 54' 26.316" W	28° 5' 2.112" N
BRISCOE G 8H	99° 54' 18.953" W	28° 9' 43.767" N
BRISCOE G GU1 3H	99° 55' 28.128" W	28° 5' 4.488" N
BRISCOE G GU2 5H	99° 56' 4.272" W	28° 4' 38.82" N
BRISCOE G GU3 1H	99° 55' 26.148" W	28° 4' 9.912" N
BRISCOE R 1H	99° 55' 36.413" W	28° 3' 32.908" N
BRISCOE R 3H	99° 57' 47.984" W	28° 3' 30.931" N
BRISCOE R GU1 2H	99° 57' 3.995" W	28° 3' 43.504" N
BRISCOE STATE AR 1H	99° 53' 42.144" W	27° 59' 55.032" N
GALVAN RANCH 10H	99° 42' 6.084" W	28° 3' 4.104" N

GALVAN RANCH 12H	99° 45' 26.577" W	28° 1' 2.421" N
GALVAN RANCH 14H	99° 42' 45.735" W	28° 3' 50.529" N
GALVAN RANCH 15H	99° 39' 8.001" W	28° 4' 52.03" N
GALVAN RANCH 16H	99° 36' 49.462" W	28° 7' 25.665" N
GALVAN RANCH 17H	99° 48' 29.592" W	27° 59' 31.668" N
GALVAN RANCH 18H	99° 45' 44.013" W	28° 2' 1.549" N
GALVAN RANCH 19H	99° 40' 24.019" W	28° 4' 9.333" N
GALVAN RANCH 1H	99° 51' 39.312" W	27° 55' 8.544" N
GALVAN RANCH 20H	99° 39' 58.32" W	28° 4' 30.576" N
GALVAN RANCH 21H	99° 39' 49.721" W	28° 4' 33.323" N

GALVAN RANCH 22H	99° 39’ 47.34” W	28° 4’ 37.524” N
GALVAN RANCH 23H	99° 43’ 5.808” W	28° 2’ 32.136” N
GALVAN RANCH 24H	99° 35’ 46.14” W	28° 4’ 44.797” N
GALVAN RANCH 26H	99° 36’ 11.517” W	28° 6’ 53.242” N
GALVAN RANCH 27H	99° 36’ 11.669” W	28° 6’ 42.296” N
GALVAN RANCH 28H	99° 36’ 10.663” W	28° 6’ 41.145” N
GALVAN RANCH 2H	99° 51’ 40.536” W	27° 56’ 48.768” N
GALVAN RANCH 3H	99° 49’ 55.596” W	27° 55’ 27.264” N
GALVAN RANCH 4H	99° 47’ 4.452” W	27° 57’ 5.076” N
GALVAN RANCH 7H	99° 50’ 37.788” W	27° 58’ 58.656” N
GALVAN RANCH A527H	99° 37’ 45.871” W	28° 5’ 44.02” N
GALVAN RANCH A528H	99° 37’ 46.056” W	28° 5’ 43.909” N
GALVAN RANCH A529H	99° 37’ 46.241” W	28° 5’ 43.797” N
HUBBARD RANCH 1H	99° 21’ 58.997” W	28° 15’ 53.025” N
SAN AMBROSIA B 1H PILOT	100° 0’ 43.848” W	28° 4’ 38.64” N
SAN AMBROSIA C 1H	100° 0’ 6.12” W	28° 7’ 49.656” N
SAN AMBROSIA C 2H	99° 59’ 34.08” W	28° 8’ 13.92” N
SAN AMBROSIA D 1H	99° 57’ 57.168” W	28° 7’ 51.42” N
SAN AMBROSIA D 2H	99° 56’ 51.72” W	28° 8’ 9.384” N
SAN AMBROSIA D 4H	99° 57’ 31.069” W	28° 8’ 38.459” N
SAN AMBROSIA D GU1 5H	99° 58’ 50.47” W	28° 7’ 45.612” N

For each Well, Gatherer’s Facilities shall interconnect with Producer’s facilities at the edge of Producer’s Well Pad serving such Well, and Gatherer shall receive the combined well-stream Gas (i.e., Gas, Condensate and water) downstream of the Producer-provided manifold located on the edge of the Producer’s Well Pad.

New Receipt Point(s) shall be added hereto as provided in Article IV, Section 1 of this Agreement.

EXHIBIT “A-1”

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Dedicated Area Plat

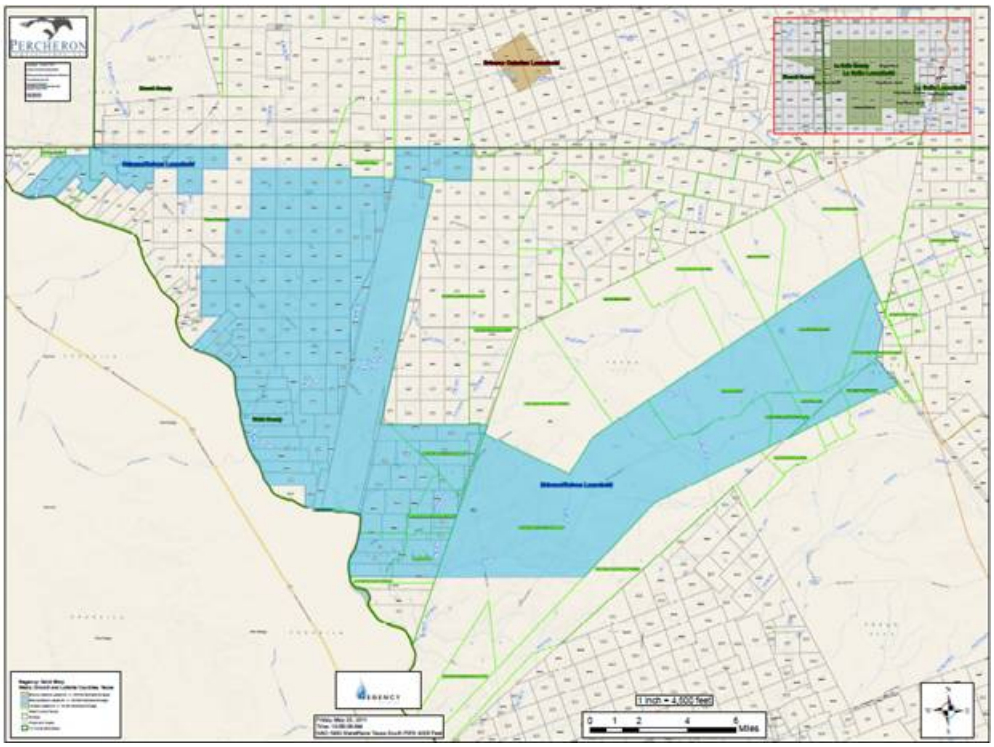


EXHIBIT “B”

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Fees

Gathering Fee ($/MMBtu measured at the Delivery Point(s))

$[*****]

Compression Fee ($/MMBtu measured at the compression inlet)

Applicable as a single fee for all compression, regardless of the number of stages of compression.

$[*****]

Optional Fuel Gas Treating Fee ($/MMBtu actually treated)

Applicable at field compression stations in the event that Producer elects to have Gas treated for use as fuel in Producer's compression stations, as applicable.

$[*****]

Dehydration Fee ($/MMBtu actually treated)

Applicable only on the portion of the Residue Gas delivered at Delivery Point(s) into downstream pipelines that require dehydration of such Gas before delivery.

$[*****]

Schedule of Additional Fees for High Hydrogen Sulfide Concentration ($/Mcf actually treated based on the Hydrogen Sulfide levels set forth below)

H2S ppm		fee
4-12	$	[*****]
13-24	$	[*****]
25-32	$	[*****]
33-44	$	[*****]
45-56	$	[*****]
57-64	$	[*****]
65-76	$	[*****]
77-90	$	[*****]

EXHIBIT "C"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Delivery Point(s)

Delivery Point	Meter Number	Pressure (psig)	Maximum Daily Quantity (MMSCFD)	Exhibit C-1 Location	Lat. / Long.	County / State
Briscoe A-1(1)	*TBD*	*1200*	*250*	*1*	28.182037 -99.873273	*Webb, Texas*
Boldt Ranch(2)	*TBD*	*1200*	*350*	*2*	28.064314 -99.604006	*Webb, Texas*
LaSalle(3)	*TBD*	*1200*	*80*	*3*	28.282275 -99.306699	*LaSalle, Texas*
Briscoe – Catarina(4)	*TBD*	*1200*	*20*	*4*	28.236729 -99.791703	*Dimmit, Texas*
Briscoe A	*6021*	*450*	*21*	*1*	28.182037 -99.873273	*Webb, Texas*
Briscoe AR-1H	*6030*	*450*	*22*	*5*	28.027124 -99.960781	*Webb, Texas*
Huber Sales II	*6035*	*450*	*23*	*6*	28.047408 -99.926973	*Webb, Texas*
Brask CRP	*6036*	*450*	*21*	*7*	28.026701 -99.863584	*Webb, Texas*
Huber Sales III	*6038*	*450*	*7.5*	*6*	28.047408 -99.926973	*Webb, Texas*
Gates Lateral CRP	*6033*	*1200*	*65*	*8*	28.049946 -99.736603	*Webb, Texas*
Bella Vista CRP	*6040*	*1200*	*36*	*9*	28.138037 -99.594894	*Webb, Texas*

(1) Briscoe A-1 Delivery Point(s) shall include interconnects with Eagle Ford Gathering LLC, Regency Field Services LLC, and ETC Texas Pipeline Ltd.
(2) Boldt Ranch Delivery Point(s) shall include interconnects with Eagle Ford Gathering LLC, Regency Field Services LLC, and Energy Transfer.
(3) LaSalle Delivery Point(s) shall include interconnects with Eagle Ford Gathering LLC and Enterprise Texas Pipeline LLC.
(4) Briscoe – Catarina Delivery Point(s) shall include an interconnect with Eagle Ford Gathering LLC.

As additional delivery point(s) are installed on the Facilities for delivery of Gas from the Facilities, the Parties shall add the same to this Exhibit by amendment.

EXHIBIT "C-1"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Delivery Point(s) Map

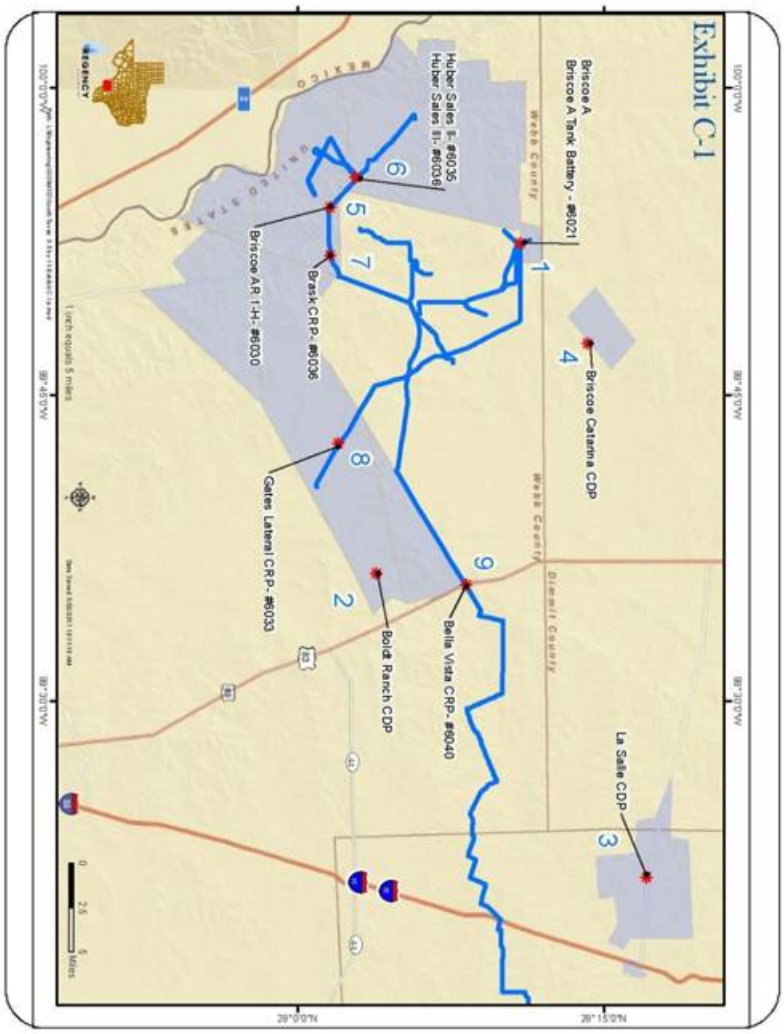


EXHIBIT "D"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Initial GSB Plan

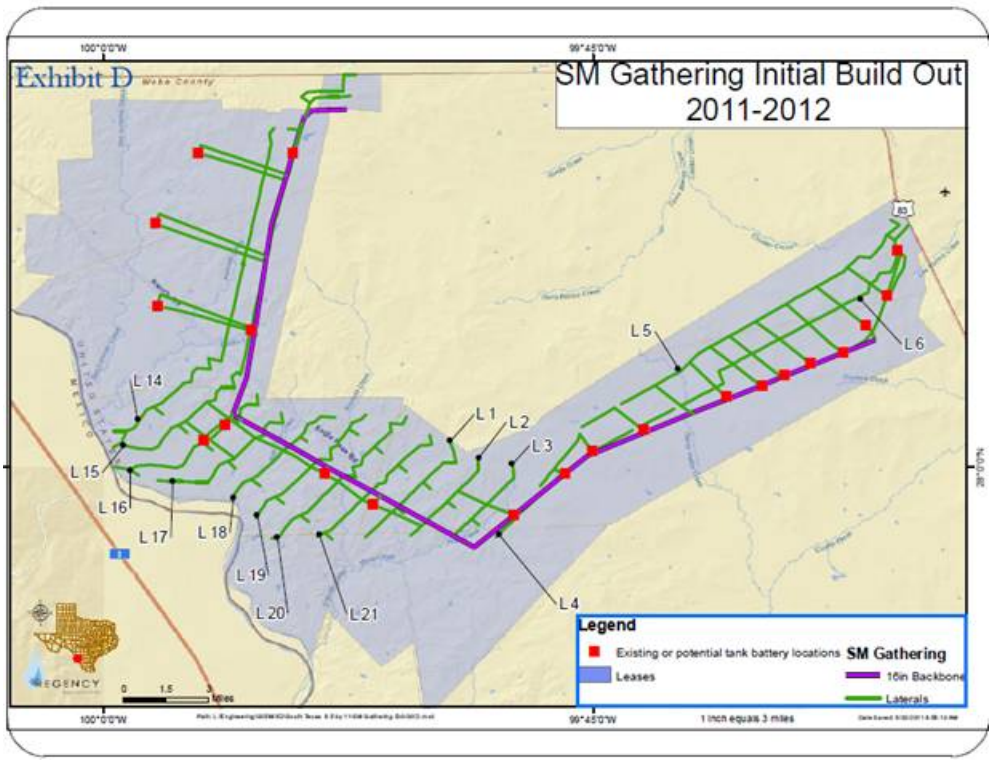


EXHIBIT "E"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

ANNUAL THROUGHPUT COMMITMENTS

Commitment Year	Annual Throughput Commitment
1	[*****]
2	[*****]
3	[*****]
4	[*****]
5	[*****]
6	[*****]
7	[*****]
8	[*****]
9	[*****]
10	[*****]

EXHIBIT "F"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Initial Drilling Plan

Well	Spud	Release	Projected Completion Date	Latitude	Longitude
Galvan Ranch 26H (Pad)	17-Mar	2-Apr	24-Jun-11	28.110471	-99.603547
Galvan Ranch 27H (Pad)	6-Apr	21-Apr	24-Jun-11	28.11043	-99.603588
Galvan Ranch 28H (Pad)	24-Apr	10-May	24-Jun-11	28.11039	-99.60363
Light Ranch 346H (offset to Matador well)	29-May	15-Jun	30-Jun-11		
Galvan Ranch Al25H (Pilot Hole)	30-May	20-Jun	5-Jul-11		
Galvan State 1H (CHK Offset)	6-Jun	23-Jun	8-Jul-11		
Galvan Ranch A527H (Pad)			8-Jul-11	28.095562	-99.629408
Galvan Ranch A528H (Pad)			8-Jul-11	28.095531	-99.62946
Galvan Ranch A529H (Pad)		24-May	8-Jul-11	28.0955	-99.629513
Briscoe R 4H (CHK Offset)	27-Jun	11-Jul	26-Jul-11		
Briscoe R 14H Pilot	24-Jun	12-Jul	27-Jul-11		
Briscoe G GU4 State 9H (10/29/11)	15-Jul	27-Jul	11-Aug-11		
Galvan Ranch A501H	16-Jul	1-Aug	16-Aug-11	28.120615	-99.588545

Briscoe G GU5 State 11H (10/29/11)	31-Jul	12-Aug	27-Aug-11		
Galvan Ranch B152H	29-Jul	14-Aug	29-Aug-11	27.991254	-99.75995
Galvan Ranch A401H	5-Aug	21-Aug	5-Sep-11	28.124415	-99.59081
Galvan Ranch A444H (Pad)	30-May	15-Jun	8-Sep-11		
Galvan Ranch A443H (Pad)	19-Jun	5-Jul	8-Sep-11		
Galvan Ranch A442H (Pad)	9-Jul	25-Jul	8-Sep-11	28.072289	-99.641687
Galvan Ranch B412H	18-Aug	3-Sep	18-Sep-11	28.043207	-99.715169
Galvan Ranch A301H	25-Aug	10-Sep	25-Sep-11	28.093406	-99.586317
Galvan Ranch A539H	20-Jun		27-Sep-11		
Galvan Ranch A540H			27-Sep-11		
Galvan Ranch A541H		13-Aug	27-Sep-11		
Watson GU1 State 1H	7-Sep	23-Sep	8-Oct-11		
Briscoe R 6H (Pad)	1-Jul		9-Oct-11		
Briscoe R 7H (Pad)			9-Oct-11		
Briscoe R 8H (Pad)		25-Aug	9-Oct-11		
Galvan Ranch A201H	14-Sep	30-Sep	15-Oct-11	28.074677	-99.586317
Briscoe AR GU1 State 2H	27-Sep	13-Oct	28-Oct-11		
Briscoe G 7H	3-Oct	15-Oct	30-Oct-11		

[Remainder of Chart Redacted]

EXHIBIT "G"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Memorandum

MEMORANDUM OF GAS GATHERING AGREEMENT

STATE OF TEXAS §
§ KNOW ALL BY THESE PRESENTS:
COUNTIES OF WEBB. DIMMIT §
AND LASALLE §

This Memorandum of Gas Gathering Agreement (this "Memorandum") is entered into by and between **Regency Field Services LLC**, a Delaware limited liability company ("***Gatherer***") and **SM Energy Company**, a Delaware corporation ("***Producer***") pursuant to Article II, Section 1 (b) of that certain Gas Gathering Agreement (the "***Gathering Agreement***") by and between the Gatherer and Producer (hereinafter sometimes referred to individually as "***Party***" or collectively as "***Parties***") dated as of , 2011 (the "***Effective Date***").

1. The Parties have entered into the Gathering Agreement effective as of the Effective Date, which provides,*inter alia*, the terms and conditions under which: (a) Producer has dedicated certain oil, gas and other mineral leases now or hereafter acquired, being defined therein and referred to herein as the "***Leases***" and/or Producer's interests in oil, gas and other hydrocarbon wells now or hereafter completed on the Leases, being defined therein and referred to herein as the "***Wells***" to Gatherer thereunder; and (b) the Parties have agreed to have Gatherer gather and take delivery of Gas now or hereafter produced from the Wells at certain Receipt Point(s) and transport and redeliver such natural gas to certain Delivery Point(s) as set forth therein.

2. Producer has committed and dedicated to Gatherer for the performance of the Gathering Agreement, and during the term of the Gathering Agreement, all of "***Producer's Dedicated Gas***." Article II, Section 1 (Dedication) of the Gathering Agreement provides, in pertinent part, as follows:

> (a) Subject to the reservations contained in Section 3 of this Article II, Producer hereby commits and dedicates to the performance of this Agreement [the Gathering Agreement], during the term of this Agreement, all of Producer's Dedicated Gas. Notwithstanding anything to the contrary set forth in this Agreement all Gas produced from existing or future wells that deliver Gas to Producer's gathering system commonly known as the Olmos System, in Webb County, Texas, for redelivery out of such system at the Huber Sales Meter #6000 up to 10,000 Mcf per day (as measured at such meter) ("***Olmos Gas***"), is dedicated by Producer to Gatherer under that certain Gas Gathering

> Agreement dated September 1, 2010 bearing Gatherer's Contract No. PF-028 and is excluded from the commitment and dedication under this Agreement. Any Gas delivered from the Olmos System in excess of 10,000 Mcf per day shall be dedicated under this Agreement.
>
> (b) The dedication by Producer of Producer's Dedicated Gas to the performance of this Agreement shall be a covenant running with the land with respect to the Lease(s) and shall be binding on all successors and assigns of Producer thereunder…. If, at any time during the term this Agreement, Producer sells, transfers, conveys, assigns, grants or otherwise disposes of all or any interests in the Lease(s), any such sale, transfer, conveyance, assignment, or other disposition shall be expressly made subject to the terms of this Agreement.
>
> (c) Producer represents and warrants that, prior to the Effective Date, it has not dedicated any of the Lease(s) currently in effect for the Dedicated Area, any Gas produced therefrom, or any other interest in or portion of the Dedicated Area to a third Person under another Gas gathering, transportation or similar agreement which would conflict with Producer's dedication hereunder. Notwithstanding the foregoing, if, after the Effective Date, Producer or its Affiliates acquire additional Lease(s) covering lands and formations in the Dedicated Area that, at the time of Producer's or its Affiliates' acquisition thereof, are subject to existing purchase, gathering, transportation, or similar agreements executed by Producer's predecessors in interest with third Persons that contain acreage or production dedications, such Lease(s) and the lands and formations covered thereby shall not be deemed to be committed or dedicated to the performance of this Agreement until such existing acreage or production dedications expire or are terminated or released pursuant to the terms of any such agreements.

3. Producer's commitment and dedication of "***Producer's Dedicated Gas***" and Gatherer's obligation to take deliveries under Article II, Section 2 of the Gathering Agreement are subject to the provisions of Article II, Section 3 (Reservations of Producer) and Section 4 (Reservations of Gatherer), which provide, in pertinent part, as follows:

> **3. Reservations of Producer.** Producer reserves the following rights under this Agreement:

(a) to pool or unitize the Leases with other leases in the same field,provided that all Gas attributable to Producer's or its Affiliates' interest in any unit so formed shall, to the extent of Producer's or its Affiliates' interest in the Leases, be deemed subject to this Agreement;

(b) to use Gas in developing and operating the Wells and the Leases and delivering Producer's Gas to the Receipt Point(s).

(c) to retain and/or be provided (for the Condensate that Gatherer recovers) all Condensate separated from Producer's Gas prior to redelivery of the Residue Gas to Producer at the Delivery Point(s), including liquid hydrocarbons collected by Gatherer as a result of pigging, compression and other operations in the Facilities.

….

4. Reservations of Gatherer. Notwithstanding anything herein to the contrary, Gatherer reserves the right to cease taking deliveries of Gas at any Receipt Point(s) for so long as Gatherer, in its reasonable judgment, believes that continuing to take Gas from such Receipt Point(s) poses a threat of imminent danger to persons or property.

4. The following terms are defined in the Gathering Agreement and in this Memorandum as follows:

(a) "***Affiliate***" means with respect to Gatherer, any entity controlled by or under common control with***Regency Energy Partners LP*** and, with respect to Producer, means any entity controlling, controlled by, or under common control with Producer. For purposes of this definition, the term "***control***" (including its derivatives and similar terms) means ownership of more than fifty percent (50%) of the voting interest of the entity with the authority to direct or cause the direction of the management and policies of the relevant Person.

(b) "***Dedicated Area***" means the lands described and depicted by plat on Exhibit "A-1" to the Gathering Agreement (a copy of which is attached hereto as Appendix 1), strictly limited to the formations between the surface of such lands and the base of the Eagle Ford Formation underlying such lands and shall include the Leas(s) and Well(s) within the Dedicated Area.

(c) "***Eagle Ford Formation***" means the Cenomanian-aged geological formation known as the Eagle Ford formation. The base of the Eagle Ford formation is defined by the gamma ray tool as a change from a high radioactive response at the base of the Eagle Ford formation to a very low radioactive response from the underlying limestones of the Buda formation as defined in Producer's Briscoe G1H well at a measured depth of 7,704 feet.

(d) "***Gas***" means natural gas as produced in its natural state, including all of the hydrocarbon constituents thereof.

(e) "***Lease(s)***" means all interests of every kind and character now owned or hereafter acquired during the term of the Gathering Agreement by Producer, or any Affiliate of Producer, in, to, or under any oil and gas lease, mineral interest, royalty interest, overriding royalty interest, production payment, and profits interest, mineral servitude, or other right with respect to Gas and related hydrocarbons covering the lands and formations within the Dedicated Area. The term "***Lease***" includes all interests of every kind and character now owned or hereafter acquired by Producer, or any Affiliate of Producer, in, to, and under any unit declaration, unit agreement, unit order, the units created pursuant thereto, and all Gas and other hydrocarbons produced therefrom as the result of the inclusion in such units of all or any portion of any Lease. The term "***Lease***" also includes any renewal or extension of the relevant Lease (as to all or any portion of the lands and formations covered thereby) and any wholly new oil

and gas lease (including any top lease) covering all or a portion of the same lands and formations as the relevant existing Lease that is executed and delivered during the term of, or within one (1) year after the expiration of the term of, such predecessor Lease, to the extent of the interests therein owned by Producer, or any Affiliate of Producer, during the term of this Agreement. Notwithstanding the foregoing or anything else herein to the contrary, the term "***Lease***" shall not include any interests with respect to formations below the base of the Eagle Ford Formation.

(f) "***Person***" means any individual or entity, including, without limitation, any corporation, limited liability company, joint stock company, general or limited partnership, or government authority (including any agency or administrative group thereof).

(g) "***Producer's Dedicated Gas***" means all Gas owned or controlled by Producer or its Affiliates and produced during the term of the Gathering Agreement from or allocable to all current and future Wells located on lands within the Dedicated Area. As used in this definition: (a) the word "***owned***" refers to Gas to which Producer has title by virtue of its ownership of a Lease or its purchase thereof from another Person; and (b) the phrase "***controlled by***" refers to Gas owned by a Person other than Producer or its Affiliates and produced from Wells in the Dedicated Area during the period that Producer or its Affiliates have the contractual right (pursuant to a marketing, agency, operating, unit or similar agreement) to market any such Gas; and if for any reason the contractual right of Producer or its Affiliates to market any such Gas (the "***subject Gas***") terminates or expires, then the subject Gas shall cease to constitute Producer's Dedicated Gas upon such termination or expiration. The phrase "***controlled by***" does not refer to, and Producer's Dedicated Gas does not include, Gas owned by Persons other than Producer or its Affiliates and produced from Well(s) not operated by Producer or any of its Affiliates.

(h) "***Well(s)***" means any well that is now completed or may be hereafter completed under the Lease(s). Notwithstanding the foregoing or anything else in the Gathering Agreement to the contrary, the term "Well(s)" shall not include any well(s) completed in and/or producing from any formation below the base of the Eagle Ford Formation.

5. The filing of this Memorandum shall serve notice of the execution and existence of the Gathering Agreement, and the terms and conditions of the Gathering Agreement are incorporated herein by reference. In the event of any conflict between the provisions of the Gathering Agreement and the provisions of this Memorandum, the provisions of the Gathering Agreement shall prevail and control. The dedication by Producer of Producer's Dedicated Gas to the performance of the Gathering Agreement shall be a covenant running with the land with respect to the Dedicated Area, and with respect to the Lease(s) insofar as they cover all or any part of the Dedicated Area, and with respect to the Well(s), in each case subject to the limitations set forth above in this Memorandum. The Gathering Agreement is binding upon and shall inure to the benefit of Producer and Gatherer, and their respective representatives, successors and assigns forever.

IN WITNESS HEREOF, the undersigned Parties have executed this Memorandum effective as of the Effective Date.

GATHERER:

REGENCY FIELD SERVICES LLC
By: Regency Gas Services LP, its sole member
By: Regency OLP GP LLC, its general partner

By: _____
Its: _____

PRODUCER:

SM ENERGY COMPANY

By: _____
Its: _____

STATE OF TEXAS §
§
COUNTY OF §

This instrument was acknowledged before me on the day of , 2011, by , of Regency OLP GP LLC, a Delaware limited liability company and general partner for Regency Gas Services LP, a limited partnership and sole member of Regency Field Services LLC, a Delaware limited liability company, on behalf of Regency Field Services LLC.

_____
Notary Public, State of Texas

STATE OF TEXAS §
§
COUNTY OF §

This instrument was acknowledged before me on the day of , 2011, by , of SM Energy Company, a Delaware corporation, on behalf of said corporation.

_____
Notary Public, State of Texas

APPENDIX "1"

To the Memorandum of Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Dedicated Area Plat

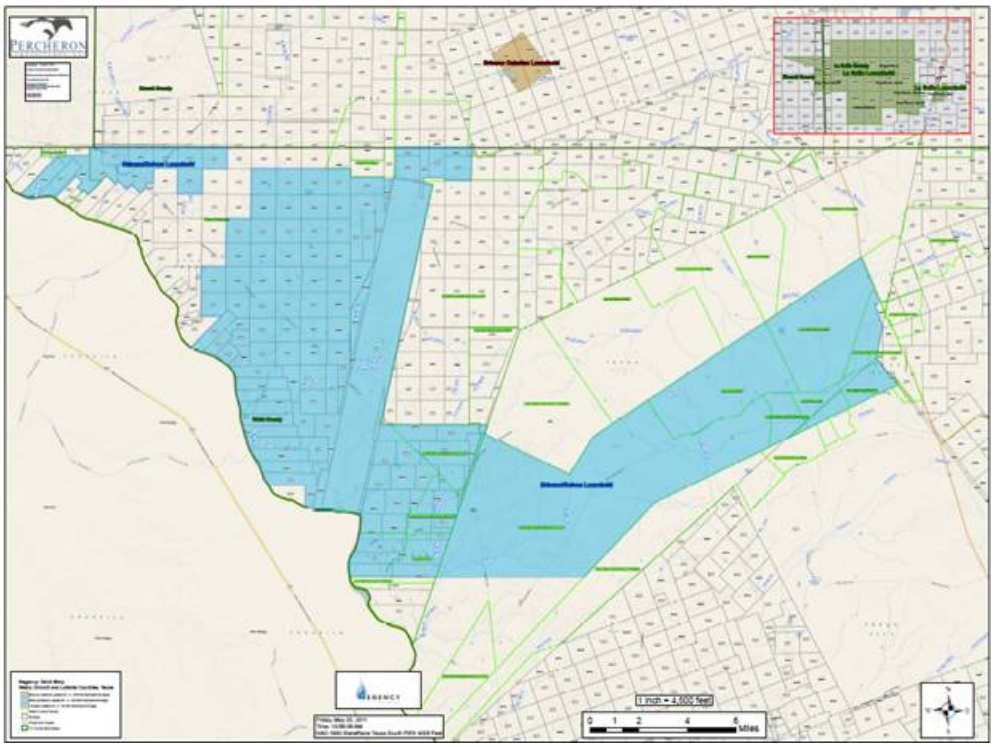


EXHIBIT "H"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Central Backbone Map

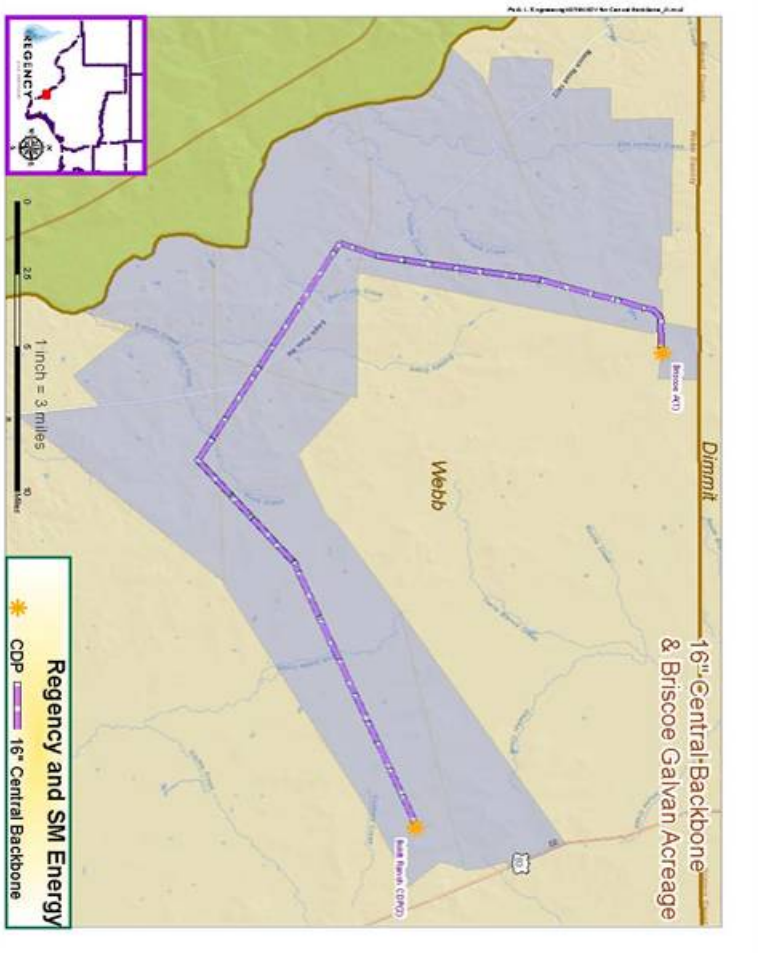


EXHIBIT "I"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

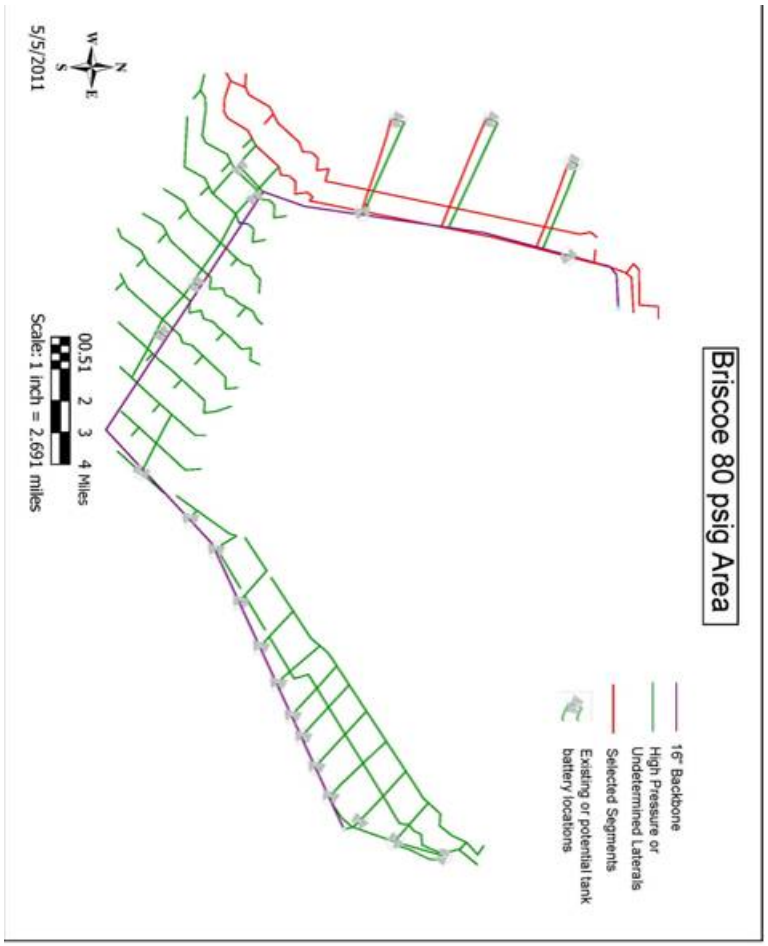
Connection Notice

- Date of notice
- Well Pad identifier [name of 1st Well on Well Pad]
- Anticipated completion date of 1st Well on Well Pad
- Expected number of Well(s) on Well Pad
- Location of Well Pad [with survey plat attached]

EXHIBIT "J"

To the Gas Gathering Agreement
Between Regency Field Services LLC and SM Energy Company
Dated May 31, 2011

Briscoe 80 psig Selected Segments



CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN REDACTED AND ARE THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST PURSUANT TO RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934. REDACTED PORTIONS ARE MARKED WITH [*****] AND HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

GATHERING AND NATURAL GAS SERVICES AGREEMENT

BETWEEN

SM ENERGY COMPANY

AND

ETC TEXAS PIPELINE, LTD.

DATED APRIL 1, 2011

CONTRACT NO. 11515-100

TABLE OF CONTENTS

GATHERING AND NATURAL GAS SERVICES AGREEMENT

ETC TEXAS PIPELINE, LTD., a Texas limited partnership, ("Gatherer") and SM Energy Company, a Delaware corporation, ("Shipper") enter into this Gathering and Natural Gas Services Agreement (together with all Individual Transaction Confirmations, collectively, this "Agreement") effective as of April 1, 2011 (the 'Effective Date").

W I T N E S S E T H

WHEREAS, Shipper has or will have available a supply of Gas produced in Texas requiring gathering and other services; and

WHEREAS, Gatherer desires to gather and provide certain services for Shipper, and Shipper desires for Gatherer to gather and provide services for such quantities of Gas from specified points of receipt;

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained, Shipper and Gatherer do hereby stipulate and agree as follows.

ARTICLE I
DEFINITIONS

1.1 Specific Defined Terms. As used throughout this Agreement, the following capitalized terms shall have the meanings ascribed below.

"Affiliate" and "Affiliates" means, with respect to any relevant Person, any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or under common control with such relevant Person. For purposes of this definition, the term "control" (including its derivatives and similar terms) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the relevant Person, whether through the ownership or control of voting interest, by contract or otherwise.

"Agreement" shall have the meaning set forth in the Preamble.

"Btu" means the amount of energy required to raise the temperature of one pound of pure water one degree Fahrenheit (1°F) from fifty-nine degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F). The term "MMBtu" means one million Btus.

"Condensate" means liquid hydrocarbons produced from a well which is measured and delivered into the Gathering System at a Receipt Point as Gas but during transportation in the Gathering System experiences a phase change to a liquid state and is subsequently recovered as a liquid.

"Contract Year" means the 365 consecutive Days (or 366 consecutive Days if Contract Year includes a leap year (February 29)) beginning on the first Day of the Month subsequent to the Initial Delivery Date and each of the anniversaries thereafter.

"Day" means a period of twenty-four (24) consecutive hours, beginning at 9:00 a.m. Central Clock Time ("CCT") on any calendar Day. "Business Day" means a Day on which the Federal Reserve member banks in New York City are open for business and a Business Day shall open at 8:00 a.m. and close at 5:00 p.m. CCT.

"Delivery Point" shall have the meaning set forth in Section 5.2.

"Downstream Transporter" means the applicable natural gas transporter (i) having facilities connected to the facilities of Gatherer (or its successors or assigns) at or near the tailgate of the Plant (as defined in the Processing Agreement) and (ii) receiving Residue Gas (as defined in the Processing Agreement) at such connection.

"Effective Date" shall have the meaning set forth in the Preamble.

"Event of Default" or "Default" means the occurrence of any of the following events, circumstances or conditions: (i) failure by either Party to materially perform or comply with any material agreement, covenant, obligation or other provision contained in this Agreement when either (A) such failure has not been cured within the greater of a reasonable period of time or thirty (30) Days; in each case, following the Party in Default receiving written notice thereof from the Party not in Default (other than a Default which occurs because such Party is rightfully withholding performance in response to the other Party's failure to perform), or (B) an effort to remedy such failure has not been commenced within such period following such written notice and continued to be diligently prosecuted, with such measures reasonably expected to cure any such Default; (ii) the entry of either Party into voluntary or involuntary bankruptcy, receivership or similar protective proceedings, or (iii) failure to pay any amounts owed pursuant to this Agreement within thirty (30) Days after the applicable due date, other than amounts disputed in good faith pursuant to the provisions of Section 9.2.

"Firm" or "Firm Service" as used herein means that the gathering of Gas up to the SRC is not subject to interruption.

"FL&U" means the combination of Fuel and Lost and Unaccounted for Gas. For the avoidance of doubt, FL&U does not include Condensate.

"Fuel" is that quantity of Gas (including electricity, if any), in MMBtu, used by Gatherer for fuel in compressing the Gas on the Gathering System.

"Force Majeure" shall have the meaning set forth in Section 16.2.

"Gas" means methane and other gaseous hydrocarbons, including gaseous combustible, noncombustible, and inert elements, compounds, components or mixtures thereof and liquefiable hydrocarbons in the vapor stream.

"Gathering Fee(s)" shall have the meaning set forth in Section 3.1.

"Gathering System" means the pipeline and appurtenant facilities to be constructed by Gatherer as described in the ITC executed by Gatherer and Shipper contemporaneous with execution of this Agreement. For the avoidance of doubt, the Gathering System does not include the Processing Plant as defined in the Processing Agreement or any facilities downstream of the Processing Plant.

"Gross Heating Value" means the number of Btu's liberated by the complete combustion, at constant pressure, of one (1) cubic foot of Gas at a base temperature of sixty degrees Fahrenheit (60°F.) and a referenced pressure base of fourteen and sixty-five hundredths (14.65) Psia with air of the same temperature and pressure of the Gas, after products of combustion are cooled to the initial temperature of the Gas, and after the water of the combustion is condensed to the liquid state. The Gross Heating Value of the Gas shall be corrected for the water vapor content of Gas being delivered; provided, however, that if the water vapor content of the Gas is seven (7) pounds or less per one million (1,000,000) cubic feet, the Gas shall be assumed to be dry and no correction shall be made.

"Imbalance" shall have the meaning set forth in Section 6.5.

"Individual Transaction Confirmation" or "ITC" means an effective and unexpired agreement between Gatherer and Shipper documented by written means, evidencing the specific terms of a Transaction, which may be in any form adequate at law, but which shall be part of the terms and conditions of this Agreement.

"Initial Delivery Date" means the first date on which Shipper delivers any Gas to Gatherer at the Receipt Point(s) pursuant to this Agreement.

"Interruptible" or "Interruptible Service" as used herein means that Gatherer, in its sole and unfettered discretion, shall have the right to interrupt, curtail or suspend the receipt, gathering or delivery of Gas hereunder at any time and from time to time without any liability to Shipper by reason thereof, subject to Section 16.4.

"Laws" mean valid applicable laws, rules, regulations, decrees and orders of the United States of America and all other governmental bodies, agencies or other authorities having jurisdiction over or affecting the provisions contained in or the transactions contemplated by this Agreement or the Parties or their operations, whether such Laws now exist or are hereafter amended or enacted.

"Loss" or "Losses" means, unless specifically provided otherwise, all claims, including, but not limited to, those for bodily injury or death, personal injury, illness, disease, maintenance, cure, loss of parental or spousal consortium, loss of support, wrongful death, property damage and wrongful termination of employment, damages, liabilities, losses, demands, liens, encumbrances, fines, penalties, costs for removal of wreck/debris, causes of action of any kind (including actions in rem or in personam), obligations, costs, judgments, interest and awards (including payment of reasonable attorneys' fees and costs of litigation) or amounts, of any kind

or character (except punitive or exemplary damages), whether under judicial proceedings, administrative proceedings or otherwise, under any theory of tort, contract, or breach of contract arising out of, or incident to or in connection with the Agreement or the performance of work, services or operations contemplated under the Agreement.

"Lost and Unaccounted for Gas" or "L&U" means that volume of Gas, in MMBtu, received by Gatherer which is released and/or lost through piping, equipment, or operations, which cannot be accounted for, or is vented, all on the Gathering System.

"Month" means a period beginning at 9:00 a.m. CCT on the first Day of the calendar Month and ending at 9:00 a.m. CCT on the first Day of the next succeeding calendar month.

"Non-Specification Gas" shall have the meaning set forth in Section 7.3.

"Party" means, individually, either Gatherer or Shipper, collectively referred to as the "Parties".

"Person" or "Persons" means any individual or entity, including, without limitation, any corporation, limited liability company, joint stock company, general or limited partnership, or government authority (including any agency or administrative group thereof).

"Processing Agreement" means that certain Gas Processing Agreement (Contract No. 11515J) between the Parties of even date herewith.

"Plant Thermal Reduction" or "PTR" means the sum of Plant Product Shrinkage and allocated process fuel (including electricity costs) and Plant losses under the Processing Agreement, in MMBtu.

"Quality Specifications" means the Gas quality specifications set forth in Section 7.1.

"Receipt Point(s)" shall have the meaning set forth in Section 5.1.

"Scheduled Quantity" shall have the meaning set forth in Section 6.4.

"Stated Rate" means, for any date, an annual rate of interest (compounded daily) equal to the lesser of (a) one percent (1%) over the per annum rate of interest announced as the "prime rate" for commercial loans posted from time to time by Citibank, N.A. (New York, New York office) or its successor or a mutually agreed substitute bank, or (b) the maximum lawful interest rate then in effect under Law.

"Shipper's Reserved Capacity" or "SRC" means the daily gathering capacity (expressed in MMBtu) reserved for Shipper in Gatherer's Gathering System as set forth in the Individual Transaction Confirmation.

"Taxes" means any or all ad valorem, property, occupation, severance, production, extraction, first use, conservation, Btu or energy, gathering, transport, pipeline, utility, gross

receipts, Gas or oil revenue, Gas or oil import, privilege, sales, use, consumption, excise, lease, transaction, and other or new taxes or increases therein, other than taxes based on or assessed against net income or net worth.

"Transaction" means any agreement between Gatherer and Shipper set forth in an Individual Transaction Confirmation, and any amendment, modification, or supplement thereof, made part of and in accordance with this Agreement for the gathering of Gas or provision of other services to be performed hereunder.

1.2 Other Defined Terms. Other capitalized terms used in this Agreement and not defined in Section 1.1 above shall have the meanings ascribed to them throughout this Agreement.

ARTICLE II
SCOPE OF AGREEMENT/TENDER OF GAS

2.1 Scope of Agreement. Gatherer and Shipper from time to time during the term hereof may, but are not obligated to, enter into Transactions for the gathering of Gas and/or the provision of other services as set forth herein to which this Agreement shall apply. Each Transaction shall be effectuated and evidenced as set forth in this Article 2 and shall constitute a part of this Agreement and all Transactions, together with this Agreement, shall constitute a single integrated agreement. Each Transaction shall be construed as one with this Agreement and any discrepancy or conflict between any term contained in this Agreement and any term contained in an Individual Transaction Confirmation shall be resolved in favor of the Individual Transaction Confirmation.

2.2 Tender of Gas and Gathering Services. Shipper may tender Gas to Gatherer at the Receipt Point(s) during the term of this Agreement. Gatherer shall accept at the existing or new Receipt Point(s) all Gas that Shipper or any of its Affiliates deliver to such Receipt Point(s), up to the SRC, and will redeliver all such Gas (less Shipper's pro rata share of FL&U as determined under the applicable ITC and PTR) at the Delivery Point, provided that such Gas is properly scheduled by Shipper in accordance with Gatherer's (or its Affiliates') scheduling procedures set forth in Section 6.4 hereof. In addition, Gatherer will accept quantities above the SRC on an Interruptible basis in accordance with Section 16.4.

ARTICLE III
GATHERING AND NATURAL GAS SERVICES FEES

3.1 Gathering Fee(s). The gathering fee(s) to be paid by Shipper to Gatherer for the quantities of Gas delivered by Shipper and received and gathered by Gatherer hereunder shall be as set forth on the Individual Transaction Confirmation (the "Gathering Fee(s)").

3.2 FL&U. In addition to the fees set forth above in this Article III, Shipper shall convey to Gatherer at the Receipt Point(s) Shipper's pro rata share of FL&U as determined under the applicable ITC. Subject to the indemnities set forth in this Agreement, title to such FL&U shall vest in Gatherer at the Receipt Point(s) at no cost to Gatherer.

ARTICLE IV
COMMITTED RESERVES AND SHIPPER'S RESERVATIONS

[Intentionally omitted.]

ARTICLE V
RECEIPT AND DELIVERY POINT(S)

5.1 Receipt Point(s). Shipper shall deliver Gas tendered pursuant to this Agreement as set forth on the Individual Transaction Confirmation and at any other mutually agreeable receipt point (the "Receipt Point(s)"). Unless otherwise specified, Shipper shall deliver Gas at a pressure not to exceed the maximum allowable operating pressure as stated in the ITC. The expected operating pressure of the Gathering System at each Receipt Point(s) is stated in the ITC.

5.2 Delivery Point. Gatherer shall redeliver to Shipper at the delivery point(s) set forth on the Individual Transaction Confirmation ("Delivery Point") Gas tendered pursuant to this Agreement (less Shipper's pro rata share of FL&U as determined under the applicable ITC and PTR).

ARTICLE VI
QUANTITY

6.1 **[Intentionally omitted.]**

6.2 Gatherer agrees to take and Shipper agrees to deliver Gas hereunder in accordance with all Laws. Gatherer shall operate and maintain the Gathering System and its related facilities in such a manner as is necessary for Gatherer to provide the gathering and other services hereunder in accordance with the terms and conditions of this Agreement, including the ITC.

6.3 Subject to the terms, conditions and limitations contained herein and in the ITC, Shipper agrees to deliver Gas, or cause Gas to be delivered, from time to time, to the Receipt Point(s), and Gatherer agrees to accept, or cause to be accepted, on a Firm basis, those daily quantities of Shipper's Gas tendered by or for the account of Shipper, not to exceed the SRC, as set forth in any Individual Transaction Confirmation, and scheduled in accordance with this Article VI. In addition, Gatherer will accept quantities above the SRC on an Interruptible basis in accordance with Section 16.4. Subject to the terms, conditions and limitations contained herein, Gatherer agrees to gather and redeliver, or cause to be gathered and redelivered, (on a Firm basis for quantities equal to or less than the SRC, and on an Interruptible basis (subject to Section 16.4) for quantities above the SRC), the Scheduled Quantity to the Delivery Point. The Scheduled Quantity at the Delivery Point shall be a quantity of Gas equal to the Scheduled Quantity at the Receipt Point(s), less Shipper's pro rata share of FL&U as determined under the applicable ITC and PTR. Any material variation in flow rate or the Scheduled Quantity will be confirmed in writing via fax or email by Gatherer, with an acknowledgment returned to Gatherer by Shipper.

6.4 Scheduling of receipts and deliveries of Gas between the Receipt Point(s) and Delivery Point shall be in accordance with the Gatherer's nomination and scheduling procedures set forth in this Section 6.4 and with the nomination and scheduling procedures of the Downstream Transporter. Shipper shall submit Nominations (as defined below) for the gathering of Gas hereunder to Gatherer via Gatherer's Web-based online nomination system. No later than three (3) Business Days prior to the end of each Month, Shipper shall provide to Gatherer in writing the quantity of Gas (expressed in MMBtu) Shipper expects to make available and deliver at each Receipt Point and receive at the Delivery Point each Day of the following Month (the "Nominations"). Should Shipper desire to change any of the Nominations during such Month, Shipper will use reasonable efforts to notify Gatherer by no later than 8:30 a.m. CCT on the Business Day prior to the Day of the scheduled flow of the capacity and path that the Shipper plans to utilize. The deadline for submitting Nominations is 11:30 a.m. CCT the Business Day prior to the Day of the scheduled flow. Any initial Nomination received after the deadline of 11:30 a.m. CCT on the Business Day prior to the flow Day will be scheduled by Gatherer in its discretion. Gatherer may, in its discretion, allow intraday Nomination changes at the Receipt Point(s) and the Delivery Point. Gas shall be delivered by Gatherer to the Delivery Point in accordance with confirmation by the Downstream Transporter of the Nomination and/or changes to the Nomination (the "Scheduled Quantity").

6.5 The Parties shall reasonably cooperate with each other to manage and eliminate, as promptly as practical, any variance between the volume of Gas delivered at the Delivery Point for Shipper's account (i.e., the Scheduled Quantity) and the volume of Gas received at the Receipt Point(s) (less Shipper's pro rata share of FL&U as determined under the applicable ITC and PTR) (an "Imbalance"). Any physical flow adjustments will be made as agreed to by Gatherer and Shipper (which shall be confirmed in writing via fax or email by Gatherer, with an acknowledgment to be returned to Gatherer by Shipper) to adequately control imbalance levels. The daily and cumulative Imbalance(s) will be determined at the end of each Gas Day. Gatherer may assist Shipper in managing the Imbalance and may, at any time and from time to time, reasonably request in good faith that Shipper change its Nominations at the Delivery Point or, with notice to Shipper, restrict, interrupt, or reduce its receipts or deliveries of Gas at the Receipt Point(s) or Delivery Point, and direct Shipper to make adjustments in its receipts or deliveries, in order to maintain a daily and monthly balance or to correct an Imbalance. If Shipper fails or refuses to follow any such reasonable, good faith request from Gatherer, Gatherer may, without liability hereunder, cease accepting or delivering Gas under this Agreement until the conditions causing the Imbalance are corrected. Imbalances will be cashed-out each Month under the following terms:

(a) If the Imbalance is owed to Gatherer, Shipper shall pay Gatherer, per MMBtu of the Imbalance, one hundred percent (100%) of the arithmetic average of the "Midpoint" prices stated in Gas Daily® (Platts, a division of The McGraw-Hill Companies, Inc.) in the column "Daily Price Survey" for all Days of the Month, for "Tennessee Zone 0 Index" (the "Monthly Average Gas Daily Price") for the Month in which the Imbalance occurred; or,

(b) If the Imbalance is owed to Shipper, Gatherer shall pay Shipper, per MMBtu of the Imbalance, one hundred percent (100%) of the Monthly Average Gas Daily Price for the Month in which the Imbalance occurred.

If the information necessary to calculate the Monthly Average Gas Daily Price ceases to be available, Shipper and Gatherer shall work in good faith to determine a comparable substitute publication and/or daily posting(s) or other indexes providing comparable data.

ARTICLE VII
QUALITY

7.1 All Gas tendered by Shipper for gathering at the Receipt Point(s), unless expressly waived in writing by Gatherer, shall not exceed the Gas quality specifications set forth below.

(a) At a base pressure of fourteen and sixty-five hundredths (14.65) p.s.i.a. and a base temperature of sixty degrees Fahrenheit (60º F), such Gas shall not contain more than ten parts per million by volume (10 ppmv) of oxygen, nor more than:

(1) One quarter (1/4) grain of hydrogen sulfide per one hundred (100) cubic feet;

(2) Two (2) grains of total sulfur per one hundred (100) cubic feet;

(3) One quarter (1/4) grain of mercaptans per one hundred (100) cubic feet;

(4) Two percent (2%) by volume of carbon dioxide; or

(5) One percent (1%) by volume of nitrogen, nor three percent (3%) by volume of total inert gases.

(6) Seven (7) pounds of water vapor per one million (1,000,000) standard cubic feet.

(b) Such Gas shall be free from any free liquids, foreign material such as solids, sand, dirt, dust, gums, crude oil, iron particles, and other objectionable substances which may be injurious to pipelines or which may interfere with its transportation or measurement.

(c) At a base pressure of fourteen and sixty-five hundredths (14.65) p.s.i.a., the gross dry heating value of such Gas shall not, except as otherwise permitted as set forth in an applicable Individual Transaction Confirmation, be less than one thousand one hundred (1100) Btu's per cubic foot.

(d) The temperature of such Gas shall not be less than forty degrees Fahrenheit (40º F) nor exceed one hundred twenty degrees Fahrenheit (120º F).

SHIPPER SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS GATHERER FROM ANY AND ALL LOSSES, INCLUDING INCIDENTAL, CONSEQUENTIAL, AND INDIRECT DAMAGES, AND IN RESPECT OF THIRD PARTY CLAIMS, PUNITIVE, EXEMPLARY, AND TREBLE DAMAGES, ARISING FROM OR OUT OF SHIPPER'S GAS NOT MEETING THE QUALITY SPECIFICATIONS PROVIDED OR REFERENCED HEREIN.

7.2 [Intentionally omitted.]

7.3 Non-Conformance. Should Gas tendered by Shipper fail at any time to conform to the Quality Specifications set forth in this Article VII, except as otherwise permitted as set forth in an applicable Individual Transaction Confirmation, Gatherer may in its discretion refuse to accept such non-conforming Gas ("Non-Specification Gas"). The continued acceptance of any Non-Specification Gas by Gatherer hereunder shall not constitute a waiver by Gatherer of any Quality Specifications for any future deliveries, but shall constitute recognition by Shipper of Gatherer's ongoing right at any time without further notification to (a) reject all of such Gas; or (b) accept all of such Gas; or (c) accept any quantity of such Gas and reject the remaining Non-Specification Gas. Shipper shall endeavor to conform any Non-Specification Gas to meet the Quality Specifications on commercially reasonable terms, including good faith negotiations with Gatherer to do so.

7.4 Shipper shall not introduce corrosion inhibitors, chemicals, antifreeze agents or other materials containing constituents harmful or injurious to Gatherer's operations into Gas delivered hereunder.

ARTICLE VIII
MEASUREMENT

8.1 The measuring facilities shall be designed, installed, operated, and maintained by Gatherer or its designee in accordance with the following standards:

(a) Orifice Measurement - American Gas Association Report Number 3, dated 2000 or the most recent edition as agreed to by all Parties (herein referred to as AGA 3).

(b) Turbine Measurement - American Gas Association Report Number 7, dated 1996 or the most recent edition as agreed to by all Parties (herein referred to as AGA 7).

(c) Positive Measurement - American National Standards Institute B109.2, dated 2000 or the most recent edition as agreed to by all Parties (herein referred to as ANSI B109.2).

(d) Ultrasonic Measurement - American Gas Association Report Number 9, dated 2003 or the most recent edition as agreed to by all Parties (herein referred to as AGA 9).

(e) Electronic Gas Measurement — American Petroleum Institute Chapter 21.1, dated 2005 or the most recent edition as agreed to by all Parties (herein referred to as API 21.1).

8.2 Shipper may, at its option and expense, install and operate meters, instruments and equipment, in a manner that will not interfere with Gatherer's equipment, to check Gatherer's meters, instruments, and equipment, but the measurement for the custody transfer of Gas for the purpose of this Agreement will be by Gatherer's meter only, except as hereinafter specifically provided. The meters, check meters, instruments, and equipment installed by each Party will be subject at all reasonable times to inspection or examination by the other Party, but the calibration and adjustment thereof will be done only by the installing Party. Gatherer shall provide Shipper with near real time access to flow information at each Receipt Point.

8.3 All meters will be calibrated and or proven on a mutually agreed schedule, but not less often than Monthly, ensuring that the meter calibration or proving frequency is in compliance with regulatory requirements. Notification of scheduled calibrations shall be made to all interested parties and reasonable effort will be made to accommodate each Party's schedule; however, calibration will proceed at the scheduled time regardless of attendees. Records from all measuring equipment are the property of Gatherer who will keep all such records on file for a period of not less than two (2) years. Upon request, Gatherer will make available to Shipper volume records from the measuring equipment, together with calculations therefrom, for inspection and verification, subject to return within thirty (30) Days after receipt thereof by Shipper.

8.4 Either Party shall have the right to conduct such pulsation tests as they deem prudent, at the testing Party's sole risk and expense. If excessive pulsation is evident, mutually agreed modifications to operation or facility design will be made to reduce the effect of such pulsation.

8.5 If the percentage of inaccuracy from the results of any test is greater than two percent (2%), the registration of such meter shall be corrected at the rate of such inaccuracy for any period which is definitely known or agreed upon. In the event the period is not definitely known or agreed upon, such correction shall be for a period

extending back one-half (1/2) of the time elapsed since the date of the last calibration. Following any test, measurement equipment found inaccurate shall be immediately restored by Gatherer as closely as possible to a condition of accuracy. If any measurement equipment is out of service or out of repair for any reason so that the amount of Gas delivered cannot be estimated or computed from the reading thereof, the amount of Gas delivered through such meter during the period such meter is out of service or out

of repair shall be estimated and agreed upon by Gatherer and Shipper upon the basis of the best data available using the first of the following methods which is feasible:

(a) by using the registration of any check meters if installed and accurately registering;

(b) by correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation; or

(c) by estimating the quantity of deliveries by comparison with deliveries during preceding periods under similar conditions when the meter was known to be registering accurately.

8.6 Measurement Volume Computations

(a) The unit of volume of Gas shall be one (1) standard cubic foot at a base pressure of fourteen and sixty-five hundredths pounds per square inch absolute (14.65 p.s.i.a.) and at a base temperature of sixty degrees Fahrenheit (60°F). The energy content may be recalculated, if the water vapor of the Gas is determined to be greater than seven (7) pounds of water vapor per one million (1,000,000) standard cubic feet, by adjusting the measured volume to correct for the volume of water vapor assuming saturation at the temperature and pressure of measurement (as delivered) and multiplying the corrected volume by the gross dry heating value.

(b) Atmospheric pressure shall be assumed to be the pressure value as reasonably determined by Gatherer for each Receipt Point and Delivery Point location pursuant to generally accepted practices.

(c) All metered volumes shall be computed in accordance with the standards set forth in Section 8.1 above.

8.7 Records of calibration and or proving and data associated with the volume calculation, and the records and data relating to the sampling and determinations under Sections 8.8 and 8.9 below, are the property of Gatherer who will keep all such records and data on file for a period of not less than two (2) years. Upon request, Gatherer will make available to Shipper all such records and data (including an electronic measurement audit package that complies with *API Chapter 21.1 Measurement*, if offered by Gatherer), subject to return within thirty (30) Days after receipt thereof by Shipper.

8.8 Gatherer shall sample and determine the Gross Heating Value, relative density and compressibility at the Receipt Point(s), at the measurement facilities at the inlet of the Plant as defined in the Processing Agreement, and at the Delivery Point utilizing the following standards:

(a) Gas Processors Association (GPA) 2166 - Obtaining Natural Gas Samples for Analysis by Gas.

(b) Gas Processors Association (GPA) 2261 - Analysis for Natural Gas and Similar Gaseous Mixtures by Gas Chromatography.

(c) Gas Processors Association (GPA) 2145 - Physical Constants for Paraffin Hydrocarbons and Other Components of Natural Gas.

(d) Gas Processors Association (GPA) 2172 — Calculation of Gross Heating Value, Relative Density, and Compressibility of Natural Gas Mixtures from Compositional Analysis.

(e) American Gas Association Report Number 8 — Compressibility Factors of Natural Gas and Other Related Hydrocarbon Gases.

8.9 Gatherer shall sample the flowing Gas stream by on-line chromatograph. If the on-line chromatograph fails, then Gatherer shall utilize one of the following methods:

(a) Accumulated Sample — If this method is utilized the application of gas quality in the volume calculation will be during the time period the Gas sample was accumulated.

(b) Spot Sample — If this method is utilized the application of Gas quality in the volume calculation will be the time period beginning on the date the sample was obtained until the next sample is obtained.

ARTICLE IX
BILLING

9.1 Gatherer's Statement. Gatherer shall render a statement to Shipper on or before the twenty-fifth (25th) Day of each Month setting forth the amount due Gatherer for all fees owed by Shipper hereunder for the gathering of Gas and other services performed hereunder by Gatherer during the preceding Month.

9.2 Payment. The Party with a balance due to the other Party shall pay such other Party the amount due in the form of immediately available federal funds by wire or electronic fund transfer to the bank account specified on the statement, or any other mutually agreed upon method, on or before the first Business Day of the second Month following the Month of production or the tenth (10th) Day following Shipper's receipt of the statement described in Section 9.1 above, whichever is later. Payments due on a Saturday or a bank holiday shall be made on the preceding Business Day unless such holiday is Monday, in which case payment shall be made on the following Business Day; payments due on Sunday shall be made on the next Business Day. The paying Party must tender a timely payment even if the statement includes an estimated receipt or delivery volume. Any payment shall not prejudice the right of the paying Party to an adjustment of any statement to which it has taken written exception, provided that such Party's exception shall have been made within the time period set forth in Section 19.13 herein. If the paying Party fails to pay any statement in whole or in part when due, in addition to any other rights or remedies available to the Party to whom payment is due,

interest at the Stated Rate shall accrue on all unpaid amounts. Notwithstanding the foregoing, if a legitimate good faith dispute arises between Shipper and Gatherer concerning a statement, the paying Party shall pay that portion of the statement not in dispute on or before such due date, and upon the ultimate determination of the disputed portion of the statement, the paying Party shall pay the remaining amount owed, if any, plus the interest accrued thereon at the Stated Rate from the due date. Any amounts

refunded to a paying Party following resolution of any billing dispute shall accrue interest at the Stated Rate from the date of initial payment to the date of refund.

ARTICLE X
WARRANTY

10.1 Shipper's Warranty. Shipper hereby represents and warrants that it has good and marketable title to, and/or full legal right and authority to deliver to Gatherer for gathering and/or other services as applicable hereunder, all Gas tendered by Shipper at the Receipt Point(s). Shipper represents and warrants that such Gas shall, at the Receipt Point(s), be free and clear of any and all claims, liens, encumbrances (except those created by lessor's rights under the applicable leaseholds or other similar interests related to such Gas), and applicable Taxes that are imposed upon production of such Gas and all other components of such Gas (including any liquid hydrocarbons removed therefrom), and **SHIPPER AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS**Gatherer from and against all Losses incurred by Gatherer on account of any such liens, encumbrances and claims.

10.2 Gatherer's Warranty. Gatherer hereby represents and warrants that it has the full legal right and authority to gather (and/or provide services as applicable) for Shipper all Gas tendered by Shipper at the Receipt Point(s) and to deliver such Gas at the Delivery Point in accordance with this Agreement, including the applicable ITC. Gatherer represents and warrants that such Gas shall be free and clear of all liens, encumbrances and claims whatsoever created by, through or under Gatherer, and **GATHERER AGREES TO RELEASE, PROTECT, DEFEND, INDEMNIFY AND HOLD HARMLESS**Shipper from and against all Losses incurred by Shipper on account of any such liens, encumbrances and claims.

ARTICLE XI
POSSESSION OF GAS

11.1 Party in Possession. As between the Parties, Shipper shall control and possess the Gas affected by this Agreement at all times prior to and until delivery to Gatherer at the Receipt Point(s) and after redelivery by Gatherer to Shipper of the Gas at the Delivery Point. Gatherer shall control and possess the Gas affected by this Agreement at all times after delivery thereof by Shipper to Gatherer at the Receipt Point(s) and until redelivery by Gatherer to Shipper of the Gas at the Delivery Point.

11.2 Responsibility and Liability. Except as otherwise set forth in Article VII, the Party in control and possession of the Gas affected by this Agreement shall be responsible and pay for, and shall release, defend, indemnify and save the other Party harmless from and against, any and all Losses caused thereby and occurring while the Gas is in the possession and control of such first Party.

ARTICLE XII
TAXES AND ROYALTIES

12.1 Taxes and Royalties. Shipper shall be responsible for and pay all Taxes levied on or in respect to Shipper's Gas and the handling thereof prior to the delivery of such Gas to Gatherer at the Receipt Point(s) and at and after delivery of such Gas to Shipper at the Delivery Point. Gatherer shall be responsible for and pay all Taxes levied on or in respect to Shipper's Gas and the handling thereof from and after the delivery of such Gas to Gatherer at the Receipt Point(s) and prior to the delivery of such Gas to Shipper at the Delivery Point; provided, however, Shipper shall be responsible for and pay any such Taxes which first take effect after the Effective Date. Shipper shall be responsible for all royalties due with respect to the production of the Gas delivered hereunder at the Receipt Point(s). Shipper shall indemnify, reimburse, defend and hold harmless Gatherer from and against any and all claims or Losses attributable to such Taxes and royalties for which Shipper is responsible under this Section. Gatherer shall indemnify, reimburse, defend and hold harmless Shipper from and against any and all claims or Losses attributable to such Taxes for which Gatherer is responsible under this Section.

ARTICLE XIII
REMEDIES/LIABILITY

13.1 Remedies. To the extent not limited or waived herein, with particularity in this Article XIII, each Party reserves to itself all rights, set-offs, counterclaims and other remedies and defenses to which such Party may be entitled arising from this Agreement and the Processing Agreement.

13.2 **LIMITATION OF LIABILITY. SUBJECT TO SECTION 7.1, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, IN TORT, CONTRACT OR OTHERWISE, EXCEPT FOR ANY OF THE FOREGOING PAID BY A PARTY TO A NON-AFFILIATE THIRD PARTY.**

13.3 INDEMNIFICATION BY SHIPPER. SHIPPER COVENANTS THAT IT WILL RELEASE, DEFEND, INDEMNIFY AND SAVE GATHERER HARMLESS FROM AND AGAINST ANY AND ALL LOSSES ARISING FROM OR OUT OF ANY ADVERSE CLAIMS MADE BY ANY THIRD PARTY OR BY SHIPPER FOR ANY LOSS, DAMAGE, COST OR EXPENSE RELATING TO, CAUSED BY, OR ARISING OUT OF SHIPPER'S MAINTENANCE OR OPERATION OF SHIPPER'S FACILITIES.

13.4 INDEMNIFICATION BY GATHERER. GATHERER COVENANTS THAT IT WILL RELEASE, DEFEND, INDEMNIFY, AND SAVE SHIPPER HARMLESS FROM AND AGAINST ANY AND ALL LOSSES ARISING FROM OR OUT OF ANY ADVERSE CLAIMS MADE BY ANY THIRD

PARTY OR BY GATHERER FOR ANY LOSS, DAMAGE, COST, OR EXPENSE RELATING TO, CAUSED BY, OR ARISING OUT OF GATHERER'S CONSTRUCTION, MAINTENANCE, OR OPERATION OF GATHERER'S LINES OR FACILITIES.

ARTICLE XIV
CREDIT ASSURANCE

14.1 Each Party acknowledges and agrees that the other Party's credit as of the date of this Agreement is satisfactory. In the event a material adverse change occurs in a Party's credit (the "Affected Party") and the other Party (the "Requesting Party") determines the Affected Party's credit to be unsatisfactory in Requesting Party's sole and reasonable opinion at any time during the term of this Agreement, the Requesting Party may demand "Adequate Assurance of Performance" from such Affected Party which shall mean sufficient security in an amount and for a term reasonably specified by the Requesting Party; provided, however, in no event shall the amount of such security exceed the greater of (i) the amount owed hereunder by such Affected Party for the most recent two (2) Months, or (ii) the amount estimated by the Requesting Party in good faith to be owed hereunder by such Affected Party for the next succeeding two (2) Months based on deliveries by Shipper equal to the SRC. Such Affected Party at its option may then provide one of the following forms of security:

(a) Provide a written guaranty of payment from an Affiliate with credit satisfactory to the Requesting Party with such guaranty of payment to be provided in a form and for a term acceptable to the Requesting Party, but such guaranty of payment shall constitute Adequate Assurance of Performance only for as long as the credit

of the Affiliate continues to be satisfactory to the Requesting Party;

(b) Post an irrevocable standby letter of credit in a reasonably satisfactory form and from a bank satisfactory to the Requesting Party; or,

(c) Provide a prepayment or a deposit.

14.2 Should such Affected Party fail to provide Adequate Assurance of Performance within two (2) Business Days after receipt of written demand for such assurance, then the Requesting Party shall have the right to suspend performance under this Agreement until such time as such Affected Party furnishes Adequate Assurance of Performance. If such assurance is not provided by such Affected Party within ten (10) Business Days from written demand, the Requesting Party may terminate this Agreement in addition to having any and all other remedies available hereunder, at law or in equity.

ARTICLE XV
NOTICES

15.1 Notices. All notices and communications between the Parties shall be in writing and all notices, communications and payments shall be directed to the respective Parties hereto at the following addresses:

Gatherer:	**For Remittance:** **By Wire Transfer:** **ETC Texas Pipeline, Ltd.** Wachovia Bank Acct. [*****] ABA [*****] **For Notices and Correspondence:** **ETC Texas Pipeline, Ltd.** 800 East Sonterra Blvd., Ste. 400 San Antonio, Texas 78258 Telephone (210) 403-7300 FAX (210) 403-7500 **For Accounting Matters:** **ETC Texas Pipeline, Ltd.** 800 East Sonterra Blvd., Ste. 400 San Antonio, Texas 78258
Shipper:	**For Notices, Correspondence, Scheduling, Statements and Accounting Matters:** **SM Energy Company** 1775 Sherman Street, Suite 1200 Denver, CO 80203 Phone: (303) 861-8140 Fax: (303) 830-2216 **For Remittance:** **By Wire Transfer:** Wells Fargo Bank West N.A. ABA #: [*****] Account #: [*****] Acct: SM Energy Company
TAX ID Number	41-0518430

Either Party may from time to time change the address to which notices to it shall be directed by furnishing the other Party with written notice of the change. All notices provided and authorized to be given hereunder shall be considered as given only if and when received by the Party to

whom such notice is addressed; provided, however, any notice sent by registered or certified mail with return receipt requested and all postage and fees therefore paid shall be deemed to have been given on the fourth Business Day following the date deposited in the United States mail addressed to the Party being notified. Notice by facsimile or hand delivery shall be deemed to have been received on the Business Day on which it is transmitted (with answerback confirmation of receipt) or hand delivered (unless transmitted (with answerback confirmation of receipt) or hand delivered after close of the Business Day in which case it shall be deemed received on the next Business Day) or such earlier time confirmed by the receiving Party. Any legal notices must be received in writing.

ARTICLE XVI
FORCE MAJEURE

16.1 Suspension of Obligations. In the event a Party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Agreement, other than the obligation to make payments then or thereafter due hereunder, and such Party promptly gives notice and reasonably full particulars of such Force Majeure in writing to the other Party after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as and to the extent that they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall so far as reasonably possible be remedied with all reasonable dispatch by the Party claiming Force Majeure. In addition, the Party claiming Force Majeure shall resume performance of any such suspended obligations promptly after termination of such Force Majeure. Shipper shall have the right to secure alternate gathering services from third parties during Force Majeure events that affect Gatherer's ability to provide gathering services hereunder, but only for so long as and only to the extent that such Force Majeure event prevents Gatherer from providing gathering services hereunder.

16.2 Force Majeure. The term "Force Majeure," as used in this Agreement, shall mean any cause or causes not reasonably within the control of the Party claiming suspension and which, by the exercise of reasonable diligence, such Party is unable to prevent or overcome, including, without limitation, acts of God, strikes, lockouts, or other industrial disturbances, acts of a public enemy, sabotage, wars, blockades, insurrections, riots, acts of terror, epidemics, landslides, lightning, earthquakes, fires, storms, storm warnings, floods, washouts, arrests and restraints of governments and people, civil disturbances, maintenance, explosions, breakage or accident to equipment installations, machinery or lines of pipe, and associated repairs, freezing of lines of pipe, pipes or other delivery facilities, electric power unavailability or shortages, failure of pipelines or carriers to transport, delay or curtailment of natural gas liquid transportation or fractionation services, inability to obtain or timely obtain, or obtain at a reasonable cost, after exercise of reasonable diligence, pipe, materials, equipment, rights-of-way, servitudes, governmental approvals, or labor, including those necessary for the facilities provided for in this Agreement, and any legislative, governmental or judicial actions. Examples of Force Majeure may also include curtailment or interruption of deliveries, receipts or services by third party purchasers, suppliers or customers as a result of an event of Force Majeure or a breach by such third party purchasers, suppliers or customers. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party having the

difficulty, and that the above requirement that any Force Majeure shall be remedied with reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of the Party having the difficulty

16.3 Limitation on Force Majeure. Neither Party shall be entitled to the benefits of the provision of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the Party claiming excuse failed to remedy the condition and to resume the performance of its covenants or obligations with reasonable dispatch except as to strikes or industrial lockouts; or (ii) economic hardship, to include, without limitation, Shipper's ability to sell its Gas at a higher or more advantageous price to a market not requiring the gathering or other services contracted for herein; or (iii) the loss of Shipper's market for Gas.

16.4 Curtailment or Suspension. If and to the extent Gatherer curtails or suspends the gathering of Gas on the Gathering System due to Force Majeure or any other reason, Gas tendered to the Receipt Point(s) by or for the account of Shipper, up to the SRC, shall have the highest priority for gathering on the Gathering System together with all other Gas being gathered on a firm basis (i.e., gathering of Gas up to a shipper's applicable daily reserved capacity on the Gathering System is not subject to interruption) for other shippers under agreements executed and dated on or before April 15, 2011, pro rata, and shall not be curtailed or suspended from gathering if other Gas is being gathered on the Gathering System on an interruptible basis. Similarly, Gas tendered to the Receipt Point(s) by or for the account of Shipper, in excess of the SRC, shall have the highest priority for gathering on the Gathering System on an interruptible basis (i.e., interruptible by Gatherer in its sole discretion) together with all other Gas being gathered on an interruptible basis for other shippers under such agreements executed and dated on or before April 15, 2011, pro rata. Gatherer shall remedy any Force Majeure event and any other cause of curtailment or suspension with all reasonable dispatch, and in such a manner as to minimize any adverse impact on Shipper hereunder. Gatherer shall provide only two levels of service on the Gathering System, firm and interruptible, each as defined above.

ARTICLE XVII
TERM AND TERMINATION

17.1 Effective Date and Term. This Agreement shall govern any and all Transactions and shall be in effect for a term of five (5) year(s) from the Effective Date (the "Primary Term"). It shall then continue in effect from Month to Month thereafter, unless terminated by either Shipper or Gatherer upon thirty (30) Days prior written notice to the other Party prior to the end of the Primary Term or any subsequent Month; provided, this Agreement shall continue to apply to all Transactions then in effect until all Transactions are completed. All indemnity obligations, confidentiality obligations, payment obligations and audit rights shall survive the termination or expiration hereof.

17.2 Termination. This Agreement may be terminated or canceled as follows and in no other manner:

(a) By either Gatherer or Shipper upon the occurrence of any Default or Event of Default if the terminating Party is not itself in Default (other than a Default which occurs because such Party is rightfully withholding performance in response to the other Party's Default);

(b) By the applicable Party pursuant to any provision of this Agreement expressly providing termination rights; or

(c) By all of the Parties at any time upon mutual written agreement.

Notwithstanding the foregoing, this Agreement shall be coterminous with the Processing Agreement.

17.3 Rights and Obligations Upon Termination. Termination or cancellation of this Agreement shall not relieve the Parties from any obligation accruing or accrued prior to the date of such termination. Upon termination of this Agreement, the Parties shall retain all other rights and remedies available at law or in equity.

ARTICLE XVIII
REPRESENTATIONS AND WARRANTIES

18.1 Representations and Warranties. Each of Shipper and Gatherer represents and warrants to each other that on and as of the date hereof:

(a) It is duly formed, validly existing and in good standing under the Laws of its state of jurisdiction or formation, with power and authority to carry on the business in which it is engaged and to perform its respective obligations under this Agreement;

(b) The execution and delivery of this Agreement by it have been duly authorized and approved by all requisite corporate, limited liability company, partnership or similar action;

(c) It has all the requisite corporate, limited liability company, partnership or similar power and authority to enter into this Agreement and perform its obligations hereunder;

(d) The execution and delivery of this Agreement does not, and consummation of the transactions contemplated herein will not, violate any of the provisions of organizational documents, any agreements pursuant to which it or its property is bound or, to its knowledge, any Laws;

(e) This Agreement is valid, binding and enforceable against it in accordance with its terms subject to bankruptcy, moratorium, insolvency and other Laws generally affecting creditors' rights and general principles of equity (whether applied in a proceeding in a court of law or equity); and

(f) It is qualified to do business in the State(s) in which the Receipt Point(s) and Delivery Point are located.

ARTICLE XIX
MISCELLANEOUS

19.1 Entire Agreement. This Agreement, together with the Processing Agreement and each ITC, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous (oral or written) negotiations, proposals, agreements and understandings.

19.2 Modifications. No modifications of the terms and provisions of this Agreement shall be or become effective except by the execution by each of the Parties of a supplementary written agreement.

19.3 Waiver. No waiver by either Party of any one or more defaults by the other Party in performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

19.4 No Third Party Beneficiaries. This Agreement is for the sole and exclusive benefit of the Parties hereto. Except as expressly provided herein to the contrary, nothing herein is intended to benefit any other Person not a Party hereto, and no such Person shall have any legal or equitable right, remedy or claim under this Agreement.

19.5 Assignment. Except as otherwise set forth herein, this Agreement is binding upon the successors or assigns of either Gatherer or Shipper. Neither Party shall voluntarily or involuntarily, directly or indirectly, transfer or otherwise alienate any or all of its rights, title or interests under this Agreement to any other Person without the express prior written consent of the other Party, which consent shall not be unreasonably delayed or withheld; provided, however, that: (a) either Party may (without seeking the consent of the other Party) transfer or otherwise alienate any of its rights, title or interests under this Agreement in connection with (i) a transfer to an Affiliate which remains an Affiliate and is deemed creditworthy by the other Party or will provide Adequate Assurance of Performance to the other Party in accordance with Article XIV if not, and (ii) the granting of a pledge, mortgage, hypothecation, lien or other security interest and any transfer pursuant to or in settlement of any terms of provisions of any agreement creating any such security interest; and (b) Shipper may (without seeking the consent of Gatherer) partially assign its rights, title and interests under this Agreement to another Person if the assignee (i) is deemed creditworthy in the reasonable opinion of Gatherer or will provide Adequate Assurance of Performance to Gatherer in accordance with Article XIV if not and (ii) expressly assumes all obligations of Shipper under this Agreement and the applicable ITC attributable to the partially assigned rights, title and interests (including the applicable portion of the SRC, volumetric commitment and deficiency payment obligation, if any). Unless otherwise agreed to in writing by the other Party, and except for transfers pursuant to (a)(ii) above, both the transferor and the transferee shall be jointly and severally responsible and primarily liable for the full and timely performance of all covenants, agreements and other obligations, and the timely payment and discharge of all liabilities, costs and other expenses arising (directly or indirectly)

pursuant to this Agreement. Unless otherwise mutually agreed in writing, intermediary transferees shall not be relieved of any obligations as a result of a subsequent transfer to another Person. Promptly upon transfer of all or any portion of its rights, title and interests in and to this Agreement, the transferor shall provide the other Party with a copy of such instrument. Any attempted transfer in violation of the terms of this Agreement of any rights, title and interests arising under this Agreement shall constitute a Default and be null and void and have no force or effect.

19.6 Confidentiality. The Parties agree that all information and data exchanged by them pursuant to or in connection with this Agreement shall be maintained in strict and absolute confidence for the term of this Agreement and one (1) year following its termination or cancellation except for disclosure (a) pursuant to the sale, disposition or other transfer (directly or indirectly) of a Party's rights and interests in and to this Agreement, (b) to lenders, accountants, consultants and other representatives of the disclosing Party, and royalty, working and other interest owners, with a need to know such information, (c) in conjunction with a merger, consolidation, share exchange or other form of statutory reorganization involving a Party, (d) as required to make disclosure in compliance with any Law or listing exchange rules or (e) to a Party's officers, directors and personnel, as necessary to carry out such Party's obligations under the Agreement.

19.7 Choice of Law. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

19.8 Further Assurances. Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under Laws to consummate and make effective the transactions contemplated by this Agreement.

19.9 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction, to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, each provision shall be interpreted to be only as broad as is enforceable.

19.10 Terminology. Unless the context clearly requires otherwise, all personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Articles, sections and other titles or headings are for convenience only, shall neither limit nor amplify the provisions of the Agreement itself, and all references herein to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument.

19.11 Counterparts. This Agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, and all of which together shall constitute but one and the same instrument.

19.12 Compliance with Laws. This Agreement and the performance of the obligations contemplated herein are and shall be subject to all Laws. The Parties shall act in accordance with each such Law. To the extent consistent with the terms and conditions of this Agreement, the Parties will reasonably cooperate with respect to compliance with all governmental authorizations, including obtaining and maintaining all necessary regulatory authorizations or any reasonable exchange or provision of information, needed for filing or reporting requirements.

19.13 Audit. Each Party shall have the right to examine and audit, at its own expense, at reasonable times during regular business hours and upon reasonable notice, all books, records and charts of the other Party to the extent necessary to verify the accuracy of any measurement and payment hereunder or compliance with the terms of this Agreement (including the applicable ITC), and the related statements, computations, allocations and procedures provided for in the Agreement, for a period of two (2) years after the end of the calendar year in which such measurement, payment, statement, computation, allocation or procedure occurred; provided, however, that a formal

audit of accounts shall not be made more often than every twelve (12) months. Any inaccuracy will be promptly corrected when discovered, but in no event later than six (6) months after such audit exceptions are received by the audited Party; provided, however, that neither Party shall have the right to contest any such measurement or payment, or the related statement, computation, allocation or procedure, if the matter is not called to the attention of the other Party in writing within two (2) years after (a) the date upon which such measurement was conducted or such payment was made, or (b) the related statement, computation, allocation or procedure containing the questioned inaccuracy was received by the contesting Party. Any of such items not contested with specificity in writing within such time period shall conclusively be deemed to be accurate.

19.14 Agreement to Refrain from Certain Actions Each Party agrees that it will not take any action or commence or participate in support of any proceeding before any court or governmental authority seeking (a) to have the current jurisdictional status of the Gathering System (non-jurisdictional gathering subject to regulation by the Texas Railroad Commission, but not FERC) changed or determined to be subject to the jurisdiction of any other governmental authority, or (b) to challenge the lawfulness or reasonableness of, or otherwise change, the Gathering Fee(s) and/or other fees set forth in Article III of this Agreement or in the applicable ITC, or any other term or provision herein or in the ITC. Notwithstanding the foregoing, nothing herein will prevent either Party from participating in proceedings or commenting on proposed changes in Laws that are generic in nature.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their respective duly authorized representatives effective as of the Effective Date.

"GATHERER"		**"SHIPPER"**	
ETC TEXAS PIPELINE, LTD.		**SM ENERGY COMPANY**	
By: LG PL, LLC, its general partner			
By:	**/S/MACKIE MCCREA**	**By:**	**/S/ DAVE WHITCOMB**
Printed Name:	**Mackie McCrea**	**Printed Name:**	**Dave Whitcomb**
Title:	**President & COO**	**Title:**	**Vice President-Marketing**

INDIVIDUAL TRANSACTION CONFIRMATION
TO
GATHERING AND NATURAL GAS SERVICES AGREEMENT
BETWEEN SM ENERGY COMPANY AND
ETC TEXAS PIPELINE, LTD.
DATED APRIL 1, 2011

BASE AGREEMENT: Gathering and Natural Gas Services Agreement dated April 1, 2011, Contract No. 11515-100, between Shipper and Gatherer identified below.

INDIVIDUAL TRANSACTION NUMBER: 11515-101

SHIPPER: **SM ENERGY COMPANY**

GATHERER: ETC TEXAS PIPELINE, LTD.

This Individual Transaction Confirmation (this "ITC") constitutes part of the terms and provisions of the Base Agreement (collectively, the "Agreement"). All capitalized terms not defined herein shall have the meaning ascribed to such terms in the Base Agreement.

TYPE OF SERVICE: Firm up to Shipper's Reserved Capacity ("SRC"); Interruptible for volumes greater than the SRC.

CONSTRUCTION OF GATHERING SYSTEM: Gatherer has constructed or shall construct pipeline facilities from the Briscoe and Galvan Receipt Point(s) (defined below) to an interconnect with a new pipeline (the "Rich Eagleford Mainline" or "REM") at least 24 inches in diameter which Gatherer shall construct from a point in Dimmit County, Texas, to connect to the inlet of a new gas processing plant Gatherer shall build in Jackson County, Texas (the "Jackson Plant"). Such upstream pipeline facilities, REM, the Briscoe and Galvan Receipt Point(s), and the Jackson Plant are collectively referred to herein as the "Facilities"). The approximate location of the Facilities is depicted on Exhibit A attached hereto and made a part hereof.

PROJECT TIMING: The Facilities shall be completed, ready to receive Gas under the Agreement and that certain Gas Processing Agreement between Gatherer and Shipper of even date herewith (the "Processing Agreement"), and placed in commercial service on or before July 1, 2013. Neither Party shall have any obligation to deliver or receive Gas hereunder until such time as the Facilities are completed, ready to receive Gas under the Agreement and the Processing Agreement, and placed in commercial service (the "In-Service Date"). Until the In-Service Date, Gatherer shall keep Shipper reasonably informed as to the status of acquisition and construction of the Facilities (including rights-of-way) and progress towards completion, and such information shall include at least quarterly written updates through July 1, 2012, and monthly written updates thereafter, as to such status and completion of milestones. Gatherer shall give Shipper written notice when the In-Service Date occurs. If the In-Service Date does not occur on or before September 1, 2013, for any reason (including Force Majeure), Shipper shall have the right to terminate, by written notice to Gatherer delivered on or before October 1, 2013, the Agreement and the Processing Agreement, without any liability or obligation to Gatherer.

SRC:

Period	Shipper's Reserved Capacity
In-Service Date - June 30, 2013	Interruptible Service
July 1, 2013 – June 30, 2014	[*****] MMBtu per Day
July 1, 2014 - June 30, 2015	[*****] MMBtu per Day
July 1, 2015 – June 30, 2023	240,000 MMBtu per Day

Subject to any commitments existing as of the Effective Date (including any minimum delivery commitments), Shipper shall, during the period July 1, 2013 through December 31, 2015, deliver all Gas on Shipper's gathering systems capable of delivering gas to the Receipt Point(s) (without re-configuring or adding additional facilities) to

the Receipt Point(s) for gathering services hereunder, up to the SRC.

VOLUMETRIC COMMITMENT: Beginning July 1, 2013, if during any semi-annual period beginning July 1 or January 1, for any reason (including Force Majeure), Shipper delivers to the Receipt Point(s) for gathering under this ITC an average daily quantity of Gas less than the stated MMBtu per Day set forth below during the applicable period (the "Minimum Daily Quantity" or "MDQ"), then Shipper shall pay Gatherer an amount equal to the product of (a) the difference between (i) the product of the number of Days in such semi-annual period multiplied by the Minimum Daily Quantity (the "Minimum Semi-Annual Quantity") and (ii) the sum of the actual quantity of Gas delivered to the Receipt Point(s) for gathering under this ITC during such semi-annual period, multiplied by (b) $[*****] per MMBtu (the "Deficiency Fee").

Period	MDQ
July 1, 2013 through June 30, 2014	[*****] MMBtu per Day
July 1, 2014 through June 30, 2015	[*****] MMBtu per Day
July 1, 2015 through June 30, 2023	[*****] MMBtu per Day

Such payment shall be calculated following the end of each such semi-annual period and shall be due within thirty (30) Days following invoice by Gatherer. Any quantities of Gas delivered and/or credited under this ITC during a semi-annual period in excess of the Minimum Semi-Annual Quantity for such semi-annual period will be credited against the Minimum Semi-Annual Quantity for the succeeding semi-annual period(s). In addition, any quantities of Gas delivered under this ITC prior to July 1, 2013, will be credited against the Minimum Semi-Annual Quantity for the semi-annual period commencing July 1, 2013.

If the In-Service Date does not occur on or before July 1, 2013, for any reason (including Force Majeure) and Shipper is ready to deliver Gas to the Receipt Point(s), then Shipper shall receive (y) a credit against the applicable Minimum Semi-Annual Quantity equal to the product of the applicable SRC multiplied by the number of Days the In-Service Date is late beyond July 1, 2013, and (z) free services under the Agreement (i.e., no obligation to pay any Gathering Fee(s)), up to the MDQ each Day, for a period of Days equal to the number of Days beyond July 1, 2013, that the In-Service Date is delayed.

In determining whether any Minimum Semi-Annual Quantity has been met, Shipper shall receive a one (1) MMBtu credit against such Minimum Semi-Annual Quantity for each one (1) MMBtu of Gas which Shipper was ready and able to deliver hereunder in accordance with the Agreement during the applicable semi-annual period (as determined by reference to the weighted average daily quantity of such deliveries (in MMBtu) during the five (5) Days immediately preceding Gatherer's failure to receive such gas; provided that if the SRC changes during such five-Day period, the determination shall be made by reference to the weighted average daily quantity of such deliveries (in MMBtu) during the number of Days after such change) but which Gatherer failed to receive for any reason (including Force Majeure); provided, however, such credit shall not exceed for any Day a quantity of Gas equal to the SRC less the quantity of Gas (in MMBtus) which was delivered hereunder during such Day.

Beginning June 30, 2015, if the average daily quantity of Gas delivered by Shipper to the Receipt Point(s) for gathering hereunder during any semi-annual period thereafter (including the quantities of Gas, if any, credited hereunder due to Gatherer's failure to receive Gas for any reason (including due to Force Majeure declared by Gatherer) during such semi-annual period) (the "ADQ") is less than the applicable SRC, then Gatherer, may upon thirty (30) Days' prior written notice to Shipper, reduce such SRC to the greater of (a) such ADQ or (b) the simple average of such SRC and the applicable MDQ; provided, however, Shipper may elect to avoid such reduction if, within such thirty (30) Day notice period, Shipper provides Gatherer with written notice that Shipper has elected to avoid such reduction by increasing such MDQ, on a prospective basis, to such simple average.

TERM: This ITC is effective on the date of execution of this ITC and shall continue for a primary term ending ten (10) years from July 1, 2013 (the "Primary Term"), and shall thereafter continue in effect from year to year, until terminated by Shipper or Gatherer giving the other Party written notice at least one hundred twenty (120) Days prior to the end of the Primary Term or any annual term thereafter.

RECEIPT POINT(S): Gatherer shall install a tap, measurement facilities, and piping capable of receiving up to 140,000 MMBtu per Day at each of (1) an interconnect with Shipper's gathering system and Gatherer's Las Bonitas Pipeline (the "Briscoe Receipt Point") located at Latitude 28° 10.863'N; Longitude 99° 52.368'W, and (2) an interconnect with Shipper's gathering system and Gatherer's Dos Hermanas Pipeline (the "Galvan Receipt Point") located at Latitude 28° 3.870'N; Longitude 99° 36.420'W, each in Webb County Texas Shipper shall provide Gatherer a site suitable for Gatherer's facilities at the Galvan Receipt Point. In addition, Gatherer shall install, at its sole cost and expense, a tap for an additional Receipt Point(s) at a mutually agreeable location when requested by Shipper on the then-existing Las Bonitas 24-inch or REM 30-inch pipelines, in which event Shipper will be responsible for installing, at its sole cost and expense, such lines and other facilities as are necessary to connect Shipper's gathering system to such additional Receipt Point(s). Gatherer shall install chromatographs and electronic flow measurement with telemetry at each of the Receipt Point(s), and Shipper shall reimburse Gatherer for the cost of installing all facilities upstream of the tap at such third Receipt Point. All facilities located downstream of the inlet flange of the measurement facilities at each Receipt Point shall be owned, operated and maintained by Gatherer. The maximum allowable operating pressure at the Briscoe and Galvan Receipt Point(s) shall be 1300 psig and 1238 psig, respectively, and the operating pressure at the Briscoe and Galvan Receipt Point(s) shall not exceed 1200 psig.

RECEIPT POINT(S) SETTLEMENT: Pursuant to the Processing Agreement, Shipper shall receive (and sell to Gatherer) 100% of the Plant Products attributable to Producer's Gas and 100% of the Residue Gas (as such terms are defined in the Processing Agreement) as determined pursuant to the Processing Agreement.

DELIVERY POINT: The Delivery Point as defined in the Processing Agreement.

CONDENSATE: Gatherer shall pig the Facilities upstream of the Plant as it deems necessary and shall retain all Condensate that is collected as a liquid in the Facilities downstream of the Receipt Point(s) and upstream of the Plant. Title in such Condensate shall vest in Gatherer at the point(s) at which it is collected or extracted from such Facilities.

GATHERING FEES: $[*****] per Receipt Point(s) MMBtu for all quantities up to the SRC (the "Firm Gathering Fee").

$[*****] per Receipt Point(s) MMBtu for all quantities greater than the SRC (the "Interruptible Gathering Fee").

However, at the time the total quantity of Gas delivered to the Receipt Point(s) for gathering under this ITC equals [*****] MMBtu, such Gathering Fee(s) shall each be reduced by $[*****] per MMBtu for all quantities of Gas delivered to the Receipt Point(s) hereunder in excess of such total quantity. In such event, subject to any commitments existing as of the Effective Date (including any minimum delivery commitments), Shipper shall, during the remaining Primary Term of this ITC, deliver all Gas on Shipper's gathering systems capable of delivering gas to the Receipt Point(s) (without re-configuring or adding additional facilities) to the Receipt Point(s) for gathering services hereunder, up to the SRC.

FEE ESCALATION: Beginning with the first Day of the second Contract Year, and annually thereafter (the "Escalation Date"), [*****] percent ([*****]%) of the Gathering Fees and [*****] percent ([*****]%) of the Deficiency Fee shall be increased by a percentage equal to the percentage of increase change between:

(a) the seasonally unadjusted Consumer Price Index for All Urban Consumers (all items), U.S. city Average (1982-84 = 100), as published by the U.S. Department of Labor, Bureau of Labor Statistics ("CPI-U") for the month of December of the second year prior to the Escalation Date; and

(b) the seasonally unadjusted CPI-U for the month of December immediately preceding the Escalation Date (the "CPI Adjustment"); provided, however, no such annual percentage increase shall exceed [*****] percent ([*****]%).

For example, the CPI-U published for December 2000 was 174.0 and the CPI-U published for December 2001 was 176.7, resulting in a percentage change of [*****]% as of January 1, 2002.

FL&U: Shipper's pro rata share of actual FL&U (including electricity cost) on the Gathering System; provided however, FL&U shall not exceed [*****] percent ([*****]%) of the MMBtu

delivered to the Receipt Point(s) hereunder. For the avoidance of doubt, FL&U under this ITC does not include PTR.

GAS QUALITY: The Gas delivered by Shipper at each Receipt Point shall have a Gross Heating Value of not less than one thousand one hundred (1,100) Btu's per cubic foot and shall contain no less than [*****] gallons per Mcf of natural gas liquids ("GPM"). If the GPM of the Gas delivered by Shipper at the Receipt Point(s) is less than [*****] GPM (calculated on a weighted average basis at all Receipt Point(s) in the aggregate), then for the period of such deliveries, the Gathering Fees shall increase in accordance with the following formula:

Increased Fee = Fee x [1 + ([*****] GPM – actual GPM)/ [*****] GPM]

OTHER:

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be executed in multiple originals effective and operative as of the date first hereinabove written.

"GATHERER"		**"SHIPPER"**	
ETC TEXAS PIPELINE, LTD. **By: LG PL, LLC, its general partner**		**SM ENERGY COMPANY**	
By:	**/S/MACKIE MCCREA**	**By:**	**/S/ DAVE WHITCOMB**
Printed Name:	**Mackie McCrea**	**Printed Name:**	**Dave Whitcomb**
Title:	**President & COO**	**Title:**	**Vice President-Marketing**

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN REDACTED AND ARE THE SUBJECT OF A CONFIDENTIAL TREATMENT REQUEST PURSUANT TO RULE 24b-2 UNDER THE SECURITIES EXCHANGE ACT OF 1934. REDACTED PORTIONS ARE MARKED WITH [*****] AND HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Agreement No. 11515J

GAS PROCESSING AGREEMENT

between

ETC TEXAS PIPELINE, LTD.

and

SM ENERGY COMPANY

APRIL 1, 2011

TABLE OF CONTENTS

GAS PROCESSING AGREEMENT

THIS GAS PROCESSING AGREEMENT (this "Agreement"), is made and entered into as of April 1, 2011 (the "Effective Date"), by and between **ETC Texas Pipeline, Ltd.** ("Processor"), and **SM Energy Company**, a Delaware corporation ("Producer"). Processor and Producer may be referred to herein collectively as the "Parties" and individually as a "Party".

W I T N E S S E T H:

WHEREAS, Producer has or will have a supply of Gas available for processing hereunder and desires that Processor receive and process the Gas.

WHEREAS, Processor will construct, own and operate a natural gas pipeline system from the area of Producer's delivery of Gas to Processor to a Processing Plant Processor will construct, own and operate in or near Jackson County, Texas, and desires to receive and process the Gas which Producer from time to time has available.

NOW, THEREFORE, in consideration of the sum of Ten Dollars ($10.00) cash in hand paid by Producer to Processor and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto have agreed as follows:

1. DEFINITIONS

The following definitions shall apply hereunder:

1.1 "Btu". The term "Btu" shall mean British Thermal Unit and is the amount of heat required to raise the temperature of one (1) pound of water from fifty-nine degrees Fahrenheit (59°F) to sixty degrees Fahrenheit (60°F).

1.2 "Bankruptcy Code". The term "Bankruptcy Code" shall mean the United States Code Service statute 11 USCS 101-1532.

1.3 "Business Day". The term "Business Day" shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

1.4 "CCT". The term "CCT" shall mean Central Clock Time and is defined as current time in the Central Time Zone taking into consideration the seasonal changes back and forth between Daylight Savings and Standard time.

1.5 "Contract Year". The term "Contract Year" shall mean the 365 consecutive Days (or 366 consecutive Days if Contract Year includes a leap year (February 29)) beginning on the first Day of the Month subsequent to the Initial Delivery Date and each of the anniversaries thereafter.

1.6 "Component Plant Products". The term "Component Plant Products" is defined in Section 7.2, sub-paragraph 3.

1.7 "Component Recovery Factor". The term "Component Recovery Factor" is defined in Section 7.2, sub-paragraph 4.

1.8 "Day". The term "Day" shall mean a period of time beginning at 9:00 a.m. CCT on each calendar Day and ending at 9:00 a.m. CCT on the next succeeding calendar day.

1.9 "Delivery Point". The term "Delivery Point" shall mean the inlet flange of the Gas measurement facilities of Tennessee Gas Pipeline Company, and subject to mutual agreement, those of other Transport System(s).

1.10 "Event of Default" or "Default". The term "Event of Default" or "Default" means the occurrence of any of the following events, circumstances or conditions: (i) failure by either Party to materially perform or comply with any material agreement, covenant, obligation or other provision contained in this Agreement when either (A) such failure has not been cured within the greater of a reasonable period of time or thirty (30) Days; in each case, following the Party in Default receiving written notice thereof from the Party not in Default (other than a Default which occurs because such Party is rightfully withholding performance in response to the other Party's failure to perform), or (B) an effort to remedy such failure has not been commenced within such period following such written notice and continued to be diligently prosecuted, with such measures reasonably expected to cure any such Default; (ii) the entry of either Party into voluntary or involuntary bankruptcy, receivership or similar protective proceedings; or (iii) failure to pay any amounts owed pursuant to this Agreement within thirty (30) Days after the applicable due date, other than amounts disputed in good faith pursuant to the provisions of Section 8.4.

1.11 "Force Majeure". The term "Force Majeure" is defined in Section 12.2.

1.12 "Gas". The term "Gas" shall mean methane and other gaseous hydrocarbons, including gaseous combustible, noncombustible, and inert elements, compounds, components or mixtures thereof and liquefiable hydrocarbons in the vapor stream.

1.13 "Gathering Agreement" shall mean that certain Gathering and Natural Gas Services Agreement (Contract No. 11515-100) between the Parties of even date herewith and that certain Individual Transaction Confirmation (No. 11515-101) between the Parties of even date herewith.

1.14 "Gross Heating Value". The term "Gross Heating Value" shall mean the number of Btu's liberated by the complete combustion, at constant pressure, of one (1) cubic foot of Gas at a base temperature of sixty degrees Fahrenheit (60°F.) and a referenced pressure base of fourteen and sixty-five hundredths (14.65) Psia with air of the same temperature and pressure of the Gas, after products of combustion are cooled to the initial temperature of the Gas, and after the water of the combustion is condensed to the liquid state. The Gross Heating Value of the Gas shall be corrected for the water vapor content of Gas being delivered; provided, however, that if the water vapor content of the Gas is seven (7) pounds or less per

one million (1,000,000) cubic feet, the Gas shall be assumed to be dry and no correction shall be made.

1.15 "Initial Delivery Date". The term "Initial Delivery Date" shall mean the first date on which Producer delivers any Gas to Processor at the Receipt Point(s) pursuant to the Gathering Agreement.

1.16 "Inlet Volume". The term "Inlet Volume" is defined in Section 7.2, sub-paragraph 7.

1.17 "Laws". The term "Laws" shall mean any applicable laws, rules, regulations, decrees and orders of the United States of America and all other governmental bodies, agencies or other authorities having jurisdiction over or affecting the provisions contained in or the transactions contemplated by this Agreement or the Parties or their operations, whether such Laws now exist or are hereafter amended or enacted.

1.18 "Loss." The term "Loss" shall mean, unless specifically provided otherwise, all claims, including, but not limited to, those for bodily injury or death, personal injury, illness, disease, maintenance, cure, loss of parental or spousal consortium, loss of support, wrongful death, property damage and wrongful termination of employment, damages, liabilities, losses, demands, liens, encumbrances, fines, penalties, costs for removal of wreck/debris, causes of action of any kind (including actions in rem or in personam), obligations, costs, judgments, interest and awards (including payment of reasonable attorneys' fees and costs of litigation) or amounts, of any kind or character (except punitive or exemplary damages), whether under judicial proceedings, administrative proceedings or otherwise, under any theory of tort, contract, or breach of contract arising out of, or incident to or in connection with the Agreement or the performance of work, services or operations contemplated under the Agreement.

1.19 "Maintenance". The term "Maintenance" shall mean such inspections, maintenance, testing, alterations, modifications, connections, repairs or replacements to its facilities as Processor deems necessary or desirable pursuant to Section 13.1.

1.20 "Mcf". The term "Mcf" shall mean one thousand (1,000) cubic feet of Gas measured at a base temperature of sixty degrees Fahrenheit (60ºF), and at a pressure base of fourteen and sixty-five one-hundredths (14.65) pounds per square inch absolute.

1.21 "MMBtu". The term "MMBtu" shall mean one million (1,000,000) British Thermal Units.

1.22 "Month". The term "Month" shall mean a period of time beginning at 9:00 a.m. CCT on the first day of a calendar month and ending at 9:00 a.m. CCT on

the first day of the next succeeding calendar month.

1.23 "NGL". The term "NGL" shall mean natural gas liquids.

1.24 "Plant Products". The term "Plant Products" is defined in Section 7.2, sub-paragraph 2.

1.25 "Psia". The term "Psia" shall mean pounds per square inch absolute.

1.26 "Psig". The term "Psig" shall mean pounds per square inch gauge.

1.27 "Plant Product Shrinkage". The term "Plant Product Shrinkage" is defined in Section 7.2, sub-paragraph 8.

1.28 "Person". The term "Person" shall mean any individual or entity, including, without limitation, any corporation, limited liability company, joint stock company, general or limited partnership, or government authority (including any agency or administrative group thereof).

1.29 "Producer's Gas". The term "Producer's Gas" shall mean all Gas owned or controlled by Producer and delivered to Processor at the Receipt Point(s) hereunder.

1.30 "Producer's Plant Capacity". The term "Producer's Plant Capacity" shall mean the capacity in Processor's Plant reserved for Producer's Gas, as further described in Section 2.1.

1.31 "Producer's Receipt Point Volume". The term "Producer's Receipt Point Volume" is defined in Section 7.2, sub-paragraph 6.

1.32 "Processing Plant", "Processor's Plant" or "Plant". The terms "Processing Plant", "Processor's Plant" or "Plant" is defined in Section 7.2, sub-paragraph 1.

1.33 "Processor". The term "Processor" shall mean ETC Texas Pipeline, Ltd.

1.34 "Receipt Point". The term "Receipt Point" shall mean the inlet flange of the meter at the interconnection between the pipeline facilities of Processor used to gather Producer's Gas under the Gathering Agreement and the inlet to the Plant. For the avoidance of doubt, the Plant shall not include any compression facilities upstream of the turbo expander cryogenic gas processing facilities.

1.35 "Residue Gas". The term "Residue Gas" is defined in Section 7.2, sub-paragraph 5.

1.36 "Retention Volume". The term "Retention Volume" is defined in Section 8.1.

1.37 "Theoretical Gallons". The term "Theoretical Gallons" is defined in Section 7.2, sub-paragraph 9.

1.38 "Transportation Agreement(s)". The term "Transportation Agreement(s)" shall mean the agreement(s) between Producer and/or Producer's Residue Gas market and Tennessee Gas Pipeline Company and, subject to mutual agreement, between Producer and/or Producer's Residue Gas market and all other natural gas transporters having facilities connected to the facilities of Processor at or near the tailgate of Processor's Plant. In providing access to the natural gas transporters downstream of the Plant, Processor shall not discriminate among the producers under gas processing agreements executed and dated on or before April 15, 2011.

1.39 "Transport System(s)". The term "Transport System(s)" shall mean the pipeline system of Tennessee Gas Pipeline Company and, subject to mutual agreement, all other pipeline systems connected to the Plant or residue gas lines from the Plant that are used to transport Residue Gas.

2. QUANTITY

2.1 Producer's Plant Capacity shall be equal to Shipper's Reserved Capacity under the Gathering Agreement. For Producer's Plant Capacity, Producer shall pay Processor the Demand Fee set forth in Section 8.1 below.

2.2 Producer shall deliver, and Processor shall receive, at the Receipt Point(s), all of Producer's Gas, up to Producer's Plant Capacity. Subject to Section 7.6 below, Processor shall have no obligation to receive any Gas from Producer in excess of Producer's Plant Capacity.

2.3 Each Day, Processor shall process at the Plant all of Producer's Gas, up to Producer's Plant Capacity. Subject to Section 7.6 below, Processor may, on a fully interruptible basis and in Processer's sole discretion, process Producer's Gas in excess of Producer's Plant Capacity. For all Producer's Gas processed at the Plant, Producer shall pay Processor the Commodity Fee set forth in Section 8.1 below, and Processor shall account to Producer for the Component Plant Products and Residue Gas as provided in Article 7 below.

2.4 It is recognized that in order for Processor to efficiently operate the Plant, it is essential that Gas received into the Plant be made available to Processor under as uniform operating conditions as possible. Commensurate with good production and operating practices and in accordance with proper conservation measures, Producer, having contracted with Processor under the Gathering Agreement in this regard, agrees to deliver Gas to Processor at consistent rates of flow as reasonably possible.

2.5 Producer agrees to have field personnel available in a reasonable amount of time to reasonably comply with Processor's requests (verbal or written) to decrease the delivery of Gas to Processor during periods of emergency, Maintenance or Force Majeure events consistent with the other provisions of this Agreement.

3. QUALITY

3.1 All Plant Products attributable to Purchaser's Gas shall meet the quality requirements of the markets to which Processor resells such Plant Products.

3.2 All Residue Gas shall meet the quality requirements of the Transport System(s).

3.3 PROCESSOR SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS PRODUCER FROM ANY AND ALL LOSSES, INCLUDING INCIDENTAL, CONSEQUENTIAL, AND INDIRECT DAMAGES, AND IN RESPECT OF THIRD PARTY CLAIMS, PUNITIVE, EXEMPLARY, AND TREBLE DAMAGES, ARISING FROM OR OUT OF (A) THE PLANT PRODUCTS ATTRIBUTABLE TO PRODUCER'S GAS NOT MEETING THE REQUIREMENTS OF SECTION 3.1 OR (B) THE RESIDUE GAS NOT MEETING THE REQUIREMENTS OF SECTION 3.2, EXCEPT TO THE EXTENT ANY SUCH FAILURE IS

CAUSED BY THE

GAS DELIVERED BY PRODUCER TO PROCESSOR UNDER THE GATHERING AGREEMENT NOT MEETING THE REQUIREMENTS OF SECTION 7.1 THEREOF.

4. OWNERSHIP AND CONTROL

4.1 Processor shall redeliver to, or for the account of, Producer at the Delivery Point the Residue Gas. The requisite nominations, scheduling, and imbalance resolution procedures shall be pursuant to Article VI of the Gathering Agreement. Not less than three (3) Business Days prior to each Month, Producer will provide in writing to Processor the expected quantities to be delivered by Producer at the Receipt Point(s) under the Gathering Agreement during such Month, and based on the information provided by Processor pursuant to the following sentence, the Residue Gas expected to be delivered under the Transportation Agreements during such Month. Processor shall provide to Producer not later than five (5) Business Days prior to each Month, expected fuel usage and such other information to enable nominations of Producer's Residue Gas (which shall include, without limitation, the expected FL&U under the Gathering Agreement and PTR as defined in the Gathering Agreement (as a percentage of deliveries by Producer at the Receipt Point(s) under the Gathering Agreement).

4.2 Producer, at its own expense, shall arrange for the delivery of Producer's Gas to Processor at the Receipt Point(s) under the Gathering Agreement.

4.3 Processor, at its own expense, shall construct, equip, maintain and operate the Plant, and all lines and necessary facilities to deliver Gas to Producer at the Delivery Point. Processor, at its own expense, shall construct, equip, maintain and operate Receipt Point facilities used to measure Producer's Gas delivered by, or for the account of, Producer hereunder.

4.4 Producer shall be in control and possession of the Gas delivered to Processor and responsible for any damage or injury caused thereby until same shall have been delivered to Processor at the Receipt Point(s) under the Gathering Agreement.

4.5 Processor shall be in control and possession of the Gas received from Producer at the Receipt Point(s) under the Gathering Agreement and responsible for any damage or injury caused thereby until the Residue Gas attributable to such Gas shall have been delivered to Producer at the Delivery Point.

4.6 Except as otherwise set forth in Article 3, the Party in control and possession of the Gas as set forth in Sections 4.4 and 4.5 shall be responsible and pay for, and shall release, defend, indemnify and save the other Party harmless from and against, any and all Losses caused thereby and occurring while the Gas is in the control and possession of such first Party.

4.7 Each Party shall promptly perform any necessary acts and construct and install the necessary facilities which may be required to commence the delivery of Gas in accordance with the provisions of this Agreement.

5. PRESSURE

5.1 Processor agrees to deliver Residue Gas to the Transport System(s) at a pressure sufficient to enter the Transport System(s), not to exceed the maximum allowable operating pressures of the Transport System(s).

6. MEASUREMENT

6.1 The measurement provisions in the Gathering Agreement (Article VIII, Measurement) are incorporated herein by reference as if fully set forth at length.

7. PROCESSING OF PRODUCER'S GAS

7.1 Producer does hereby grant, assign and convey to Processor all of its rights to process or cause to be processed for the removal and recovery of all components other than methane, all of the Gas received at the Receipt Point.

7.2 For all purposes the following definitions shall be applicable:

(1) "Processing Plant", "Processor's Plant" or "Plant" shall mean the turbo-expander, cryogenic Gas processing facilities, having a minimum processing capacity of 400,000 Mcf per Day, to be located in Jackson County, Texas, to be utilized by Processor for the purpose of processing Gas delivered from the pipeline system receiving Gas from Producer under the Gathering Agreement, whether such facilities consist of one (1) or more turbo-expander, cryogenic Gas processing facilities, or portions thereof, and recovering a raw unfractionated liquid hydrocarbon mix. Notwithstanding anything herein to the contrary, Processor reserves the right to operate the Processing Plant in any mode that Processor may elect from time to time, in its sole opinion, including but not limited to full recovery, partial recovery, ethane rejection or total Plant bypass. Regardless of how Processor elects to operate the Plant, Processor will insure delivery of Producer's calculated Residue Gas at the Delivery Point, and calculation of the Component Plant Products attributable to Producer's Gas, and Processor's purchase of same, pursuant to this Section 7.

(2) "Plant Products" shall mean the unfractionated liquid hydrocarbon mix consisting of (i) ethane, (ii) propane, (iii) iso-butane, (iv) normal butane, and (v) pentanes plus.

(3) "Component Plant Products" shall mean (i) ethane, (ii) propane, (iii) iso-butane, (iv) normal butane, and (v) pentanes plus (including iso-pentane, normal pentane and hydrocarbon components of higher molecular weight) for the purposes of settlement and allocation hereunder.

(4) "Component Recovery Factor" shall mean the fixed percentage of each Component Plant Product deemed to be recovered at the Plant pursuant to this Agreement. Where Producer has elected to reject ethane pursuant to Section 7.5 below for a delivery Month, the fixed percentage of each Component Plant Product deemed to be recovered at the Plant pursuant to this Agreement for such delivery Month shall be as listed below under the heading "Component Recovery Factor Ethane Rejection." Where Producer has not elected to reject ethane pursuant to Section 7.5 below for a delivery Month, the fixed percentage of each Component Plant Product deemed to be recovered at the Plant pursuant to this Agreement for such delivery Month, shall be as listed below under the heading "Component Recovery Factor Ethane Recovery.":

Component Plant Product	Component Recovery Factor Ethane Rejection	Component Recovery Factor Ethane Recovery
Ethane	[*****]	[*****]
Propane	[*****]	[*****]
Iso-butane	[*****]	[*****]
Normal butane	[*****]	[*****]
Pentanes Plus	[*****]	[*****]

(5) "Residue Gas" shall mean that portion of Inlet Volume remaining after deduction for Plant Product Shrinkage, allocated process fuel (including electricity cost), and any allocated Plant losses. Plant losses will be calculated as the difference between the Processing Plant inlet quantities and all outlet quantities. Allocated process fuel (including electricity cost) and Plant losses shall not exceed [*****] percent ([*****]%) of the Inlet Volume during those periods where Producer has elected to recover ethane, and process fuel (including electricity cost) and Plant losses shall not exceed [*****] percent ([*****]%) of the Inlet Volume during those periods where Producer has elected to reject ethane; provided, however, in the event Producer has elected to reject ethane and Processor is operating the Plant in ethane recovery mode, process fuel (including electricity cost) and Plant losses shall be deemed to be [*****] percent ([*****]%) of the Inlet Volume. The Processing Plant outlet quantities, which shall include all Processing Plant fuel, shall equal the total of all quantities (in MMBtu) of Gas exiting the Plant plus the heating value equivalent (in MMBtu) of all Plant Products actually recovered in the Plant. The Processing Plant inlet quantities shall equal the total of all quantities (in MMBtus) of Gas entering the Plant at the Plant inlet meter. Producer's allocated process fuel (including electricity cost) and allocated Plant losses shall be based on a percentage, the numerator of which is the Inlet Volume and the denominator of which is the total Processing Plant inlet quantities, in MMBtu.

(6) "Producer's Receipt Point Volume" shall mean the quantity in MMBtu of Gas received at a particular Receipt Point under the Gathering Agreement less FL&U (in MMBtu), each as defined in the Gathering Agreement.

(7) "Inlet Volume" shall mean Producer's Receipt Point Volume.

(8) "Plant Product Shrinkage" shall mean the heating value equivalent of the Component Plant Products as determined under Section 7.4.

(9) "Theoretical Gallons" of a particular Component Plant Product shall mean the result obtained by multiplying the particular Component Plant Product content of a particular Gas stream (expressed in gallons per Mcf) by the Inlet Volume (in Mcf) of that particular stream delivered for processing (the result being expressed in gallons). For all purposes under this Agreement, the Inlet Volume (in Mcf) shall mean the volume in Mcf of Gas received at a particular Receipt Point(s) under the Gathering Agreement less FL&U (in Mcf), each as defined in the Gathering Agreement; provided, however, FL&U shall be converted from MMBtu to Mcf based on the Gross Heating Value of the Gas received at such particular Receipt Point(s).

7.3 Residue Gas attributable to a particular Receipt Point(s) under the Gathering Agreement shall be determined by subtracting (i) the calculated Plant Product Shrinkage, and (ii) the allocated process fuel and losses (in MMBtu) calculated as provided in Section 7.2, sub-paragraph 5 above, from the Inlet Volume. Processor shall return to Producer, at the Delivery Point, one hundred percent (100%) of the calculated Residue Gas attributable to Producer as determined herein.

7.4 Plant Product Shrinkage attributable to a particular Receipt Point(s) under the Gathering Agreement shall be determined by conversion of the calculated Theoretical Gallons of each Component Plant Product deemed to be recovered at the Plant pursuant to Section 7.2, subparagraph 4 above or recovered at the Plant pursuant to Section 7.6 below, as applicable, attributed to the particular Receipt Point(s) under the Gathering Agreement determined pursuant to Section 7.2, subparagraph 9 above, to its respective heat content equivalent (in MMBtu) by multiplying the gallons thereof by the most current GPA 2145 standard factor(s), as updated from time to time for ethane, propane, normal-butane, iso-butane, pentanes and heavier components.

7.5 Producer, in its sole discretion, may elect, for any delivery Month, to reject ethane in the determination of the Component Plant Products attributable to each Receipt Point(s) under the Gathering Agreement; provided, however, Producer may not elect to reject ethane if it would cause (a) the Plant Products to violate the quality requirements of one or more of the markets to which Processor sells such Plant Products, or (b) the Residue Gas to violate the quality requirements of one or more of the Transport System(s). To make such election for any delivery Month, Producer shall notify Processor in writing of such election not later than ten (10) Business Days prior to the beginning of the delivery Month. Each such election shall be effective for subsequent delivery Months, unless and until rescinded by Producer by providing Processor with no less than ten (10) Business Days written notice prior to the beginning of a delivery Month that Processor has elected to recover ethane during such delivery Month. For the avoidance of doubt, each election to reject ethane shall apply to all Gas delivered hereunder during the delivery Month for which such election is made and all subsequent delivery Months, unless and until Producer so notifies Processor of its election to once again recover ethane. Processor, from time to time and in its sole discretion, may elect to minimize the recovery of ethane in the Plant, provided such election shall not affect the determination of the Component Plant Products attributable to Producer's Gas hereunder.

7.6 If and to the extent Processor curtails or suspends the processing of Producer's Gas at the Plant due to Force Majeure or Maintenance, Processor may instead bypass the Plant and condition such Gas to the extent feasible. In this regard, Producer's Gas at the Plant, up to Producer's Plant Capacity, shall have the highest priority for processing in the Plant together with all other Gas being processed at the Plant on a firm basis for other producers under agreements executed and dated on or before April 15, 2011, pro rata, and shall not be curtailed or suspended from processing if other Gas is being processed in the Plant on an interruptible basis. Similarly, Producer's Gas at the Plant, in excess of Producer's Plant Capacity, shall have the highest priority for processing in the Plant on an interruptible basis together with all other Gas being processed at the Plant on an interruptible basis for other producers under agreements executed and dated on or before April 15, 2011, pro rata. Subject to the foregoing, in the event any of Producer's Gas bypasses the Plant and is conditioned, with respect to such Gas, (a) the Commodity Fee set forth in Section 8.1 below shall be inapplicable, (b) Producer shall pay Processor the Conditioning Fee and Retention Volume set forth in Section 8.1 below, (c) no Component Plant Products, Plant Product Shrinkage, or process fuel (including electricity cost) and losses will be allocated to such Gas in determining the Residue Gas attributable to such Gas, and (d) the Residue Gas delivered to or for the account of Producer at the Delivery Point shall meet the gross heating value and all other quality specifications set forth in the Transportation Agreement(s). To the extent Processor continues to process Gas at the Plant during a Force Majeure event or Maintenance affecting the recoveries of Component Plant Products, then with respect to the period during which such recoveries are so affected, Processor shall account to Producer on the basis of the Component Plant Products actually recovered at the Plant rather than on the basis of the fixed Component Recovery Factors set forth under Section 7.2, sub-paragraph 4 above. Processor shall remedy any Force Majeure event and perform any Maintenance with all reasonable dispatch, and in such a manner as to minimize any adverse impact on Producer hereunder. Processor shall provide only two levels of service for processing through the Plant, firm and interruptible.

7.7 Component Plant Product calculation and marketing: The quantity (in gallons) of a particular Component Plant Product attributable to a particular Receipt

Point under the Gathering Agreement shall be determined by multiplying the Theoretical Gallons of the particular Component Plant Product contained in the Inlet Volume (in Mcf) attributable to that particular Receipt Point by the Component Recovery Factor for that particular Component Plant Product. The marketing of said Component Plant Products shall be as follows: Producer agrees to sell one hundred percent (100%) of the Plant Products attributable to Producer's Gas (i.e. all of the Component Plant Products calculated in accordance with the above), and Processor agrees to purchase same. Processor will arrange for transportation and fractionation of such Plant Products. Subject to Section 7.8 below, the price paid to Producer for each Component Plant Product will be the weighted average sales price received by Processor in the sale of such Component Plant Product from the Plant, in each case less Processor's transportation and fractionation (T&F) costs, and less a marketing fee of [*****] ($[*****]) per gallon. The price paid to Producer for each Component Plant Product is deemed to include 100% reimbursement to Producer for all production or severance taxes owed by Producer with respect to the Component Plant Products attributable to the Plant Products sold to Processor under this Agreement. For the avoidance of doubt, Processor shall bear the risk of nonpayment by any markets to which Processor resells the Plant Products purchased from Producer hereunder. As

such, in the event of any such nonpayment, for purposes of determining the amount owed by Processor to Producer for Plant Products sold by Producer to Processor hereunder, it shall be deemed that such nonpayment did not occur, and that Processor received payment in full from such markets. Processor's T&F costs shall be deemed to be [*****] ($[*****]) per gallon plus Processor's actual energy costs for fractionation. Such deemed T&F costs of Processor shall escalate to the same extent Processor's actual T&F costs escalate in the T&F agreements. Processor's marketing fee shall be reduced by the amount of any third party marketing fees deducted in arriving at the weighted average sales price received by Processor in the sale of Component Plant Products, but in any event, Processor's marketing fee shall not be less than [*****] ($[*****]) per gallon, and such third party marketing fees shall not exceed [*****] ($[*****]) per gallon.

7.8 Processor shall exercise commercially reasonable efforts to enter into an agreement under which Processor will be selling the Component Plant Products on the pricing terms set forth below. If Processor does so, then within thirty (30) days of full execution of such agreement, Processor shall notify Producer of such terms and the actual third party marketing fees, if any, that will be charged in association with the sale of the Component Plant Products. Within sixty (60) days of the date of Producer's receipt of such notice, Producer may by written notice to Processor elect that the price paid to Producer for each Component Plant Product will be the [*****] of the [*****] prices (in cents per gallon) for each Component Plant Product at Mont Belvieu, Texas as reported by Oil Price Information Service (OPIS) for (i) purity ethane for the ethane Component Plant Product and (ii) for "non-TET" propane, iso-butane, normal butane, and natural gasoline for the propane, iso-butane, normal butane and pentanes plus Component Plant Products (including iso-pentane, normal pentane and hydrocarbon components of higher molecular weight), in each case less such third party marketing fees, Processor's actual transportation and fractionation (T&F) costs, and less a marketing fee ("Processor's Marketing Fee") of [*****] ($[*****]) per gallon; provided, however, Processor's Marketing Fee shall be reduced by the amount of such third party marketing fees, but in any event, Processor's Marketing Fee shall not be less than [*****] ($[*****]) per gallon, and such third party marketing fees shall not exceed [*****] ($[*****]) per gallon.

7.9 An example calculation of the determination of the Residue Gas and Component Plant Products attributable to Producer's Gas is set forth on Exhibit "A".

8. FEES, BILLING, PAYMENT AND NOTICES

8.1 As full consideration for gathering and processing or conditioning the Gas delivered to Processor hereunder, Producer shall pay Processor the fees set forth below (the "Fees"):

DEMAND FEE: [*****]

COMMODITY FEE: [*****] ($[*****]) per MMBtu on that portion of the Inlet Volume processed at the Plant.

CONDITIONING FEE: [*****] ($[*****]) per MMBtu on that portion of the Inlet Volume that bypasses the Plant.

RETENTION VOLUME: [*****] ([*****]%) of that portion of the Inlet Volume (in MMBtus) that bypasses the Plant.

8.2 Beginning with the second Contract Year, the Fees as described in Section 8.1 above shall be increased on the first Day of each Contract Year hereunder (the "Escalation Date"), by the amount equal to the percentage increase change, if any, between (a) the seasonally unadjusted Consumer Price Index for All Urban Consumers (all items), United States City Average (1982-84 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics (the "CPI-U"), for the month of December of the second year prior to the Escalation Date, and (b) the CPI-U for the month of December immediately preceding the Escalation Date; provided, however, no such annual percentage increase shall exceed [*****] percent ([*****]%).

8.3 After deliveries of Gas have commenced, Processor shall on or before the twenty-fifth (25th) Day of the Month following the delivery Month render to Producer (i) a statement indicating the settlement quantity of Residue Gas returned to Producer for that delivery Month, and (ii) a statement indicating the dollar amount of the Plant Products purchased from Producer for that delivery Month (the "Plant Product Value"). Such statements shall contain reasonably detailed information (including information of the type set forth on Exhibit "A") showing the determination of such Residue Gas and such Plant Product Value. The Parties agree that the Fees owed by Producer to Processor hereunder for such Month may be deducted from the Plant Product Value owed to Producer each Month. Processor shall (i) include with such statement an invoice to Producer for the difference between the total dollar amount of the Fees and the Plant Product Value if the Fees are greater than the Plant Product Value; or (ii) if the Plant Product Value is greater than the Fees, Processor shall pay Producer the difference by wire transfer on or before the first Business Day of the second Month following the delivery Month. Subject to Section 8.4 below, Producer agrees to pay the invoice received from Processor by wire transfer (identifying the invoice number) the full amount payable according to such statement on or before the first Business Day of the second Month following the delivery Month or ten (10) Days following Producer's receipt of such invoice, whichever is later. Processor may net out any amounts owed by Processor to Producer hereunder against any amounts owed by Producer to Processor under the Gathering Agreement. If the paying Party fails to pay any amount in whole or in part when due, in addition to any other rights or remedies available to the Party to whom payment is due, interest at the Stated Rate (as defined in the Gathering Agreement) shall accrue on all unpaid amounts.

8.4 In the event that Producer in good faith disputes any invoice or statement, Producer shall pay to Processor any undisputed amount and shall, within the time period for payment set out in Section 8.3, notify Processor in writing that it disputes other amounts. Within fifteen (15) days of such notice Producer shall provide to Processor documentation demonstrating the basis for the dispute. The failure of Producer to dispute any invoice or statement within the forgoing time period shall not be a waiver of Producer's right to later dispute such invoice or statement.

8.5 All notices and communications between the parties shall be in writing and all notices, communications and payments shall be directed to the respective parties hereto at the following addresses:

Processor: **For Remittance:**

By Wire Transfer:

ETC Texas Pipeline, Ltd.
Wachovia Bank
Acct. [*****]
ABA [*****]

For Notices and Correspondence:
ETC Texas Pipeline, Ltd.
800 E. Sonterra Blvd., Suite 400
San Antonio, Texas 78258
Attention: Contract Administration
Phone: (210) 403-7300
Fax: (210) 403-7500

For Accounting Matters:
ETC Texas Pipeline, Ltd.
800 E. Sonterra Blvd., Suite 400
San Antonio, Texas 78258
Attention: Gas Accounting
Phone: (210) 403-7300
Fax: (210) 403-7500

Producer:

For Notices, Correspondence, Scheduling and Accounting Matters:
SM Energy Company
1775 Sherman Street, Suite 1200
Denver, CO 80203
Attn: Gas Marketing
Phone: (303) 861-8140
Fax: (303) 830-2216

For Remittance:
By Wire Transfer
Wells Fargo Bank West N.A.
ABA [*****]
Account#: [*****]
Acct: SM Energy Company
Tax ID #: 41-0518430

8.6 Either Party may from time to time change the address to which notices to it shall be directed by furnishing the other Party with written notice of the change. All notices provided and authorized to be given hereunder shall be considered as given only if and when received by the Party to whom such notice is addressed; provided, however, any notice sent by registered or certified mail with return receipt requested and all postage and fees therefore paid shall be deemed to have been given on the fourth Business Day following the date deposited in the United States mail addressed to the Party being notified. Notice by facsimile or hand delivery shall be deemed to have been received on the Business Day on which it is transmitted (with answerback confirmation of receipt) or hand delivered (unless transmitted (with answerback confirmation of receipt) or hand delivered after close of the Business Day in which case it shall be deemed received on the next Business Day) or such earlier time confirmed by the receiving Party. Any legal notices must be received in writing.

9. TAXES AND ASSESSMENTS

9.1 Producer shall bear and pay all excise, severance, gross receipts, sales, transaction, occupation, and other taxes and the oil field cleanup fee levied on or in respect to the Gas and the handling thereof prior to the delivery of Gas to Processor at the Receipt Point(s)

under the Gathering Agreement and after delivery of Gas to Producer at the Delivery Point hereunder. Processor shall bear and pay all excise, gross receipts, sales, transaction, occupation, and other taxes on or with respect to the Gas and the handling thereof from and after the delivery of Gas to Processor at the Receipt Point(s) under the Gathering Agreement and prior to delivery of Gas to Producer at the Delivery Point hereunder; provided, however, Producer shall bear and pay any such taxes or increase in such taxes which first take effect after the Effective Date.

9.2 Producer shall indemnify, reimburse, defend and hold harmless Processor from and against any and all Losses attributable to the taxes and fee for which Producer is responsible under Section 9.1. Processor shall indemnify, reimburse, defend and hold harmless Producer from and against any and all Losses attributable to the taxes for which Processor is responsible under Section 9.1.

10. CREDIT ASSURANCE

10.1 Each Party acknowledges and agrees that the other Party's credit as of the date of this Agreement is satisfactory. In the event a material adverse change occurs in a Party's credit (the "Affected Party") and the other Party (the "Requesting Party") determines the Affected Party's credit to be unsatisfactory in the Requesting Party's sole and reasonable opinion at any time during the term of this Agreement, the Requesting Party may demand "Adequate Assurance of Performance" from such Affected Party which shall mean sufficient security in an amount and for a term reasonably specified by the Requesting Party; provided, however, in no event shall the amount of such security exceed the greater of (i) the amount owed hereunder by such Affected Party for the most recent two (2) Months, or (ii) the amount estimated by the Requesting Party in good faith to be owed hereunder by such Affected Party for the next succeeding two (2) Months based on deliveries by Producer equal to Producer's Plant Capacity. Such Affected Party at its option may then provide one of the following forms of security:

(a) Post an irrevocable standby letter of credit in a form and from a bank satisfactory to the Receiving Party; or,

(b) Provide a prepayment or a deposit.

10.2 Should such Affected Party fail to provide Adequate Assurance of Performance within two (2) Business Days after receipt of written demand for such

assurance, then the Requesting Party shall have the right to suspend performance under this Agreement until such time as such Affected Party furnishes Adequate Assurance of Performance. If such assurance is not provided by such Affected Party within ten (10) Business Days from written demand, the Requesting Party may terminate this Agreement in addition to having any and all other remedies available hereunder, at law or in equity

11. REGULATORY BODIES

[Intentionally omitted.]

12. FORCE MAJEURE

12.1 In the event a Party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Agreement, other than the obligation to make payments then or thereafter due hereunder, and such Party promptly gives notice and reasonably full particulars of such Force Majeure in writing to the other Party after the occurrence of the cause relied on, then the obligations of the Party giving such notice, so far as and to the extent that they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall so far as reasonably possible be remedied with all reasonable dispatch by the Party claiming Force Majeure. In addition, the Party claiming Force Majeure shall resume performance of any such suspended obligations promptly after termination of such Force Majeure. Producer shall have the right to secure alternate gas processing services from third parties during Force Majeure events that affect Processor's ability to provide gas processing services hereunder, but only for so long as and only to the extent that such Force Majeure event prevents Processor from providing gas processing services hereunder.

12.2 The term Force Majeure as used in this Agreement shall mean any cause or causes not reasonably within the control of the Party claiming suspension and which, by the exercise of reasonable diligence, such Party is unable to prevent or overcome, including, without limitation, acts of God, strikes, lockouts, or other industrial disturbances, acts of a public enemy, sabotage, wars, blockades, insurrections, riots, acts of terror, epidemics, landslides, lightning, earthquakes, fires, storms, storm warnings, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accident to equipment installations, machinery or lines of pipe, and associated repairs, freezing of lines of pipe, pipes or other delivery facilities, electric power unavailability or shortages, failure of pipelines or carriers to transport, delay or curtailment of natural gas liquid transportation or fractionation services, inability to obtain or timely obtain, or obtain at a reasonable cost, after exercise of reasonable diligence, pipe, materials, equipment, rights-of-way, servitudes, governmental approvals, or labor, including those necessary for the facilities provided for in this Agreement, and any legislative, governmental or judicial actions. Examples of Force Majeure may also include curtailment or interruption of deliveries, receipts or services by third party purchasers, suppliers or customers as a result of an event of Force Majeure or a breach by such third party purchasers, suppliers or customers. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the sole discretion of the Party having the difficulty.

12.3 Neither Party shall be entitled to the benefits of the provision of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the Party claiming excuse failed to remedy the condition and to resume the performance of its covenants or obligations with reasonable dispatch except as to strikes or industrial lockouts; or (ii) economic hardship, to include, without limitation, Producer's ability to sell its Plant Products and Gas at a higher or more advantageous price to a market not requiring the gas processing services contracted for herein; or (iii) the loss of Producer's market for Residue Gas.

13. PLANT MAINTENANCE AND INTERRUPTIONS

13.1 Processor may without liability interrupt its performance under this Agreement (other than the obligation to make payments then or thereafter due hereunder and its obligations under Section 7.6) for the purpose of performing, in Processor's sole discretion, necessary or desirable Maintenance provided, however, Processor shall give Producer reasonable advance notice of its intentions in accordance with Section 8.5 except in emergency situations where such notice is impracticable (in which case, Processor shall provide Producer notice as soon as practicable after the commencement of such emergency situation) or where the rights or obligations of Producer will not be affected thereby (which, for the avoidance of doubt, means, among other matters, that Producer's Gas up to the Producer's Plant Capacity will be processed in the Plant on the basis of the Component Recovery Factors). Processor shall make reasonable efforts to minimize, and to arrange, any such interruptions in such ways as to minimize any adverse affects on Producer.

14. WARRANTY OF TITLE TO GAS

14.1 Producer hereby warrants title to the Gas (including Residue Gas and/or Plant Products attributable to Producer's Gas) delivered hereunder and that Producer has good and lawful rights to sell same. Producer further warrants that all such Gas (including Residue Gas and/or Plant Products attributable to Producer's Gas) is either owned by Producer or that Producer has the right to market same free and clear of any and all liens, encumbrances, and claims whatsoever. As to Gas (including Residue Gas and/or Plant Products attributable to Producer's Gas) not owned by Producer which Producer warrants the right to market, Producer warrants it has the right and authority to act on behalf of the party owning such Gas (including such Residue Gas and/or such Plant Products) with respect to all matters covered by this Agreement. Producer shall at all times have the obligation to make settlements for all royalties due, and to make settlements with all other persons having any interest in the commodities sold by Producer hereunder. Producer agrees to defend, indemnify Processor and save it harmless from all suits, actions, debts, accounts, damages, costs and losses and expenses arising from or out of adverse claims of any and all persons, firms or corporations to said Gas (including Residue Gas and/or Plant Products attributable to Producer's Gas) or payments therefore or to royalties, overriding royalties, taxes, license fees, or charges thereon, which are applicable before the title passes to Processor. Notwithstanding any provision of this Section 14.1 to the contrary, Producer's warranties do not include any liens, claims or encumbrances with respect to the Residue Gas or the Plant Products attributable to Producer's Gas which may be created by, through or under Processor. In this regard, Processor warrants that the Residue Gas and the Plant Products attributable to Producer's Gas shall be free and clear of any and all liens, claims and encumbrances whatsoever created by, through and under Processor. In addition, Processor agrees to defend and indemnify Producer and save it harmless from all suits, actions, debts, accounts, damages, costs and losses and expenses arising from or out of adverse claims of any and all persons, firms or corporations to the Residue Gas and/or the Plant Products attributable to

Producer's Gas arising by, through or under Processor or to taxes, license fees or charges thereon, which are applicable after title passes to Processor.

14.2 **SUBJECT TO SECTION 3.3, NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, IN TORT, CONTRACT OR OTHERWISE, EXCEPT FOR ANY OF THE FOREGOING PAID BY A PARTY TO A NON-AFFIILATE THIRD PARTY.**

15. TERM

15.1 This Agreement may be terminated or canceled as follows and in no other manner: by either Party upon the occurrence of any Default or Event of Default if the terminating Party is not itself in Default (other than a Default which occurs because such Party is rightfully withholding performance in response to the other Party's Default). Notwithstanding the foregoing, this Agreement shall be coterminous with the Gathering Agreement. All indemnity obligations, confidentiality obligations, payment obligations and audit rights shall survive the termination hereof.

16. MISCELLANEOUS

16.1 This Agreement, together with the Gathering Agreement, constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous (oral or written) negotiations, proposals, agreements and understandings..

16.2 No modifications of the terms and provisions of this Agreement shall be or become effective except by the execution by each of the Parties of a supplementary written agreement.

16.3 No waiver by either Party of any one or more defaults by the other Party in performance of any provisions of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or a different character.

16.4 This Agreement is for the sole and exclusive benefit of the Parties hereto. Except as expressly provided herein to the contrary, nothing herein is intended to benefit any other Person not a Party hereto, and no such Person shall have any legal or equitable right, remedy or claim under this Agreement.

16.5 Except as otherwise set forth herein, this Agreement is binding upon the successors or assigns of either Processor or Producer. Neither Party shall voluntarily or involuntarily, directly or indirectly, transfer or otherwise alienate any or all of its rights, title or interests under this Agreement to any other Person without the express prior written consent of

the other Party, which consent shall not be unreasonably delayed or withheld; provided, however, that (a) either Party may (without seeking the consent of the other Party) transfer or otherwise alienate any of its rights, title or interests under this Agreement in connection with (i) a transfer to an Affiliate (as defined in the Gathering Agreement) which remains an Affiliate and is deemed creditworthy by the other Party or will provide Adequate Assurance of Performance to the other Party in accordance with Article 14 if not, and (ii) the granting of a pledge, mortgage, hypothecation, lien or other security interest and any transfer pursuant to or in settlement of any terms of provisions of any agreement creating any such security interest; and (b) Producer may (without seeking the consent of Processor) partially assign its rights, title and interests under this Agreement to another Person if the assignee (i) is deemed creditworthy in the reasonable opinion of Processor or will provide Adequate Assurance of Performance to Processor in accordance with Article 14 if not and (ii) expressly assumes all obligations of Producer under this Agreement attributable to the partially assigned rights, title and interests (including the applicable portion of Producer's Plant Capacity). Unless otherwise agreed to in writing by the other Party, and except for transfers pursuant to (a)(ii) above, both the transferor and the transferee shall be jointly and severally responsible and primarily liable for the full and timely performance of all covenants, agreements and other obligations, and the timely payment and discharge of all liabilities, costs and other expenses arising (directly or indirectly) pursuant to this Agreement. Unless otherwise mutually agreed in writing, intermediary transferees shall not be relieved of any obligations as a result of a subsequent transfer to another Person. Promptly upon transfer of all or any portion of its rights, title and interests in and to this Agreement, the transferor shall provide the other Party with a copy of such instrument. Any attempted transfer in violation of the terms of this Agreement of any rights, title and interests arising under this Agreement shall constitute a Default and be null and void and have no force or effect.

16.6 The Parties agree that all information and data exchanged by them pursuant to or in connection with this Agreement shall be maintained in strict and absolute confidence for the term of this Agreement and one (1) year following its termination or cancellation except for disclosure (a) pursuant to the permitted sale, disposition or other transfer (directly or indirectly) of a Party's rights and interests in and to this Agreement, (b) to lenders, accountants and other representatives of the disclosing Party, and royalty, working and other interest owners, with a need to know such information, (c) in conjunction with a merger, consolidation, share exchange or other form of statutory reorganization involving a Party, (d) as required to make disclosure in compliance with any Law or listing exchange rules or (e) to a Party's officers, directors and personnel, as necessary to carry out such Party's obligations under the Agreement.

16.7 THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

16.8 Subject to the terms and conditions set forth in this Agreement, each of the Parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or to cause to be done, all things necessary, proper or advisable under Laws to consummate and make effective the transactions contemplated by this Agreement.

16.9 Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective as to such jurisdiction, to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining terms and provisions

of this Agreement or affecting the validity or enforceability of any terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, each provision shall be interpreted to be only as broad as is enforceable.

16.10 Unless the context clearly requires otherwise, all personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa. Articles, sections and other titles or headings are for convenience only, shall neither limit nor amplify the provisions of the Agreement itself, and all references herein to articles, sections or subdivisions thereof shall refer to the corresponding article, section or subdivision thereof of this Agreement unless specific reference is made to such articles, sections or subdivisions of another document or instrument.

16.11 This Agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, and all of which together shall constitute but one and the same instrument.

16.12 This Agreement and the performance of the obligations contemplated herein are and shall be subject to all Laws. The Parties shall act in accordance with each such Law. To the extent consistent with the terms and conditions of this Agreement, the Parties will reasonably cooperate with respect to compliance with all governmental authorizations, including obtaining and maintaining all necessary regulatory authorizations or any reasonable exchange or provision of information, needed for filing or reporting requirements.

16.13 Each Party shall have the right to examine and audit, at its own expense, at reasonable times during regular business hours and upon reasonable notice, all books, records and charts of the other Party to the extent necessary to verify the accuracy of any measurement and payment hereunder or compliance with the terms of this Agreement, and the related statements, computations, allocations and procedures provided for in the Agreement, for a period of two (2) years after the end of the calendar year in which such measurement, payment, statement, computation, allocation or procedure occurred; provided, however, that a formal audit of accounts shall not be made more

often than every twelve (12) months. Any inaccuracy will be promptly corrected when discovered, but in no event later than six (6) months after such audit exceptions are received by the audited Party; provided, however, that neither Party shall have the right to contest any such measurement or payment, or the related statement, computation, allocation or procedure, if the matter is not called to the attention of the other Party in writing within two (2) years after (a) the date upon which such measurement was conducted or such payment was made, or (b) the related statement, computation, allocation or procedure containing the questioned inaccuracy was received by the contesting Party. Any of such items not contested with specificity in writing within such time period shall conclusively be deemed to be accurate.

16.14 Each Party agrees that it will not take any action or commence or participate in support of any proceeding before any court or governmental authority seeking (a) to have the [current jurisdictional status of the Plant changed or] determined to be subject to the jurisdiction of any governmental authority, or (b) to challenge the lawfulness or reasonableness of, or otherwise change, the fees set forth in this Agreement, or any other term or provision herein. Notwithstanding the foregoing, nothing herein will prevent either Party from participating in proceedings or commenting on proposed changes in Laws that are generic in nature.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their respective duly authorized representatives effective as of the Effective Date.

PROCESSOR:	**PRODUCER:**
ETC TEXAS PIPELINE, LTD.	**SM ENERGY COMPANY**
By: LG PL, LLC, its general partner	
By: /S/ MARSHALL S. MCREA, III	By: /S/ DAVE WHITCOMB
Name: Marshall S. McCrea, III	Name: Dave Whitcomb
Title: President & COO	Title: Vice President-Marketing
Date:	Date:

SM ENERGY COMPANY
AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN
June 10, 2011

ARTICLE I
ESTABLISHMENT AND PURPOSE

1.1 Establishment. SM Energy Company, a Delaware corporation (the "Company"), has established this employee stock purchase plan for employees of the Company or any Subsidiary Corporation (defined below), who are providing material services to the Company, which shall be known as the SM ENERGY COMPANY EMPLOYEE STOCK PURCHASE PLAN (the "Plan").

1.2 Purpose. The purpose of the Plan is to enhance stockholder value by attracting, retaining and motivating employees of the Company and of any Subsidiary Corporation by providing them with a means to acquire a proprietary interest in the Company's success.

ARTICLE II
DEFINITIONS

2.1 Account. "Account" shall mean the account maintained by the Plan Administrator consisting of payroll deductions with respect to such Participant as adjusted for amounts used to purchase Stock and distributions to the Participant.

2.2 Authorization. "Authorization" is defined in Section 3.4.

2.3 Base Pay. "Base Pay" shall mean regular straight-time earnings excluding payments for overtime, shift premium, bonuses and other special payments, commissions and other incentive payments and as further defined in Section 8.1.

2.4 Board. "Board" shall mean the Board of Directors of the Company.

2.5 Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.6 Employee. "Employee" shall mean any person who is customarily employed on a full-time or part-time basis by the Company or a Subsidiary Corporation and is regularly scheduled to work more than 20 hours per week.

2.7 Offering. "Offering" shall mean a semi-annual offering of the Company's Stock as further described in Section 6.1.

2.8 Offering Commencement Date and Offering Termination Date. "Offering Commencement Date" and "Offering Termination Date" are defined in Section 6.1.

2.9 Offering Period. "Offering Period" is defined in Section 6.1.

2.10 Option. "Option" shall mean a Participant's right to purchase Stock of the Company as of each Offering Termination Date for each Offering with the accumulated payroll deductions in the Participant's Account.

2.11 Participant. "Participant" shall mean an Employee who becomes a Participant by completing an authorization for payroll deduction under Section 3.4.

2.12 Plan Administrator. "Plan Administrator" shall mean the Vice President—Human Resources or such other person as may be designated from time to time by the Board of the Company.

2.13 Stock. "Stock" shall mean shares of the Company's common stock subject to this Plan.

2.14 Subsidiary Corporation. "Subsidiary Corporation" shall mean any present or future corporation, which (i) would be a "subsidiary corporation" of SM Energy Company as that term is defined in Section 424 of the Code and (ii) is designated by the Committee as a participating subsidiary corporation whose employees may become Participants in the Plan.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

3.1 Initial Eligibility. Any Employee shall be eligible to participate in Offerings under the Plan that commence on or after the first Offering Commencement Date occurring after the Employee's commencement of employment with the Company or a Subsidiary Corporation.

3.2 Leave of Absence. For purposes of participation in the Plan, a person on leave of absence shall be deemed to be an Employee until his or her employment with the Company or a Subsidiary Corporation otherwise terminates.

3.3 Restrictions on Participation. Notwithstanding any provisions of the Plan to the contrary, no Employee shall be granted an Option,

(a) if, immediately after the grant, such Employee would own Stock or hold outstanding Options to purchase Stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company (for purposes of this paragraph, the rules of Section 424(d) of the Code shall apply in determining stock ownership of any Employee);

(b) which permits his or her rights to purchase Stock under all employee stock purchase plans of the Company to accrue at a rate that exceeds $25,000 in fair market value of the Stock (determined at the time such option is granted) for each calendar year in which such Option is outstanding; or

(c) which permits an Employee to purchase in excess of 2,500 shares in such Offering.

3.4 Commencement and Automatic Continuation of Participation. An Employee who meets the requirements of Section 3.1 may become a Participant by completing an authorization for a payroll deduction on the form provided by the Company (an "Authorization") and filing it with the Plan Administrator on or before the date set for such purpose by the Plan Administrator, which date shall be prior to the Offering Commencement Date for the Offering (as such terms are defined below). Payroll deductions for a Participant shall commence on the applicable Offering Commencement Date when his or her Authorization becomes effective. With respect to Offerings under the Plan commencing on or after July 1, 2011, each Participant in the immediately preceding Offering who continues to be an Employee and eligible to participate in the Plan shall automatically be deemed to be a Participant in the next Offering using the same Authorization and corresponding payroll deduction level as was in effect for the

immediately preceding Offering, unless the Participant has filed a new Authorization for the next Offering in accordance with Sections 3.4, 7.1, and 7.3 (in which case such new Authorization shall apply to the next Offering), or unless the Participant terminates his or her participation in accordance with Article X or withdraws his or her accumulated payroll deductions in accordance with Section 9.2. Payroll deductions for a Participant shall continue until the Participant terminates his or her participation in accordance with Article X.

ARTICLE IV
ADMINISTRATION

4.1 Administration. The Board shall be responsible for administering the Plan and appointing the Plan Administrator.

(a) The Board is authorized to interpret the Plan; to prescribe, amend, and rescind rules and regulations relating to the Plan; to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company with respect to the Plan; and to make all other determinations necessary or advisable for the administration of the Plan. Determinations, interpretations, or other actions made or taken by the Board with respect to the Plan and Options granted under the Plan shall be final and binding and conclusive for all purposes and upon all persons.

(b) At the discretion of the Board the Plan may be administered by a Committee of two or more non-employee Directors appointed by the Board (the "Committee"). The Committee shall have full power and authority, subject to the limitations of the Plan and any limitations imposed by the Board, to construe, interpret and administer the Plan and to make determinations which shall be final, conclusive and binding upon all persons, including any persons having any interests in any Options which may be granted under the Plan, or Stock purchased under the Plan.

(c) Where a Committee has been created by the Board pursuant to this Article IV, references in the Plan to actions to be taken by the Board shall be deemed to refer to the Committee as well, except where limited by the Plan or by the Board.

(d) No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it.

ARTICLE V
STOCK SUBJECT TO THE PLAN

5.1 Number. The maximum number of shares of Stock which shall be issued under the Plan, subject to adjustment upon changes in capitalization of the Company as provided in Section 5.2, shall be an aggregate of 2,000,000 shares, which number of shares reflects the 500,000 shares originally authorized under the Plan, as adjusted pursuant to Section 5.2 to reflect the two shares-for-one share forward stock split effected in the form of a stock dividend to stockholders of record on August 21, 2000, and the two shares-for-one share forward stock split effected in the form of a stock dividend to stockholders of record on March 21, 2005. If the total number of shares of Stock for which Options are exercised on any Offering Termination Date in accordance with this Article V exceeds the maximum number of shares of Stock remaining in the Plan, the Company shall make a pro rata allocation of the shares available for delivery and distribution in as nearly a uniform manner as shall be practicable and as it shall determine to be equitable, and the balance of payroll deductions credited to the Account of each Participant under the Plan shall be returned to him or her as promptly as possible.

5.2 Adjustment in Capitalization. In the event of any change in the outstanding shares of Stock of the Company by reason of a stock dividend or split, recapitalization, reclassification, or other similar capital change, the aggregate number of shares of Stock set forth in Section 5.1 and the number of shares of Stock set forth in Section 3.3(c) shall be appropriately adjusted by the Board, whose determination shall be conclusive. In any such case, the number and kind of shares of Stock that are subject to any Option and the Option price per share shall be proportionately and appropriately adjusted without any change in the aggregate Option price to be paid therefor upon exercise of the Option.

5.3 Transfer Restrictions on Certain Shares. Shares of Stock issued under the Plan with respect to Offerings under the Plan commencing on or after January 1, 2010, and prior to July 1, 2011, may not be disposed of by sale, pledge, or any other transfer for a period of six months following the Offering Termination Date upon which such shares are deemed to have been acquired pursuant to Section 9.1, and shares of Stock issued under the Plan with respect to Offerings under the Plan commencing prior to January 1, 2010, and on or after July 1, 2001, may not be disposed of by sale, pledge, or any other transfer for a period of eighteen months following the Offering

Termination Date upon which such shares are deemed to have been acquired pursuant to Section 9.1, except that in any case such shares of Stock may be sold at any time following the death of the Participant or upon the disability of the Participant. For this purpose, a Participant shall be considered disabled if he or she is unable to perform any substantial portion of the duties for which he or she is employed by the Company for a period of 90 days. The Company may require that an employee furnish reasonable medical evidence establishing the disability of such employee. Notwithstanding the foregoing, shares of Stock may be transferred, without consideration, pursuant to the laws of descent and distribution and for customary estate planning purposes and such shares of Stock shall, in the hands of the transferee, continue to be bound by the restrictions set forth in this Section 5.3. In addition, the foregoing transfer restrictions shall not apply to shares of Stock issued under the Plan with respect to Offerings under the Plan commencing on or after July 1, 2011, and a Participant may sell or otherwise transfer any shares of Stock purchased in such Offerings at any time that the Participant chooses, subject to compliance with securities laws.

5.4 Legend. The Company may take any steps to restrict the sale of shares of Stock issued to a Participant under this Plan as it determines to be necessary to enforce any applicable restrictions on transfer of such shares of Stock under this Plan, including, without limitation, affixing a legend restricting the sale of the Stock on any certificate therefor.

ARTICLE VI
OFFERINGS

6.1 Semi-Annual Offerings. The Plan will be implemented by semi-annual offerings of the Company's Stock (the "Offerings") commencing on January 1 and July 1 of such year and terminating on June 30 and December 31 of such year, respectively. The first Offering shall commence on January 1, 1998 and, unless all shares of Stock in the Plan shall have been purchased prior thereto, the last Offering shall commence on July 1, 2017.

As used in the Plan, "Offering Commencement Date" means the January 1 or July 1, as the case may be, on which the particular Offering begins; "Offering Termination Date" means the June 30 or December 31, as the case may be, on which the particular Offering terminates; and "Offering Period" means the period between any Offering Commencement Date and the corresponding Offering Termination Date.

ARTICLE VII
PAYROLL DEDUCTIONS

7.1 Amount of Deduction. At the time a Participant files his or her authorization for payroll deduction, deductions shall be made from his or her Base Pay in accordance with such authorization on each payday that falls on or after the Offering Commencement Date and on or before the Offering Termination Date during the time he or she is a Participant at the rate of not less than 1% and not more than 15% of his or her Base Pay during the Offering. If a Participant completed an Authorization for a prior Offering and participated in the immediately preceding Offering, then the level of payroll deductions in place for such immediately preceding Offering pursuant to such Authorization shall remain in effect for the next Offering, unless the Participant elects to terminate his or her participation in the next Offering or files a new Authorization in accordance with Sections 3.4 and 7.3 in which the Participant elects to change the level of payroll deductions for the next Offering, in which case such new Authorization shall apply to the next Offering. In the case of a part-time hourly Employee, such Employee's Base Pay during an Offering shall be determined by multiplying such Employee's hourly rate of Base Pay during the Offering by the number of regularly scheduled hours of work for such Employee during such Offering.

7.2 Participant's Account. All payroll deductions made for a Participant shall be credited to his or her Account under the Plan. A Participant may not make any separate cash payment into such Account.

7.3 Changes in Payroll Deductions. A Participant may discontinue his or her participation in the Plan as provided in Article X, or on one occasion only during each Offering Period may elect to decrease the percentage of Base Pay of his or her contributions to his or her Account by filing with the Plan Administrator a new payroll deduction authorization, but no other change can be made during an Offering Period.

7.4 Leave of Absence. If a Participant goes on a leave of absence, such Participant shall have the right to elect either: (a) to withdraw the balance in his or her Account pursuant to Section 9.2 or (b) to remain a Participant in the Plan authorizing deductions to be made from payments by the Company to the Participant during such leave of absence, if any.

ARTICLE VIII
GRANTING OF OPTION

8.1 Number of Option Shares. On the Commencement Date of each Offering, a Participant shall be deemed to have been granted an Option to purchase shares of the Stock of the Company equal to (i) that percentage of the Employee's Base Pay that he or she has elected to have withheld (but not in any case less than 1% or more than 15%) multiplied by (ii) the Employee's Base Pay during the period of the Offering (iii) divided by the lesser of (A) 85% of the market value of Stock on the applicable Offering Commencement Date or (B) 85% of the market value of each share of Stock on the applicable Offering Termination Date. The market value of the Stock shall be determined as provided in paragraphs (a) and (b) of Section 8.2 below. An Employee's Base Pay during the applicable Offering Period shall be determined by multiplying his or her normal weekly Base Pay rate (as adjusted during the Offering Period) by 26 or the hourly rate by 1,040; provided that, in the case of a part-time hourly Employee, the Employee's Base Pay during the period of an Offering shall be determined by multiplying such Employee's hourly Base Pay rate by the number of regularly scheduled hours of work for such Employee during such Offering.

8.2 Option Price. The option price of each share of Stock purchased with payroll deductions made during such Offering for a Participant therein shall be the lower of:

(a) 85% of the closing price of the Stock on the Offering Commencement Date or the nearest prior business day on which trading occurred on the New York Stock Exchange ("NYSE"); or

(b) 85% of the closing price of the Stock on the Offering Termination Date or the nearest prior business day on which trading occurred on the NYSE.

If the Stock of the Company is not listed for trading on the NYSE on any of the aforesaid dates for which closing prices of the Stock are to be determined, then reference shall be made to the fair market value of the Stock on that date, as determined on such basis as shall be established or specified for that purpose by the Board.

ARTICLE IX
EXERCISE OF OPTION

9.1 Automatic Exercise. A Participant's Option for the purchase of Stock with payroll deductions made during any Offering will be deemed to have been exercised automatically on the Offering Termination Date applicable to such Offering for the purchase of the number of full shares of Stock that the accumulated payroll deductions in his or her Account at that time will purchase at the applicable Option price (but not in excess of the number of shares of Stock for which Options have been granted to the Participant pursuant to Section 8.1, in which case such excess accumulated payroll deductions will be returned to the Participant following the Offering Termination Date without interest).

9.2 Withdrawal of Account. By written notice to the Plan Administrator, at any time prior to the Offering Termination Date applicable to any Offering, a Participant may elect to withdraw all, but not less than all, of the accumulated payroll deductions in his or her Account at such time.

9.3 Fractional Shares. Fractional shares will not be issued under the Plan, and any accumulated payroll deductions that would have been used to purchase fractional shares will be retained in the Participant's Account and applied to the purchase of shares of Stock in the next Offering, unless the Participant has elected to terminate his or her participation in the next Offering or is otherwise ineligible to participate in the next Offering, in which case such remaining accumulated payroll deductions will be promptly returned to the Participant, without interest.

9.4 Transferability of Option. During a Participant's lifetime, Options held by such Participant shall be exercisable only by that Participant.

9.5 Delivery of Stock. As promptly as practicable after the Offering Termination Date of each Offering, the Company will deliver to each Participant, as appropriate, the Stock purchased upon exercise of his or her Option.

ARTICLE X
WITHDRAWAL

10.1 In General. As indicated in Section 9.2, a Participant may withdraw payroll deductions credited to his or her Account under the Plan at any time by giving written notice to the Plan Administrator of the Company. All of the Participant's payroll deductions credited to his or her Account will be paid to him or her promptly after receipt of his or her notice of withdrawal, and no further payroll deductions will be made from his or her pay during such Offering. The Company may, at its option, treat any attempt to borrow by an Employee on the security of his or her accumulated payroll deductions as an election, under Section 9.2, to withdraw such deductions.

10.2 Effect on Subsequent Participation. A Participant's withdrawal from any Offering will not have any effect upon his or her eligibility to participate in any succeeding Offering or in any similar plan that may hereafter be adopted by the Company; provided, however, following any such withdrawal, such Participant must complete a new Authorization in accordance with Section 3.4 to participate in any subsequent Offering.

10.3 Termination of Employment. Upon termination of the Participant's employment for any reason, including retirement (but excluding death while in the employ of the Company) prior to the Offering Termination Date, the payroll deductions credited to his or her Account will be returned to him or her.

10.4 Termination of Employment Due to Death. Upon termination of the Participant's employment because of his or her death, his or her beneficiary as defined in Section 19.1, or if none is designated, his or her estate, shall have the right to elect by written notice given to the Plan Administrator of the Company prior to the earlier of the Offering Termination Date or the expiration of a period of 60 days commencing with the date of the death of the Participant either:

(a) to withdraw all of the payroll deductions credited to the Participant's Account under the Plan, or

(b) to exercise the Participant's Option for the purchase of Stock on the Offering Termination Date next following the date of the Participant's death for the purchase of the number of full shares of Stock which the accumulated payroll deductions in the Participant's Account at the date of the Participant's death will purchase at the applicable option price, and any excess in such Account will be returned to said beneficiary, without interest.

In the event that no such written notice of election shall be duly received by the office of the Plan Administrator of the Company, the beneficiary shall automatically be deemed to have elected, pursuant to paragraph (b), to exercise the Participant's Option.

10.5 Leave of Absence. A Participant on leave of absence shall, subject to the election made by such Participant pursuant to Section 7.4, continue to be a Participant in the Plan so long as such Participant remains an Employee.

ARTICLE XI
INTEREST

11.1 Payment of Interest. No interest will be paid or allowed on any money paid into the Plan or credited to the Account of any Participant, including money which is distributed to an Employee or his or her beneficiary pursuant to any provision of this Plan.

ARTICLE XII
NO RIGHT TO EMPLOYMENT

Nothing in the Plan shall interfere with or limit in any way the right of the Company or a Subsidiary Corporation to terminate any Employee's employment at any time, nor confer upon any Employee any right to continue in the employ of the Company or a Subsidiary Corporation.

ARTICLE XIII
AMENDMENT, MODIFICATION, AND TERMINATION OF THE PLAN

The Board may at any time terminate and from time to time may amend or modify the Plan. Any amendment or modification of the Plan by the Board may be accomplished without approval of the stockholders of the Company, except in the event that stockholder approval of such amendment or modification is required by any law or regulation governing the Company.

No amendment, modification, or termination of the Plan shall in any manner adversely affect any outstanding Option under the Plan without the consent of the Participant holding the Option.

ARTICLE XIV
ACQUISITION, MERGER OR LIQUIDATION

14.1 Acquisition.

(a) In the event that an Acquisition occurs with respect to the Company, the Company may, but shall not be required to, cancel an Offering and all Options outstanding as of the effective date of such Acquisition, whether or not such Options are then exercisable. In that event, the payroll deductions credited to the Account of each Participant shall be returned to him or her. If the Company does not elect to cancel the Offering, such Offering shall terminate on the day immediately prior to the effective date of the Acquisition and such date shall be considered the Offering Termination Date for the Offering.

(b) For purposes of this section, an "Acquisition" shall mean any transaction in which substantially all of the Company's assets are acquired or in which a controlling amount of the Company's outstanding shares are acquired, in each case by a single person or entity or an affiliated group of persons and entities. For purposes of this section, a controlling amount shall mean more than fifty percent of the issued and outstanding shares of Stock of the Company. The Company shall have the above option to cancel an Offering and all Options regardless of how the Acquisition is effectuated, whether by direct purchase, through a merger or similar corporate transaction, or otherwise.

(c) Where the Company does not exercise its option to terminate an Offering and all Options under this Section 14.1, the remaining provisions of this Article XIV shall apply, to the extent applicable.

14.2 Merger or Consolidation. If the Company shall be the surviving corporation in any merger or consolidation, any Offering shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to the Option would have been entitled in such merger or consolidation, provided that the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger.

14.3 Other Transactions. A dissolution or a liquidation of the Company or a merger or consolidation in which the Company is not the surviving corporation (the Company shall not be considered the surviving corporation for purposes hereof if the Company is the survivor of a reverse triangular merger) shall cause every Offering outstanding hereunder to terminate as of the effective date of such dissolution, liquidation, merger or consolidation. In that event, the payroll deductions credited to the Account of each Participant shall be returned to him or her.

ARTICLE XV
SECURITIES REGISTRATION

15.1 Securities Registration. In the event that the Company shall deem it necessary or desirable to register under the Securities Act of 1933, as amended, or any other applicable statute, any Options or any Stock with respect to which an Option may be or shall have been granted or exercised, or to qualify any such Options or Stock

under the Securities Act of 1933, as amended, or any other statute, then the Participant shall cooperate with the Company and take such action as is necessary to permit registration or qualification of such Options or Stock.

15.2 Representations. Unless the Company has determined that the following representation is unnecessary, each person participating in an Offering may be required by the Company, as a condition to the issuance of the shares of Stock pursuant to such Offering to make a representation in writing (i) that he or she is acquiring such shares for his or her own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof within the meaning of the Securities Act of 1933, and (ii) that before any transfer in connection with the resale of such shares, he or she will obtain the written opinion of counsel for the Company, or other counsel acceptable to the Company, that such shares may be transferred without registration thereof. The Company may also require that the certificates representing such shares contain legends reflecting the foregoing. To the extent permitted by law, including the Securities Act of 1933, nothing herein, except for the transfer restrictions set forth in Section 5.3 (to the extent that they remain applicable), shall restrict the right of a Participant to sell the shares received in an open market transaction.

ARTICLE XVI
TAX WITHHOLDING

Whenever shares of Stock are to be issued pursuant to an Offering, the Company shall have the power to require the recipient of the Stock to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements, if any.

ARTICLE XVII
INDEMNIFICATION

To the extent permitted by law, each person who is or shall have been a member of the Board or the Committee and the Plan Administrator shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company or a Subsidiary Corporation may have to indemnify them or hold them harmless.

ARTICLE XVIII
REQUIREMENTS OF LAW

18.1 Requirements of Law. The granting of Options pursuant to an Offering and the issuance of shares of Stock upon the exercise of an Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

18.2 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Colorado.

ARTICLE XIX
MISCELLANEOUS

19.1 Designation of Beneficiary. A Participant may file a written designation of a beneficiary who is to receive any Stock or cash. Such designation of beneficiary may be changed by the Participant at any time by written notice to the Plan Administrator of the Company. Upon the death of a Participant and upon receipt by the Company of proof of identity and existence at the Participant's death of a beneficiary validly designated by him or her under the Plan, the Company shall deliver such Stock or cash to such beneficiary. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Stock or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Stock or cash to the spouse or to any one or more dependents of the Participant as the Company may designate. No beneficiary shall, prior to the death of the Participant by whom he or she has been designated, acquire any interest in the Stock or cash credited to the Participant under the Plan.

19.2 Transferability. Neither payroll deductions credited to a Participant's Account nor any rights with regard to the exercise of an Option or to receive Stock under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way by the Participant other than by will or the laws of descent and distribution or as provided in Section 19.1. Any such attempted assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 9.2.

19.3 Use of Funds. All payroll deductions received or held by the Company under this Plan may be used by the Company for any corporate purpose and the Company shall not be obligated to segregate such payroll deductions.

19.4 Effect of Plan. The provisions of the Plan shall, in accordance with its terms, be binding upon, and inure to the benefit of, all successors of each Employee in the Plan, including, without limitation, such Employee's estate and the executors, administrators or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy or representative of creditors of such Employee.

ARTICLE XX
EFFECTIVE DATE OF PLAN

The Plan shall be effective on January 1, 1998.

THIS EMPLOYEE STOCK PURCHASE PLAN was adopted on September 18, 1997, by the Board of Directors of SM Energy Company, then named St. Mary Land & Exploration Company, to be effective upon adoption, and has been subsequently amended by the Board of Directors of the Company on February 27, 2001, February 18, 2005, September 25, 2009, December 30, 2009, July 30, 2010, and March 31, 2011.

The Plan was approved by the Company's stockholders at the Company's 1998 annual meeting of stockholders.

SM ENERGY COMPANY

By: /s/ ANTHONY J. BEST

Title: Chief Executive Officer and President

Exhibit 10.6

SM ENERGY COMPANY

PERFORMANCE STOCK UNIT AWARD AGREEMENT

This Performance Stock Unit Award Agreement (the "Agreement") is made effective as of July 1, 2011 (the "Award Date"), by and between SM Energy Company, a Delaware corporation (the "Company"), and [Name](the "Participant") to whom performance stock units have been awarded under the Company's Equity Incentive Compensation Plan, as amended (the "Plan").

Pursuant to the terms of the Plan and this Agreement, as of the Award Date the Company has made an award (the "Award") to the Participant of [Number] performance stock units (the "Performance Units"). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

ARTICLE I

PERFORMANCE UNITS

1.1 Performance Units and Performance Period. The Performance Units represent the right to receive, upon the payment of the Performance Units pursuant to Section 1.4 hereof after the completion of the Performance Period (as defined below), a number of shares of the Company's common stock, $.01 par value per share (sometimes referred to herein as the "Common Stock"), that will be calculated as set forth in Section 1.2 below based on the extent to which the Company's Performance Criteria (as defined in Section 1.2) have been achieved and the extent to which the Performance Units have vested. Any Common Stock that is issued pursuant to any provision of this Agreement may be referred to in this Agreement as a "Share" or "Shares." Such actual number of Shares that may be issued upon payment of the Performance Units may be from zero (0) to two (2.0) times the number of Performance Units granted on the Award Date. The number of Performance Units granted herein may be referred to as the "target" number of Shares. The performance period (the "Performance Period") for the Performance Units shall be the three-year period beginning on July 1, 2011 and ending on June 30, 2014.

1.2 Determination of Number of Shares Earned.

(a) Performance Criteria. The actual number of Shares that may be earned from the Performance Units and issued upon payment of the Performance Units after completion of the Performance Period shall be based upon the Company's achievement of performance criteria (the "Performance Criteria") established by the Compensation Committee of the Board of Directors of the Company (the "Committee") for the Performance Period in accordance with the terms of the Plan and as set forth below and reflected in the payout matrix (the "Payout Matrix") attached as Appendix A hereto and discussed further in subsection (d) hereof. The Performance Criteria for the calculation of the actual number of Shares to be issued upon payment of the Performance Units as reflected in the Payout Matrix are based on a combination of (i) the absolute measure of the cumulative total shareholder return ("TSR") and associated Compound Annual Growth Rate ("CAGR") of the Company for the Performance Period, and (ii) the

relative measure of the Company's TSR and CAGR for the Performance Period compared with the cumulative TSR and CAGR of the Peer Companies (as defined below) for the Performance Period as reflected in the Company's Performance Share Plan Peer Group Custom Index (the "Custom Index") to be specifically prepared by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), for the purpose of administering the Company's Long-Term Incentive Plan.

(b) Calculation of TSR and CAGR. The TSR and CAGR of the Company and the Peer Companies for the Performance Period shall be calculated in accordance with the methodology utilized by S&P with respect to the Custom Index.

(c) Peer Companies and Custom Index. The "Peer Companies" to be reflected in the Custom Index shall consist of the constituents of the Oil & Gas Exploration & Production GIC Sub-Industry Group in the S&P SmallCap 600 Index and the S&P MidCap 400 Index, excluding the Company. The Custom Index will be equally weighted, and will be adjusted to include the dividend payments of the constituents of the Custom Index. The Custom Index will be rebalanced on a quarterly basis, and will also be rebalanced whenever there are additions and deletions to the S&P SmallCap 600 and the S&P MidCap 400 indices. The Custom Index is the exclusive property of S&P. The Company has contracted with S&P to maintain and calculate the Custom Index. S&P shall have no liability for any errors or omissions in calculating the Custom Index.

(d) Payout Matrix. The Payout Matrix attached as Appendix A hereto sets forth the possible multipliers, which range from zero percent (0%) to two hundred percent (200%), which may be applied to the number of vested Performance Units to determine the actual number of Shares to be issued upon payment of the vested Performance Units after the completion of the Performance Period. The final multiplier (the "Final Multiplier") shall be determined by the Committee after the completion of the Performance Period based on the two variables that comprise the Performance Criteria, related to (i) the Company's TSR and CAGR for the Performance Period, and (ii) the Peer Companies' TSR and CAGR for the Performance Period as reflected in the Custom Index. The number of Shares, if any, that shall be issued to the Participant upon payment of the Performance Units shall be calculated as the number of Performance Units that have vested in accordance with Section 1.3 or Section 1.6 hereof, multiplied by the Final Multiplier, as determined by the Committee in accordance with the Payout Matrix. There shall be no rounding of variables or extrapolation of variables between data points within the Payout Matrix, and the data point for which the associated variables equal or exceed the target variables for such data point, but do not result in qualification for another higher data point, shall be utilized with respect to the Final Multiplier. Any fractional Shares which would otherwise result from application of the Final Multiplier shall be rounded up to the nearest whole share of Common Stock.

1.3 Vesting of Performance Units.

(a) Vesting. Subject to the provisions contained herein, the Performance Units shall vest over the Performance Period as follows (the "PSU Vesting Schedule"):

1/7th (approximately 14.3%) on July 1, 2012
2/7ths (approximately 28.6%) on July 1, 2013
4/7ths (approximately 57.1%) on July 1, 2014

In addition, the Performance Units may become fully vested or be forfeited under certain circumstances specified in this Agreement. As of the Award Date, the Participant must be an employee of the Company or a subsidiary thereof. If the Participant ceases to be an employee of the Company or a subsidiary thereof prior to the vesting of all of the Performance Units pursuant to the PSU Vesting Schedule, the Participant shall forfeit the remaining unvested Performance Units under the Award, except as otherwise provided in this Section 1.3 and Section 1.6.

(b) Continued Vesting Upon Early Retirement. The Performance Units shall, notwithstanding any other provisions of this Section 1.3, continue to vest according to the PSU Vesting Schedule after the termination of the Participant's employment with the Company or a subsidiary thereof if (i) such termination is

the result of the Participant's retirement from the Company or a subsidiary thereof upon the Participant's having both reached the age of sixty (60) and completed twelve (12) years of service with the Company or a subsidiary thereof, and (ii) the Participant does not after such early retirement become employed on a full-time basis by a competitor of the Company prior to the earlier of the payment of the Performance Units or the Participant's reaching the age of sixty-five (65). Any such continued vesting of the Performance Units pursuant to this Section 1.3(b) will not result in an acceleration of the PSU Payment Date (as defined in Section 1.4), since the number of Shares earned from the Performance Units shall be calculated after the completion of the Performance Period.

(c) Acceleration Upon Death, Total Disability or Normal Retirement. The Performance Units shall become fully vested, notwithstanding any other provisions of this Section 1.3, upon termination of the Participant's employment with the Company or a subsidiary thereof because of death, Total Disability (as defined below), or retirement upon reaching the Company's normal retirement age of sixty-five (65). Any such acceleration of the vesting of the Performance Units pursuant to this Section 1.3(c) will not result in an acceleration of the PSU Payment Date, since the number of Shares earned from the Performance Units shall be calculated after the completion of the Performance Period. For purposes of this Agreement, "Total Disability" means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, by reason of which the Participant is unable to engage in any substantial gainful activity or is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(d) Termination for Cause. Notwithstanding any other provisions of this Section 1.3, the Participant shall forfeit all Performance Units under this Award, including those that have previously vested, upon the termination of the employment of the Participant by the Company or a subsidiary thereof prior to the completion of the Performance Period for cause, which term is specifically not capitalized as such term is in Section 1.6(a) of this Agreement, it being the specific intent of the Company and the Participant that "cause" in this instance shall be broadly defined as any event, action, or inaction by the Participant that would reasonably be the basis for an employer to terminate the employment of the affected individual.

1.4 Payment of Performance Units. Following the last day of the Performance Period and prior to the payment of the earned and vested Performance Units on or about the PSU Payment Date, the Committee shall determine, and certify in writing to the extent deemed necessary or advisable or as required to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), (i) the extent to which the Performance Criteria have been achieved over the Performance Period, and (ii) the Final Multiplier. The Final Multiplier shall then be applied to the number of vested Performance Units to determine the number of Shares (the "Earned Shares"), if any, to be issued to the Participant in payment of the Performance Units. The determination of the Earned Shares by the Committee shall be binding on the Participant and conclusive for all purposes. The Earned Shares, if any, shall be issued to the Participant in payment of the Performance Units on or about July 3, 2014 (the "PSU Payment Date"). Upon the payment of the Performance Units, the Company shall deliver to the Participant evidence of book-entry Shares or a certificate for the number of Shares issued to the Participant in payment of the Performance Units. The Earned Shares shall not be subject to any holding or transfer restrictions after payment of the Performance Units.

1.5 Transfer Restrictions for Unpaid Performance Units. Performance Units that have not been paid shall not be transferable by the Participant, and the Participant shall not be permitted to sell, transfer, pledge, assign, or otherwise alienate or encumber such Performance Units or the Shares issuable in payment thereof, other than (i) to the person or persons to whom the Participant's rights under such Performance Units pass by will or the laws of descent and distribution, (ii) to the spouse or the descendants of the Participant or to trusts for such persons to whom or which the Participant may transfer such Performance Units by gift, (iii) to the legal representative of any of the foregoing, or (iv) pursuant to a qualified domestic relations order as defined under Section 414(p) of the Code or a similar order or agreement pursuant to state domestic relations law (including a community property law) relating to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of the Participant. Any such transfer shall be made only in compliance with the Securities Act of 1933 and the requirements therefor as set forth by the Company. Any attempted transfer in contravention of the foregoing provisions shall be null and void and of no effect.

1.6 Change of Control Termination.

(a) Vesting upon Change of Control Termination. Notwithstanding any other provision of this Agreement, the Performance Units shall become fully vested upon a Change of Control Termination. For purposes of this Agreement, a "Change of

Control Termination" occurs upon the termination of the Participant's employment with the Company or a subsidiary thereof in the event that (i) a Change of Control (as defined in the Plan) of the Company occurs, and (ii) the Participant's employment with the Company or a subsidiary thereof is subsequently terminated without Cause (as defined below) or the Participant terminates his or her employment with the Company or a subsidiary thereof for Good Reason (as defined below), and such termination of employment occurs (x) within 30 months of the Change of Control and (y) prior to the normal completion of vesting of the Performance Units at the end of the Performance Period. The normal vesting and payment provisions in Article I of this Agreement shall not be affected by the first sentence of this subsection if a Change of Control of the Company occurs but there is not also a Change of Control Termination with respect to the Participant's employment with the Company or a subsidiary thereof. If the Participant has entered into a separate written Change of Control Executive Severance Agreement or Change of Control Severance Agreement (with either to be subsequently referred to herein as a "Change of Control Severance Agreement") with the Company, the terms "Cause" and "Good Reason" used herein shall have the meanings set forth in such Change of Control Severance Agreement. If the Participant has not entered into a separate written Change of Control Severance Agreement, the terms "Cause" and "Good Reason" used herein shall have the meanings set forth in the Company's Change of Control Severance Plan (the "Change of Control Severance Plan").

(b) Payment upon Change of Control Termination. Notwithstanding any other provisions of this Agreement to the contrary, in the event of a Change of Control Termination with respect to the Participant's employment with the Company or a subsidiary thereof as set forth in Section 1.6(a) above, the vested Performance Units shall be paid in accordance with this Section 1.6(b). In the event of a Change of Control Termination, the Committee shall determine the extent to which the Performance Criteria have been achieved and the Final Multiplier to apply to the vested Performance Units by utilizing the same method as set forth in Section 1.2 hereof; provided, however, that the Performance Period for the calculation of the TSR and CAGR of the Company and the Peer Companies to obtain the Final Multiplier shall be shortened to end as of the effective date of the Change of Control. The Final Multiplier shall then be applied to the number of vested Performance Units to calculate the number of Earned Shares, if any, that the Participant is entitled to in payment of the Performance Units. In the event of a Change of Control Termination, any Earned Shares shall be paid to the Participant in payment of the Performance Units either in Shares or in cash of equivalent value, as determined by the Committee or other duly authorized administrator of the Plan, in its discretion, within thirty (30) days following the effective date of the Change of Control Termination; provided, however, that the time and manner of such payment shall comply with Section 409A of the Code as referred to in Section 2.11 of this Agreement.

(c) Controlling Documents for Change of Control Termination. To the extent that the Participant is subject to either a written Change of Control Severance Agreement or the Change of Control Severance Plan, the terms and conditions of such Change of Control Severance Agreement or Change of Control Severance Plan, as applicable, shall also apply to this Award in the event of a Change of Control Termination; provided, however, that with respect to the Performance Units under this

Award, the terms of the Plan and this Agreement shall control in the event of any inconsistency between their terms and the terms of the Change of Control Severance Agreement or the Change of Control Severance Plan.

ARTICLE II

GENERAL PROVISIONS

2.1 Adjustments Upon Changes in Capitalization. In the event that a stock split, stock dividend, or other similar change in capitalization of the Company occurs, the number and kind of Shares that may be issued under this Agreement and that have not yet been issued shall be proportionately and appropriately adjusted.

2.2 No Dividend Equivalents or Stockholder Rights Until Shares Issued. The Performance Units shall not be credited with Dividend Equivalents. In addition, the Participant shall have no voting, transfer, liquidation, or other rights of a holder of Shares with respect to the Performance Units until such time as Shares, if any, have been issued by the Company to the Participant in payment of the Performance Units. Until the Performance Units are paid or terminated, they will represent only bookkeeping entries by the Company to evidence unfunded and unsecured obligations of the Company.

2.3 Notices. Any notice to the Participant relating to this Agreement shall be in writing and delivered in person or by mail, fax, or email transmission to the address or addresses on file with the Company. Any notice to the Company shall be addressed to it at its principal office, and be specifically directed to the attention of the Secretary. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

2.4 Benefits of Agreement. This Agreement shall inure to the benefit of and be binding upon each successor of the Company and the Participant's heirs, legal representatives, and permitted transferees. This Agreement and the Plan shall be the sole and exclusive source of any and all rights that the Participant and the Participant's heirs, legal representatives, and permitted transferees may have with respect to this Award, the Performance Units, and the Plan.

2.5 Resolution of Disputes. Any dispute or disagreement that arises under, or is a result of, or in any way relates to, the interpretation, construction, or applicability of this Agreement shall be resolved as determined by the Committee, or the Board of Directors of the Company (the "Board"), or by any other committee appointed by the Board for such purpose. Any determination made hereunder shall be final, binding, and conclusive for all purposes.

2.6 Controlling Documents. The provisions of the Plan are hereby incorporated into this Agreement by reference. In the event of any inconsistency between this Agreement and the Plan, the Plan shall control.

2.7 Amendments. This Agreement may be amended only by a written instrument executed by both the Company and the Participant.

2.8 No Right of Participant to Continued Employment. Nothing contained in this Agreement or the Plan shall confer on the Participant any right to continue to be employed by the Company or any subsidiary thereof, or shall limit the Company's right to terminate the employment of the Participant at any time; provided, however, that nothing contained in this Agreement shall affect any separate contractual provisions that exist between the Participant and the Company or its subsidiaries with respect to the employment of the Participant.

2.9 Vesting Dates and Payment Dates. In the event that any vesting date, payment date, or any other measurement date with respect to this Award does not fall on a normal business day, such date shall be deemed to occur on the next following normal business day.

2.10 Tax Withholding. The Company may make such provisions and take such steps as it deems necessary or appropriate for the withholding of any taxes that the Company is required by law or regulation of any governmental authority, whether Federal, state, or local, to withhold in connection with the Performance Units or Shares subject to this Agreement. The Participant shall elect, prior to any tax withholding event related to this Award and at a time when the Participant is not aware of any material nonpublic information about the Company and the Participant would be permitted to engage in a transaction in the Company's securities under the Company's Securities Trading Policy, whether the Participant will satisfy all or part of such tax withholding requirement by paying the taxes in cash or by having the Company withhold Shares having a fair market value equal to the minimum statutory withholding that may be imposed on the transaction (based on minimum statutory withholding rates for Federal, state, and local tax purposes, as applicable, that are applicable to such transaction). The Participant's election shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

2.11 Compliance with Section 409A of the Code. Notwithstanding any provision in this Agreement to the contrary, to the extent that this Agreement constitutes a nonqualified deferred compensation plan or arrangement to which Section 409A of the Code applies, the administration of this Award (including the time and manner of payments under the Award and this Agreement) shall comply with Section 409A of the Code. In connection therewith, any payment to the Participant with respect to the Award under this Agreement which Section 409A(a)(2)(B)(i) of the Code indicates may not be made before the date which is six months after the date of the Participant's separation from employment service (the "Section 409A Six-Month Waiting Period"), as a result of the fact that the Participant is a specified key employee referred to in Section 409A(a)(2)(B)(i) of the Code, shall not occur or be made during the Section 409A Six-Month Waiting Period but rather shall be delayed, if such payment would otherwise occur during the Section 409A Six-Month Waiting Period, until the expiration of the Section 409A Six-Month Waiting Period.

2.12 Personal Data. The Participant hereby consents to the collection, use, and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering, and managing the Participant's participation in the Plan. The Company holds, or may receive from any agent designated by the Company, certain personal information about the Participant, including, but not limited to, the Participant's name, home

address and telephone number, date of birth, social security insurance number or other identification number, salary, nationality, job title, any shares of Common Stock held, details of this Award and any other rights to shares of Common Stock awarded, canceled, exercised, vested, unvested, or outstanding in the Participant's favor, for the purpose of implementing, administering, and managing the Plan, including complying with applicable tax and securities laws (the "Personal Data"). The Personal Data may be transferred to any third parties assisting in the implementation, administration, and management of the Plan. The Participant authorizes such recipients of the Personal Data to receive, possess, use, retain, and transfer the Personal Data, in electronic or other form, for the purposes described above. The Participant may, at any time, view the Personal Data, request additional information about the storage and processing of the Personal Data, require any necessary amendments to the Personal Data, or refuse or withdraw the consents herein, in any case without cost, by contacting the Secretary of the Company in writing. Any such refusal or withdrawal of the consents herein may affect the Participant's ability to participate in the Plan.

2.13 Electronic Delivery of Documents. The Company may, in its sole discretion, deliver any documents related to this Award, or any future awards

that may be granted under the Plan, by electronic means, or request the Participant's consent to participate in the Plan or other authorizations from the Participant in connection therewith by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

2.14 Receipt of Award and Related Documents. The Participant hereby acknowledges the receipt, either directly or electronically, of the Award, a copy of the Plan, and a prospectus for the Plan.

2.15 Execution and Counterparts. This Agreement may be executed in counterparts. Execution of a written instrument for this Agreement may be evidenced by any appropriate form of electronic signature or affirmative email or other electronic response attached to or logically associated with such written instrument, which is executed or adopted by a party with an indication of the intention by such party to execute or adopt such instrument for purposes of execution thereof.

* * * * *

IN WITNESS WHEREOF, the Company and the Participant have caused this Performance Stock Unit Award Agreement to be entered into effective as of the Award Date.

COMPANY:

SM ENERGY COMPANY,
a Delaware corporation

By: _____

Printed Name: John R. Monark

Title: Vice President, Human Resources

Date Signed: _____

PARTICIPANT:

Signature: _____

Printed Name: **NAME**

APPENDIX A

PAYOUT MATRIX FOR PERFORMANCE UNITS

2011 PAYOUT MATRIX
Simple Matrix - Add result in Column A and Column B
TOTAL CANNOT BE GREATER THAN 2.0 OR LESS THAN ZERO

Column A

Absolute SM TSR Ann. TSR	EARNED MULTIPLIER
0%	-
1%	0.050
2%	0.100
3%	0.150
4%	0.200
5%	0.275
6%	0.350
7%	0.425
8%	0.500
9%	0.575
10%	0.650
11%	0.725
12%	0.800
13%	0.875
14%	0.950
15%	1.025
16%	1.100
17%	1.200
18%	1.300
19%	1.400
20%	1.500
21%	1.600
22%	1.700
23%	1.800
24%	1.900
25%	2.000

Column B

SM TSR vs Peer Index Ann. % Point Deviation From Peers	MULTIPLIER MODIFIER
-10%	(0.80)
-8%	(0.60)
-6%	(0.40)
-4%	(0.20)
-2%	-
0% (Index TSR)	0.20
+2%	0.40
+4%	0.60
+6%	0.80
+8%	1.00

TABULAR EXPRESSION OF PAYOUT MATRIX

SM TSR (%) \ Percentage Point Deviation From Peer Index	-10%	-8%	-6%	-4%	-2%	0%	2%	4%	6%	8%
0%					0	0.20	0.40	0.60	0.80	1.00
1%					0.05	0.25	0.45	0.65	0.85	1.05
2%					0.10	0.30	0.50	0.70	0.90	1.10
3%					0.15	0.35	0.55	0.75	0.95	1.15
4%				0	0.20	0.40	0.60	0.80	1.00	1.20
5%				0.08	0.28	0.48	0.68	0.88	1.08	1.28
6%			0	0.15	0.35	0.55	0.75	0.95	1.15	1.35
7%			0.03	0.23	0.43	0.63	0.83	1.03	1.23	1.43
8%			0.10	0.30	0.50	0.70	0.90	1.10	1.30	1.50
9%		0	0.18	0.38	0.58	0.78	0.98	1.18	1.38	1.58
10%		0.05	0.25	0.45	0.65	0.85	1.05	1.25	1.45	1.65
11%		0.13	0.33	0.53	0.73	0.93	1.13	1.33	1.53	1.73
12%	0	0.20	0.40	0.60	0.80	1.00	1.20	1.40	1.60	1.80
13%	0.07	0.28	0.48	0.68	0.88	1.08	1.28	1.48	1.68	1.88
14%	0.15	0.35	0.55	0.75	0.95	1.15	1.35	1.55	1.75	1.95
15%	0.23	0.43	0.63	0.83	1.03	1.23	1.43	1.63	1.83	2.00
16%	0.30	0.50	0.70	0.90	1.10	1.30	1.50	1.70	1.90	
17%	0.40	0.60	0.80	1.00	1.20	1.40	1.60	1.80	2.00	
18%	0.50	0.70	0.90	1.10	1.30	1.50	1.70	1.90		
19%	0.60	0.80	1.00	1.20	1.40	1.60	1.80	2.00		
20%	0.70	0.90	1.10	1.30	1.50	1.70	1.90			
21%	0.80	1.00	1.20	1.40	1.60	1.80	2.00			
22%	0.90	1.10	1.30	1.50	1.70	1.90				
23%	1.00	1.20	1.40	1.60	1.80	2.00				
24%	1.10	1.30	1.50	1.70	1.90					
25%	1.20	1.40	1.60	1.80	2.00					

RED= MINIMUMS
BLUE = MAXIMUMS

Exhibit 10.7

SM ENERGY COMPANY

RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement (the "Agreement") is made effective as of **July 1, 2011** (the "Award Date"), by and between SM Energy Company, a Delaware corporation (the "Company"), and [Name] (the "Participant") to whom restricted stock units have been awarded under the Company's Equity Incentive Compensation Plan, as amended (the "Plan").

Pursuant to the terms of the Plan and this Agreement, as of the Award Date the Company has made an award (the "Award") to the Participant of [Number] restricted stock units (the "Units"). Capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan.

ARTICLE I

RESTRICTED STOCK UNITS

1.1 Units. Each Unit represents the right to receive one share of the Company's common stock, $.01 par value per share (sometimes referred to herein as the "Common Stock"), to be delivered upon settlement of the Units as set forth in Section 1.3 below, subject to the terms and conditions set forth in the Plan and this Agreement. Any Common Stock that is issued pursuant to any provision of this Agreement may be referred to in this Agreement as a "Share" or "Shares."

1.2 Vesting of Units.

(a) Vesting. Subject to the provisions contained herein, the Units shall vest as follows (the "RSU Vesting Schedule"):

1/7th (approximately 14.3%) on July 1, 2012
2/7ths (approximately 28.6%) on July 1, 2013
4/7ths (approximately 57.1%) on July 1, 2014

In addition, the Units may become fully vested or be forfeited under certain circumstances specified in this Agreement. As of the Award Date, the Participant must be an employee of the Company or a subsidiary thereof. If the Participant ceases to be an employee of the Company or a subsidiary thereof prior to the vesting of all of the Units pursuant to the RSU Vesting Schedule, the Participant shall forfeit the remaining unvested Units under the Award, except as otherwise provided in this Section 1.2 and Section 1.5.

(b) Continued Vesting Upon Early Retirement. The Units shall, notwithstanding any other provision of this Section 1.2, continue to vest according to the RSU Vesting Schedule after the termination of the Participant's employment with the Company or a subsidiary thereof if (i) such termination is the result of the Participant's

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retirement from the Company or a subsidiary thereof upon the Participant's having both reached the age of sixty (60) and completed twelve (12) years of service with the Company or a subsidiary thereof, and (ii) the Participant does not after such early retirement become employed on a full-time basis by a competitor of the Company prior to the earlier of the settlement of the Units or the Participant's reaching the age of sixty-five (65).

(c) Acceleration Upon Death, Total Disability or Normal Retirement. The Units shall become fully vested, notwithstanding any other provision of this Section 1.2, upon termination of the Participant's employment with the Company or a subsidiary thereof because of death, Total Disability (as defined below), or retirement upon reaching the Company's normal retirement age of sixty-five (65). In the event of such acceleration of the vesting of the Units, the RSU Settlement Date (as defined in Section 1.3) shall also be accelerated to permit prompt settlement of the Units. For purposes of this Agreement, "Total Disability" means a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, by reason of which the Participant is unable to engage in any substantial gainful activity or is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(d) Termination for Cause. Notwithstanding any other provision of this Section 1.2, the Participant shall forfeit any unvested and unsettled Units under this Award upon the termination of the employment of the Participant by the Company or a subsidiary thereof for cause, which term is specifically not capitalized as such term is in Section 1.5(a) of this Agreement, it being the specific intent of the Company and the Participant that "cause" in this instance shall be broadly defined as any event, action, or inaction by the Participant that would reasonably be the basis for an employer to terminate the employment of the affected individual.

1.3 Settlement of Units. The portion of the Units that vest on a particular vesting installment date as set forth in the RSU Vesting Schedule shall be settled on such vesting installment date (the "RSU Settlement Date"), provided that such portion of the Units has not been previously terminated. Settlement of the vested Units may be made (a) solely through the issuance of Shares or (b) at the mutual election of the Participant and the Company, in a combination of Shares and cash. The cash value of Units settled in cash shall be based on the closing price of a Share as reported on the New York Stock Exchange or other applicable public market on the trading day corresponding to the RSU Settlement Date. In no event shall the total value of Unit settlements with the Participant under the Plan during any calendar year exceed the value at the time of settlement of the maximum number of Shares issuable to any one participant under the Plan during any calendar year pursuant to Section 4.1 of the Plan. Upon the settlement of the Units through the issuance of Shares, the Company shall deliver to the Participant evidence of book-entry Shares or a certificate for the number of Shares issued to the Participant in settlement of the Units. The Shares shall not be subject to any holding or transfer restrictions after settlement of the Units. The Participant shall not be permitted to elect to further defer settlement beyond the RSU Settlement Date pursuant to Section 6.1(b)(ii) of the Plan.

1.4 Transfer Restrictions. Outstanding Units that have not been settled shall not be transferable by the Participant, and the Participant shall not be permitted to sell, transfer, pledge, assign, or otherwise alienate or encumber such Units or the Shares issuable in settlement thereof, other than (i) to the person or persons to whom the Participant's rights under such Units pass by will or the laws of descent and distribution, (ii) to the spouse or the descendants of the Participant or to trusts for such persons to whom or which the Participant may transfer such Units by gift, (iii) to the legal representative of any of the foregoing, or (iv) pursuant to a qualified domestic relations order as defined under Section 414(p) of the Internal Revenue Code of 1986, as amended (the "Code"), or a similar order or agreement pursuant to state domestic relations law (including a community property law) relating to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of the Participant. Any such transfer shall be made only in compliance with the Securities Act of 1933 and the requirements therefor as set forth by the Company. Any attempted transfer in contravention of the foregoing provisions shall be null and void and of no effect.

1.5 Change of Control Termination.

(a) Vesting Upon Change of Control Termination. Notwithstanding any other provision of this Agreement, the Units shall become fully vested

upon a Change of Control Termination. For purposes of this Agreement, a "Change of Control Termination" occurs upon the termination of the Participant's employment with the Company or a subsidiary thereof in the event that (i) a Change of Control (as defined in the Plan) of the Company occurs, and (ii) the Participant's employment with the Company or a subsidiary thereof is subsequently terminated without Cause (as defined below) or the Participant terminates his or her employment with the Company or a subsidiary thereof for Good Reason (as defined below), and such termination of employment occurs (x) within 30 months of the Change of Control and (y) prior to the normal completion of vesting of the Units. The normal vesting and settlement provisions in Article I of this Agreement shall not be affected by the first sentence of this subsection if a Change of Control of the Company occurs but there is not also a Change of Control Termination with respect to the Participant's employment with the Company or a subsidiary thereof. If the Participant has entered into a separate written Change of Control Executive Severance Agreement or Change of Control Severance Agreement (with either to be subsequently referred to herein as a "Change of Control Severance Agreement") with the Company, the terms "Cause" and "Good Reason" used herein shall have the meanings set forth in such Change of Control Severance Agreement. If the Participant has not entered into a separate written Change of Control Severance Agreement, the terms "Cause" and "Good Reason" used herein shall have the meanings set forth in the Company's Change of Control Severance Plan (the "Change of Control Severance Plan").

(b) Settlement upon Change of Control Termination. Notwithstanding any other provision of this Agreement to the contrary, in the event of a Change of Control Termination with respect to the Participant's employment with the Company or a subsidiary thereof as set forth in Section 1.5(a) above, the vested Units shall be settled either in Shares or in cash of equivalent value, as determined by the Committee or other

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duly authorized administrator of the Plan, in its discretion, within thirty (30) days following the effective date of the Change of Control Termination; provided, however, that the time and manner of such settlement shall comply with Section 409A of the Code as referred to in Section 2.11 of this Agreement.

(c) Controlling Documents for Change of Control Termination. To the extent that the Participant is subject to either a written Change of Control Severance Agreement or the Change of Control Severance Plan, the terms and conditions of such Change of Control Severance Agreement or Change of Control Severance Plan, as applicable, shall also apply to this Award in the event of a Change of Control Termination; provided, however, that with respect to the Units under this Award, the terms of the Plan and this Agreement shall control in the event of any inconsistency between their terms and the terms of the Change of Control Severance Agreement or the Change of Control Severance Plan.

ARTICLE II

GENERAL PROVISIONS

2.1 Adjustments Upon Changes in Capitalization. In the event that a stock split, stock dividend, or other similar change in capitalization of the Company occurs, the number and kind of Shares that may be issued under this Agreement and that have not yet been issued shall be proportionately and appropriately adjusted.

2.2 No Dividend Equivalents or Stockholder Rights Until Shares Issued. The Units shall not be credited with Dividend Equivalents. In addition, the Participant shall have no voting, transfer, liquidation, or other rights of a holder of Shares with respect to the Units until such time as Shares, if any, have been issued by the Company to the Participant in settlement of the Units. Until the Units are settled or terminated, they will represent only bookkeeping entries by the Company to evidence unfunded and unsecured obligations of the Company.

2.3 Notices. Any notice to the Participant relating to this Agreement shall be in writing and delivered in person or by mail, fax, or email transmission to the address or addresses on file with the Company. Any notice to the Company shall be addressed to it at its principal office, and be specifically directed to the attention of the Secretary. Anyone to whom a notice may be given under this Agreement may designate a new address by notice to that effect.

2.4 Benefits of Agreement. This Agreement shall inure to the benefit of and be binding upon each successor of the Company and the Participant's heirs, legal representatives, and permitted transferees. This Agreement and the Plan shall be the sole and exclusive source of any and all rights that the Participant and the Participant's heirs, legal representatives, and permitted transferees may have with respect to this Award, the Units, and the Plan.

2.5 Resolution of Disputes. Any dispute or disagreement that arises under, or is a result of, or in any way relates to, the interpretation, construction, or applicability of this Agreement shall be resolved as determined by the Committee, or the Board of Directors of the Company (the "Board"), or by any other committee appointed by the Board for such purpose. Any determination made hereunder shall be final, binding, and conclusive for all purposes.

2.6 Controlling Documents. The provisions of the Plan are hereby incorporated by reference into this Agreement. In the event of any inconsistency between this Agreement and the Plan, the Plan shall control.

2.7 Amendments. This Agreement may be amended only by a written instrument executed by both the Company and the Participant.

2.8 No Right of Participant to Continued Employment. Nothing contained in this Agreement or the Plan shall confer on the Participant any right to continue to be employed by the Company or any subsidiary thereof, or shall limit the Company's right to terminate the employment of the Participant at any time; provided, however, that nothing contained in this Agreement shall affect any separate contractual provisions that exist between the Participant and the Company or its subsidiaries with respect to the employment of the Participant.

2.9 Vesting Dates and Settlement Dates. In the event that any vesting date, settlement date, or any other measurement date with respect to this Award does not fall on a normal business day, such date shall be deemed to occur on the next following normal business day.

2.10 Tax Withholding. The Company may make such provisions and take such steps as it deems necessary or appropriate for the withholding of any taxes that the Company is required by law or regulation of any governmental authority, whether Federal, state, or local, to withhold in connection with the Units or Shares subject to this Agreement. The Participant shall elect, prior to any tax withholding event related to this Award and at a time when the Participant is not aware of any material nonpublic information about the Company and the Participant would be permitted to engage in a transaction in the Company's securities under the Company's Securities Trading Policy, whether the Participant will satisfy all or part of such tax withholding requirement by paying the taxes in cash or by having the Company withhold Shares having a fair market value equal to the minimum statutory withholding that may be imposed on the transaction (based on minimum statutory withholding rates for Federal, state, and local tax purposes, as applicable, that are applicable to such transaction). The Participant's election shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

2.11 Compliance with Section 409A of the Code. Notwithstanding any provision in this Agreement to the contrary, to the extent that this Agreement constitutes a nonqualified deferred compensation plan or arrangement to which Section 409A of the Code applies, the administration of this Award (including the time and manner of payments under the Award and this Agreement) shall comply with Section 409A of the Code. In connection therewith, any settlement or payment to the Participant with respect to the Award under this Agreement which Section 409A(a)(2)(B)(i) of the Code indicates may not be made before the date which is six months after the date of the Participant's separation from employment service (the "Section 409A Six-Month Waiting Period"), as a result of the fact that the Participant is a specified key employee referred to in Section 409A(a)(2)(B)(i) of the Code, shall not occur or be made during the Section 409A Six-Month Waiting Period but rather shall be delayed, if such

settlement or payment would otherwise occur during the Section 409A Six-Month Waiting Period, until the expiration of the Section 409A Six-Month Waiting Period.

2.12 Personal Data. The Participant hereby consents to the collection, use, and transfer, in electronic or other form, of the Participant's personal data as described in this Agreement by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering, and managing the Participant's participation in the Plan. The Company holds, or may receive from any agent designated by the Company, certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social security insurance number or other identification number, salary, nationality, job title, any shares of Common Stock held, details of this Award and any other rights to shares of Common Stock awarded, canceled, exercised, vested, unvested, or outstanding in the Participant's favor, for the purpose of implementing, administering, and managing the Plan, including complying with applicable tax and securities laws (the "Personal Data"). The Personal Data may be transferred to any third parties assisting in the implementation, administration, and management of the Plan. The Participant authorizes such recipients of the Personal Data to receive, possess, use, retain, and transfer the Personal Data, in electronic or other form, for the purposes described above. The Participant may, at any time, view the Personal Data, request additional information about the storage and processing of the Personal Data, require any necessary amendments to the Personal Data, or refuse or withdraw the consents herein, in any case without cost, by contacting the Secretary of the Company in writing. Any such refusal or withdrawal of the consents herein may affect the Participant's ability to participate in the Plan.

2.13 Electronic Delivery of Documents. The Company may, in its sole discretion, deliver any documents related to this Award, or any future awards that may be granted under the Plan, by electronic means, or request the Participant's consent to participate in the Plan or other authorizations from the Participant in connection therewith by electronic means. The Participant hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

2.14 Receipt of Award and Related Documents. The Participant hereby acknowledges the receipt, either directly or electronically, of the Award, a copy of the Plan, and a prospectus for the Plan.

2.15 Execution and Counterparts. This Agreement may be executed in counterparts. Execution of a written instrument for this Agreement may be evidenced by any appropriate form of electronic signature or affirmative email or other electronic response attached to or logically associated with such written instrument, which is executed or adopted by a party with an indication of the intention by such party to execute or adopt such instrument for purposes of execution thereof.

* * * * *

[Signature page follows]

IN WITNESS WHEREOF, the Company and the Participant have caused this Restricted Stock Unit Award Agreement to be entered into effective as of the Award Date.

COMPANY:

SM ENERGY COMPANY,
a Delaware corporation

By: _____

Printed Name: John R. Monark
Title: Vice President, Human Resources
Date signed: _____

PARTICIPANT:

Signature: _____

Printed Name: **NAME**

EXHIBIT 31.1

CERTIFICATION

I, Anthony J. Best, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SM Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying 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 reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2011

/s/ ANTHONY J. BEST
Anthony J. Best
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, A. Wade Pursell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SM Energy Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying 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 reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2011

/s/ A. WADE PURSELL
A. Wade Pursell
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of SM Energy Company (the "Company") for the quarterly period ended June 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Anthony J. Best, as President and Chief Executive Officer of the Company, and A. Wade Pursell, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to and solely for the purpose of 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge and belief, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANTHONY J. BEST
Anthony J. Best
President and Chief Executive Officer
August 2, 2011

/s/ A. WADE PURSELL
A. Wade Pursell
Executive Vice President and Chief Financial Officer
August 2, 2011