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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): December 22, 2005

American Real Estate Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

1-9516

(Commission File Number)

13-3398766

(IRS Employer
Identification No.)

100 South Bedford Road, Mt. Kisco, NY
(Address of principal executive offices)

10549
(Zip Code)

Registrant's telephone number, including area code: **(914) 242-7700**

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 — Entry into a Definitive Material Agreement.

Section 2 — Financial Information

Item 2.03 — Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

On December 22, 2005, AREP Oil & Gas LLC, our wholly-owned subsidiary, entered into a credit agreement, dated as of December 20, 2005, with Citicorp USA, Inc., as Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and other lender parties thereto. The credit agreement is secured by substantially all the assets of AREP Oil & Gas and its subsidiaries, has a five-year term and permits payments and reborrowings, subject to a borrowing base calculation based on the proved oil and gas reserves of AREP Oil & Gas and its subsidiaries.

AREP Oil & Gas will use the proceeds of the initial \$300 million funding to (1) purchase the existing obligations of its indirect subsidiary, NEG Operating LLC, or NEGO, from the lenders under NEGO's credit facility with Mizuho Corporate Bank, Ltd., as administrative agent, (2) permit its subsidiary, National Onshore LP, to repay a loan of approximately \$85 million from American Real Estate Holdings Limited Partnership, or AREH, of which we are the 99% limited partner, (3) pay a dividend or distribution to AREH or a subsidiary of AREH in the amount of up to \$80 million, (4) pay transaction costs and (5) finance capital expenditures and working capital needs.

Under the credit agreement, AREP Oil & Gas will be permitted to borrow up to \$500 million. Borrowings under the new credit facility will be subject to a borrowing base determination based on the oil and gas properties of AREP Oil & Gas and its subsidiaries and the reserves and production related to those properties. The initial borrowing base is set at \$335 million and will be subject to semi-annual redeterminations, based on engineering reports to be provided by AREP Oil & Gas by March 31 and September 30 of each year, beginning March 31, 2006. Obligations under the credit agreement are secured by liens on all of the assets of AREP Oil & Gas and its wholly-owned subsidiaries, including pledges of the equity of AREP Oil & Gas in its subsidiaries, notes and other debt securities issued by subsidiaries of AREP Oil & Gas and owned by it (including the 10³/₄% notes due 2006 issued by National Energy Group, Inc.) and AREP Oil & Gas's rights under the restated NEGO credit facility and the collateral securing obligations under that facility. The credit agreement has a term of five years and all amounts will be due and payable on December 20, 2010. Advances under the credit agreement will be in the form of either base rate loans or Eurodollar loans, each as defined.

The credit agreement includes covenants that, among other things, restrict the incurrence of indebtedness by AREP Oil & Gas and its subsidiaries, the creation of liens by them, hedging contracts, mergers and issuances of securities by them, and distributions and investments by AREP Oil & Gas and its subsidiaries. The covenant restricting indebtedness allows, among other things, for the incurrence of up to \$200 million principal amount of second lien borrowings or high yield debt that satisfy certain conditions specified in the credit agreement. The restriction on distributions and investments allows, among other things, for distributions from the proceeds from the issuance or borrowing of second lien or high yield debt, distributions in connection with an initial equity offering, as defined, quarterly tax distributions to AREP Oil & Gas's

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equityholders, repayment of currently outstanding advances by AREH to subsidiaries of AREP Oil & Gas aggregating approximately \$40 million and other cash distributions to AREP Oil & Gas's equityholders not to exceed \$8 million in any fiscal year.

The credit agreement also requires AREP Oil & Gas to maintain: (1) a ratio of consolidated total debt to consolidated EBITDA (for the four fiscal quarter period ending on the date of the consolidated balance sheet used to determine consolidated total debt), as defined, of not more than 3.5 to 1.0; (2) consolidated tangible net worth, as defined, of not less than \$240 million, plus 50% of consolidated net income for each fiscal quarter ending after December 31, 2005 for which consolidated net income is positive; and (3) a ratio of consolidated current assets to consolidated current liabilities of not less than 1.0 to 1.0.

Obligations under the credit agreement are immediately due and payable upon the occurrence of certain events of default as defined in the credit agreement, including failure to pay any principal component of any obligation when due and payable, failure to comply with any covenant or condition of any loan document or hedging contract, as defined in the credit agreement, within 30 days of receiving notice of such failure, any change of control or any event of default as defined in the restated NEGO credit facility.

The description set forth above is qualified in its entirety by the credit agreement and related documents, copies of which are filed as exhibits to this report and incorporated by reference.

Section 9 — Financial Statements and Exhibits

Item 9.01(d) Exhibits

- Exhibit 10.1** — Credit Agreement, dated as of December 20, 2005, with Citicorp USA, Inc., as Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and other lender parties thereto.
- Exhibit 10.2** — Security Agreement, dated as of December 20, 2005, from the Guarantors referred to therein to Citicorp USA, Inc., as Administrative Agent.
- Exhibit 10.3** — Guaranty, dated as of December 20, 2005, from the guarantors named therein and the Additional Guarantors referred to therein in favor of the Guaranteed Parties referred to therein.
- Exhibit 10.4** — Amended and Restated Credit Agreement, dated as of December 20, 2005, among NEG Operating LLC, as the Borrower, AREP Oil & Gas LLC, as the Lender, AREP Oil & Gas LLC, as Administrative Agent for the Lender, and Citicorp USA, Inc., as Collateral Agent for the Lender and the Hedging Counterparties

[remainder of page intentionally left blank; signature page follows]

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.

AMERICAN REAL ESTATE PARTNERS, L.P.
(Registrant)

By: American Property Investors, Inc.
General Partner

By: /s/ John P. Saldarelli
John P. Saldarelli
Vice President

Date: December 29, 2005

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Exhibit No.	Description
Exhibit 10.1	Credit Agreement, dated as of December 20, 2005, with Citicorp USA, Inc., as Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and other lender parties thereto.
Exhibit 10.2	Security Agreement, dated as of December 20, 2005, from the Guarantors referred to therein to Citicorp USA, Inc., as Administrative Agent.
Exhibit 10.3	Guaranty, dated as of December 20, 2005, from the guarantors named therein and the Additional Guarantors referred to therein in favor of the Guaranteed Parties referred to therein.
Exhibit 10.4	Amended and Restated Credit Agreement, dated as of December 20, 2005, among NEG Operating LLC, as the Borrower, AREP Oil & Gas LLC, as the Lender, AREP Oil & Gas LLC, as Administrative Agent for the Lender, and Citicorp USA, Inc., as Collateral Agent for the Lender and the Hedging Counterparties

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CREDIT AGREEMENT

AREP OIL & GAS LLC,
as Borrower

CITICORP USA, INC.,
as Administrative Agent

BEAR STEARNS CORPORATE LENDING INC.,
as Syndication Agent

and CERTAIN FINANCIAL INSTITUTIONS,
as Lenders

\$500,000,000 Senior Secured Revolving Credit Agreement

December 20, 2005

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- Exhibit A - Form of Promissory Note
- Exhibit B - Form of Borrowing Notice
- Exhibit C - Form of Continuation/Conversion Notice
- Exhibit D - Form of Certificate Accompanying Financial Statements
- Exhibit E - Assignment and Assumption Agreement
- Exhibit F - Letter of Credit Application
- Exhibit G - Commitment Increase Agreement

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is made as of December 20, 2005, by and among AREP Oil & Gas LLC, a Delaware limited liability company ("Borrower"), Citicorp USA, Inc., individually and as administrative agent ("Administrative Agent") and as LC Issuer, Bear Stearns Corporate Lending Inc., as syndication agent, and the Lenders referred to below.

WITNESSETH:

In consideration of the mutual covenants and agreements contained herein in consideration of the loans which may hereafter be made by Lenders and the Letters of Credit which may be made available by LC Issuer to Borrower, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I - Definitions and References

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

"Adjusted Base Rate" means, on any day, the Base Rate for such day plus the Base Rate Margin for such day, provided that the Adjusted Base Rate charged by any Person shall never exceed the Highest Lawful Rate.

"Adjusted Eurodollar Rate" means, for any Eurodollar Loan for any day during any Interest Period therefor, the rate per annum equal to the sum of (a) the Eurodollar Margin for such day plus (b) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by Administrative Agent to be equal to the quotient obtained by dividing (i) the Eurodollar Rate for such Eurodollar Loan for such Interest Period by (ii) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period, provided that no Adjusted Eurodollar Rate charged by any Person shall ever exceed the Highest Lawful Rate. The Adjusted Eurodollar Rate for any Eurodollar Loan shall change whenever the Eurodollar Margin or the Reserve Requirement changes.

"Administrative Agent" means Citicorp USA, Inc., as Administrative Agent hereunder, and its successors in such capacity.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by Administrative Agent.

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

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"Aggregate Commitments" means, at any time, the sum of the Commitments then in effect. On the date hereof the Aggregate Commitments total \$335,000,000 but are subject to increase hereafter pursuant to Section 2.17.

"Agreement" means this Credit Agreement.

"Allowed Second Lien/Unsecured Indebtedness" means Indebtedness for borrowed money under the "Bonds" or the "Second Lien Notes" described in Schedule 4 hereto, provided that all applicable conditions and requirements described in such Schedule have been satisfied at the time Borrower becomes liable thereunder.

"Applicable Lending Office" means, with respect to each Lender, such Lender's Domestic Lending Office in the case of Base Rate Loans and such Lender's Eurodollar Lending Office in the case of Eurodollar Loans.

"Applicable Utilization Level" means on any date the level set forth below

that corresponds to the percentage, at the close of business on such day, equivalent to the (i) Facility Usage divided by (ii) the Borrowing Base (the "Utilization Percent"):

Applicable Utilization Level	Utilization Percent
Level I	less than 33%
Level II	greater than or equal to 33% but less than 66%
Level III	greater than or equal to 66% but less than 80%
Level IV	Greater than or equal to 80%

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

"AREH" means American Real Estate Holdings Limited Partnership, a Delaware limited partnership.

"AREP" means American Real Estate Partners, L.P., a Delaware limited partnership.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 10.5), and accepted by Administrative Agent, in substantially the form of Exhibit E or any other form approved by Administrative Agent.

"Available Borrowing Base" means, at any time of determination, the remainder of (a) the lesser of the Borrowing Base or the Aggregate Commitments, minus (b) the Facility Usage.

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall be equal at all times to the highest of the following:

(a) the rate of interest announced publicly by Administrative Agent in New York, New York, from time to time, as Administrative Agent's base rate;

(b) the sum (adjusted to the nearest 0.25% or, if there is no nearest 0.25%, to the next higher 0.25%) of (i) 0.5% per annum, (ii) the rate per annum obtained by dividing (A) the latest three week moving average of secondary market morning offering rates in the United States for three month certificates of deposit of major United States money market banks, such three week moving average being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three week period ending on the previous Friday by Administrative Agent on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Administrative Agent from three New York certificate of deposit dealers of recognized standing selected by Administrative Agent, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three week period by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for Administrative Agent in respect of liabilities consisting of or including (among other liabilities) three month U.S. dollar nonpersonal time deposits in the United States and (iii) the average during such three week period of the maximum annual assessment rates estimated by Administrative Agent for determining the then current annual assessment payable by Administrative Agent to the Federal

Deposit Insurance Corporation (or any successor) for insuring Dollar deposits in the United States; and

(c) 0.5% per annum plus the Federal Funds Rate.

"Base Rate Loan" means a Loan that bears interest at the Adjusted Base Rate.

"Base Rate Margin" means, on any date, with respect to each Base Rate Loan, the rate per annum set forth below based on the Applicable Utilization Level on such date:

Applicable Utilization Level	Base Rate Margin
Level I	0.00%
Level II	0.25%
Level III	0.50%
Level IV	0.75%

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Changes in the applicable Base Rate Margin will occur automatically without prior notice as changes in the Applicable Utilization Level occur. Administrative Agent will give notice promptly to Borrower and the Lenders of changes in the Base Rate Margin.

"Borrower" means AREP Oil & Gas LLC, a Delaware limited liability company.

"Borrowing" means a borrowing of new Loans of a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.2 or a Continuation or Conversion of existing Loans into a single Type (and, in the case of Eurodollar Loans, with the same Interest Period) pursuant to Section 2.3.

"Borrowing Base" means, at the particular time in question, either the amount provided for in Section 2.8 or the amount determined in accordance with the provisions of Section 2.9; provided, however, that in no event shall the Borrowing Base ever exceed the Maximum Senior Credit Amount.

"Borrowing Base Deficiency" has the meaning given to such term in Section 2.7(b).

"Borrowing Base Period" means (a) the time period from the date of this Agreement until the first Scheduled Redetermination; and (b) thereafter each period from and including the date of a Scheduled Redetermination until, but not including, the date of the next Scheduled Redetermination.

"Borrowing Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.2.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks are open for business with the public in New York, New York. Any Business Day in any way relating to Eurodollar Loans (such as the day on which an Interest Period begins or ends) must also be a day on which, in the judgment of Administrative Agent, significant transactions in dollars are carried out in the interbank eurocurrency market.

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

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such

Capital Lease which should, in accordance with GAAP, appear as a liability on the balance sheet of such Person.

"Cash Equivalents" means Investments in:

(a) marketable obligations, maturing within twelve months after acquisition thereof, issued or unconditionally guaranteed by the United States of America or an instrumentality or agency thereof and entitled to the full faith and credit of the United States of America;

(b) demand deposits, and time deposits (including certificates of deposit) maturing within twelve months from the date of deposit thereof, with any office of any Lender or with a domestic office of any national or state bank or trust company which is organized under the

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Laws of the United States of America or any state therein, which has capital, surplus and undivided profits of at least \$500,000,000, and whose long term certificates of deposit are rated at least Aa3 by Moody's or AA- by S & P;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in subsection (a) above entered into with any commercial bank meeting the specifications of subsection (b) above;

(d) open market commercial paper, maturing within 270 days after acquisition thereof, which are rated at least P-1 by Moody's or A-1 by S & P;

(e) money market or other mutual funds substantially all of whose assets comprise securities of the types described in subsections (a) through (d) above; and

(f) auction rated reset securities rated at least A by S&P or A by Moody's (notwithstanding their classification under GAAP).

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any Law, (b) any change in any Law, or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of Law) by any Governmental Authority.

"Change of Control" means the occurrence of any event or series of events pursuant to which:

(a) at any time, any Person or two or more Persons acting as a group (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) shall own, directly or indirectly, more of the economic interests and voting power of the Equity of Borrower than the Icahn Group, or

(b) prior to the Initial Equity Offering, the Icahn Group shall cease to own for any reason, directly or indirectly, greater than 30% of the outstanding voting securities of Borrower, measured by voting power (including both common Equity and any preferred Equity or other Equity entitling the holders thereof to vote with the holders of common Equity in elections for directors of Borrower). As used herein, "Icahn Group" means (1) Carl C. Icahn, any spouse and any child, stepchild, sibling or descendant of Carl C. Icahn, (2) any estate of Carl C. Icahn or any Person under clause (1), (3) any Person who receives a beneficial interest in any estate under clause (2) to the extent of such interest, (4) any executor, personal administrator or trustee who holds such beneficial interest for the benefit of, or as a fiduciary for, any person under clauses (1), (2), or (3) to the extent of such interest and (5) any corporation, partnership, limited liability company, trust, or similar entity, directly or indirectly owned or Controlled by Carl C. Icahn or any other Person or Persons identified in clauses (1), (2) or (3).

"Closing Date" means the date on which all of the conditions precedent set forth in Section 4.1 and Section 4.2 shall have been satisfied or waived.

"Collateral" means (a) all property of any kind which is subject to a Lien in favor of Lenders (or in favor of Administrative Agent for the benefit of Lenders) or which, under the terms of any Security Document, is purported to be subject to such a Lien, and (b) all NEGO Collateral.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans to, and participate in Letters of Credit issued upon the application of, Borrower in an aggregate amount not exceeding the amount set forth on the Lenders Schedule or as set forth in any Assignment and Assumption relating to any assignment that has become effective pursuant to Section 10.5, as such amount may be modified from time to time pursuant to the terms hereof.

"Commitment Fee Rate" means, on any date, the rate per annum set forth below based on the Applicable Utilization Level on such date:

Applicable Utilization Level	Commitment Fee Rate
-----	-----
Level I	0.375%
Level II	0.375%
Level III	0.50%
Level IV	0.50%

Changes in the applicable Commitment Fee Rate will occur automatically without prior notice as changes in the Applicable Utilization Level occur. Administrative Agent will give notice promptly to Borrower and the Lenders of changes in the Commitment Fee Rate.

"Commitment Period" means the period from and including the Closing Date until the Maturity Date (or, if earlier, the day on which the obligations of Lenders to make Loans hereunder or the obligations of LC Issuer to issue Letters of Credit hereunder have been terminated or the Notes first become due and payable in full).

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

"Consolidated Current Assets" means, for any period, the aggregate amount of all assets of Borrower and its Consolidated Subsidiaries which would be properly classified as current assets in accordance with GAAP plus any Available Borrowing Base, but excluding any unrealized assets resulting from compliance with the Financial Accounting Standards Board's Statement 133 concerning mark-to-market requirements on hedging transactions.

"Consolidated Current Liabilities" means, for any period, the aggregate amount of all liabilities of Borrower and its Consolidated Subsidiaries which would be properly classified as current liabilities in accordance with GAAP, but excluding (i) any unrealized liabilities resulting from compliance with the Financial Accounting Standards Board's Statement 133 concerning mark-to-market requirements on hedging transactions, and (ii) any current liabilities relating to Intercompany Obligations.

"Consolidated EBITDA" means for any period of four consecutive Fiscal Quarters, the Consolidated Net Income of Borrower for such period; plus each of

the following (without duplication) determined for Borrower and its Consolidated Subsidiaries on a Consolidated basis for such period: (a) any provision for (or less any benefit from) income or franchise taxes included in determining Consolidated Net Income; (b) any interest expense deducted in determining Consolidated Net Income; and (c) any depreciation, depletion or amortization expense deducted in determining Consolidated Net Income and any other non-cash charge, expense or loss deducted in determining Consolidated Net Income; and minus each of the following (without duplication) determined for Borrower and its Consolidated Subsidiaries on a Consolidated basis for such period, to the extent included in determining such Consolidated Net Income for such period: (i) any extraordinary income or gains; (ii) any other non-cash income or gain, and (iii) the cumulative effect of any change in accounting principles, provided however, that in determining Consolidated Net Income for the purposes of this definition for any period of four Fiscal Quarters in which Borrower or any of its Consolidated Subsidiaries acquires additional Subsidiaries (whether by purchase, merger or otherwise) or acquires or disposes of producing Oil and Gas Properties, (1) the Consolidated Net Income of such acquired Subsidiaries shall be included in such calculation on a pro forma basis as if they had been owned by Borrower and its Consolidated Subsidiaries throughout such four Fiscal Quarter period, (2) the revenues attributable to the oil and gas production from such acquired Oil and Gas Properties during such four Fiscal Quarter period, less the direct operating expenses and severance and ad valorem taxes incurred with respect to such properties during such four Fiscal Quarter period, shall be included in such calculation on a pro forma basis as if they had been owned by Borrower and its Consolidated Subsidiaries throughout such four Fiscal Quarter period, and (3) the revenues attributable to the oil and gas production from producing Oil and Gas Properties disposed of during such four Fiscal Quarter period, less the direct operating expenses and severance and ad valorem taxes incurred with respect to such properties during such four Fiscal Quarter period, shall be deducted in such calculation on a pro forma basis as if they had not been owned by Borrower and its Consolidated Subsidiaries throughout such four Fiscal Quarter period.

"Consolidated Net Income" means, for any period, the net income (or loss) of Borrower and its Consolidated Subsidiaries for such period determined in accordance with GAAP, provided that the following shall be excluded in calculating Consolidated Net Income and Consolidated EBITDA: (i) any gain or loss from the sale of assets other than in the ordinary course of business, (ii) any non-cash income, gains, losses or charges resulting from the requirements of SFAS 133 or 143, and (iii) any non-cash interest expense in respect of Intercompany Obligations owing to Debt Holdco.

"Consolidated Tangible Net Worth" means, at any time, the sum of (i) the total assets of Borrower and its Consolidated Subsidiaries at such time determined in accordance with GAAP, minus (ii) the total liabilities of Borrower and its Consolidated Subsidiaries at such time

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determined in accordance with GAAP, minus (iii) all intangible assets properly classified as such in accordance with GAAP, including, but without limitation, patents, patent rights, trademarks, trade names, franchises, copyrights, licenses, permits and goodwill (whether representing the excess of cost of tangible assets acquired over book value or otherwise), plus (iv) Indebtedness owed by any Credit Party to Debt Holdco, plus (v) any net liabilities of any Credit Party in respect of Hedging Contracts, and minus (vi) any net assets of any Credit Party in respect of Hedging Contracts.

"Consolidated Total Debt" means, at any time, the aggregate of all Indebtedness (including the current portion thereof) of Borrower and its Consolidated Subsidiaries at such time determined in accordance with GAAP, but excluding Indebtedness in respect of Hedging Contracts, Indebtedness in respect of Letters of Credit not otherwise supporting Indebtedness, and Intercompany Obligations owing to Debt Holdco.

"Continuation" shall refer to the continuation pursuant to Section 2.3 hereof of a Eurodollar Loan as a Eurodollar Loan from one Interest Period to the next Interest Period.

"Continuation/Conversion Notice" means a written or telephonic request, or a written confirmation, made by Borrower which meets the requirements of Section 2.3.

"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.

"Conversion" shall refer to a conversion pursuant to Section 2.3 or Article III of one Type of Loan into another Type of Loan.

"Credit Party" means any of Borrower, each Subsidiary of Borrower, and each Guarantor.

"Debt Holdco" means a newly formed subsidiary of AREH that is formed to carry out the activities contemplated herein for "Debt Holdco" and that has no other businesses or liabilities.

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

"Default Rate" means, at the time in question (a) with respect to any Base Rate Loan or other Obligation other than a Eurodollar Loan, the rate per annum equal to two percent (2%) above the Adjusted Base Rate then in effect for such Loan and (b) with respect to any Eurodollar Loan, the rate per annum equal to two percent (2%) above the Adjusted Eurodollar Rate then in effect for such Loan, provided in each case that no Default Rate charged by any Person shall ever exceed the Highest Lawful Rate.

"Determination Date" has the meaning given to such term in Section 2.9.

"Disclosure Schedule" means Schedule 1 hereto.

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"Distribution" means (a) any dividend or other distribution made by a Credit Party on or in respect of any Equity in such Credit Party or any other Credit Party, (b) any payment made by a Credit Party to purchase, redeem, acquire or retire any Equity in such Credit Party or any other Credit Party, or (c) any payment by a Credit Party on account of Indebtedness owed to Debt Holdco or IPO Co or any other Person other than a Credit Party that is an Affiliate of Borrower.

"Domestic Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Domestic Lending Office" on the Lenders Schedule, or such other office as such Lender may from time to time specify to Borrower and Administrative Agent; with respect to LC Issuer, the office, branch, or agency through which it issues Letters of Credit; and, with respect to Administrative Agent, the office, branch, or agency through which it administers this Agreement.

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) Administrative Agent, and LC Issuer and (ii) unless an Event of Default has occurred and is continuing, Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include Borrower or any of Borrower's Affiliates or Subsidiaries.

"Engineered Oil and Gas Property" means any Oil and Gas Property listed in the Initial Engineering Report or any subsequent Engineering Report.

"Engineering Report" means the Initial Engineering Report and each engineering report delivered pursuant to Section 6.2. To the extent that two or more engineering firms prepare reports as of the same date for portions of the properties required to be reported on, such reports will collectively constitute a single "Engineering Report" for the purposes hereof.

"Environmental Laws" means any and all Laws relating to the protection and/or preservation of the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including ambient air, surface water, ground water, or land, or otherwise relating to the manufacture,

processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes, but not including any licenses or permits issued pursuant to any Environmental Laws.

"Equity" means shares of capital stock or a partnership, profits, capital, member or other equity interest of any Person and options, warrants or any other rights to otherwise acquire the capital stock or a partnership, profits, capital, member or other equity interest of any Person.

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

"ERISA Affiliate" means each Credit Party and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with such Credit Party, are treated as a single employer under Section 414 of the Internal Revenue Code.

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"ERISA Plan" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Credit Party has a fixed or contingent liability.

"Eurodollar Lending Office" means, with respect to any Lender, the office of such Lender specified as its "Eurodollar Lending Office" on the Lenders Schedule (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to Borrower and Administrative Agent.

"Eurodollar Loan" means a Loan that bears interest at the Adjusted Eurodollar Rate.

"Eurodollar Margin" means, on any date, with respect to each Eurodollar Loan, the rate per annum set forth below based on the Applicable Utilization Level on such date:

Applicable Utilization Level	Eurodollar Margin
Level I	1.00%
Level II	1.25%
Level III	1.50%
Level IV	1.75%

Changes in the applicable Eurodollar Margin will occur automatically without prior notice as changes in the Applicable Utilization Level occur. Administrative Agent will give notice promptly to Borrower and the Lenders of changes in the Eurodollar Margin.

"Eurodollar Rate" means, with respect to any Interest Period for any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate of interest determined by the Administrative Agent to be the rate per annum at which deposits in Dollars are offered by the principal office of Administrative Agent in London to major banks in the London interbank market at 11:00 a.m. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the Eurodollar Loan of Administrative Agent for a period equal to such Interest Period.

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

"Excluded Taxes" means, with respect to Administrative Agent, any Lender, LC Issuer or any other recipient of any payment to be made by or on account of

any obligation of Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which Borrower is located and (c) in the case of a Foreign

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Lender (other than an assignee pursuant to a request by the Borrower under Section 3.7(b)), any withholding tax that would be imposed on amounts payable to such Foreign Lender under the Laws in effect at the time such Foreign Lender becomes a party hereto (or designates a new lending office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with Section 3.5(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled immediately prior to the designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.5(a).

"Facility Usage" means, at the time in question, the aggregate principal amount of outstanding Loans and existing LC Obligations at such time.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of Bank of New York on the Business Day next succeeding such day, provided that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Administrative Agent on such day on such transactions as determined by Administrative Agent.

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

"Fiscal Year" means a twelve-month period ending on December 31 of any year.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which 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.

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

"GAAP" means those generally accepted accounting principles and practices which are recognized as such by the Financial Accounting Standards Board (or any generally recognized successor) and which, in the case of Credit Parties and their Consolidated Subsidiaries, are applied for all periods after the date hereof in a manner consistent with the manner in which such principles and practices were applied to the Initial Financial Statements. If any change in any accounting principle or practice is required by the Financial Accounting Standards Board (or any such successor) in order for such principle or practice to continue as a generally accepted accounting principle or practice, all reports and financial statements required hereunder with respect to any Credit Party or with respect to any Credit Party and its Consolidated Subsidiaries may be prepared in accordance with such change, but all calculations and determinations to be

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made hereunder may be made in accordance with such change only after notice of such change is given to the Administrative Agent, and Majority Lenders and Administrative Agent agree to such change insofar as it affects the accounting of such Credit Party and its Consolidated Subsidiaries.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"Guarantor" means (a) any Person who has guaranteed some or all of the Obligations pursuant to a Guaranty listed on the Security Schedule, (b) any other Person who has guaranteed some or all of the Obligations and who has been accepted by Administrative Agent as a Guarantor, or (c) any Subsidiary of Borrower, and, on or after the consummation of the Initial Equity Offering, IPO Co, in each case, which now or hereafter executes and delivers a Guaranty to Administrative Agent pursuant to Section 6.15.

"Guaranty" means the Guaranty provided on the Closing Date by National Onshore, National Offshore, and the other subsidiaries of Borrower excluding the NEG Subsidiaries. Guaranty also means any other guaranty agreement in substantially the same form that is hereafter accepted by Administrative Agent as a Guaranty hereunder.

"Hazardous Materials" means any substances regulated under any Environmental Law, including, but not limited to, (a) any oil, natural gas, naturally occurring radioactive materials, oil field fluids and wastes, salt water, produced water and petroleum and (b) any "hazardous substances," "toxic substances," "hazardous waste," "extremely hazardous waste," "extremely hazardous substance," or words of similar import under any Environmental Laws.

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

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

"Increase Effective Date" has the meaning given to such term in Section 2.17(b).

"Indebtedness" of any Person means, without duplication, Liabilities in any of the following categories (provided, however, that the "Indebtedness" of any Person shall not include Liabilities that were incurred by such Person on ordinary trade terms to vendors, suppliers, or

other Persons providing goods and services for use by such Person in the ordinary course of its business or any Liability to pay dividends or distributions that have been declared in compliance herewith):

(a) Liabilities for borrowed money;

(b) Liabilities constituting an obligation to pay the deferred purchase price of property or services, other than purchase price adjustments to be made post-closing under agreements for the sale or purchase of properties in compliance with this Agreement;

- (c) Liabilities evidenced by a bond, debenture, note or similar instrument;
- (d) Liabilities which (i) would under GAAP be shown on such Person's balance sheet as a liability and (ii) are payable more than one year from the date of creation or incurrence thereof (other than reserves for taxes and reserves for contingent obligations);
- (e) Liabilities arising under Hedging Contracts (on a net basis to the extent netting is provided for in the applicable Hedging Contract);
- (f) Liabilities constituting principal under Capital Leases;
- (g) Liabilities arising under conditional sales or other title retention agreements;
- (h) Liabilities owing under direct or indirect guaranties of Indebtedness of any other Person or otherwise constituting obligations to purchase or acquire or to otherwise protect or insure a creditor against loss in respect of Indebtedness of any other Person (such as obligations under working capital maintenance agreements, agreements to keep-well, or agreements to purchase Indebtedness, assets, goods, securities or services), but excluding endorsements in the ordinary course of business of negotiable instruments in the course of collection;
- (i) Liabilities (for example, repurchase agreements, mandatorily redeemable preferred stock and sale/leaseback agreements) consisting of an obligation to purchase or redeem securities or other property, if such Liabilities arise out of or in connection with the sale or issuance of the same or similar securities or property;
- (j) Liabilities with respect to letters of credit or applications or reimbursement agreements therefor;
- (k) Liabilities with respect to banker's acceptances;
- (l) Liabilities with respect to payments received in consideration of oil, gas, or other minerals yet to be acquired or produced at the time of payment (including obligations under "take-or-pay" contracts to deliver gas in return for payments already received and the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment); or
- (m) Liabilities with respect to other obligations to deliver goods or services in consideration of advance payments therefor.

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"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Initial Borrowing Base" has the meaning given to such term in Section 2.8.

"Initial Engineering Report" means the three following engineering reports concerning oil and gas properties of Credit Parties: (a) the report prepared by Netherland, Sewell & Associates as of July 1, 2005, (b) the report prepared by DeGolyer & MacNaughton as of June 30, 2005, and (c) the report concerning the Minden Field properties prepared by Borrower's internal engineering staff as of August 31, 2005.

"Initial Equity Offering" means a series of transactions resulting in:

- (a) NEGH and NEGO becoming wholly owned Subsidiaries, directly or indirectly, of Borrower,

- (b) IPO Co offering its Equity to the public, and

- (c) the payment or termination, or reassignment to Borrower, or any combination of the foregoing, of all Intercompany Obligations owing to Debt Holdco by Borrower or any of Borrower's Subsidiaries,

provided that all of the foregoing must occur without any payment or asset transfer of any kind by Borrower or any of its Subsidiaries other than

Distributions allowed under Section 7.6 and the following permitted payments and asset transfers:

(i) the distribution of Borrower's shares in NEGI to Debt Holdco (which may include immediate intermediate transfers through AREH or a Subsidiary of AREH) within one week prior to the merger of NEGI into IPO Co, with such shares remaining subject to the Liens of Administrative Agent under the Loan Documents until NEGH and its Subsidiaries become wholly owned Subsidiaries of Borrower held otherwise than through NEGI,

(ii) Borrower's or Debt Holdco's surrender of its shares in NEGI as part of the merger of NEGI into IPO Co, provided that (A) NEGH and its Subsidiaries then become, or previously have become, wholly owned Subsidiaries of Borrower held otherwise than through NEGI and (B) after giving effect to such transfer of ownership of NEGH and its Subsidiaries pursuant to the preceding clause (A), no Oil & Gas Properties, cash or other material assets belong to NEGI, directly or indirectly (except for the assets owned directly by NEGI on September 30, 2005, including cash and Cash Equivalents of approximately \$4,500,000, other miscellaneous assets thereafter acquired by NEGI for use in its management business, receivables owing at the time of the transfer of ownership of NEGH and its Subsidiaries under various management agreements with NEGO, National Onshore and National Offshore, and tax assets), provided that NEGI may continue to hold legal title to minor Oil and Gas Properties for the benefit of NEGO if transfer of such legal title to NEGO cannot reasonably be made prior to the time of such merger,

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(iii) the issuance by Borrower to IPO Co of Equity in Borrower,

(iv) any Distribution by any Credit Party to AREH or any of AREH's Affiliates of:

(A) the proceeds of the Initial Equity Offering, provided that the repayment of Loans required under Section 2.7(c) is made concurrently therewith, and

(B) if the issuance or borrowing of the Allowed Second Lien/Unsecured Indebtedness occurs substantially concurrently with the Initial Equity Offering, the proceeds of the Allowed Second Lien/Unsecured Indebtedness, provided that the condition set forth in Section 4.1(r) is satisfied.

In connection with any Distribution pursuant to this clause (iv), NEGI may, in a transaction with Borrower or Debt Holdco, use the proceeds described in the foregoing clauses (A) and (B) to pay its 10 3/4% Senior Notes due November 1, 2006 or may retire such Senior Notes by exchanging for such Senior Notes NEGI's right to receive some or all of the "NEGI Priority Amount" (as defined in the limited liability company operating agreement of NEGH), but only to the extent that the NEGI Priority Amount so exchanged is concurrently (or substantially concurrently) paid using the proceeds described in the foregoing clauses (A) and (B), terminated, or reassigned to Borrower, or any combination of the foregoing.

"Initial Financial Statements" means (a) the audited annual Consolidated financial statements of each of NEGI, National Onshore and National Offshore as of and for the Fiscal Year ended December 31, 2004, (b) the consolidating compilation of such audited annual Consolidated financial statements for the Fiscal Year ended December 31, 2004 and (c) the unaudited quarterly consolidating financial statements of Borrower as of September 30, 2005.

"Insurance Schedule" means Schedule 3 attached hereto.

"Intercompany Obligations" means, without duplication:

(a) present or future Indebtedness owing by National Onshore or National Offshore to Borrower or presently existing Indebtedness owing by National Onshore or National Offshore to a Subsidiary of Borrower that is a Guarantor, provided in each case that such Indebtedness is evidenced by a promissory note in form acceptable to Administrative Agent that has been pledged and delivered

to Administrative Agent under a Security Document acceptable to Administrative Agent and further provided that such presently existing Indebtedness owing to a Subsidiary of Borrower that is a Guarantor shall be transferred by such Subsidiary to Borrower (by merger, assignment, or otherwise) as soon as reasonably practicable after the Closing Date,

(b) Indebtedness owing by NEGI to Borrower under NEGI's 10 3/4% Senior Notes due November 1, 2006,

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(c) Indebtedness described in clauses (a) and (b) of this definition that is now or hereafter assigned (in whole or in part) by Borrower to Debt Holdco, provided that Borrower retains all rights to receive payments of interest on such Indebtedness and that Debt Holdco first becomes a Guarantor and acknowledges that such Indebtedness is subject to Administrative Agent's Lien, and further provided that all such Indebtedness is paid in full with the proceeds of the Initial Equity Offering or the Allowed Second Lien/Unsecured Indebtedness or assigned to Borrower by Debt Holdco promptly after the conclusion of the Initial Equity Offering without further charge,

(d) the obligation of NEGH to pay to NEGI the "NEGI Priority Amount" (as defined in the limited liability company operating agreement of NEGH), which obligation may be transferred to Borrower or may be transferred as contemplated in the final sentence of the definition of "Initial Equity Offering".

(e) Indebtedness owing by NEGO to Borrower under the Restated NEGO Credit Facility; provided that no additional extensions of credit may be made by Borrower to NEGO under the Restated NEGO Credit Facility during the existence of a Default under the Restated NEGO Credit Facility, and

(f) other Indebtedness owing by any Subsidiary of Borrower to any other Credit Party, provided that such Indebtedness is (i) evidenced by a promissory note pledged and delivered to Administrative Agent under a Security Document acceptable to Administrative Agent, and (ii) subordinated to the Obligations on terms set out in a Guaranty or otherwise acceptable to Administrative Agent.

"Intercreditor Agreement" means any intercreditor and lien subordination agreement entered into in connection with Second Lien Notes as contemplated under the heading "Subordination Agreement" in Part II of Schedule 4.

"Interest Payment Date" means (a) with respect to each Base Rate Loan, the last Business Day of each March, June, September and December, and (b) with respect to each Eurodollar Loan, the last day of the Interest Period that is applicable thereto and, if such Interest Period is six months in length, each date specified by Administrative Agent which is approximately three months after such Interest Period begins; provided that the last day of each calendar month shall also be an Interest Payment Date for each such Loan so long as any Event of Default exists under Section 8.1 (a) or (b).

"Interest Period" means, with respect to each Eurodollar Loan, the period specified in the Borrowing Notice or Continuation/Conversion Notice applicable to such Eurodollar Loan, beginning on and including the date specified in such Borrowing Notice or Continuation/Conversion Notice (which must be a Business Day), and ending one, two, three or six months thereafter, as Borrower may elect in such notice; provided that: (a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (b) any Interest Period which begins on the last Business Day in a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end

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on the last Business Day in a calendar month; and (c) notwithstanding the foregoing, any Interest Period which would otherwise end after the Maturity Date shall end on the last day of the Commitment Period (or, if the Maturity Date is not a Business Day, on the next preceding Business Day).

"Internal Control Event" means a material weakness in, or fraud that involves management or other employees who have significant role in, any Credit Party's internal controls over financial reporting, in each case as described in the Securities Laws.

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

"Investment" means any investment, made directly or indirectly, in any Person, whether by purchase, acquisition of Equity, Indebtedness or other obligations or securities or by extension of credit, loan, advance, capital contribution or otherwise and whether made in cash, by the transfer of property, or by any other means. "Investments" does not include purchases of working interests, royalty interests, overriding royalty interests and mineral estates.

"IPO Co" means a corporation that will issue its Equity to the public in the Initial Equity Offering and thereafter serve as the partial owner and sole managing member of Borrower.

"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 Application" means any application for a Letter of Credit hereafter made by Borrower to LC Issuer.

"LC Collateral" has the meaning given to such term in Section 2.15(a).

"LC Conditions" has the meaning given to such term in Section 2.10.

"LC Issuer" means Citicorp USA, Inc. (or any Affiliate of Citicorp USA, Inc. that also executes a signature page hereto as an "LC Issuer") in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity. Administrative Agent may, with the consent of the Lender in question, appoint any Lender hereunder as an LC Issuer in place of or in addition to Citicorp USA, Inc.

"LC Obligations" means, at the time in question, the sum of all Matured LC Obligations plus the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit then outstanding.

"LC Sublimit" means \$25,000,000.

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"Lender Hedging Obligations" means all obligations arising from time to time under Hedging Contracts entered into from time to time between Borrower or NEGO and a counterparty that is a Lender or an Affiliate of a Lender; provided that (a) if such counterparty ceases to be a Lender hereunder or an Affiliate of a Lender hereunder, Lender Hedging Obligations shall only include such obligations to the extent arising from transactions entered prior to the time such counterparty ceases to be a Lender hereunder or an Affiliate of a Lender hereunder, and (b) for any of the foregoing to be included within "Lender Hedging Obligations" hereunder, the applicable counterparty (other than the Administrative Agent or any Affiliate thereof) must have provided Administrative Agent written notice of the existence thereof promptly after such transaction is entered into and such transaction must not otherwise be prohibited under this Agreement. The Lender Hedging Obligations also include any guaranties by any Credit Party of any of the obligations mentioned previously in this paragraph.

"Lender Parties" means Administrative Agent, LC Issuer, and all Lenders.

"Lenders" means each signatory hereto (other than Borrower and any Credit Party that is a party hereto), including Citicorp USA, Inc. in its capacity as a Lender hereunder rather than as Administrative Agent or LC Issuer, and the successors of each such party as Lender hereunder pursuant to Section 10.5.

"Lenders Schedule" means Schedule 5 hereto.

"Letter of Credit" means any letter of credit issued by LC Issuer hereunder at the application of Borrower.

"Letter of Credit Fee Rate" means, on any date, with respect to each Letter of Credit, the Eurodollar Margin then in effect.

"Leverage Ratio" means, on any day, the ratio of the Consolidated Total Debt on such day to the Consolidated EBITDA for the four fiscal Quarter Period ending on the date of the Consolidated balance sheet most recently provided by Borrower under Section 6.2(a) or (b).

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

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

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to perfect a Lien described in the preceding sentence, regardless of whether such financing statement is filed, such registration is made, or such arrangement or action is undertaken before or after such Lien exists.

"Loan Documents" means this Agreement, the Notes, each Guaranty, the Security Documents, the Letters of Credit, the LC Applications, the Intercreditor Agreement (if any), and all other agreements, certificates, documents, instruments and writings at any time delivered in connection herewith or therewith (exclusive of term sheets and commitment letters).

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

"Majority Lenders" means Lenders whose aggregate Percentage Shares exceed fifty percent (50%).

"Material Adverse Change" means any material adverse change from the state of affairs presented in the Initial Financial Statements or as represented or warranted in any Loan Document, in (a) Borrower's Consolidated financial condition, considered as a whole, (b) Borrower's Consolidated business, operations, properties or condition, considered as a whole, or (c) the validity or enforceability of the terms of any Loan Document or the rights and remedies thereunder in a manner that materially reduces the amount of Collateral effectively subject thereto or materially interferes with the practical realization of the benefits intended to be provided by the Loan Documents, considered as a whole. References herein to any event, development or circumstance that would reasonably be anticipated to cause a Material Adverse Change means that a reasonable and sophisticated financial institution would determine that such event, development or circumstance presents a material possibility (more than remote, but not required to be more probable than not) of causing a Material Adverse Change.

"Matured LC Obligations" means all amounts paid by LC Issuer on drafts or demands for payment drawn or made under or purported to be made under any Letter of Credit and all other amounts due and owing to LC Issuer under any LC Application for any Letter of Credit, to the extent the same have not been repaid to LC Issuer (with the proceeds of Loans or otherwise).

"Maturity Date" means December 20, 2010.

"Maximum Drawing Amount" means at the time in question the sum of the maximum amounts which LC Issuer might then or thereafter be called upon to advance under all Letters of Credit which are then outstanding.

"Maximum Senior Credit Amount" means the principal amount of \$500,000,000, as such amount may be reduced by Borrower from time to time as provided in Section 2.5(f).

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

"National Offshore" means National Offshore LP, a Delaware limited partnership.

"National Onshore" means National Onshore LP, a Delaware limited partnership.

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"NEG Subsidiaries" means NEGI, NEGH, NEGO, NGX Energy, NGX LP, NGX GP, and Shana National LLC, provided that each such Person shall cease to be a "NEG Subsidiary" when and if such Person becomes wholly owned, directly or indirectly, by Borrower.

"NEGH" means NEG Holding LLC, a Delaware limited liability company.

"NEGI" means National Energy Group, Inc., a Delaware corporation.

"NEGO" means NEG Operating LLC, a Delaware limited liability company.

"NEGO Collateral" means all property of any kind which is subject to a Lien in favor of Administrative Agent, as collateral agent, granted to secure the Restated NEGO Credit Facility and certain Hedging Contracts of NEGO.

"NEGO Credit Facility" means that certain Credit Agreement dated as of December 29, 2003 among NEGO, Mizuho Corporate Bank, Ltd., as administrative agent, and certain commercial lending institutions, as lenders.

"NGX Energy" means NGX Energy Limited Partnership, a Delaware limited partnership.

"NGX GP" means NGX GP of Delaware LLC, a Delaware limited liability company.

"NGX LP" means NGX LP of Delaware LLC, a Delaware limited liability company.

"Note" has the meaning given to such term in Section 2.1.

"NYMEX" means the New York Mercantile Exchange (or its successor).

"NYMEX Pricing" means, as of any date of determination with respect to any month:

(a) for crude oil, the closing settlement price for the Light, Sweet Crude Oil futures contract for the first nearby month, and

(b) for natural gas, the closing settlement price for the Henry Hub Natural Gas futures contract for the first nearby month,

in each case as published by NYMEX on its website currently located at www.nymex.com, or any successor thereto (as such price may be corrected or revised from time to time by NYMEX in accordance with its rules and regulations).

"Obligations" means all Liabilities from time to time owing by any Credit Party to any Lender Party under or pursuant to any of the Loan Documents, including all LC Obligations. "Obligation" means any part of the Obligations.

"Oil and Gas Properties" means all oil, gas and/or mineral leases, oil, gas

or mineral properties, mineral servitudes and/or mineral rights of any kind (including, without limitation, mineral fee interests, lease interests, farmout interests, overriding royalty and royalty interests, net profits interests, oil payment interests, production payment interests and other types of mineral interests), and all oil and gas gathering, treating, storage, processing and handling assets.

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"Other Taxes" means 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 under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning assigned to such term in clause (d) of Section 10.5.

"Percentage Share" means, with respect to any Lender (a) when used in Section 2.1 or Section 2.5, in any Borrowing Notice or when no Loans are outstanding hereunder, the percentage obtained by dividing such Lender's Commitment by the Aggregate Commitments, and (b) when used otherwise, the percentage obtained by dividing (i) the sum of the unpaid principal balance of such Lender's Loans at the time in question plus the Matured LC Obligations which such Lender has funded pursuant to Section 2.12(c) plus the portion of the Maximum Drawing Amount which such Lender might be obligated to fund under Section 2.12(c), by (ii) the sum of the aggregate unpaid principal balance of all Loans at such time plus the aggregate amount of LC Obligations outstanding at such time.

"Permitted Investments" means:

(a) Cash Equivalents;

(b) existing Investments described in the Disclosure Schedule;

(c) normal and prudent extensions of credit by Credit Parties to their customers buying goods and services in the ordinary course of business or to another Credit Party in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner;

(d) extensions of Intercompany Obligations, provided that the only extensions of Intercompany Obligations from Borrower or any Guarantor to any NEG Subsidiary that constitute Permitted Investments are the loans from Borrower to NEGO made pursuant to the Restated NEGO Credit Facility and the Intercompany Obligations outstanding on the date hereof that are described in clauses (a) through (d) of the definition of "Intercompany Obligations";

(e) investments to acquire any Person that, at the time of such acquisition, becomes a Subsidiary of Borrower and a Guarantor, grants the Collateral that is required hereunder, and otherwise is in compliance with all terms of the Loan Documents applicable to Guarantors and Subsidiaries of Borrower;

(f) investments under any Hedging Contract permitted hereunder; and

(g) Investments not described in subsections (a) through (f) above which do not (taking into account all Investments of all Credit Parties) exceed an aggregate amount of \$5,000,000 during any Fiscal Year.

"Permitted Liens" means:

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(a) statutory Liens for taxes, assessments or other governmental charges or levies which are not yet 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) landlords', carriers', warehousemen's, repairmen's, mechanics', materialmen's, or other like Liens, as well as Liens under operating agreements, unit agreements, mineral leases, oil and gas leases, processing agreements, transportation agreements, gas balancing agreements, and other agreements for the handling of oil and gas production, provided that none of the foregoing Liens secure Indebtedness, and in each case only to the extent arising in the ordinary course of business and only to the extent securing obligations which are not delinquent or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained in accordance with GAAP;

(c) easements, rights of way, restrictions, encroachments and other minor defects and irregularities in title to any property, so long as such defects and irregularities neither secure Indebtedness nor materially impair the value of such property or the use of such property for the purposes for which such property is held;

(d) deposits of cash or securities to secure the performance of bids, trade contracts, leases, statutory obligations and other obligations of a like nature (excluding appeal bonds) incurred in the ordinary course of business;

(e) Liens under the Security Documents, including liens securing the Lender Hedging Obligations

(f) Liens securing the Restated NEGO Credit Facility, provided such Liens have been collaterally assigned by Borrower to Administrative Agent, and that the "Loan Documents" (as defined in the Restated NEGO Credit Facility) evidencing such Liens have been amended or restated to also secure obligations arising from time to time under Hedging Contracts entered into between NEGO and a counterparty that is a Lender or an Affiliate of a Lender;

(g) purchase money Liens on specific items of equipment and related assets, as described in Section 7.1(g), securing purchase money Indebtedness in compliance with Section 7.1(g);

(h) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

(i) Liens solely on any cash earnest money deposits made by a Credit Party in connection with any letter of intent or purchase agreement permitted hereunder;

(j) purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business;

(k) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

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(l) Liens existing on the date hereof that secure Intercompany Obligations that have been pledged to Administrative Agent, provided that such Liens have also been collaterally assigned to Administrative Agent;

(m) Liens securing "Second Lien Notes" as defined in Schedule 4;

(n) Liens described on Section 7.2 of the Disclosure Schedule; and

(o) Liens securing Indebtedness permitted pursuant to Section 7.1(i), provided that such Liens burden only cash collateral securing letters of credit with respect to which NEGO, National Onshore or National Offshore is liable.

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

"Projected Oil and Gas Production" means the projected production of oil or gas (measured by volume unit or BTU equivalent, not sales price) from properties

and interests owned by the Credit Parties that are located in or offshore of the United States and that have attributable to them proved oil or gas reserves, as such production is projected in the Engineering Report most recently delivered, after deducting projected production from any properties or interests sold or under contract for sale that had been included in such report and after adding projected production from any properties or interests that had not been reflected in such report but that are reflected in a separate or supplemental report meeting the requirements of Section 6.2(f) or (g) and otherwise are satisfactory to Administrative Agent.

"PV10" with respect to oil and gas properties, means, as of any date of determination, the sum of (a) the present value of future revenues, net of taxes (other than income taxes), operating expenses and capital expenditures, expected to be obtained from the applicable proved oil and gas reserves of Borrower and its Subsidiaries, all as evaluated in the most recently delivered Engineering Report but (i) discounted at a rate of 10% per annum, (ii) utilizing PV10 Pricing, and (iii) utilizing an annual escalation factor of 3% for operating expenses for the four complete calendar years following the current calendar year (or, in the case of a mid-year report, following the current partial calendar year) that is reported on in such Engineering Report, plus (b) the aggregate mark-to-market value to Borrower and its Subsidiaries of their Hedging Contracts, if positive (or less such mark-to-market value, if negative), whether or not such mark-to-market value is required to be reported under GAAP; provided that, whenever NEGI and its Subsidiaries are not wholly-owned Subsidiaries of Borrower, the present value of the future net revenues from the oil and gas properties of NEGI and its Subsidiaries shall, for the purposes of determining PV10 of Borrower and its Subsidiaries, be deemed reduced by X in the following formula, to the extent X is a positive number:

$$X = 25\% \text{ of } [A - (B + C + D)]$$

where:

A = PV10 of the oil and gas properties owned by NEGI and its Subsidiaries, as determined without regard to this proviso,

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B = the amount of the Indebtedness (including accrued interest) owing on the effective date of such Engineering Report by NEGI to Borrower or to Debt Holdco,

C = the amount of the preferential future distributions (including interest or its equivalent), as accrued on the effective date of such Engineering Report, to which Borrower is entitled in its capacity as an owner of NEGH as a result of the dedication of other distributions to be used to pay Indebtedness described in B above, and

D = the amount of the Indebtedness (including accrued interest) owing on the effective date of such Engineering Report by NEGO to Borrower under the Restated NEGO Credit Facility.

"PV10 Pricing" means:

(a) for anticipated sales of oil and gas that are fixed in a firm fixed price sales contract with an investment grade counterparty (or another counterparty approved by Administrative Agent), the fixed price or prices provided for in such sales contract during the term thereof; and

(b) for anticipated sales of oil and gas, if such sales are not under a sales contract that is described in paragraph (a) above, for the date of calculation (or, if such date is not a Business Day, for the first Business Day thereafter), adjusted in each case for historical location and quality differentials during the twelve months preceding such date of determination:

(i) for the remainder of the current calendar year (whether a whole or partial year), the average NYMEX Pricing for the remaining contracts in the current calendar year,

(ii) for each of the succeeding three complete calendar years, the average NYMEX Pricing for the twelve months in each such calendar year, and

(iii) for the succeeding fourth complete calendar year, and for each calendar year thereafter, the average NYMEX Pricing for the twelve months in such fourth calendar year.

"Rating Agency" means either S & P or Moody's.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect.

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

"Required Closing Date Hedges" means Hedging Contracts as described on Schedule 6.

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"Reserve Requirement" means, at any time, the maximum rate at which reserves (including any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurocurrency liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (a) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (b) any category of extensions of credit or other assets which include Eurodollar Loans.

"Restated NEGO Credit Facility" means the NEGO Credit Facility as amended by that certain Amended and Restated Credit Agreement of even date herewith by and among NEGO, as borrower, the Borrower, as administrative agent and lender, and Citicorp USA, Inc., as collateral agent, to provide for up to \$180,000,000 of loans thereunder, and as from time to time further amended with the consent of the Majority Lenders.

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

"Sarbanes-Oxley" means the Sarbanes-Oxley Act of 2002.

"Scheduled Determination" has the meaning given to such term in Section 2.9(a).

"Secured Obligations" means all Obligations and all Lender Hedging Obligations.

"Securities Laws" means the Securities Act of 1933, the Securities Exchange Act of 1934, Sarbanes-Oxley, and, in each case, the rules and regulations of the U.S. Securities and Exchange Commission promulgated thereunder, and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the U.S. Securities and Exchange Commission or the Public Company Accounting Oversight Board, as each of the foregoing may be amended and in effect on any applicable date under this Agreement.

"Security Documents" means the instruments listed in the Security Schedule and all other security agreements, deeds of trust, mortgages, chattel mortgages, pledges, guaranties, financing statements, continuation statements, extension agreements and other agreements or instruments now, heretofore, or hereafter delivered by any Credit Party to Administrative Agent in connection with this Agreement or any transaction contemplated hereby to secure or guarantee the payment of any part of the Obligations or the Lender Hedging Obligations or the performance of any Credit Party's other duties and obligations under the Loan Documents.

"Security Schedule" means Schedule 2 hereto.

"Special Determinations" has the meaning given to such term in Section 2.9(b).

"Subsidiary" means, with respect to any Person, any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries)

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controlled by or majority owned by such Person, provided that associations, joint ventures or other relationships (a) which are established pursuant to a standard form operating agreement or similar agreement or which are partnerships for purposes of federal income taxation only, (b) which are not corporations or partnerships (or subject to the Uniform Partnership Act) under applicable state Law, and (c) whose businesses are limited to the exploration, development and operation of oil, gas or mineral properties and interests owned directly by the parties in such associations, joint ventures or relationships, shall not be deemed to be "Subsidiaries" of such Person.

"Super Majority Lenders" means Lenders whose aggregate Percentage Shares equal or exceed sixty-six and two thirds percent (66 2/3%).

"Taxes" means 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 Event" means:

(a) the occurrence with respect to any ERISA Plan of a reportable event described in Section 4043(c) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) or 4043(b)(4) of ERISA, which could reasonably be expected to result in a Termination Event described in subsections (b) through (g) below, or

(b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or

(c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041(c) of ERISA, or

(d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or

(e) any other event or condition which could reasonably be expected to result in the termination of, or the appointment of a trustee to administer, any ERISA Plan under Section 4042 of ERISA, or

(f) any ERISA Affiliate incurs withdrawal liability in excess of \$10,000,000 in respect of any "multiemployer plan" as defined in Section 4001 of ERISA, or

(g) any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code) in excess of \$10,000,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate,

provided that (i) in each of the cases listed in subsections (a), (c), (d) and (e) above, the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than

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\$10,000,000, and (ii) in the case of a Termination Event described in subsection (b) above, the withdrawing employer's proportionate share of such excess liability exceeds \$10,000,000), and provided further that any event described in

subsections (a), (b), (c), (d), (e), (f) or (g) above that occurs with respect to an ERISA Plan that is not maintained for the benefit of the employees of Borrower, any of Borrower's Subsidiaries, or IPO Co shall not constitute a "Termination Event" for the purposes hereof so long as both of the following conditions are met: (1) no claim is made on any Credit Party to make any payment or contribution on account of such event that is not paid or otherwise resolved within 60 days thereafter without any payment by any Credit Party and (2) within seven days after such claim is made, and thereafter while such claim remains unpaid or unresolved, the Credit Parties are fully and effectively indemnified for any losses relating to such event under that certain Undertaking dated as of November 20, 1998, made by Starfire Holding Corporation, a Delaware corporation, for the benefit of AREP and its subsidiaries, or under another indemnity agreement made by an Affiliate of the Credit Parties that has the financial resources to honor its indemnity obligations.

"Type" means, with respect to any Loans, the characterization of such Loans as either Base Rate Loans or Eurodollar Loans.

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

Section 1.3. Terms Generally; References and Titles. 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." 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 Person shall be construed to include such Person's successors and assigns, (c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights. References to any document, instrument, or agreement (a) shall include all exhibits, schedules, and other attachments thereto, and (b) shall include all documents, instruments, or agreements issued or executed in replacement thereof. Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not

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exclusive. Accounting terms have the meanings assigned to them by GAAP, as applied by the accounting entity to which they refer. References to "days" shall mean calendar days, unless the term "Business Day" is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

Section 1.4. Calculations and Determinations. All calculations under the Loan Documents of interest chargeable with respect to Adjusted Base Rate Loans shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 365 or 366 days, as appropriate. All other calculations of interest or fees made under the Loan Documents shall be made on the basis of actual days elapsed (including the first day but excluding the last) and a year of 360 days. Each determination by a Lender Party of amounts to be paid under Article III or any other matters which are to be determined hereunder by a Lender Party (such as any Eurodollar Rate, Adjusted Eurodollar

Rate, Business Day, Interest Period, or Reserve Requirement) shall, in the absence of manifest error, be conclusive and binding. Unless otherwise expressly provided herein or unless Majority Lenders otherwise consent all financial statements and reports furnished to any Lender Party hereunder shall be prepared and all financial computations and determinations pursuant hereto shall be made in accordance with GAAP.

Section 1.5. Joint Preparation; Construction of Indemnities and Releases. This Agreement and the other Loan Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and no rule of construction shall apply hereto or thereto which would require or allow any Loan Document to be construed against any party because of its role in drafting such Loan Document.

ARTICLE II - The Loans and Letters of Credit

Section 2.1. Commitments to Lend; Notes. Subject to the terms and conditions hereof, each Lender agrees to make loans to Borrower (herein called such Lender's "Loans") upon Borrower's request from time to time during the Commitment Period, provided that (a) subject to Sections 3.3, 3.4 and 3.7, Loans of the same Type shall be made by Lenders in accordance with their respective Percentage Shares and as part of the same Borrowing, and (b) after giving effect to such Loans, the Facility Usage does not exceed the lesser of the Aggregate Commitments then in effect or the Borrowing Base then in effect. The aggregate amount of all Loans (other than Loans made pursuant to Section 2.12(b)) in any Borrowing must be equal to \$5,000,000 or any higher integral multiple of \$1,000,000 or must equal the remaining availability under the Borrowing Base. Borrower may have no more than five Borrowings of Eurodollar Loans outstanding at any time. The obligation of Borrower to repay to each Lender the aggregate amount of all Loans made by such Lender, together with interest accruing in connection therewith, shall be evidenced by a single promissory note (herein called such Lender's "Note") made by Borrower payable to the order of such Lender in the form of Exhibit A with appropriate insertions. The amount of principal owing on any Lender's Note at any given time shall be the aggregate amount of all Loans theretofore made by such Lender minus all payments of principal theretofore received by such Lender on such Note. Interest on each Note shall accrue and be due and payable as provided herein. Each Note shall be due and payable as provided herein, and

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shall be due and payable in full on the Maturity Date. Subject to the terms and conditions hereof, Borrower may borrow, repay, and reborrow hereunder.

Section 2.2. Requests for New Loans. Borrower must give to Administrative Agent written or electronic notice (or telephonic notice promptly confirmed in writing) of any requested Borrowing of new Loans to be advanced by Lenders. Each such notice constitutes a "Borrowing Notice" hereunder and must:

(a) specify (i) the aggregate amount of any such Borrowing of new Base Rate Loans and the date on which such Base Rate Loans are to be advanced, or (ii) the aggregate amount of any such Borrowing of new Eurodollar Loans, the date on which such Eurodollar Loans are to be advanced (which shall be the first day of the Interest Period which is to apply thereto), and the length of the applicable Interest Period; and

(b) be received by Administrative Agent not later than 10:00 a.m., New York, New York time, on (i) the day on which any such Base Rate Loans are to be made, or (ii) the third Business Day preceding the day on which any such Eurodollar Loans are to be made.

Each such written request or confirmation must be made in the form and substance of the "Borrowing Notice" attached hereto as Exhibit B, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Borrowing Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. If all conditions precedent to such new Loans have been met, each Lender will on the date requested promptly remit to Administrative Agent at Administrative Agent's office in New York, New York the amount of such Lender's new Loan in immediately available funds, and upon receipt of such funds, unless to its actual knowledge any conditions precedent to such Loans have been neither

met nor waived as provided herein, Administrative Agent shall promptly make such Loans available to Borrower. Unless Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to Administrative Agent such Lender's share of such Borrowing, Administrative Agent may assume that such Lender has made such share available on such date in accordance with this Section 2.2 and may, in reliance upon such assumption, make available to Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to 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 a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation and (ii) in the case of a payment to be made by Borrower, the interest rate applicable to Base Rate Loans. If Borrower and such Lender shall pay such amount or such interest to Administrative Agent for the same or an overlapping period, Administrative Agent shall promptly remit to Borrower the amount so paid by Borrower for such period. If such Lender pays its share of the applicable Borrowing to Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any

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payment by Borrower shall be without prejudice to any claim Borrower may have against a Lender that shall have failed to make such payment to Administrative Agent.

Section 2.3. Continuations and Conversions of Existing Loans. Borrower may make the following elections with respect to Loans already outstanding: to convert Base Rate Loans to Eurodollar Loans, to convert Eurodollar Loans to Base Rate Loans on the last day of the Interest Period applicable thereto, and to continue Eurodollar Loans beyond the expiration of such Interest Period by designating a new Interest Period to take effect at the time of such expiration. In making such elections, Borrower may combine existing Loans made pursuant to separate Borrowings into one new Borrowing or divide existing Loans made pursuant to one Borrowing into separate new Borrowings, provided that Borrower may have no more than five Borrowings of Eurodollar Loans outstanding at any time. To make any such election, Borrower must give to Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of any such conversion or continuation of existing Loans, with a separate notice given for each new Borrowing. Each such notice constitutes a "Continuation/Conversion Notice" hereunder and must:

(a) specify the existing Loans which are to be Continued or Converted;

(b) specify (i) the aggregate amount of any Borrowing of Base Rate Loans into which such existing Loans are to be continued or converted and the date on which such Continuation or Conversion is to occur, or (ii) the aggregate amount of any Borrowing of Eurodollar Loans into which such existing Loans are to be continued or converted, the date on which such Continuation or Conversion is to occur (which shall be the first day of the Interest Period which is to apply to such Eurodollar Loans), and the length of the applicable Interest Period; and

(c) be received by Administrative Agent not later than 10:00 a.m., New York, New York time, on (i) the day on which any such Continuation or Conversion to Base Rate Loans is to occur, or (ii) the third Business Day preceding the day on which any such Continuation or Conversion to Eurodollar Loans is to occur.

Each such written request or confirmation must be made in the form and substance of the "Continuation/Conversion Notice" attached hereto as Exhibit C, duly completed. Each such telephonic request shall be deemed a representation, warranty, acknowledgment and agreement by Borrower as to the matters which are required to be set out in such written confirmation. Upon receipt of any such Continuation/Conversion Notice, Administrative Agent shall give each Lender prompt notice of the terms thereof. Each Continuation/Conversion Notice shall be irrevocable and binding on Borrower. During the continuance of any Default, Borrower may not make any election to convert existing Loans into Eurodollar Loans or continue existing Loans as Eurodollar Loans. If (due to the existence of a Default or for any other reason) Borrower fails to timely and properly give any Continuation/Conversion Notice with respect to a Borrowing of existing

Eurodollar Loans at least three days prior to the end of the Interest Period applicable thereto, such Eurodollar Loans shall automatically be converted into Base Rate Loans at the end of such Interest Period. No new funds shall be repaid by Borrower or advanced by any Lender in connection with any Continuation or Conversion of existing Loans pursuant to this section, and no such Continuation or Conversion shall be deemed to be a new advance of funds for any

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purpose; such Continuations and Conversions merely constitute a change in the interest rate applicable to already outstanding Loans.

Section 2.4. Use of Proceeds. Borrower shall use all Loans:

(a) to purchase Indebtedness of NEGO from the lenders under the NEGO Credit Facility on the Closing Date,

(b) to make loans of approximately \$85,000,000 to National Onshore that will be used by National Onshore on the Closing Date to repay existing Indebtedness owed by National Onshore to AREH that was incurred to purchase the Minden Field properties,

(c) to finance capital expenditures from time to time,

(d) to pay a dividend or distribution in the amount of \$80,000,000 to AREH or a Subsidiary of AREH on or shortly after the Closing Date (which dividend or distribution may be made in part using cash on hand, so long as the condition in Section 4.1(r) remains satisfied immediately after such dividend or distribution is made),

(e) to pay costs of this transaction, and

(f) to provide working capital from time to time for operations and for other general business purposes of Borrower and its Subsidiaries.

Borrower shall use all Letters of Credit for the general business purposes of Borrower and its Subsidiaries. In no event shall the funds from any Loan or any Letter of Credit be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose, whether immediate, incidental or ultimate, of purchasing, acquiring or carrying any "margin stock" (as such term is defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System) or to extend credit to others directly or indirectly for the purpose of purchasing or carrying any such margin stock. Borrower represents and warrants that Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit to others for the purpose of purchasing or carrying such margin stock.

Section 2.5. Interest Rates and Fees; Payment Dates.

(a) Interest Rates. Subject to subsection (b) below, (i) each Base Rate Loan shall bear interest on each day outstanding at the Adjusted Base Rate in effect on such day, and (ii) each Eurodollar Loan shall bear interest on each day during the related Interest Period at the related Adjusted Eurodollar Rate in effect on such day.

(b) Default Rate. If an Event of Default shall have occurred and be continuing under Section 8.1(a), (b), (h)(i), (h)(ii), or (h)(iii), all outstanding Loans shall bear interest at the applicable Default Rate. In addition, if an Event of Default shall have occurred and be continuing (other than under Section 8.1(a), (b), (h)(i), (h)(ii), or (h)(iii)), Majority Lenders may, by notice to Borrower, elect to have the outstanding Loans bear interest at the applicable Default Rate, whereupon such Loans shall bear interest at the applicable Default Rate until the earlier of

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(i) the first date thereafter upon which there shall be no Event of Default continuing and (ii) the date upon which Majority Lenders shall have rescinded

such notice.

(c) Commitment Fees. In consideration of each Lender's commitment to make Loans, Borrower will pay to Administrative Agent for the account of each Lender (i) the amount agreed to by Borrower and Administrative Agent in connection with the syndication of this Agreement and (ii) a quarterly commitment fee determined on a daily basis by applying the Commitment Fee Rate to such Lender's Percentage Share of the Available Borrowing Base determined at the end of each day during the Commitment Period. This quarterly commitment fee shall be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Commitment Period.

(d) Administrative Agent's Fees. In addition to all other amounts due to Administrative Agent under the Loan Documents, Borrower will pay fees to Administrative Agent as described in a letter agreement dated as of November 7, 2005 between Administrative Agent and Borrower.

(e) Payment Dates. On each Interest Payment Date relating to Base Rate Loans, Borrower shall pay to the Lenders all unpaid interest which has accrued on the Base Rate Loans to but not including such Interest Payment Date. On each Interest Payment Date relating to a Eurodollar Loan, Borrower shall pay to Lenders all unpaid interest which has accrued on such Eurodollar Loan to but not including such Interest Payment Date.

(f) Reductions in Maximum Senior Credit Amount. Until the termination of the Commitment Period, Borrower may, upon three (3) Business Days prior written notice to Administrative Agent, reduce the Maximum Senior Credit Amount from the then designated amount to any lesser amount, provided that the amount of any such reduction must be equal to \$5,000,000 or any higher integral multiple of \$1,000,000. Any such reduction by Borrower of a Maximum Senior Credit Amount shall be effective as of such third Business Day (or any later date as designed by Borrower in such written notice) and shall continue in effect until the next date as of which the Maximum Senior Credit Amount is so reduced.

Section 2.6. Optional Prepayments. Borrower may, (a) upon one Business Days' notice to Administrative Agent with respect to any Base Rate Loan and (b) upon three Business Days' notice to each Lender with respect to any Eurodollar Loan, from time to time and without premium or penalty prepay the Notes, in whole or in part, provided (i) that the aggregate amounts of all partial prepayments of principal on the Notes equals \$5,000,000 or any higher integral multiple of \$1,000,000, (ii) that Borrower does not make any prepayments which would reduce the aggregate unpaid principal balance of all Loans to less than \$10,000,000 without first either (1) terminating this Agreement or (2) providing assurance satisfactory to Administrative Agent in its discretion that Lenders' legal rights under the Loan Documents are in no way adversely affected by such reduction, and (iii) that if Borrower prepays any Eurodollar Loan on any day other than the last day of the Interest Period applicable thereto, it shall pay to Lenders any amounts due under Section 3.4. Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

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Section 2.7. Mandatory Prepayments

(a) If at any time the Facility Usage exceeds the Maximum Senior Credit Amount (whether due to a reduction in the Maximum Senior Credit Amount in accordance with this Agreement, or otherwise), Borrower shall immediately upon demand prepay the principal of the Loans (and after all Loans are repaid in full, provide LC Collateral in accordance with Section 2.15(a)) in an amount at least equal to such excess.

(b) If at any time the Facility Usage is less than the Maximum Senior Credit Amount but in excess of the Borrowing Base (such excess being herein called a "Borrowing Base Deficiency"), Borrower shall, within five Business Days after Administrative Agent gives notice of such fact to Borrower, either:

(i) give notice to Administrative Agent electing to prepay the principal of the Loans (and after all Loans are repaid in full, provide LC Collateral in accordance with Section 2.15(a)) in an aggregate amount at

least equal to such Borrowing Base Deficiency (or, if the Loans have been paid in full, pay to LC Issuer LC Collateral as required under Section 2.15 (a)), and thereupon 50% of such prepayment must be made on or before the ninetieth day after such notice by Administrative Agent to Borrower of such Borrowing Base Deficiency and the remainder of such prepayment must be made in full on or before the one-hundred and eightieth day after such notice by Administrative Agent to Borrower of such Borrowing Base Deficiency; or

(ii) give notice to Administrative Agent that Borrower desires to provide Administrative Agent with (A) a supplemental Engineering Report covering new Oil and Gas Properties not previously the subject of the immediately preceding Engineering Report and (B) deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents (including amendments to Security Documents already covering NEGO Collateral or other Collateral) in form and substance satisfactory to Administrative Agent, granting, confirming, and perfecting Liens, subject only to Permitted Liens, in such new Oil and Gas Properties to Administrative Agent, to the extent needed to allow Super Majority Lenders to increase the Borrowing Base (as they determine in accordance with Section 2.9(c)) to an amount which eliminates such Borrowing Base Deficiency, and then provide such Security Documents within thirty days after Administrative Agent specifies such Collateral to Borrower. If, prior to any such specification by Administrative Agent, Super Majority Lenders determine that the giving of such Security Documents will not serve to eliminate such Borrowing Base Deficiency, then, within five Business Days after receiving notice of such determination from Administrative Agent, Borrower will elect to make, and thereafter make, the prepayments specified in subsection (i) of this subsection (b).

(c) If the proceeds, net of transaction costs, from (i) the Initial Equity Offering and (ii) the borrowing or issuance of Allowed Second Lien/Unsecured Indebtedness (if it is incurred substantially concurrently with the Initial Equity Offering) exceed \$210,000,000, then at such time Borrower will prepay the Loans in an amount equal to such excess proceeds, provided that Borrower will not be obligated to prepay more than \$125,000,000 under this subsection (c). Such prepayments will not reduce the Commitments or the Borrowing Base.

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(d) Immediately upon the consummation by Borrower of the incurrence of any Indebtedness other than Indebtedness permitted by Section 7.1, Borrower shall make a mandatory prepayment of the principal of the Loans in an amount equal to one hundred percent (100%) of the proceeds (net of any usual and customary transaction costs) received from such incurrence of Indebtedness, whereupon the Borrowing Base shall be immediately reduced by the same amount until the next determination of the Borrowing Base.

(e) Each prepayment of principal under this section shall be accompanied by all interest then accrued and unpaid on the principal so prepaid. Any principal or interest prepaid pursuant to this section shall be in addition to, and not in lieu of, all payments otherwise required to be paid under the Loan Documents at the time of such prepayment.

Section 2.8. Initial Borrowing Base. Until the first Determination Date the Borrowing Base shall be \$335,000,000.

Section 2.9. Subsequent Determinations of Borrowing Base. Upon each designation of a new Borrowing Base on a Scheduled Determination or a Special Determination, Administrative Agent shall notify Borrower of the new Borrowing Base which designation shall take effect immediately on the date such notice is sent (each such date, a "Determination Date") and shall remain in effect until, but not including, the next Determination Date (subject to Section 2.7(c)). The Borrowing Base shall be determined in accordance with the following methodology:

(a) By March 31 and September 30 of each year beginning March 31, 2006, Borrower shall furnish to Administrative Agent (with sufficient copies for each Lender of any information provided on paper, computer disks, or other tangible media) the Engineering Report then required under Section 6.2(f) or (g) together with all information, reports and data that Administrative Agent requests concerning the businesses and properties of Borrower and its Subsidiaries (including their Oil and Gas Properties and the reserves and production relating thereto) and, until such time as the Allowed Second Lien/Unsecured Indebtedness

has been issued, Borrower's written request to Lenders to either (i) determine the Borrowing Base assuming that such Indebtedness will be issued during the following six months or (ii) determine the Borrowing Base assuming that such Indebtedness will not be issued during the following six months. (Any failure of Borrower to make such a request shall be deemed a request to assume that such Indebtedness will be issued.) Within 30 days after receiving such Engineering Report, information, reports and data, or as promptly thereafter as practicable, Administrative Agent shall designate a Borrowing Base following the procedures in subsection (c) below. Each such determination of the Borrowing Base is herein called a "Scheduled Determination". If Borrower does not furnish all such information, reports and data by the date specified in the first sentence of this Section, Administrative Agent may nonetheless designate the Borrowing Base at any amount that Super Majority Lenders determine (or, in the case of an increase, that all Lenders determine) and the Borrowing Base may similarly be designated from time to time thereafter until each Lender receives all such information, reports and data, whereupon the Lenders shall designate a new Borrowing Base as described above. In doing the foregoing, each Lender shall consider the loan collateral value which it in its judgment assigns to the various Oil and Gas Properties included in the Collateral at the time in question (using its then customary pricing and discount models and assumptions (rather than PV10 Pricing), adjusted as deemed appropriate for

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Borrower's and its Subsidiaries' properties and production) and such other credit factors (including without limitation Borrower's requested assumption concerning Allowed Second Lien/Unsecured Indebtedness and the assets, liabilities, cash flow, hedged and unhedged exposure to prices and interest rates, drilling risks, business, properties, and prospects of Borrower and its Subsidiaries) as such Lender deems relevant. It is expressly understood and agreed that Lenders and Administrative Agent have no obligation to agree upon or designate the Borrowing Base at any particular amount, whether in relation to the Aggregate Commitments or otherwise, and Lenders and Administrative Agent may designate a Borrowing Base that is less than, equal to, or more than the Aggregate Commitments. The commitment fees under Section 2.5 shall be calculated based on the lesser of the Borrowing Base and the Aggregate Commitments, and such lesser amount shall, to the extent permitted by Law and regulatory authorities, be used for the purposes of capital adequacy determination and determining reimbursements under Section 3.2.

(b) In addition to Scheduled Determinations, Borrower may request the Lenders to make an additional determination of the Borrowing Base once during each twelve month interval between Scheduled Determinations based on January 1 Engineering Reports, and Administrative Agent also may (and at the request of Super Majority Lenders must) request the Lenders to make an additional determination of the Borrowing Base once during each twelve month interval between Scheduled Determinations based on January 1 Engineering Reports. Administrative Agent shall give notice to Borrower of any such request made by Administrative Agent to the Lenders. Borrower shall submit any such request made by Borrower to Administrative Agent and each Lender and, at the time of such request, Borrower shall (i) deliver to Administrative Agent and each Lender an updated Engineering Report prepared either by Borrower or by independent petroleum engineers, and (ii) notify Administrative Agent and each Lender of the Borrowing Base requested by Borrower. Any determination of the Borrowing Base made pursuant to a request under this subsection (b) is herein called a "Special Determination". Any Special Determination shall be made by Lenders in accordance with the procedures set forth in Section 2.9(c), provided, however, that Borrower shall not be required to deliver an updated Engineering Report to Administrative Agent and Lenders in connection with any Special Determination requested by Administrative Agent.

(c) Administrative Agent shall (within 30 days after receiving the information required for a Scheduled Determination or a Special Determination), having consulted with Borrower, propose to the Lenders a specific Borrowing Base amount for the Lenders to approve or disapprove. Within fifteen days thereafter each Lender shall respond to Administrative Agent in writing, either approving such proposed amount or setting out a reasonable alternative amount (based on the criteria described in clause (a) above), and any Lender's failure to respond to such proposal within such time will be deemed approval. After receiving such responses or deemed responses from all Lenders, Administrative Agent will designate the new Borrowing Base at the highest amount approved (i) by all Lenders, in the case of an increase to the then current Borrowing Base, or (ii)

at the highest amount approved by Super Majority Lenders, in the case of a reduction to or continuation of the then current Borrowing Base.

(d) In addition to the foregoing, Administrative Agent and Lenders shall also have the right to redetermine the Borrowing Base (which shall not count as a Special Determination but which shall otherwise be done in accordance with the procedures set forth in Section 2.9(c)) if

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Borrower or any Subsidiaries sell or otherwise transfer (excluding only transfers to Borrower or a Subsidiary of Borrower that is a Guarantor) Oil and Gas Properties that, on a cumulative basis since the then most recent Determination Date, represent more than ten percent of the value of all of their proved reserves, as determined in the most recently delivered Engineering Report. Borrower will immediately pay any Borrowing Base Deficiency that results from this redetermination.

Section 2.10. Letters of Credit. Subject to the terms and conditions hereof, Borrower may at any time during the Commitment Period request LC Issuer to issue, amend or extend the expiration date of, one or more Letters of Credit denominated in U.S. Dollars, provided that, after taking such Letter of Credit into account:

- (a) the Facility Usage does not exceed the Borrowing Base at such time;
- (b) the aggregate amount of LC Obligations at such time does not exceed the LC Sublimit;
- (c) the expiration date of such Letter of Credit (taking into account any extensions thereof) is prior to the date which is five days prior to the end of the Commitment Period;
- (d) such Letter of Credit is to be used for general corporate purposes of Borrower or any Subsidiary of Borrower;
- (e) such Letter of Credit is not directly or indirectly used to assure payment of or otherwise support any Indebtedness of any Credit Party that is not permitted hereunder or any Indebtedness of any other Person;
- (f) the issuance of such Letter of Credit will be in compliance with all applicable governmental restrictions, policies, and guidelines and will not subject LC Issuer to any cost which is not reimbursable under Article III;
- (g) the amount, form and terms of such Letter of Credit are acceptable to LC Issuer in its sole and absolute discretion (subject only to extension terms acceptable to such LC Issuer);
- (h) the expiration date of such Letter of Credit is not more than one year from the date of issuance of such Letter of Credit; provided that any Letter of Credit may provide for the renewal thereof for additional one-year periods that otherwise comply with the requirements of this Section 2.10 so long as the LC Issuer has the power to prevent such renewals by giving notice of its decision to do so;
- (i) no Lender obligated to participate in such Letter of Credit is in default of its obligations hereunder to Administrative Agent of LC Issuer; and
- (j) all other conditions in this Agreement to the issuance of such Letter of Credit have been satisfied.

LC Issuer will honor any such request if the foregoing conditions (a) through (j) (the "LC Conditions") have been met as of the date of issuance of such Letter of Credit. LC Issuer may

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choose to honor any such request for any other Letter of Credit but has no obligation to do so and may refuse to issue any other requested Letter of Credit

for any reason which LC Issuer in its sole discretion deems relevant.

Section 2.11. Requesting Letters of Credit. Borrower must make written application for any Letter of Credit at least five Business Days (or such shorter period as LC Issuer may in its discretion from time to time agree) before the date on which Borrower desires for LC Issuer to issue such Letter of Credit. By making any such written application Borrower shall be deemed to have represented and warranted that the LC Conditions described in Section 2.10 will be met as of the date of issuance of such Letter of Credit. Each such written application for a Letter of Credit must be made in writing in the form and substance of Exhibit F, the terms and provisions of which are hereby incorporated herein by reference (or in such other form as may mutually be agreed upon by LC Issuer and Borrower). Two Business Days after the LC Conditions for a Letter of Credit have been met as described in Section 2.10 (or if LC Issuer otherwise desires to issue such Letter of Credit), LC Issuer will issue such Letter of Credit at LC Issuer's office in New York, New York. If any provisions of any LC Application conflict with any provisions of this Agreement, the provisions of this Agreement shall govern and control. Borrower shall promptly examine a copy of each Letter of Credit and each amendment thereto that is delivered to it and, in the event of any claim of noncompliance with Borrower's instructions or other irregularity, Borrower will immediately notify LC Issuer.

Section 2.12. Reimbursement and Participations.

(a) Reimbursement by Borrower. Each Matured LC Obligation shall constitute a loan by LC Issuer to Borrower. Borrower promises to pay to LC Issuer, or to LC Issuer's order, on demand, the full amount of each Matured LC Obligation, together with interest thereon (i) at the rate applicable to Base Rate Loans to and including the first Business Day after such demand is made by LC Issuer and (ii) at the Default Rate applicable to Base Rate Loans on each day thereafter. The obligation of Borrower to reimburse LC Issuer for each Matured LC Obligation shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement (including any LC Application) under all circumstances, including the following: (i) any lack of validity or enforceability of such Letter of Credit or any other agreement or instrument relating thereto; (ii) the existence of any claim, counterclaim, set-off, defense or other right that Borrower may have at any time against any beneficiary or any transferee of such Letter of Credit (or any Person for whom any such beneficiary or any such transferee may be acting), LC Issuer or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto, or any unrelated transaction; (iii) any draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect; or any loss or delay in the transmission or otherwise of any document required in order to make a drawing under such Letter of Credit; (iv) any payment by LC Issuer under such Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or (v) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing. Without limiting the generality of the foregoing, it is expressly agreed that the absolute and unconditional nature of Borrower's obligations under this section to reimburse LC Issuer for each drawing under a Letter of Credit will not be excused by the gross

negligence or willful misconduct of LC Issuer. However, the foregoing shall not be construed to excuse LC Issuer from liability to Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by Borrower to the extent permitted by applicable Law) suffered by Borrower that are caused by LC Issuer's gross negligence or willful misconduct in determining whether drafts and other documents presented under a Letter of Credit substantially comply with the terms thereof.

(b) Letter of Credit Advances. If the beneficiary of any Letter of Credit makes a draft or other demand for payment thereunder then Borrower may, during the interval between the making thereof and the honoring thereof by LC Issuer, request Lenders to make Loans to Borrower in the amount of such draft or demand, which Loans shall be made concurrently with LC Issuer's payment of such draft or demand and shall be immediately used by LC Issuer to repay the amount of the

resulting Matured LC Obligation. Such a request by Borrower shall be made in compliance with all of the provisions hereof, provided that for the purposes of the first sentence of Section 2.1(a), the amount of such Loans shall be considered in determining the Facility Usage, but the amount of the Matured LC Obligation to be concurrently paid by such Loans shall not be considered in determining the Facility Usage.

(c) Participation by Lenders. LC Issuer irrevocably agrees to grant and hereby grants to each Lender, and -- to induce LC Issuer to issue Letters of Credit hereunder -- each Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from LC Issuer, on the terms and conditions hereinafter stated and for such Lender's own account and risk, an undivided interest equal to such Lender's Percentage Share of LC Issuer's obligations and rights under each Letter of Credit issued hereunder and the amount of each Matured LC Obligation paid by LC Issuer thereunder. Each Lender unconditionally and irrevocably agrees with LC Issuer that, if a Matured LC Obligation is paid under any Letter of Credit for which LC Issuer is not reimbursed in full by Borrower in accordance with the terms of this Agreement and the related LC Application (including any reimbursement by means of concurrent Loans or by the application of LC Collateral), such Lender shall (in all circumstances and without set-off or counterclaim) pay to LC Issuer on demand, in immediately available funds at LC Issuer's address for notices hereunder, such Lender's Percentage Share of such Matured LC Obligation (or any portion thereof which has not been reimbursed by Borrower). Each Lender's obligation to pay LC Issuer pursuant to the terms of this subsection is irrevocable and unconditional. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Federal Funds Rate. If any amount required to be paid by any Lender to LC Issuer pursuant to this subsection is not paid by such Lender to LC Issuer within three Business Days after the date such payment is due, LC Issuer shall in addition to such amount be entitled to recover from such Lender, on demand, interest thereon calculated from such due date at the Default Rate applicable to Base Rate Loans.

(d) Distributions to Participants. Whenever LC Issuer has in accordance with this section received from any Lender payment of such Lender's Percentage Share of any Matured LC Obligation, if LC Issuer thereafter receives any payment of such Matured LC Obligation or any payment of interest thereon (whether directly from Borrower or by application of LC Collateral or otherwise, and excluding only interest for any period prior to LC Issuer's demand

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that such Lender make such payment of its Percentage Share), LC Issuer will distribute to such Lender its Percentage Share of the amounts so received by LC Issuer; provided, however, that if any such payment received by LC Issuer must thereafter be returned by LC Issuer, such Lender shall return to LC Issuer the portion thereof which LC Issuer has previously distributed to it.

(e) Calculations. A written advice setting forth in reasonable detail the amounts owing under this section, submitted by LC Issuer to Borrower or any Lender from time to time, shall be conclusive, absent manifest error, as to the amounts thereof.

Section 2.13. Letter of Credit Fees. In consideration of LC Issuer's issuance of any Letter of Credit, Borrower agrees to pay (a) to Administrative Agent, for the account of all Lenders in accordance with their respective Percentage Shares, a letter of credit issuance fee at a rate equal to the Letter of Credit Fee Rate then in effect (which shall be increased by two percent (2.00%) per annum during any period in which interest on the Loans accrues at the Default Rate), and (b) to such LC Issuer for its own account, a letter of credit fronting fee at a rate equal to one-quarter percent (.25%) per annum times the face amount of such Letter of Credit (but in no event less than \$500 per annum). In addition, Borrower will pay to LC Issuer the LC Issuer's customary fees for administrative issuance, amendment and drawing of each Letter of Credit. The letter of credit fee and the letter of credit fronting fee will be calculated on the undrawn face amount of each Letter of Credit outstanding on each day at the above-applicable rates and will be due and payable in arrears on the last day of each Fiscal Quarter and at the end of the Commitment Period.

Section 2.14. No Duty to Inquire.

(a) Drafts and Demands. LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any Letter of Credit, and payment by LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(b) Extension of Maturity. If the maturity of any Letter of Credit is extended by its terms or by Law or governmental action, if any extension of the maturity or time for presentation of drafts or any other modification of the terms of any Letter of Credit is made at the request of any Credit Party, or if the amount of any Letter of Credit is increased at the request of any Credit Party, this Agreement shall be binding upon all Credit Parties with respect to such Letter of Credit as so extended, increased or otherwise modified, with respect to drafts and property

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covered thereby, and with respect to any action taken by LC Issuer, LC Issuer's correspondents, or any Lender Party in accordance with such extension, increase or other modification.

(c) Transferees of Letters of Credit. If any Letter of Credit provides that it is transferable, LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such Letter of Credit, nor shall LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by LC Issuer to any purported transferee or transferees as determined by LC Issuer is hereby authorized and approved, and Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, which indemnity shall apply whether or not any such liability or claim is in any way or to any extent caused, in whole or in part, by any negligent act or omission of any kind by any Lender Party, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

(d) Applicability of ISP and UCP. Unless otherwise expressly agreed by LC Issuer and Borrower when a Letter of Credit is issued, (i) the rules of the "International Standby Practices 1998" of the Institute of International Banking Law & Practice, as most recently published by the International Chamber of Commerce at the time of issuance, shall apply to each standby Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time issuance, shall apply to each commercial Letter of Credit.

Section 2.15. LC Collateral.

(a) LC Obligations in Excess of Borrowing Base. If, after the making of all mandatory prepayments required under Section 2.7, the outstanding LC Obligations will exceed the Borrowing Base, then in addition to prepayment of the entire principal balance of the Loans Borrower will immediately pay to LC Issuer an amount equal to such excess. LC Issuer will hold such amount as security for the remaining LC Obligations (all such amounts held as security for LC Obligations being herein collectively called "LC Collateral") and the other Obligations, and such collateral may be applied from time to time to any Matured LC Obligations or other Obligations which are due and payable. Neither this subsection nor the

following subsection shall, however, limit or impair any rights which LC Issuer may have under any other document or agreement relating to any Letter of Credit, LC Collateral or LC Obligation, including any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by Borrower and any LC Collateral under Section 3.1.

(b) Acceleration of LC Obligations. If the Obligations or any part thereof become immediately due and payable pursuant to Section 8.1 then, unless Majority Lenders otherwise specifically elect to the contrary (which election may thereafter be retracted by Majority Lenders at any time), all LC Obligations shall become immediately due and payable without regard to whether or not actual drawings or payments on the Letters of Credit have occurred, and Borrower shall be obligated to pay to LC Issuer immediately an amount equal to the aggregate LC Obligations which are then outstanding, which amount shall be held by LC Issuer as LC Collateral securing the remaining LC Obligations and the other Obligations, and such LC

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Collateral may be applied from time to time to any Matured LC Obligations or any other Obligations which are due and payable.

(c) Investment of LC Collateral. Pending application thereof, all LC Collateral shall be invested by LC Issuer in such Investments as LC Issuer may choose in its reasonable discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured LC Obligations or other Obligations which are due and payable. When all Obligations have been satisfied in full, including all LC Obligations, all Letters of Credit have expired or been terminated, and all of Borrower's reimbursement obligations in connection therewith have been satisfied in full, LC Issuer shall release any remaining LC Collateral to Borrower or the Person who provided such Collateral. Borrower hereby assigns and grants to LC Issuer a continuing security interest in all LC Collateral paid by it to LC Issuer, all Investments purchased with such LC Collateral, and all proceeds thereof to secure its Matured LC Obligations and its Obligations under this Agreement, each Note, and the other Loan Documents, and Borrower agrees that LC Issuer shall have with respect to all LC Collateral, Investments and proceeds all the rights and remedies under the Security Documents insofar as such Security Documents apply with respect to security interests in personal property. Borrower further agrees that LC Issuer shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of New York with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest.

(d) Payment of LC Collateral. When Borrower is required to provide LC Collateral for any reason and fails to do so on the day when required, LC Issuer or Administrative Agent may without prior notice to Borrower or any other Credit Party provide such LC Collateral (whether by application of proceeds of other Collateral, by transfers from other accounts maintained with LC Issuer, or otherwise) using any available funds of Borrower or any other Person also liable to make such payments. Any such amounts which are required to be provided as LC Collateral and which are not provided on the date required shall, for purposes of each Security Document, be considered past due Obligations owing hereunder, and Administrative Agent and LC Issuer are hereby authorized to exercise its respective rights under each Security Document to obtain such amounts.

Section 2.16. Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans, to fund participations in Letters of Credit and to make payments pursuant to Section 10.4(c) are several and not joint. The failure of any Lender to make any Loan, to fund any such participation, or to make any payment under Section 10.4(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Committed Loan, to purchase its participation or to make its payment under Section 10.4(c).

Section 2.17. Increase in Commitments.

(a) If and when Lenders designate a Borrowing Base that exceeds the Aggregate Commitments then in effect, Borrower and Administrative Agent may, without any further consent of any of the Lenders, from time to time cause an increase in the Aggregate Commitments by adding to this Agreement one or more

additional Lenders or by allowing one or

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more Lenders to increase their respective Commitments, provided, however, that (i) each such additional Lender shall be an Eligible Assignee, (ii) the conditions precedent for additional Loans that are set out in Section 4.2 are then satisfied, (iii) no such increase shall result in the Aggregate Commitments exceeding the Maximum Senior Credit Amount, (iv) no such increase shall result in the Aggregate Commitments exceeding the Borrowing Base then in effect, and (v) no Lender's Commitment shall be increased without such Lender's consent. Any such addition of an additional Lender or increase in a Lender's Commitment shall be evidenced by a Commitment Increase Agreement executed by such Lender, Borrower, and Administrative Agent substantially in the form of Exhibit G hereto, which shall contain a revised Schedule 5 that shall thereupon be the Lenders Schedule for the purposes of this Agreement.

(b) If the Aggregate Commitments are increased in accordance with this section, Administrative Agent and Borrower shall determine the effective date (the "Increase Effective Date") and the final allocation of such increase. Administrative Agent shall promptly notify Borrower and Lenders of the final allocation of such increase and the Increase Effective Date. As a condition precedent to such increase, Borrower shall deliver to Administrative Agent a certificate of each Credit Party dated as of the Increase Effective Date (in sufficient copies for each Lender) executed by such Credit Party (i) certifying and attaching the resolutions adopted by such Credit Party approving or consenting to such increase, and (ii) in the case of Borrower, certifying that the conditions precedent for additional Loans that are set out in Section 4.2 are then satisfied, before and after giving effect to such increase. Borrower shall prepay any Loans outstanding on the Increase Effective Date (and pay any additional amounts required pursuant to Section 3.4), and shall borrow new Loans from the Lender whose Commitments have increased, to the extent necessary to keep the outstanding Loans ratable with any revised Percentage Shares arising from any nonratable increase in the Commitments under this section.

(c) Notwithstanding the normal provisions for borrowings or prepayments hereunder, Lenders hereby authorize Borrower to make non-ratable borrowings and prepayments of the Loans (and if any such prepayment requires the payment of Eurodollar Loans other than on the last day of the applicable Interest Period, Borrower shall pay any required amounts pursuant to Section 3.4) in order to ensure that the Loans of the Lenders shall be outstanding on a ratable basis in accordance with their Percentage Shares.

(d) This section shall supersede any provisions in Section 10.1 to the contrary.

ARTICLE III - Payments to Lenders

Section 3.1. General Procedures. Borrower will make each payment which it owes under the Loan Documents to Administrative Agent for the account of the Lender Party to whom such payment is owed, in lawful money of the United States of America, without set-off, deduction or counterclaim, and in immediately available funds. Each such payment must be received by Administrative Agent not later than 12:00 noon, New York, New York time, on the date such payment becomes due and payable. Any payment received by Administrative Agent after such time will be deemed to have been made on the next following Business Day. Should any such payment become due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day, and, in the case of a

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payment of principal or past due interest, interest shall accrue and be payable thereon for the period of such extension as provided in the Loan Document under which such payment is due. Each payment under a Loan Document shall be due and payable at the payment address set forth for Administrative Agent on the Lenders Schedule.

(b) When Administrative Agent collects or receives proceeds of Collateral,

it shall allocate such proceeds among the secured parties (including hedge counterparties) for whose benefit it holds such Collateral in accordance with the relevant Security Document and the Intercreditor Agreement, and Administrative Agent shall then distribute in accordance with the following subsection (c) of this section the portions of such proceeds that are allocable to the Lender Parties. When Administrative Agent collects or receives proceeds of NEGO Collateral, it shall allocate such proceeds among the secured parties for whose benefit it holds such NEGO Collateral in accordance with the relevant Security Document and the Intercreditor Agreement, provided that all proceeds otherwise allocable to Borrower shall be allocated to the Lender Parties, and Administrative Agent shall then distribute in accordance with the following subsection (c) of this section the portions of such proceeds that are allocable to the Lender Parties.

(c) When Administrative Agent collects or receives money that is allocable to the Lender Parties, Administrative Agent shall distribute all money so collected or received, and each Lender Party shall apply all such money so distributed, as follows (except as otherwise provided in Section 8.3):

(i) first, for the payment of all Obligations which are then due (and if such money is insufficient to pay all such Obligations, first to any reimbursements due Administrative Agent under Section 6.9 or 10.4 or similar section of any Security Documents and then to the partial payment of all other Obligations then due in proportion to the amounts thereof, or as Lender Parties shall otherwise agree);

(ii) then for the prepayment of amounts owing under the Loan Documents (other than principal of the Loans) if so specified by Borrower;

(iii) then for the prepayment of principal of the Loans, together with accrued and unpaid interest on the principal so prepaid; and

(iv) last, for the payment or prepayment of any other Obligations.

All payments applied to principal or interest on any Note shall be applied first to any interest then due and payable, then to principal then due and payable, and last to any prepayment of principal and interest in compliance with Sections 2.6 and 2.7. All distributions of amounts described in any of subsections (ii), (iii) or (iv) above shall be made by Administrative Agent pro rata to each Lender Party then owed Obligations described in such subsection in proportion to all amounts owed to all Lender Parties which are described in such subsection; provided that if any Lender then owes payments to LC Issuer for the purchase of a participation under Section 2.13(c) or to Administrative Agent under Section 10.4(c), any amounts otherwise distributable under this section to such Lender shall be deemed to belong to LC Issuer, or Administrative Agent, respectively, to the extent of such unpaid payments, and Administrative

Agent shall apply such amounts to make such unpaid payments rather than distribute such amounts to such Lender.

Section 3.2. Increased Costs.

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

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender Party (except any reserve requirement reflected in the Adjusted Eurodollar Rate);

(ii) subject any Lender Party to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender Party in respect thereof (except for Indemnified Taxes or Other Taxes covered by Section 3.5 and the imposition of, or any change in the rate of, any Excluded Tax payable by such Lender Party); or

(iii) impose on any Lender Party or the London interbank market any other condition, cost or expense 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 increase the cost to such Lender or LC Issuer of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender Party hereunder (whether of principal, interest or any other amount) then, upon request of such Lender or LC Issuer, Borrower will pay to such Lender Party, as the case may be, such additional amount or amounts as will compensate such Lender Party, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender Party determines that any Change in Law affecting such Lender Party or any lending office of such Lender Party or such Lender Party's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender Party's capital or on the capital of such Lender Party's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender Party or the Loans made by, or participations in Letters of Credit held by, such Lender Party, or the Letters of Credit issued by LC Issuer, to a level below that which such Lender Party or such Lender Party's holding company could have achieved but for such Change in Law (taking into consideration such Lender Party's policies and the policies of such Lender Party's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender Party such additional amount or amounts as will compensate such Lender Party or such Lender Party's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender Party setting forth in reasonable detail the computation of the amount or amounts necessary to compensate such

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Lender Party or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to Borrower and shall be conclusive absent manifest error. Borrower shall pay such Lender Party, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender Party to demand compensation pursuant to this Section shall not constitute a waiver of such Lender Party's right to demand such compensation.

Section 3.3. Illegality. If any Change in Law shall make it unlawful for any Lender Party to fund or maintain Eurodollar Loans, then, upon notice by such Lender Party to Borrower and Administrative Agent, (a) Borrower's right to elect Eurodollar Loans from such Lender Party shall be suspended to the extent and for the duration of such illegality, (b) all Eurodollar Loans of such Lender Party which are then the subject of any Borrowing Notice and which cannot be lawfully funded shall be funded as Base Rate Loans of such Lender Party, and (c) all Eurodollar Loans of such Lender Party shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by Law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, Borrower shall pay to such Lender Party such amounts, if any, as may be required pursuant to Section 3.4.

Section 3.4. Funding Losses. In addition to its other obligations hereunder, Borrower will indemnify each Lender Party against, and reimburse each Lender Party on demand for, any loss or expense incurred or sustained by such Lender Party (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by a Lender Party to fund or maintain Eurodollar Loans), as a result of (a) any payment or prepayment (whether authorized or required hereunder or otherwise) of all or a portion of a Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, (b) any payment or prepayment, whether required hereunder or otherwise, of a Loan made after the delivery, but before the effective date, of a Continuation/Conversion Notice requesting the continuation of outstanding Eurodollar Loans as, or the conversion of outstanding Base Rate Loans to,

Eurodollar Loans, if such payment or prepayment prevents such Continuation/Conversion Notice from becoming fully effective, (c) the failure of any Loan to be made or of any Continuation/Conversion Notice requesting the continuation of outstanding Eurodollar Loans as, or the conversion of outstanding Base Rate Loans to, Eurodollar Loans to become effective due to any condition precedent not being satisfied or due to any other action or inaction of any Credit Party, (d) any Conversion (whether authorized or required hereunder or otherwise) of all or any portion of any Eurodollar Loan into a Base Rate Loan or into a different Eurodollar Loan on a day other than the day on which the applicable Interest Period ends, or (e) any assignment of a Eurodollar Loan on a day other than the last day of the Interest Period therefor as a result of a request by Borrower pursuant to Section 3.7(b). Such indemnification shall be on an after-tax basis.

Section 3.5. Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of Borrower hereunder or under any other Loan Document shall be made free and

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clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any 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) Administrative Agent, LC Issuer, or Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions and (iii) Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of subsection (a) above, Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. Borrower shall indemnify each Lender Party, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes which (i) arise from any payment made hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and (ii) are paid by such Lender Party, 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 but net of any foreign tax credit or the benefit of any deduction or other tax benefit determined in good faith by such Lender Party to be attributable to the imposition of such Indemnified Tax. A certificate as to the amount of such payment or liability delivered in good faith to Borrower by a Lender Party (with a copy to Administrative Agent), or by Administrative Agent on its own behalf or on behalf of a Lender Party, shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by Borrower to a Governmental Authority, Borrower shall deliver to 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 Administrative Agent.

(e) Status of Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by Borrower or Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by Borrower or Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by Borrower or Administrative Agent as will enable Borrower or Administrative Agent to

determine whether or not such Lender is subject to backup withholding or information reporting requirements.

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Without limiting the generality of the foregoing, in the event that Borrower is resident for tax purposes in the United States of America, any Foreign Lender shall deliver to Borrower and Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of Borrower or Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

(f) Treatment of Certain Refunds. If any Lender Party determines that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by Borrower or with respect to which Borrower has paid additional amounts pursuant to this Section, it shall pay to Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Lender Party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that Borrower, upon the request of such Lender Party, agrees to repay the amount paid over to Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Lender Party in the event Lender Party is required to repay such refund to such Governmental Authority. This Agreement shall not be construed to require any Lender Party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to Borrower or any other Person, and each Lender Party shall make its determination under this subsection in its sole discretion.

Section 3.6. Alternative Rate of Interest. If prior to the commencement of any Interest Period for a Borrowing of Eurodollar Loans:

(a) Administrative Agent determines that adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period (any such determination shall be conclusive absent manifest error); or

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(b) Administrative Agent is advised by Majority Lenders that the Eurodollar Rate 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 Administrative Agent shall give notice thereof to Borrower and Lenders by telephone or telecopy as promptly as practicable thereafter and, until

Administrative Agent notifies Borrower and Lenders that the circumstances giving rise to such notice no longer exist, (i) any Continuation/Conversion Notice that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Borrowing of Eurodollar Loans shall be ineffective and shall be deemed a request to continue such Borrowing as a Borrowing of Base Rate Loans and (ii) if any Borrowing Notice requests a Borrowing of Eurodollar Loans, such Borrowing shall be made as a Borrowing of Base Rate Loans. Upon receipt of such notice, Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Loans.

Section 3.7. Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.2, or requires Borrower to pay any additional amount or indemnification to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.5, 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 3.2 or 3.5, 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. Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.2, or if Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.5, or if any Lender defaults in its obligation to fund Loans hereunder, or if any Lender fails to consent to any Borrowing Base amount proposed by the Administrative Agent, then Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 10.5), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(i) Borrower shall have paid to Administrative Agent the assignment fee specified in Section 10.5;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in Matured LC Obligations, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.4) from the assignee (to the

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extent of such outstanding principal and accrued interest and fees) or Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 3.2 or payments required to be made pursuant to Section 3.5, such assignment will result in a reduction in such compensation or payments thereafter; and

(iv) such assignment does not conflict with applicable law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 3.8. Payments by Borrower; Presumptions by Administrative Agent. Unless Administrative Agent shall have received notice from Borrower prior to the date on which any payment is due to Administrative Agent for the account of any Lender Party hereunder that Borrower will not make such payment, Administrative Agent may assume that Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to

such Lender Party as the case may be, the amount due. In such event, if Borrower has not in fact made such payment, then each Lender Party agrees to repay to Administrative Agent forthwith on demand the amount so distributed to such Lender Party, 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 Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by Administrative Agent in accordance with banking industry rules on interbank compensation.

ARTICLE IV - Conditions Precedent to Lending

Section 4.1 Documents to be Delivered. No Lender has any obligation to make its first Loan, and LC Issuer has no obligation to issue the first Letter of Credit, unless Administrative Agent shall have received all of the following, duly executed and delivered (as applicable) and in form, substance and date satisfactory to Administrative Agent:

(a) This Agreement and any other documents that Lenders are to execute in connection herewith.

(b) Each Note.

(c) Each Guaranty and each Security Document listed in the Security Schedule.

(d) Certain certificates of Borrower including:

(i) An "Omnibus Certificate" of Borrower, executed by the Secretary and of the Chairman of the Board or President of Borrower (or an equivalent representative of Borrower's managing member), which shall contain the names and signatures of the officers or representatives of Borrower authorized to execute Loan Documents and which

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shall certify to the truth, correctness and completeness of the following exhibits attached thereto: (1) a copy of resolutions duly adopted and in full force and effect at the time this Agreement is entered into, authorizing the execution of this Agreement and the other Loan Documents delivered or to be delivered in connection herewith and the consummation of the transactions contemplated herein and therein, (2) a copy of the charter documents of Borrower and all amendments thereto, certified by the appropriate official of Borrower's state of organization, and (3) a copy of any bylaws of Borrower; and

(ii) A "Compliance Certificate" of Borrower, executed by the Chairman of the Board or President of Borrower (or an equivalent representative of Borrower's managing member) and of the chief financial officer of Borrower, of even date with such Loan or such Letter of Credit, in which such officers certify to the satisfaction of the conditions set out in subsections (a), (b) and (c) of Section 4.2.

(e) Certificate (or certificates) of the due formation, valid existence and good standing of Borrower in its state of organization, issued by the appropriate authorities of such jurisdiction, and certificates of Borrower's good standing and due qualification to do business, issued by appropriate officials in any states in which Borrower owns property subject to Security Documents.

(f) Documents similar to those specified in subsections (d)(i) and (e) of this section with respect to each Guarantor and the execution by it of its guaranty of Borrower's Obligations.

(g) A favorable opinion of DLA Piper Rudnick Gray Cary US LLP, counsel for Credit Parties, in form and substance reasonably satisfactory to Administrative Agent and such other opinions of special and local counsel as may be required by Administrative Agent.

(h) The Initial Financial Statements.

(i) A certificate of Borrower, executed by the chief financial officer, certifying the Initial Financial Statements delivered pursuant to clause (h)

above.

(j) Certificates or binders evidencing Credit Parties' insurance in effect on the date hereof.

(k) A certificate of Borrower, executed by the chief executive officer or chief financial officer of Borrower in form and detail acceptable to Administrative Agent confirming the insurance that is in effect as of the date hereof and certifying that such insurance is in compliance with the requirements of this Agreement.

(l) The Initial Engineering Report.

(m) Title review in form, substance, and authorship satisfactory to Administrative Agent, with respect to Borrower's oil and gas reserves representing a percentage determined by Administrative Agent of the present discounted value of Credit Parties' proven oil and gas reserves in connection with the pre-closing due diligence.

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(n) UCC-1 search reports conducted in such jurisdictions and reflecting such names as Administrative Agent shall request.

(o) A certificate of each Credit Party either (A) attaching copies of all consents, licenses and approvals required in connection with the execution, delivery and performance by such Credit Party and the validity against such Credit Party of the Loan Documents to which it is a party, and such consents, licenses and approvals shall be in full force and effect, or (B) stating that no such consents, licenses or approvals are so required.

(p) Payment of all commitment, facility, agency and other fees required to be paid to any Lender pursuant to any Loan Documents or any commitment agreement heretofore entered into.

(q) Evidence satisfactory to Administrative Agent that Borrower has successfully novated the Required Existing Hedges to the satisfaction of Administrative Agent.

(r) Evidence satisfactory to Administrative Agent that Borrower, after giving effect to all extensions of credit hereunder, shall have at least \$35,000,000 of Available Borrowing Base and either \$15,000,000 of unrestricted cash or an additional \$15,000,000 of Available Borrowing Base.

(s) All documents and instruments which Administrative Agent has then reasonably requested, in addition to those described in this Section 4.1. All such additional documents and instruments shall be reasonably satisfactory to Administrative Agent in form, substance and date.

In addition to the foregoing, Borrower shall, prior to the making of the first Loan (or using the proceeds thereof), have paid all fees, expenses and disbursements required to be paid before the making of such first Loan, including those fees described in Sections 2.5(c) (i) and 2.5(d) and the estimated fees, expenses and disbursements of Thompson & Knight LLP, counsel for Administrative Agent.

Section 4.2. Additional Conditions Precedent. No Lender has any obligation to make any Loan (including its first), and LC Issuer has no obligation to issue any Letter of Credit (including its first), unless the following additional conditions precedent have been satisfied:

(a) All representations and warranties made by any Credit Party in any Loan Document shall be true in all respects on and as of the date of such Loan or the date of issuance of such Letter of Credit as if such representations and warranties had been made as of the date of such Loan or the date of issuance of such Letter of Credit, except to the extent that such representation or warranty specifically refers to an earlier date, in which case it shall be true in all respects on and as of such earlier date.

(b) No Default shall exist at the date of such Loan or the date of issuance of such Letter of Credit, both before and after giving effect to the making of such Loan or the issuance of such Letter of Credit.

(c) No Material Adverse Change shall have occurred, and no event or circumstance shall have occurred that would reasonably be anticipated to cause a Material Adverse Change, since the date of the Initial Financial Statements.

ARTICLE V - Representations and Warranties

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

Section 5.1. No Default. No event has occurred and is continuing which constitutes a Default.

Section 5.2. Organization and Good Standing. Each Credit Party is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization, having all powers required to carry on its business and enter into and carry out the transactions contemplated hereby. Each Credit Party is duly qualified, in good standing, and authorized to do business in all jurisdictions within the United States wherein it owns Oil and Gas Properties included in the most recent Engineering Report and in all other jurisdictions where the character of the properties owned or held by it or the nature of the business transacted by it makes such qualification necessary except where the failure to be qualified in such other jurisdictions would not reasonably be anticipated to cause a Material Adverse Change. Each Credit Party has taken all actions and procedures customarily taken in order to enter, for the purpose of conducting business or owning property, each jurisdiction outside the United States wherein the character of the properties owned or held by it or the nature of the business transacted by it makes such actions and procedures desirable.

Section 5.3. Authorization. Each Credit Party has duly taken all action necessary to authorize the execution and delivery by it of the Loan Documents to which it is a party and to authorize the consummation of the transactions contemplated thereby and the performance of its obligations thereunder. Borrower is duly authorized to borrow funds hereunder.

Section 5.4. No Conflicts, Contravention or Consents; No Violation of Rights. The execution and delivery by each Credit Party of the Loan Documents to which each is a party, the performance by each of its obligations under such Loan Documents, and the consummation of the transactions contemplated by the various Loan Documents, do not and will not (a) conflict with or contravene any provision of (i) any Law in any material respect, (ii) the organizational documents of any Credit Party, or (iii) any material agreement, judgment, license, order or permit applicable to or binding upon any Credit Party, (b) result in the acceleration of any Indebtedness owed by any Credit Party, (c) result in or require the creation of any Lien upon any assets or properties of any Credit Party except as expressly contemplated or permitted in the Loan Documents or (d) violate any rights of the public shareholders of NEGI. Except as expressly contemplated in the Loan Documents no permit, consent, approval, authorization or order of, and no notice to or filing with, any Governmental Authority or third party is required in

connection with the execution, delivery or performance by any Credit Party of any Loan Document or to consummate any transactions contemplated by the Loan Documents.

Section 5.5. Enforceable Obligations. This Agreement is, and the other Loan Documents when duly executed and delivered by each party thereto will be, legal, valid and binding obligations of each Credit Party which is a party hereto or thereto, enforceable in accordance with their respective terms except as such enforcement may be limited by bankruptcy, insolvency, moratorium, or similar Laws of general application relating to the enforcement of creditors' rights and subject to general principles of equity, regardless of whether considered in a

proceeding in equity or law.

Section 5.6. Initial Financial Statements. Credit Parties have heretofore delivered to each Lender true, correct and complete copies of the Initial Financial Statements. The Initial Financial Statements fairly present in accordance with GAAP the financial positions of the respective Persons reported on therein at the respective dates thereof and the results of such Persons' operations and such Persons' cash flows for the respective periods thereof, subject in the case of unaudited interim statements to year-end audit adjustments. Since the date of the unaudited quarterly Initial Financial Statements of Borrower as and for the nine months ended September 30, 2005, no Material Adverse Change has occurred, except as reflected in Section 5.6 of the Disclosure Schedule. All financial statements provided hereunder have been prepared in accordance with GAAP (other than with respect to their presentation in consolidating form) except that unaudited quarterly financial statements do not include footnotes in accordance therewith and are subject to year-end audit adjustments.

Section 5.7. Other Obligations and Restrictions. No Credit Party has any outstanding Liabilities of any kind (including contingent obligations, tax assessments, and unusual forward or long-term commitments) which are, in the aggregate, material to the Credit Parties, taken as a whole, or material with respect to Borrower's Consolidated financial condition and not reflected in the Initial Financial Statements or disclosed in Section 5.7 of the Disclosure Schedule or otherwise permitted under Section 7.1 and except in the case of any tax assessment that is being contested by a Credit Party in good faith and for which adequate reserves have been established. Except as reflected in the Initial Financial Statements or disclosed in Section 5.7 of the Disclosure Schedule, no Credit Party is subject to or restricted by any franchise, contract, deed, charter restriction, or other instrument or restriction which would reasonably be anticipated to cause a Material Adverse Change.

Section 5.8. Full Disclosure. No certificate, statement or other information delivered herewith or heretofore by any Credit Party to any Lender (as modified or supplemented by other information so furnished) in connection with the negotiation of this Agreement or in connection with any transaction contemplated hereby contains, as of the date made or deemed made, any material misstatement of fact or omits to state any material fact necessary to make the statements contained herein or therein, taken as a whole, not misleading. The data provided by Borrower to the engineers who prepared each Engineering Report was not false or misleading and Borrower did not fail to provide any material data available to Borrower that would have been useful or necessary for preparation of any such Engineering Report. Borrower has heretofore delivered to each Lender true, correct and complete copies of the Initial Engineering Report.

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Section 5.9. Litigation. Except as disclosed in the Initial Financial Statements or in Section 5.9 of the Disclosure Schedule: (a) there are no actions, suits or legal, equitable, arbitratative or administrative proceedings pending, or to the knowledge of any Credit Party threatened in writing, against any Credit Party or affecting any Collateral of such Credit Party (including any which challenge or otherwise pertain to any Credit Party's title to any Collateral) before any Governmental Authority which would reasonably be anticipated to cause a Material Adverse Change, and (b) there are no outstanding judgments, injunctions, writs, rulings or orders by any such Governmental Authority against any Credit Party or to each Credit Party's knowledge any Credit Party's stockholders, partners, members, directors or officers or affecting any Collateral or any of its material assets or property which would reasonably be anticipated to cause a Material Adverse Change.

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

Section 5.11. ERISA Plans and Liabilities. All currently existing ERISA Plans, if any, that are maintained for the benefit of the employees of Borrower, any of Borrower's Subsidiaries or IPO Co are listed in Section 5.11 of the

Disclosure Schedule. Except as disclosed in the Initial Financial Statements or in Section 5.11 of the Disclosure Schedule, no Termination Event has occurred and all ERISA Plans maintained for the benefit of the employees of Borrower, any of Borrower's Subsidiaries or IPO Co are in compliance with ERISA in all material respects.

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

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Party otherwise has any known material contingent liability under any Environmental Laws or in connection with the release into the environment, or the storage or disposal, of any Hazardous Materials. Each Credit Party undertook, at the time of its acquisition of each of its material properties, a reasonable investigation into the previous ownership and uses of the Property and any potential environmental liabilities associated therewith.

Section 5.13. Names and Places of Business. No Credit Party has, during the preceding five years, had, been known by, or used any other trade or fictitious name or been organized in any jurisdiction, except as disclosed in Section 5.13 of the Disclosure Schedule.

Section 5.14. Subsidiaries. Borrower does not presently have any Subsidiary except those listed in Section 5.14 of the Disclosure Schedule or disclosed to Administrative Agent in writing. No Credit Party has any equity investments in any other Person except those listed in Section 5.14 of the Disclosure Schedule or disclosed to Administrative Agent in writing. Borrower owns, directly or indirectly, the Equity in each of its Subsidiaries as indicated in Section 5.14 of the Disclosure Schedule or has been disclosed to Administrative Agent in writing. Except as listed on the Disclosure Schedule, no Subsidiary of Borrower owns Oil and Gas Properties on the date hereof other than NEGO, National Offshore, and National Onshore. None of NGX Energy, NGX GP or NGX LP have any assets or liabilities except those listed in Section 5.14 of the Disclosure Schedule.

Section 5.15. Government Regulation. Neither Borrower nor any other Credit Party owing Obligations is (a) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Federal Power Act, as amended, or any other Law which regulates the incurring by such Person of Indebtedness, including Laws relating to common contract carriers or the sale of electricity, gas, steam, water or other public utility services.

Section 5.16. Solvency. Immediately after giving effect to the issuance of the Notes, the execution of the Loan Documents by Borrower and each Guarantor and the consummation of the transactions contemplated hereby, Borrower and each Guarantor will be solvent (as such term is used in applicable bankruptcy,

liquidation, receivership, insolvency or similar Laws), and the sum of Borrower's and each Guarantor's absolute and contingent liabilities, including the Obligations or guarantees thereof, shall not exceed the fair market value of such Person's assets, and (ii) Borrower's and each Guarantor's capital should be adequate for the businesses in which such Person is engaged and intends to be engaged. Neither Borrower nor any Guarantor has incurred (whether under the Loan Documents or otherwise), nor does Borrower or any Guarantor intend to incur or believe that it will incur, liabilities that will be beyond its ability to pay as such debts mature.

Section 5.17. Title to Properties; Licenses. Each Credit Party has good and defensible title to, or valid leasehold interests in, all of the Collateral owned or leased by such Credit Party and all of its other material properties and assets necessary or used in the ordinary conduct of its business, free and clear of all Liens, encumbrances, or adverse claims and of all impediments to the use of such properties and assets in such Credit Party's business other than Permitted Liens and other minor defects or irregularities in title that do not interfere in any material respect with the operation thereof, except that no representation or warranty is made with respect to any oil,

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gas or mineral property or interest to which no proved oil or gas reserves are properly attributed. On the date hereof, each Credit Party owns the net interests in production attributable to the wells and units evaluated in the Initial Engineering Report. The ownership of such Properties does not in the aggregate in any material respect obligate such Credit Party to bear the costs and expenses relating to the maintenance, development and operations of such Properties in an amount materially in excess of the working interest of such Properties set forth in the Initial Engineering Reports. Upon delivery of each Engineering Report furnished to the Lenders pursuant to Sections 6.2(f) and (g), the statements made in the preceding sentences of this section and in Section 5.19 shall be true with respect to such Engineering Report. Each Credit Party possesses all licenses, permits, franchises, patents, copyrights, trademarks and trade names, and other intellectual property (or otherwise possesses the right to use such intellectual property without violation of the rights of any other Person) which are necessary to carry out its business as presently conducted and as presently proposed to be conducted hereafter, except where the failure to possess such licenses would not be reasonably anticipated to cause a Material Adverse Change and no Credit Party is in violation in any material respect of the terms under which it possesses such intellectual property or the right to use such intellectual property.

Section 5.18. Use of Proceeds; Margin Stock. The Letters of Credit and proceeds of the Loans will be used solely for the purposes specified in Section 2.4. None of such proceeds will be used by any Credit Party, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" as defined in Regulations T, U or X, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry a "margin stock" or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of Regulations T, U or X. Borrower has not taken nor will Borrower take any action which might cause any of the Loan Documents to violate Regulations T, U or X, or any other regulations of the Board of Governors of the Federal Reserve System or to violate Section 8 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 be in effect at the time such proceeds are used.

Section 5.19. Leases and Contracts; Performance of Obligations. The leases, contracts, servitudes and other agreements forming a part of the Engineered Oil and Gas Properties of the Credit Parties are in full force and effect. All rents, royalties and other payments due and payable under such leases, contracts, servitudes and other agreements, or under any Permitted Liens, or otherwise attendant to the ownership or operation of any Engineered Oil and Gas Properties, have been properly and timely paid where such failure to pay could materially and adversely affect the ownership or operation of any material Engineered Oil and Gas Property. No Credit Party is in default with respect to its obligations (and no Credit Party is aware of any default by any third party with respect to such third party's obligations) under any such leases, contracts, servitudes and other agreements, or under any Permitted Liens, or otherwise attendant to the ownership or operation of any part of the Engineered Oil and Gas Properties, where such default could materially and adversely affect

the ownership or operation of any material Engineered Oil and Gas Property. No Credit Party is currently accounting for any royalties, or overriding royalties or other payments out of production, based on oil and gas prices other than the prices actually received by such Credit Party (calculated at the well) from sale of production, and no Credit Party has any liability (or alleged liability) to account for the same on any such other basis.

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Section 5.20. Sale of Production. Except as set forth in Section 5.20 of the Disclosure Schedule, no Engineered Oil and Gas Property is subject to any material contractual or other arrangement (i) whereby payment for production is or can be deferred for a substantial period after the month in which such production is delivered (in the case of oil, not in excess of 60 days, and in the case of gas, not in excess of 90 days) or (ii) whereby payments are made to a Credit Party other than by checks, drafts, wire transfer advises or other similar writings, instruments or communications for the immediate payment of money. Except for production sales contracts, processing agreements, transportation agreements and other agreements relating to the marketing of production that are listed in Section 5.20 of the Disclosure Schedule in connection with the Engineered Oil and Gas Properties to which such contract or agreement relates: (i) no Engineered Oil and Gas Property is subject to any material contractual or other arrangement for the sale, processing or transportation of production (or otherwise related to the marketing of production) which cannot be canceled on 120 days' (or less) notice and (ii) all material contractual or other arrangements for the sale, processing or transportation of production (or otherwise related to the marketing of production) are bona fide arm's length transactions made with third parties not affiliated with Credit Parties. Each Credit Party is presently receiving a price for all production from (or attributable to) each Engineered Oil and Gas Property covered by a production sales contract or marketing contract listed on the Disclosure Schedule that is computed in accordance with the terms of such contract, and no Credit Party is having deliveries of production from such Engineered Oil and Gas Property curtailed substantially below such property's delivery capacity, except for curtailments caused (a) by an act or event of force majeure, or (b) by routine maintenance requirements in the ordinary course of business. Except as set forth in the Disclosure Schedule, no Credit Party, nor, to such Credit Party's knowledge, any Credit Party's predecessors in title, has received prepayments (including payments for gas not taken pursuant to "take or pay" or other similar arrangements) for any oil, gas or other hydrocarbons produced or to be produced from any Engineered Oil and Gas Properties after the date hereof. Except as set forth in the Disclosure Schedule, no Engineered Oil and Gas Property is subject to any "take or pay" or other similar arrangement (i) which can be satisfied in whole or in part by the production or transportation of gas from other properties or (ii) as a result of which production from any Engineered Oil and Gas Property may be required to be delivered to one or more third parties without payment (or without full payment) therefor as a result of payments made, or other actions taken, with respect to other properties. Except as set forth in the Disclosure Schedule, there is no Engineered Oil and Gas Property with respect to which any Credit Party, or, to such Credit Party's knowledge, any Credit Party's predecessors in title, has, prior to the date hereof, taken more ("overproduced"), or less ("underproduced"), in any material respect, gas from the lands covered thereby (or pooled or unitized therewith) than its ownership interest in such Engineered Oil and Gas Property would entitle it to take; and the Disclosure Schedule accurately reflects, in all material respects, for each well or unit with respect to which such an imbalance is shown thereon to exist, (i) whether such Credit Party is overproduced or underproduced and (ii) the volumes (in cubic feet or British thermal units) of such overproduction or underproduction and the effective date of such information. Except as set forth in the Disclosure Schedule, no Engineered Oil and Gas Property is subject to a gas balancing arrangement under which one or more third parties may take a portion of the production attributable to such Engineered Oil and Gas Property without payment (or without full payment) therefor as a result of production having been taken from, or as a result of other actions or inactions with respect to, other properties. No Engineered Oil and Gas Property is

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subject at the present time to any regulatory refund obligation and, to such Credit Party's knowledge, no facts exist which might cause the same to be imposed.

Section 5.21. Operation of Oil and Gas Properties. Except as disclosed in Section 5.12 of the Disclosure Schedule, the Engineered Oil and Gas Properties (and all properties unitized therewith) are, in all material respects, being (and, to the extent the same could materially and adversely affect the ownership or operation of the Engineered Oil and Gas Properties after the date hereof, to the applicable Credit Party's knowledge, have in the past been) maintained, operated and developed in a good and workmanlike manner, in accordance with prudent industry standards and in conformity with all applicable Laws and in conformity with all oil, gas or other mineral leases and other contracts and agreements forming a part of the Engineered Oil and Gas Property and in conformity with the Permitted Liens. No Engineered Oil and Gas Property is subject to having allowable production after the date hereof 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) prior to the date hereof and (ii) none of the wells located on the Engineered Oil and Gas Properties (or properties unitized therewith) are or will be deviated from the vertical more than the maximum permitted by applicable laws, regulations, rules and orders, and such wells are bottomed under and producing from, with the well bores wholly within, the Engineered Oil and Gas Properties (or, in the case of wells located on properties unitized therewith, such unitized properties). There are no dry holes, or otherwise inactive wells, located on the Engineered Oil and Gas Properties or on lands pooled or unitized therewith, except for wells that have been properly plugged and abandoned. Each Credit Party has all material governmental licenses and permits reasonably necessary or appropriate to own and operate its Engineered Oil and Gas Properties, and except as disclosed in Section 5.12 of the Disclosure Schedule no Credit Party has received notice in writing of any material violations in respect of any such licenses or permits.

Section 5.22. Ad Valorem and Severance Taxes; Litigation. Each Credit Party has paid and discharged when due all ad valorem taxes assessed against its Engineered Oil and Gas Properties or any part thereof and all production, severance and other taxes assessed against, or measured by, the production or the value, or proceeds, of the production therefrom, except in the case of any tax assessment that is being contested by such Credit Party in good faith and for which adequate reserves have been established. There are no suits, actions, claims, investigations, inquiries, proceedings or demands pending (or, to any Credit Party's knowledge, threatened) which might adversely affect any material Engineered Oil and Gas Property, including any which challenge or otherwise pertain to any Credit Party's title to any material Engineered Oil and Gas Property or rights to produce and sell oil and gas therefrom.

Section 5.23. Internal Control Event. Since the date of the annual Initial Financial Statements, no Internal Control Event has occurred which would be reasonably anticipated to cause a Material Adverse Change.

Section 5.24. Separateness of Each Credit Party. Each Credit Party: (a) maintains separate records and books of account that are distinct from those of any Affiliate of such Credit Party, appropriately identifying such Credit Party's separate assets and liabilities, and in such records and books of account properly documents all inter-Affiliate transactions; (b) except for treasury management systems in which ownership of deposits and investments are separately

accounted for, does not commingle its funds or assets with those of any Affiliate of such Credit Party; (c) holds all appropriate meetings of its board of directors or other analogous governing body to authorize and approve such Credit Party's actions, which meetings are separate from those of other Affiliates and at which meetings all appropriate officers are elected or appointed to offices that are separate from those of Affiliates; and (d) does not hold itself out as directly owning the assets of its Affiliates and does not allow any Affiliate to hold itself out as directly owning the assets of such Credit Party. Pursuant to the Securities Exchange Act, NEGI presents its Consolidated financial condition of NEGI and its Subsidiaries to the public separately from that of Borrower and Borrower's other Subsidiaries. Borrower acknowledges and agrees that the Lender Parties have relied on the separate

existence of each Credit Party, as represented to them by Borrower, in agreeing on the structure of the credit transactions contemplated by this Agreement and in making the Loans based on the support of the various Guaranties and other Security Documents provided by the various Credit Parties as separate and distinct entities.

ARTICLE VI - Affirmative Covenants of Borrower

To conform with the terms and conditions under which each Lender Party is willing to have credit outstanding to Borrower, and to induce each Lender Party to enter into this Agreement and extend credit hereunder, Borrower covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders have previously agreed otherwise:

Section 6.1. Payment and Performance. Each Credit Party will pay all amounts due under the Loan Documents, to which it is a party, in accordance with the terms thereof and will observe, perform and comply with every covenant, term and condition set forth in the Loan Documents to which it is a party. Borrower will cause each Credit Party that is a wholly-owned Subsidiary of Borrower to observe, perform and comply with every such term, covenant and condition in any Loan Document. The parties recognize that Borrower may not have the legal power to cause any Credit Parties other than Borrower and its wholly-owned Subsidiaries so to comply with the Loan Documents, but Borrower agrees that the failure of any such other Credit Party to comply with the terms of the Loan Documents will nonetheless constitute a Default or Event of Default hereunder.

Section 6.2. Books, Financial Statements and Reports. Each Credit Party will at all times maintain full and accurate books of account and records. Borrower and each Credit Party that is a Subsidiary of Borrower will maintain a standard system of accounting, will maintain its Fiscal Year, and will furnish the following statements and reports to the Administrative Agent at Borrower's expense:

(a) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, complete Consolidated and consolidating financial statements of Borrower together with all notes thereto, prepared in reasonable detail in accordance with GAAP, together with an opinion with respect to such Consolidated statements (without a "going concern" or like qualification or exception or without any qualification or exception as to the scope of such audit), based on an audit using generally accepted auditing standards, by Grant Thornton or another

independent certified public accounting firm selected by Borrower and reasonably acceptable to Administrative Agent, to the effect that such Consolidated financial statements present fairly in all material respects the financial condition and results of operations of Borrower and its consolidated subsidiaries on a consolidated basis in accordance with GAAP consistently applied. These financial statements shall contain a Consolidated and consolidating balance sheet as of the end of such Fiscal Year and Consolidated and consolidating statements of earnings, of cash flows, and of changes in owners' equity for such Fiscal Year, each setting forth in comparative form the corresponding figures for the preceding Fiscal Year. In addition, after the Initial Equity Offering, to the extent required by the Securities Laws, concurrently with the delivery of such financial statements, IPO Co will furnish an attestation report of an independent certified public accounting firm as to IPO Co's internal controls pursuant to Section 404 of Sarbanes-Oxley and no conclusion made by such firm shall identify a material weakness as to which the Majority Lenders object.

(b) As soon as available, and in any event within forty-five (45) days after the end of the first three Fiscal Quarters in each Fiscal Year, Borrower's Consolidated and consolidating balance sheet as of the end of such Fiscal Quarter and Consolidated and consolidating statements of Borrower's earnings and cash flows for the period from the beginning of the then current Fiscal Year to the end of such Fiscal Quarter, all in reasonable detail and prepared in accordance with GAAP, subject to changes resulting from normal year-end adjustments and that not all notes required by GAAP need be presented. In addition Borrower will, together with each such set of financial statements and each set of financial statements furnished under subsection (a) of this section,

furnish a certificate of Borrower in the form of Exhibit D signed by the chief financial officer of Borrower stating that such financial statements present fairly in all material respects the consolidated financial condition and results of operations of Borrower and its consolidated subsidiaries (subject to normal year-end adjustments and the absence of notes with respect to the financial statements furnished pursuant to this subsection (b)), stating that he has reviewed the Loan Documents, containing calculations showing compliance (or non-compliance) at the end of such Fiscal Quarter with the requirements of Sections 7.1, 7.3, 7.6 and 7.11 and stating that all Collateral required under Section 6.17 has been provided and that no Default or Internal Control Event exists at the end of such Fiscal Quarter or at the time of such certificate or specifying the nature and period of existence of any such Default or Internal Control Event.

(c) Promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent by any Credit Party to its equity holders and all registration statements, periodic reports and other statements and schedules filed by any Credit Party with any securities exchange, the Securities and Exchange Commission or any similar governmental authority.

(d) Together with each set of financial statements furnished under subsections (a) and (b) of this section, Borrower will furnish a report (in form reasonably satisfactory to Administrative Agent) of all Hedging Contracts of Borrower and each of its Subsidiaries, setting forth the type, term, effective date, termination date and notional amounts or volumes and the counterparty to each such agreement.

(e) As soon as available, and in any event within ninety (90) days after the end of each Fiscal Year, a business and financial plan, together with a capital expenditure schedule, for

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Borrower (in form reasonably satisfactory to Administrative Agent), prepared by a senior financial officer thereof, setting forth for the first year thereof, quarterly financial projections and budgets for Borrower, and thereafter yearly financial projections and budgets until the Maturity Date.

(f) By March 31 of each year commencing March 31, 2006, an Engineering Report prepared as of the preceding January 1 by one or more of Netherland, Sewell & Associates, DeGolyer & MacNaughton, or other independent petroleum engineers chosen by Borrower and acceptable to Administrative Agent, concerning all Oil and Gas Properties owned by any Credit Party which are located in or offshore of the United States and which have attributable to them proved oil or gas reserves. This report shall be reasonably satisfactory to Administrative Agent, shall be prepared using PV10 Pricing, shall take into account any "over-produced" status under gas balancing arrangements, and shall contain information and analysis consistent in form and scope in all material respects to that contained in the Initial Engineering Report. This report shall distinguish (or shall be delivered together with a certificate from an appropriate officer of Borrower which distinguishes) (i) the Oil and Gas Properties owned by each Credit Party and (ii) those properties treated in the report which are Collateral from those properties treated in the report which are not Collateral.

(g) By September 30 of each year, commencing September 30, 2006, an Engineering Report prepared as of the preceding July 1 (or the last day of the preceding calendar month in the case of a Special Determination) by petroleum engineers who are employees of Borrower (or, at the option of Borrower, by the independent engineers named above or selected in accordance with (f) above), together with an accompanying report on property sales, property purchases and changes in categories that have occurred since the date of the prior Engineering Report, both in the same form and scope as the reports in (f) above.

(h) As soon as available, and in any event within forty-five (45) days after the end of each calendar quarter, a report describing by major operating unit the net volume of production of the Credit Parties and sales attributable to production during each month of such quarter from the properties described in the most recent Engineering Report and describing the related severance taxes, other taxes, leasehold operating expenses and capital costs attributable thereto and incurred during such month.

(i) At least ten Business Days prior to any sale or transfer of Oil and Gas Properties for more than \$50,000,000 or that will require execution of a release of Collateral by Administrative Agent, written notice of such sale describing the Oil and Gas Properties to be sold, the anticipated sales price, and a request for the release of any such Collateral.

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

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

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

- (a) the occurrence of any Material Adverse Change,
- (b) the occurrence of any Default,
- (c) the acceleration of the maturity of any Indebtedness owed by any Credit Party or of any default by any Credit Party under any indenture, mortgage, agreement, contract or other instrument to which any of them is a party or by which any of them or any of their properties is bound, if such acceleration or default would be reasonably anticipated to cause a Material Adverse Change,
- (d) the occurrence of any Termination Event,
- (e) any claim of \$5,000,000 or more, or any notice of potential liability under any Environmental Laws which might exceed such amount, and
- (f) the filing of any suit or proceeding against any Credit Party in which an adverse decision would reasonably be anticipated to cause a Material Adverse Change or to materially and adversely affect title to any material Engineered Oil and Gas Property of Borrower or any Subsidiary.

Upon the occurrence of any of the foregoing Credit Parties will take all necessary or appropriate steps to remedy promptly any such Material Adverse Change, Default, acceleration, default, or Termination Event, to protect against any such adverse claim, to defend any such suit or proceeding, and to resolve all controversies on account of any of the foregoing. Borrower will also notify Administrative Agent and Administrative Agent's counsel in writing at least twenty Business Days prior to the date that any Credit Party changes its name or its jurisdiction of organization.

Section 6.5. Maintenance of Properties. Each Credit Party will maintain, preserve, protect, and keep all Collateral and all other property owned by such Person that is used or useful in the conduct of its business in good condition (ordinary wear and tear excepted) in accordance with prudent industry standards, in material compliance with all applicable Laws, and in conformity with all applicable material contracts, servitudes, leases and agreements, and each

will from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and advantageously conducted at all times.

Section 6.6. Maintenance of Existence and Qualifications. Each Credit Party will maintain and preserve its existence and its rights and franchises in full force and effect and will qualify to do business in all states or jurisdictions where required by applicable Law, except (a) as contemplated in the above definition of "Initial Equity Offering" or (b) where the failure to do any of the foregoing would not be reasonably anticipated to cause a Material Adverse Change.

Section 6.7. Payment of Trade Liabilities, Taxes, etc. Each Credit Party will (a) timely file all required tax returns including any extensions; (b) timely pay all taxes, assessments, and other governmental charges or levies imposed upon it or upon its income, profits or property before the same become delinquent; (c) within ninety (90) days past the original invoice or billing date therefor pay all Liabilities owed by it on ordinary trade terms to vendors, suppliers and other Persons providing goods and services used by it in the ordinary course of its business; (d) pay and discharge when due all other Liabilities now or hereafter owed by it, other than royalty payments suspended in the ordinary course of business; and (e) maintain appropriate accruals and reserves for all of the foregoing in accordance with GAAP, provided that each Credit Party may delay paying or discharging any of the foregoing so long as it is in good faith contesting the validity thereof by appropriate proceedings, if necessary, and has set aside on its books adequate reserves therefore which are required by GAAP.

Section 6.8. Insurance.

(a) Each Credit Party shall at all times maintain (at its own expense) insurance for its property in accordance with the Insurance Schedule with financially sound and reputable insurance companies, as well as insurance in such amounts, with such limitations or deductibles, against such risks, and in such form as are customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations. All insurance policies covering Collateral shall be endorsed (i) to provide for payment of losses to Administrative Agent as its interests may appear, (ii) to provide that such policies may not be canceled or reduced or affected in any material manner for any reason without ten (10) days prior notice to Administrative Agent, and (iii) to provide for any other matters specified in any applicable Security Document or which Administrative Agent may reasonably require. Each Credit Party shall at all times maintain insurance against its liability for injury to persons or property in accordance with the Insurance Schedule, which insurance shall be by financially sound and reputable insurers.

(b) Reimbursement under any liability insurance maintained by Credit Parties pursuant to this Section 6.8 may be paid directly to the Person who has incurred the liability covered by such insurance. With respect to any loss involving damage to Collateral, each Credit Party will make or cause to be made the necessary repairs to or replacements of such Collateral, and any proceeds of insurance maintained by each Credit Party pursuant to this Section 6.8 shall be paid to such Credit Party by Administrative Agent as reimbursement for the costs of such repairs or replacements as such repairs or replacements are made or acquired; provided that

Administrative Agent shall be entitled (but not obligated) to retain and apply such proceeds as Collateral during the continuance of any Event of Default.

Section 6.9. Performance on Borrower's Behalf. If any Credit Party fails to pay when required any taxes, insurance premiums, expenses, attorneys' fees or other amounts it is required to pay under any Loan Document, Administrative Agent may pay the same. Borrower shall immediately reimburse Administrative Agent for any such payments and each amount paid by Administrative Agent shall

constitute an Obligation owed hereunder which is due and payable on the date such amount is paid by Administrative Agent.

Section 6.10. Interest. In addition to Borrower's obligations to pay interest at the Default Rate on the Loans under Section 2.5 and the Matured LC Obligations under Section 2.12(a), Borrower hereby promises to each Lender Party to pay interest at the Default Rate applicable to Base Rate Loans on all Obligations (including Obligations to pay fees or to reimburse or indemnify any Lender) that Borrower has in this Agreement promised to pay to such Lender Party and which are not paid when due (and subject to the obligations of such Lender to repay such interest if it is required to repay any such amount to Borrower). Such interest shall accrue from the date such other Obligations become due until they are paid.

Section 6.11. Compliance with Agreements and Law. Each Credit Party will perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, franchise, agreement, contract or other instrument or obligation (other than the Loan Documents) to which it is a party or by which it or any of its properties is bound. Each Credit Party will conduct its business and affairs in compliance in all material respects with all Laws applicable thereto. Each Credit Party will cause all material licenses and permits for the conduct of its business and the ownership and operation of its material Engineered Oil and Gas Properties used and useful in the conduct of its business to be at all times maintained in good standing and in full force and effect.

Section 6.12. Environmental Matters; Environmental Reviews.

(a) Each Credit Party will comply in all material respects with all Environmental Laws now or hereafter applicable to such Credit Party, as well as all contractual obligations and agreements with respect to environmental remediation or other environmental matters, and shall obtain, at or prior to the time required by applicable Environmental Laws, all environmental permits, licenses and other authorizations reasonably necessary for its operations and will maintain such authorizations in full force and effect. No Credit Party will do anything or permit anything to be done which will subject any of its properties to any material remedial obligations under, or result in noncompliance in any material respect with applicable permits and licenses issued under, any applicable Environmental Laws, assuming disclosure to the applicable governmental authorities of all relevant facts, conditions and circumstances. Upon Administrative Agent's reasonable request, at any time and from time to time (but no more frequently than once per calendar year with respect to the same property), Borrower will provide at its own expense an environmental inspection of any of the Credit Parties' material real properties and audit of their environmental compliance procedures and practices, in each case from an engineering or consulting firm selected by Borrower and reasonably approved by Administrative Agent.

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(b) Borrower will promptly furnish to Administrative Agent copies of all written notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings received by any Credit Party, or of which Borrower otherwise has notice, pending or threatened in writing against any Credit Party by any governmental authority with respect to any alleged violation of or non-compliance with any Environmental Laws or any permits, licenses or authorizations in connection with any Credit Party's ownership or use of its properties or the operation of its business.

(c) Borrower will promptly furnish to Administrative Agent all requests for information, notices of claim, demand letters, and other notifications that are received by Borrower in connection with any Credit Party's ownership or use of its properties or the conduct of its business, relating to potential responsibility with respect to any investigation or clean-up of Hazardous Material at any location (excluding only routine correspondence concerning matters in the ordinary course of business with respect to duties that the Credit Parties are not disputing).

Section 6.13. Actions after the Initial Equity Offering. If and when the Initial Equity Offering occurs, Borrower will ensure that all of the terms of the proviso in the above definition of "Initial Equity Offering" are met and Borrower and NEGO will novate the then existing Hedging Contracts of NEGO so

that Borrower replaces NEGO as a party thereto (with the consent of each other party thereto other than Citibank, N.A., who hereby gives such consent) and amend and restate the Security Documents given by NEGO so that they (a) are in substantially the same form as the Security Documents provided by National Onshore and National Offshore and (b) secure the Obligations directly.

Section 6.14. Bank Accounts; Offset. To secure the repayment of the Obligations Borrower hereby grants to each Lender Party, and each of their respective Affiliates, a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Lender Party or any of their respective Affiliates, at common Law, under the Loan Documents, or otherwise, and each of which shall be upon and against (a) any and all moneys, securities or other property (and the proceeds therefrom) of Borrower now or hereafter held or received by or in transit to any Lender Party or any of their respective Affiliates, from or for the account of Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, (b) any and all deposits (general or special, time or demand, provisional or final) of Borrower with any Lender Party, or any of their respective Affiliates, and (c) any other credits and claims of Borrower at any time existing against any Lender Party, including claims under certificates of deposit. At any time and from time to time after the occurrence of any Event of Default, each Lender Party, and each of their respective Affiliates, is hereby authorized to foreclose upon, or to offset against the Obligations then due and payable (in either case without notice to Borrower), any and all items hereinabove referred to; irrespective of whether or not such Lender Party or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower may be contingent or unmatured or are owed to a branch or office of such Lender Party different from the branch or office holding such items. The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other.

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Section 6.15. Guaranties. Each of the Subsidiaries of Borrower on the date hereof, other than the NEG Subsidiaries, shall promptly execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower under the Loan Documents, which guaranty shall be satisfactory to Administrative Agent in form and substance and shall be delivered prior to the making of any Loan hereunder. IPO Co, upon its acquisition of more than 10% of the issued and outstanding Equity of Borrower, Debt Holdco, upon its acquisition of any Intercompany Obligation, each Person that hereafter becomes a Subsidiary of Borrower, and each Person that is a NEG Subsidiary on the date hereof but hereafter ceases to be a NEG Subsidiary but remains a Subsidiary of Borrower, shall promptly execute and deliver to Administrative Agent an absolute and unconditional guaranty of the timely repayment of the Obligations and the due and punctual performance of the obligations of Borrower under the Loan Documents, which guaranty shall be satisfactory to Administrative Agent in form and substance. Borrower will cause each such Guarantor to deliver to Administrative Agent, simultaneously with its delivery of such a guaranty, written evidence satisfactory to Administrative Agent and its counsel that such Guarantor has taken all company action necessary to duly approve and authorize its execution, delivery and performance of such guaranty and any other documents which it is required to execute. To the extent that any Subsidiary of Borrower which is a Guarantor owes any Intercompany Obligation to Borrower then, notwithstanding any restrictions on repayment of such Intercompany Obligation in any Loan Document, any payment made by such Subsidiary under its Guaranty will constitute a payment in the same amount of such Intercompany Obligation owed by such Subsidiary to Borrower.

Section 6.16. Production Proceeds. Notwithstanding that, by the terms of the various Security Documents, Guarantors and Borrower are and will be assigning to Administrative Agent and Lenders all of the "Production Proceeds" (as defined therein) accruing to the property covered thereby, so long as no Event of Default has occurred such Credit Parties may continue to receive from the purchasers of production all such Production Proceeds, subject, however, to the Liens created under the Security Documents, which Liens are hereby affirmed and ratified. Upon the occurrence of an Event of Default, Administrative Agent and Lenders may exercise all rights and remedies granted under the Security Documents, including the right to obtain possession of all Production Proceeds then held by Credit Parties or to receive directly from the purchasers of

production all other Production Proceeds. In no case shall any failure, whether purposed or inadvertent, by Administrative Agent or Lenders to collect directly any such Production Proceeds constitute in any way a waiver, remission or release of any of their rights under the Security Documents, nor shall any release of any Production Proceeds by Administrative Agent or Lenders to Credit Parties constitute a waiver, remission, or release of any other Production Proceeds or of any rights of Administrative Agent or Lenders to collect other Production Proceeds thereafter.

Section 6.17. Collateral.

(a) At all times the Secured Obligations shall be secured by Liens (subject only to Permitted Liens) covering and encumbering (i) at least 90% of the total value of the proved reserves of oil and gas attributable to the Oil and Gas Properties of Borrower and its Subsidiaries, other than the NEG Subsidiaries, (ii) all of the issued and outstanding Equity of each Subsidiary of Borrower that is owned by any Credit Party, (iii) all existing Intercompany

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Obligations (except for the obligation of NEGH to pay to NEGI the "NEGI Priority Amount" referred to in clause (d) of the definition of "Intercompany Obligations"), and (iv) Borrower's rights under the Restated NEGO Credit Facility and under mortgages securing the Restated NEGO Credit Facility that cover at least 90% of the total value of the proved reserves of oil and gas attributable to the Oil and Gas Properties of the NEG Subsidiaries. On the date hereof, and from time to time hereafter as any such Equity or Intercompany Obligation is acquired by a Credit Party, such Credit Party shall deliver to Administrative Agent for the ratable benefit of each Lender pledge agreements covering such Equity and Intercompany Obligation, each in form and substance acceptable to Administrative Agent.

(b) To the extent necessary to comply with the first sentence of Section 6.17(a), (i) within 30 days after the delivery of each Engineering Report, the Credit Parties that own Oil and Gas Properties shall execute and deliver mortgages and deeds of trust in form and substance acceptable to Administrative Agent, together with such other assignments, conveyances, amendments, agreements and other writings (each duly authorized and executed) as Administrative Agent shall deem necessary or appropriate to grant, evidence and perfect the Liens required by this Section 6.17.

(c) Borrower agrees to deliver and to cause each other Credit Party to deliver, to further secure the Obligations (or, in the case of the NEG Subsidiaries, to secure the Restated NEGO Credit Facility) whenever requested by Administrative Agent in its sole and absolute discretion: (i) deeds of trust, mortgages, chattel mortgages, security agreements, financing statements and other Security Documents in form and substance satisfactory to Administrative Agent for the purpose of granting, confirming, and perfecting Liens (subject only to Permitted Liens) in any real or personal property now owned or hereafter acquired by any Credit Party, (ii) transfer orders or letters in lieu thereof with respect to the production and proceeds of production from the Collateral, in form and substance satisfactory to Administrative Agent, and (iii) favorable title opinions from legal counsel acceptable to Administrative Agent with respect to any Credit Party's properties and interests designated by Administrative Agent, based upon abstract or record examinations to dates acceptable to Administrative Agent and (1) stating that such Credit Party has good and defensible title to such properties and interests, free and clear of all Liens other than Permitted Liens, (2) confirming that such properties and interests are subject to Security Documents securing the Obligations that constitute and create legal, valid and duly perfected deed of trust or mortgage liens in such properties and interests and assignments of and security interests in the oil and gas attributable to such properties and interests and the proceeds thereof, subject only to Permitted Liens, and (c) covering such other matters as Administrative Agent may reasonably request. Upon request by Administrative Agent, Borrower will deliver, and will cause each other Credit Party to deliver, releases of any Permitted Liens securing Intercompany Obligations that are described in subsection (1) of the above definition of "Permitted Liens".

Section 6.18. Separateness of Each Credit Party. Each Credit Party will:

(a) maintain separate records and books of account that are distinct from those of any Affiliate of such Credit Party, appropriately identifying such Credit

Party's separate assets and liabilities, and in such records and books of account properly document all inter-Affiliate transactions; (b) except for treasury management systems in which ownership of deposits and investments are separately accounted for, not commingle its funds or assets with those of any Affiliate of such Credit Party;

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(c) hold all appropriate meetings of its board of directors or other analogous governing body to authorize and approve such Credit Party's actions, which meetings are separate from those of other Affiliates, and at which meetings all appropriate officers will be elected or appointed to offices that are separate from those of Affiliates; and (d) not hold itself out as directly owning the assets of its Affiliates, and not allow any Affiliate to hold itself out as directly owning the assets of such Credit Party. For so long as NEGI is a reporting company under the federal securities laws, Borrower will insure that NEGI complies with the requirements of all Securities Laws to present the Consolidated financial condition of NEGI and its Subsidiaries to the public separately from that of Borrower and Borrower's other Subsidiaries.

ARTICLE VII - Negative Covenants of Borrower

To conform with the terms and conditions under which each Lender Party is willing to have credit outstanding to Borrower, and to induce each Lender Party to enter into this Agreement and make the Loans, Borrower covenants and agrees that until the full and final payment of the Obligations and the termination of this Agreement, unless Majority Lenders have previously agreed otherwise:

Section 7.1. Indebtedness. No Credit Party will in any manner owe or be liable for Indebtedness except:

(a) the Obligations.

(b) Allowed Second Lien/Unsecured Indebtedness, and any guarantees thereof by any of the Guarantors, provided that if Borrower has in connection with any Borrowing Base determination requested Lenders to assume that Allowed Second Lien/Unsecured Indebtedness will not be issued in the following six months, Borrower may not issue or borrow Allowed Second Lien/Unsecured Indebtedness until completion of the next following Borrowing Base determination in connection with which Borrower has requested Lenders to assume that the Allowed Second Lien/Unsecured Indebtedness will be issued in the following six months.

(c) Intercompany Obligations.

(d) Indebtedness for borrowed money hereafter lent to Borrower by one or more of its equity owners, provided that such Indebtedness (i) does not provide for any payments in cash or in property of Borrower, whether for principal, interest or otherwise, prior to the payment in full of the Obligations, (ii) has a scheduled maturity after the Maturity Date, which maturity cannot be accelerated prior to the Maturity Date under any circumstances, (iii) is not secured, and (iv) is otherwise subordinated to the Obligations upon terms and conditions satisfactory to Administrative Agent in its sole and absolute discretion.

(e) Indebtedness outstanding under the instruments and agreements described in Section 7.1(e) of the Disclosure Schedule (excluding any renewals or extensions of such Indebtedness).

(f) Indebtedness arising under Hedging Contracts permitted under Section 7.3.

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(g) purchase money Indebtedness in an aggregate principal amount not to exceed \$15,000,000 at any time that is incurred for the purchase of equipment, provided that the original principal amount of any such Indebtedness shall not be in excess of the purchase price of the equipment acquired thereby and such Indebtedness shall be secured only by the acquired equipment, any accessions thereto and any proceeds thereof.

(h) Indebtedness of IPO Co or Borrower owing to AREH or any of its Affiliates for expenses incurred for the Initial Equity Offering, provided that the terms of such Indebtedness provide that such Indebtedness will be paid out of - and only out of - the proceeds of the Initial Equity Offering.

(i) miscellaneous items of Indebtedness not described in subsections (a) through (g) which do not in the aggregate (taking into account all such Indebtedness of all Credit Parties) exceed \$10,000,000 at any one time outstanding.

Section 7.2. Limitation on Liens. Except for Permitted Liens, no Credit Party will create, assume or permit to exist any Lien upon any of the properties or assets which it now owns or hereafter acquires.

Section 7.3. Hedging Contracts.

(a) No Credit Party will be a party to or in any manner be liable on any Hedging Contract except:

(i) Hedging Contracts entered into by Borrower or (prior to the Initial Equity Offering) by NEGO with the purpose and effect of fixing prices on oil or gas expected to be produced by NEGO, National Onshore or National Offshore (in the case of Hedging Contracts entered into by Borrower) or by NEGO (in the case of Hedging Contracts entered into by NEGO), provided that at all times: (1) the aggregate monthly production covered by all such contracts of Borrower (determined, in the case of contracts that are not settled on a monthly basis, by a monthly proration acceptable to Administrative Agent) for any single month does not in the aggregate exceed eighty percent (80%) of Credit Parties' (excluding the NEG Subsidiaries) aggregate Projected Oil and Gas Production anticipated (at the time such Hedging Contract is entered into) to be sold in the ordinary course of such Credit Parties' businesses for such month, (2) the aggregate monthly production covered by all such contracts of NEGO (determined, in the case of contracts that are not settled on a monthly basis, by a monthly proration acceptable to Administrative Agent) for any single month does not in the aggregate exceed eighty percent (80%) of NEGO's aggregate Projected Oil and Gas Production anticipated (at the time such Hedging Contract is entered into) to be sold in the ordinary course of the NEGO's business for such month, (3) except for letters of credit and the Collateral under the Security Documents with respect to Lender Hedging Obligations, no such contract requires any Credit Party to put up money, assets, or other security against the event of its nonperformance prior to actual default by such Credit Party in performing its obligations thereunder, and (4) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or one of its Affiliates) at the time the contract is made has long-term obligations rated A or A2 or

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better, respectively, by either Rating Agency. As used in this subsection, the term "Projected Oil and Gas Production" means the projected production of oil or gas (measured by volume unit or BTU equivalent, not sales price) from properties and interests owned by any Credit Party which are located in or offshore of the United States and which have attributable to them proved producing oil or gas reserves, as such production from proved producing reserves is projected in the most recent Engineering Report delivered pursuant to Section 6.2(f) or (g), after deducting projected production from any properties or interests sold or under contract for sale that had been included in such report and after adding projected production from any properties or interests that had not been reflected in such report but that are reflected in a separate or supplemental reports meeting the requirements of such Section 6.2(f) or (g) above and otherwise are satisfactory to Administrative Agent; and

(ii) Hedging Contracts entered into by Borrower or NEGO with the purpose and effect of fixing interest rates (or reversing previous Hedging Contracts entered into to fix such interest rates) on a principal amount of Indebtedness of Borrower or NEGO that is accruing interest at a variable rate, provided that (i) the aggregate notional amount of such contracts never exceeds one hundred percent (100%) of the anticipated outstanding

principal balance of the Indebtedness to be hedged by such contracts or an average of such principal balances calculated using a generally accepted method of matching interest swap contracts to declining principal balances, (ii) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding Indebtedness to be hedged by such contract and (iii) each such contract is with a counterparty or has a guarantor of the obligation of the counterparty who (unless such counterparty is a Lender or an Affiliate of any Lender at the time such contract is entered into) at the time the contract is made has long-term unsecured and unenhanced debt obligations rated A or A2 or better, respectively, by either Rating Agency; and

(b) No Credit Party will terminate or amend the Required Closing Date Hedges, except to the extent such Credit Party replaces such Required Closing Date Hedges with new Hedging Contracts allowed under Section 7.3(a) that provide equal or greater price protection on the same or greater amount of Projected Oil and Gas Production.

Section 7.4. Limitation on Mergers, Issuances of Securities. Other than as contemplated in the above definition of "Initial Equity Offering", no Credit Party will merge or consolidate with or into any other Person, or be liquidated into any Person, except that any Subsidiary of Borrower may be merged into or consolidated or liquidated with (a) another Subsidiary of Borrower, so long as a Guarantor is the surviving business entity, or (b) Borrower, so long as Borrower is the surviving business entity; provided that no Default or Event of Default exists or would exist after giving effect to such merger or consolidation and that all parties to such transaction are Solvent both before and (to the extent still existing) after such transaction. Borrower will not issue any Equity securities other than its common Equity and any options or warrants giving the holders thereof only the right to acquire such common Equity. No Subsidiary of Borrower will issue any additional shares of its Equity securities or any options, warrants or other rights to acquire such additional Equity securities except to Borrower or a Guarantor and only to the extent not otherwise forbidden under the terms hereof.

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Section 7.5. Limitation on Sales of Property. Except for transfers pursuant to any merger, consolidation or liquidation permitted under Section 7.4 or any Distribution permitted under Section 7.6, no Credit Party will (or agree to) sell, transfer, lease, exchange, alienate or dispose of any of its material assets or properties or any material interest therein, or discount, sell, pledge or assign any notes payable to it, accounts receivable or future income, except, to the extent not otherwise forbidden under the Security Documents:

(a) equipment which is worthless or obsolete or which is replaced by equipment of equal suitability and value;

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

(c) Equity interests of any of Borrower's Subsidiaries which are transferred to Borrower or a Guarantor; and

(d) any Oil and Gas Properties which are sold or otherwise transferred for fair consideration to Persons who are not Affiliates of Borrower, provided that (i) no Default exists at the time of any such sale or other transfer of Collateral (other than Defaults that will be cured upon the application of the proceeds of such sale or other transfer), (ii) Borrower must first give notice to Administrative Agent of any such sale of properties subject to Security Documents, (iii) if the Oil and Gas Properties so sold or transferred, on a cumulative basis since the then most recent Determination Date, represent more than ten percent of the value of all of the proved reserves of Borrower and its Subsidiaries, as determined in the most recently delivered Engineering Report, the sale or other transfer may not be made until Administrative Agent and the Lenders have made a Special Determination as contemplated in Section 2.9(d), and (iv) concurrently with such sale or other transfer Borrower must pay in full any Borrowing Base Deficiency that results from such Special Determination.

Administrative Agent shall deliver to Borrower a release with respect to any Collateral sold in accordance with this section and shall execute and deliver such instruments and documents as shall reasonably be requested by Borrower to

evidence and record such release, and each Lender hereby irrevocably consents to and authorizes all such release, instruments and documents.

Section 7.6. Limitation on Distributions; Prepayments of Allowed Second Lien/Unsecured Indebtedness. No Credit Party will declare or make any Distribution, other than, so long as no Event of Default or Borrowing Base Deficiency exists after giving effect to such Distribution:

(a) Distributions permitted under Section 2.4 hereof.

(b) Distributions payable to Borrower or to Guarantors that are Subsidiaries of Borrower, to the extent not in violation of the investment restrictions of Section 7.7.

(c) Distributions payable to Borrower's Equity holders out of the proceeds from the issuance or borrowing of Allowed Second Lien/Unsecured Indebtedness, provided that the condition described in Section 4.1(r) is satisfied as of the date of such Distribution.

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(d) Distributions that result in Debt Holdco holding Intercompany Obligations and becoming a Guarantor as contemplated in subsection (c) of the definition of "Intercompany Obligations".

(e) Distributions in accordance with the above definition of "Initial Equity Offering".

(f) Distributions by a Credit Party payable only in such Credit Party's common Equity, so long as Borrower's interest in any of its Subsidiaries is not thereby reduced.

(g) with respect to any period during which Borrower is a pass-through entity or disregarded entity for federal income tax purposes, quarterly cash Distributions to each Equity holder in Borrower for the US federal, state and local income taxes, including estimated taxes, payable by such Equity holder (in any jurisdiction in which Borrower or its Subsidiaries own Oil and Gas Properties) that are attributable to the taxable income allocated to such Equity holder from Borrower and its Subsidiaries, calculated assuming that such Equity holder is taxed as a corporation for federal income tax purposes and has no income or losses other than its share of Borrower's income or losses (taking into account for any period any loss carry-forwards of such Equity holder attributable to losses allocated to such Equity holder from Borrower for prior periods that have not previously been offset by income from Borrower, and taking into account any adjustments for previous estimated taxes) and provided that each such Distribution shall be made no earlier than 20 days prior to the due date for such tax (or the date that quarterly estimated taxes are required to be paid) that would apply to Borrower if it were a Delaware corporation.

(h) other cash Distributions to Borrower's Equity holders in an aggregate amount not to exceed \$8,000,000 in any Fiscal Year.

(i) Distributions of cash by any NEG Subsidiary to the extent not restricted under the Restated NEGO Credit Facility.

(j) repayments to AREH or any of its Affiliates of approximately \$38,300,000 heretofore borrowed by National Offshore from AREH and approximately \$1,500,000 heretofore borrowed by NEGO from AREH to provide cash collateral for Hedging Contracts, which repayments may only be made using such cash collateral (or in the amount of such cash collateral) at the time such cash collateral is released at or after the Closing Date (and, to the extent such cash collateral is not released at the Closing Date, the foregoing Indebtedness to be repaid thereby shall be deemed permitted under Section 7.1 and the yet-to-be released Liens on such cash collateral shall be deemed to be Permitted Liens, in each case until such cash collateral is so released).

(k) only to the extent made out of proceeds of the Initial Equity Offering received by Borrower from IPO Co, payments by Borrower on behalf of IPO Co of the expenses of the Initial Equity Offering (including repayment of Indebtedness described in Section 7.1(h)).

(l) after IPO Co becomes a guarantor, any dividend by IPO Co of any

Distributions from Borrower permitted under subsection (h).

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Borrower may make no prepayment of Allowed Second Lien/Unsecured Indebtedness if the Facility Usage exceeds 90% of the Available Borrowing Base after giving effect to such prepayment or if any Default or Borrowing Base Deficiency then exists under this Agreement after giving effect to such prepayment. Borrower is otherwise free to prepay the Allowed Second Lien/Unsecured Indebtedness, in whole or in part, at any time. This Section 7.6 does not prevent Borrower or any of its Subsidiaries from reimbursing IPO Co or NEGI for all of their costs incurred to manage the properties of Borrower and its Subsidiaries. For as long as the sole business of IPO Co is to own its interest in Borrower, serve as the managing member of Borrower, and otherwise manage the business and properties of Borrower and its Subsidiaries, this reimbursement may include all of IPO Co's cash expenses.

Section 7.7. Limitation on Investments and New Businesses. No Credit Party will (a) make any expenditure or commitment or incur any obligation or enter into or engage in any transaction except in the ordinary course of the oil and gas business, (b) engage directly or indirectly in any business or conduct any operations except in connection with or incidental to its present oil and gas businesses and operations, or (c) make any Investments in any Person other than Permitted Investments.

Section 7.8. Limitation on Credit Extensions. Except for Permitted Investments, no Credit Party will extend credit, make advances or make loans other than normal and prudent extensions of credit to customers or joint working interest owners in the ordinary course of business, which extensions shall not be for longer periods than those extended by similar businesses operated in a normal and prudent manner.

Section 7.9. Transactions with Affiliates; No Prepayments or Amendments of Restated NEGO Credit Facility. Except for transactions contemplated in the above definition of "Initial Equity Offering" or as permitted pursuant to Section 7.6 or Section 7.1(d), neither Borrower nor any of its Subsidiaries nor any Guarantor will engage in any material transaction with any Person that is an Affiliate of Borrower on terms which are less favorable to it than those which would have been obtainable at the time in arm's-length dealing with Persons other than such Affiliates, provided that such restriction shall not apply to transactions solely among Borrower and Guarantors. Until NEGO becomes a Guarantor, no prepayments will be made or allowed under the Restated NEGO Credit Facility if such prepayment would decrease the outstanding principal amount thereof to less than \$160,000,000. Borrower will not amend, modify, or waive any provision of, or consent to any amendment, modification or waiver of any provision of, or assign any of its rights under, the Restated NEGO Credit Facility or any of the "Loan Documents" as defined therein except either pursuant to the Security Documents or with the consent of Administrative Agent.

Section 7.10. Prohibited Contracts. Except as set forth in Section 7.10 of the Disclosure Schedule, no Credit Party will, directly or indirectly, enter into, create, or otherwise allow to exist any contract or other consensual restriction on the ability of any Subsidiary of Borrower to: (a) pay dividends or make other distributions to Borrower, (b) to redeem equity interests held in it by Borrower, (c) to repay loans and other indebtedness owing by it to Borrower, or (d) to transfer any of its assets to Borrower. No Credit Party will enter into any "take-or-pay" contract or other contract or arrangement for the purchase of goods or services which obligates it to pay for such goods or service regardless of whether they are delivered or furnished to it. No Credit

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Party will hereafter enter into any contract or agreement that forbids it from granting the Liens required hereunder.

Section 7.11. Financial Covenants.

(a) Leverage Ratio. Borrower will not permit the Leverage Ratio to be greater than 3.5 to 1.0.

(b) Consolidated Tangible Net Worth. Borrower will not permit Consolidated Tangible Net Worth to be less than \$240,000,000, plus 50% of Consolidated Net Income for each Fiscal Quarter ended after December 31, 2005 for which Consolidated Net Income was positive.

(c) Current Ratio. Borrower will not permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 1.0 to 1.0.

ARTICLE VIII - Events of Default and Remedies

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

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

(b) Any Credit Party fails to pay any Obligation (other than the Obligations in subsection (a) above) when due and payable, whether at a date for the payment of a fixed installment or as a contingent or other payment becomes due and payable or as a result of acceleration or otherwise, within three Business Days after the same becomes due;

(c) The occurrence of an "Event of Default" as defined in the Restated NEGO Credit Facility;

(d) Any Credit Party fails to duly observe, perform or comply with any covenant, agreement or provision of Section 6.4 (a) and (b) or Article VII;

(e) Any Credit Party fails (other than as referred to in subsections (a), (b), (c) or (d) above) to duly observe, perform or comply with any covenant, agreement, condition or provision of any Loan Document to which it is a party or any Hedging Contract relating to Lender Hedging Obligations, and such failure remains unremedied for a period of thirty (30) days after notice of such failure is given by Administrative Agent to Borrower;

(f) Any representation or warranty made herein or in any writing by or on behalf of any Credit Party in connection with any Loan Document shall prove to have been false or incorrect in any material respect on any date on or as of which made, or any Loan Document at

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any time ceases to be valid, binding and enforceable for any reason other than its release or subordination by Administrative Agent;

(g) The occurrence of any Termination Event;

(h) Any Credit Party:

(i) suffers the entry against it of a judgment, decree or order for relief by a Governmental Authority of competent jurisdiction in an involuntary proceeding commenced under any applicable bankruptcy, insolvency or other similar Law of any jurisdiction now or hereafter in effect, including the federal Bankruptcy Code, as from time to time amended, or has any such proceeding commenced against it which remains undismissed for a period of sixty days; or

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

(iii) suffers the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of all or a substantial part of its assets or of any part of the Collateral

in a proceeding brought against or initiated by it, and such appointment or taking possession is neither made ineffective nor discharged within sixty days after the making thereof, or such appointment or taking possession is at any time consented to, requested by, or acquiesced to by it; or

(iv) suffers the entry against it of a final judgment for the payment of money in excess of \$15,000,000 (not covered by insurance satisfactory to Administrative Agent in its discretion), unless the same is discharged within thirty days after the date of entry thereof or an appeal or appropriate proceeding for review thereof is taken within such period and a stay of execution pending such appeal is obtained; or

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

(i) Any Credit Party (i) fails to pay any portion, when such portion is due, of any of its Indebtedness (including any Allowed Second Lien/Unsecured Indebtedness) in excess of \$10,000,000, or (ii) breaches or defaults in the performance of any agreement or instrument by which any such Indebtedness is issued, evidenced, governed, or secured, any such failure, breach or default continues beyond any applicable period of grace provided therefore, and the effect of any failure referred to in this clause (ii) is to cause, or permit the holder or holders of such

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Indebtedness or a trustee on its or their behalf (with or without the giving of notice) to cause, such Indebtedness to become due prior to its stated maturity;

(j) 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 the Borrower or any Guarantor 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 the Borrower or a Guarantor shall so state in writing; and

(k) Any Change of Control occurs.

Upon the occurrence of an Event of Default described in subsection (h) (i), (h) (ii) or (h) (iii) of this section with respect to any Credit Party, all of the Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Credit Party who at any time ratifies or approves this Agreement. Upon any such acceleration, any obligation of any Lender to make any further Loans and any obligation of LC Issuer to issue Letters of Credit hereunder shall be permanently terminated. During the continuance of any other Event of Default, Administrative Agent at any time and from time to time may (and upon written instructions from Majority Lenders, Administrative Agent shall), without notice to Borrower or any other Credit Party, do either or both of the following: (1) terminate any obligation of Lenders to make Loans hereunder, and any obligation of LC Issuer to issue Letters of Credit hereunder, and (2) declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without demand, presentment, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intention to accelerate, declaration or notice of acceleration, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Credit Party who at any time ratifies or approves this Agreement.

Section 8.2. Remedies. If any Event of Default shall occur and be continuing, each Lender Party may protect and enforce any rights provided to it under the Loan Documents by any available proceedings, including proceedings for specific performance. All rights, remedies and powers conferred upon Lender Parties under the Loan Documents shall be deemed cumulative and not exclusive of

any other rights, remedies or powers available under the Loan Documents or at Law or in equity.

Section 8.3. Application of Proceeds after Acceleration. If Administrative Agent collects or receives money pursuant to the Loan Documents after the acceleration of the Obligations as provided in Section 8.1 or upon foreclosure upon Collateral, Administrative Agent shall distribute all money so collected or received in accordance with the Intercreditor Agreement and then:

(a) first to any reimbursements due Administrative Agent hereunder or under any Security Document; and

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(b) then ratably to the payment of the Obligations, including LC Obligations (and among the outstanding Obligations in the manner provided in Section 3.1), and the Lender Hedging Obligations, until such Obligations and Lender Hedging Obligations are paid in full.

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

ARTICLE IX - Administrative Agent

Section 9.1. Appointment and Authority. Each of the Lenders and LC Issuer hereby irrevocably appoints Citicorp USA, Inc. to act on its behalf as Administrative Agent hereunder and under the other Loan Documents and authorizes Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Lender Parties, and neither Borrower nor any other Credit Party shall have rights as a third party beneficiary of any of such provisions. Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as Administrative Agent or any of its Affiliates in any capacity.

Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.1 and 8.2) or (ii) in the absence of its own gross negligence or willful misconduct. Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to Administrative Agent by Borrower or a Lender.

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Administrative Agent 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 thereunder 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 therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to Administrative Agent.

Section 9.2. Reliance by Administrative Agent. 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, sent or otherwise authenticated by the proper Person. Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or LC Issuer, Administrative Agent may presume that such condition is satisfactory to such Lender or LC Issuer unless Administrative Agent shall have received notice to the contrary from such Lender or LC Issuer prior to the making of such Loan or the issuance of such Letter of Credit. Administrative Agent may consult with legal counsel (who may be counsel for 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.

Section 9.3. Non-Reliance on Administrative Agent and Other Lenders. Each Lender Party acknowledges that it has, independently and without reliance upon Administrative Agent or any other Lender Party or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender Party also acknowledges that it will, independently and without reliance upon Administrative Agent or any other Lender Party or any of their Related Parties 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 or any related agreement or any document furnished hereunder or thereunder.

Section 9.4. Rights as a Lender. The Person 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 the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with Borrower or any Subsidiary or other Affiliate thereof as if such Person were not Administrative Agent hereunder and without any duty to account therefor to the Lenders.

Section 9.5. Sharing of Set-Offs and Other Payments. Each Lender Party agrees that if it shall, whether through the exercise of rights under Security Documents or rights of banker's lien, set off, or counterclaim against Borrower or otherwise, obtain payment of a portion of the aggregate Obligations owed to it, taking into account all distributions made by Administrative Agent under Section 3.1, causes such Lender Party to have received more than it would have received had such payment been received by Administrative Agent and distributed pursuant to Section 3.1, then (a) it shall be deemed to have simultaneously purchased and shall be obligated to purchase interests in the Obligations as necessary to cause all Lender Parties to share all payments as provided for in Section 3.1, and (b) such other adjustments shall be made from time to time as shall be equitable to ensure that Administrative Agent and all Lender Parties

share all payments of Obligations as provided in Section 3.1; provided, however, that nothing contained in this section shall in any way affect the right of any Lender Party to obtain payment (whether by exercise of rights of banker's lien, set-off or counterclaim or otherwise) of indebtedness other than the Obligations. Borrower expressly consents to the foregoing arrangements and agrees that any holder of any such interest or other participation in the Obligations, whether or not acquired pursuant to the foregoing arrangements, may to the fullest extent permitted by Law exercise any and all rights of banker's lien, set-off, or counterclaim as fully as if such holder were a holder of the Obligations in the amount of such interest or other participation. If all or any part of any funds transferred pursuant to this section is thereafter recovered from the seller under this section which received the same, the purchase provided for in this section shall be deemed to have been rescinded to the extent of such recovery, together with interest, if any, if interest is required pursuant to the order of a Governmental Authority order to be paid on account of the possession of such funds prior to such recovery.

Section 9.6. Investments. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lender Parties any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among Lender Parties about how such funds should be distributed, Administrative Agent may choose to defer distribution of the funds which are the subject of such uncertainty or dispute. If Administrative Agent in good faith believes that the uncertainty or dispute will not be promptly resolved, or if Administrative Agent is otherwise required to invest funds pending distribution to Lender Parties, Administrative Agent shall invest such funds in Cash Equivalents pending distribution; all interest on any such Investment shall be distributed upon the distribution of such Investment and in the same proportion and to the same Persons as such Investment. All moneys received by Administrative Agent for distribution to Lender Parties (other than to the Person who is Administrative Agent in its separate capacity as a Lender or LC Issuer) shall be held by Administrative Agent pending such distribution solely as Administrative Agent for such Lender Parties, and Administrative Agent shall have no equitable title to any portion thereof.

Section 9.7. Resignation of Administrative Agent. Administrative Agent may at any time give notice of its resignation to the Lenders and Borrower. Upon receipt of any such notice of resignation, Majority Lenders shall have the right, in consultation with Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders Parties, appoint a successor Administrative Agent meeting the

qualifications set forth above provided that if Administrative Agent shall notify Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any Collateral held by Administrative Agent on behalf of the Lenders Parties under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such Collateral until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through Administrative Agent shall instead be made by or to each Lender Parties directly, until such time as Majority Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph). The fees payable by Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 10.4 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 the retiring Administrative Agent was acting as Administrative Agent.

Section 9.8. Delegation of Duties. Administrative Agent may perform any and all of 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 Administrative Agent. Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 9.9. No Other Duties, etc. Anything herein to the contrary notwithstanding, none of the "Bookrunners," "Arrangers," "Co-Arrangers," "Syndication Agent" or "Documentation Agent" listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as Administrative Agent, a Lender or LC Issuer hereunder.

ARTICLE X - Miscellaneous

Section 10.1. Waivers and Amendments; Acknowledgments.

(a) Waivers and Amendments. No failure or delay (whether by course of conduct or otherwise) by any Lender in exercising any right, power or remedy which such Lender Party may have under any of the Loan Documents shall operate as a waiver thereof or of any other right,

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power or remedy, nor shall any single or partial exercise by any Lender Party of any such right, power or remedy preclude any other or further exercise thereof or of any other right, power or remedy. No waiver of any provision of any Loan Document and no consent to any departure therefrom shall ever be effective unless it is in writing and signed as provided below in this section, and then such waiver or consent shall be effective only in the specific instances and for the purposes for which given and to the extent specified in such writing. No notice to or demand on any Credit Party shall in any case of itself entitle any Credit Party to any other or further notice or demand in similar or other circumstances. This Agreement and the other Loan Documents set forth the entire understanding between the parties hereto with respect to the transactions contemplated herein and therein and supersede all prior discussions and understandings with respect to the subject matter hereof and thereof, and no waiver, consent, release, modification or amendment of or supplement to this Agreement or the other Loan Documents shall be valid or effective against any party hereto unless the same is in writing and signed by (i) if such party is Borrower, by Borrower, (ii) if such party is Administrative Agent or LC Issuer, by such party, and (iii) if such party is a Lender, by Majority Lenders. Notwithstanding the foregoing or anything to the contrary herein (but subject to Section 2.17), Administrative Agent shall not, without the prior consent of each individual Lender, execute and deliver on behalf of such Lender any waiver or amendment which would:

- (1) waive any of the conditions specified in Article IV,
- (2) increase the maximum amount which such Lender is committed hereunder to lend,
- (3) reduce any fees payable to such Lender hereunder, or the principal of, or interest on, such Lender's Note,
- (4) extend the Maturity Date or postpone any date fixed for any payment of any such fees, principal or interest,
- (5) amend the definition herein of "Majority Lenders" or "Super Majority Lenders" or otherwise change the aggregate amount of Percentage Shares which is required for Administrative Agent, Lenders or any of them to take any particular action under the Loan Documents,

(6) release Borrower from its obligation to pay such Lender's Obligations or release any Guarantor from its Guaranty of such payment, except that a Guarantor's Guaranty may be released in connection with a sale of such Guarantor's Equity that has been consented to by Majority Lenders and except that Debt Holdco's Guaranty (as well as its Obligations under any other Security Documents) shall be released upon the payment or termination, or reassignment to Borrower, or any combination of the foregoing, of all Intercompany Obligations owing to Debt Holdco by Borrower or any of Borrower's Subsidiaries,

(7) release all or any material portion of the Collateral, except for such releases relating to sales or dispositions of property permitted by the Loan Documents or required

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under any intercreditor agreement entered into in connection with the "Second Lien Notes" (as described in Schedule 4) issued by Borrower in compliance herewith, or

(8) amend this Section 10.1(a).

Notwithstanding the foregoing or anything to the contrary herein, Administrative Agent shall not, without the prior consent of each individual Lender affected thereby (or, as applicable, an Affiliate of such Lender), execute and deliver any waiver or amendment to any Loan Document which would (i) cause an obligation under any outstanding Hedging Contract owing to such Lender (or its Affiliate) that, prior to such waiver or amendment, constituted a "Lender Hedging Obligation" as defined herein to cease to be a "Lender Hedging Obligation" as defined herein or (ii) change the provisions of Section 8.3 in any way that reduced the ratable payment of such Lender Hedging Obligation as set out in such section.

(b) Acknowledgments and Admissions. Borrower hereby represents, warrants, acknowledges and admits that (i) it has been advised by counsel in the negotiation, execution and delivery of the Loan Documents to which it is a party, (ii) it has made an independent decision to enter into this Agreement and the other Loan Documents to which it is a party, without reliance on any representation, warranty, covenant or undertaking by any Lender Party, whether written, oral or implicit, other than as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iii) there are no representations, warranties, covenants, undertakings or agreements by any Lender Party as to the Loan Documents except as expressly set out in this Agreement or in another Loan Document delivered on or after the date hereof, (iv) no Lender Party has any fiduciary obligation toward Borrower with respect to any Loan Document or the transactions contemplated thereby, (v) the relationship pursuant to the Loan Documents between Borrower and the other Credit Parties, on one hand, and each Lender Party on the other hand, is and shall be solely that of debtor and creditor, respectively, provided that, solely for purposes of Section 10.5(c), Administrative Agent shall act as the agent of Borrower in maintaining the Register as set forth therein, (vi) no partnership or joint venture exists with respect to the Loan Documents between any Credit Party and any Lender Party, (vii) Administrative Agent is not Borrower's Administrative Agent, but Administrative Agent for Lenders, (viii) should an Event of Default or Default occur or exist, each Lender Party will determine in its sole discretion and for its own reasons what remedies and actions it will or will not exercise or take at that time, (ix) without limiting any of the foregoing, Borrower is not relying upon any representation or covenant by any Lender Party, or any representative thereof, and no such representation or covenant has been made, that any Lender Party will, at the time of an Event of Default or Default, or at any other time, waive, negotiate, discuss, or take or refrain from taking any action permitted under the Loan Documents with respect to any such Event of Default or Default or any other provision of the Loan Documents, and (x) all Lender Parties have relied upon the truthfulness of the acknowledgments in this section in deciding to execute and deliver this Agreement and to become obligated hereunder.

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

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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

Section 10.3. Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to Borrower, Administrative Agent or LC Issuer, to the address, telecopier number, electronic mail address or telephone number specified for such person on the signature pages hereto;

(ii) if to any other Lender Party, to it at its address, telecopier number, electronic mail address or telephone number as specified on the Lenders Schedule;

(iii) if to any Guarantor, to the address, telecopier number, electronic mail address or telephone number specified for such person in its Guaranty, or if no address is given in the Guaranty, in care of Borrower.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have

been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures

approved by Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender, as applicable, has notified Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. Administrative Agent or Borrower or any other Credit Party 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.

Unless Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

Borrower hereby acknowledges that (a) Administrative Agent will make available to the Lenders Parties materials and/or information provided by or on behalf of Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on IntraLinks or another similar electronic system (the "Platform") and (b) certain of the Lenders may be "public-side" Lenders (i.e., Lenders that do not wish to receive material non-public information with respect to the Borrower or its securities) (each, a "Public Lender"). Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Lender Parties to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 10.7); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Investor;" and (z) the Administrative Agent and the Arranger shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Investor."

(c) Change of Address, Etc. Each of Borrower, any other Credit Party, Administrative Agent and LC Issuer may change its address, telecopier or telephone number for

notices and other communications hereunder by notice to the other parties hereto. Each other Lender Party may change its address, telecopier or telephone number for notices and other communications hereunder by notice to Borrower, Administrative Agent and LC Issuer.

Section 10.4. Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by LC Issuer in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Lender or LC Issuer (including the fees, charges and disbursements of any counsel for Administrative Agent, any Lender or LC Issuer), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under

this section, or (B) in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) Indemnification by Borrower. Borrower shall indemnify Administrative Agent (and any sub-agent thereof), each Lender and LC Issuer, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnatee), and shall indemnify and hold harmless each Indemnatee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any third party or by Borrower or any other Credit Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom (including any refusal by LC Issuer 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), (iii) any actual or alleged presence or release or discharge of Hazardous Materials on or from any property owned or operated by Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to Borrower or any Credit Party, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower or any other Credit Party, and regardless of whether any Indemnatee is a party thereto. THE FOREGOING INDEMNIFICATION WILL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN

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WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY INDEMNITEE, provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnatee or if Borrower or such Credit Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that Borrower for any reason fails to indefeasibly pay any amount required under paragraph (a) or (b) of this Section to be paid by it to Administrative Agent (or any sub-agent thereof), LC Issuer or any Related Party of any of the foregoing, each Lender severally agrees to pay to Administrative Agent (or any such sub-agent), LC Issuer or such Related Party, as the case may be, such Lender's Percentage share (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 Administrative Agent (or any such sub-agent) or LC Issuer in its capacity as such, or against any Related Party of any of the foregoing acting for Administrative Agent (or any such sub-agent) or LC Issuer in connection with such capacity. The obligations of the Lenders under this paragraph (c) are subject to the provisions of Section 2.17.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, Borrower shall not assert, and hereby waives, any claim against any Indemnatee, 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, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnatee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or

thereby.

(e) Payments. All amounts due under this Section shall be payable not later than ten (10) days after demand therefor.

Section 10.5. Successors and Assigns; Joint and Several Liability.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement,

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expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

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

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, unless each of Administrative Agent and, so long as no Event of Default has occurred and is continuing, Borrower otherwise consents (each such consent not to be unreasonably conditioned, withheld or delayed);

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

(iii) any assignment of a Commitment must be approved by LC Issuer unless the Person that is the proposed assignee is itself a Lender with a Commitment (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

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

Subject to acceptance and recording thereof by Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement 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 Sections 3.2, 3.4, 3.5 and 10.4 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any

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assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph 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 paragraph (d) of this Section.

(c) Register. Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and Borrower, Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, Borrower or Administrative Agent, sell participations to any Person (other than a natural person or Borrower or any of Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) Borrower, and the Lenders Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the fifth sentence of Section 10.1(a) that affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 6.14 as though it were a Lender, provided such Participant agrees to be subject to Section 9.5 as though it were a Lender.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.2 and 3.5 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with 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 3.5 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 3.5(e) as though it were a Lender. Each Participant shall be subject to Section 3.7(b) and shall be required to sell its participation pursuant thereto, as if it were a Lender holding a direct interest in this Agreement.

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(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure

obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) Joint and Several Liability. All Obligations which are incurred by two or more Credit Parties shall be their joint and several obligations and liabilities.

Section 10.6. Confidentiality. Each of the Lender Parties agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to Borrower and its obligations, (g) with the consent of Borrower or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to such Lender Party or any of its Affiliates on a nonconfidential basis from a source other than a Credit Party.

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

Section 10.7. Governing Law; Submission to Process.

(a) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

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(b) SUBMISSION TO JURISDICTION. BORROWER AND EACH OTHER CREDIT PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT ADMINISTRATIVE AGENT, ANY LENDER OR LC ISSUER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST BORROWER OR ANY OTHER CREDIT PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) WAIVER OF VENUE. BORROWER AND EACH OTHER CREDIT PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.3. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

Section 10.8. Limitation on Interest. Lender Parties, Credit Parties and the other parties to the Loan Documents intend to contract in strict compliance with applicable usury Law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in the Loan Documents shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be contracted for, charged, or received by applicable Law from time to time in effect. Neither any Credit Party nor any present

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or future guarantors, endorsers, or other Persons hereafter becoming liable for payment of any Obligation shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully contracted for, charged, or received under applicable Law from time to time in effect, and the provisions of this section shall control over all other provisions of the Loan Documents which may be in conflict or apparent conflict herewith.

Section 10.9. Termination; Limited Survival. In its sole and absolute discretion Borrower may at any time that no Obligations or Lender Hedging Obligations are owing (other than indemnity obligations and similar obligations that survive the termination of this Agreement for which no notice of a claim has been received by Borrower) elect in a written notice delivered to Administrative Agent to terminate this Agreement. Upon receipt by Administrative Agent of such a notice, if no such Obligations or Lender Hedging Obligations are then owing this Agreement and all other Loan Documents shall thereupon be terminated and the parties thereto released from all prospective obligations thereunder. Notwithstanding the foregoing or anything herein to the contrary, any waivers or admissions made by any Credit Party in any Loan Document, any Obligations under Sections 3.2 through Section 3.6, and any obligations which any Person may have to indemnify or compensate any Lender Party shall survive any termination of this Agreement or any other Loan Document. At the request and expense of Borrower, Administrative Agent shall prepare and execute all necessary instruments to reflect and effect such termination of the Loan Documents. Administrative Agent is hereby irrevocably authorized to execute all such instruments (as well as any release referred to in clauses (6) or (7) of Section 10.1(a)) on behalf of all Lenders, without the joinder of or further action by any Lender.

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

Section 10.11. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.1, this Agreement shall become effective when it shall have been executed by Administrative Agent and when Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. 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 10.12. Waiver of Jury Trial, Punitive Damages, etc. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, (A) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE

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TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, AND (B) ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LEGAL PROCEEDING ANY "SPECIAL DAMAGES," AS DEFINED BELOW. EACH PARTY HERETO (X) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (Y) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

Section 10.13. USA PATRIOT Act Notice. Each Lender Party that is subject to the Act (as hereinafter defined) hereby notifies 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 Borrower, which information includes the name and address of Borrower and other information that will allow such Lender Party or Administrative Agent, as applicable, to identify Borrower in accordance with the Act.

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

AREP OIL & GAS LLC,
Borrower

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

Address:
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

Attention: Philip D. Devlin

Telephone: (214) 692-9211
Fax: (214) 692-5055

CITICORP USA, INC.,
Administrative Agent, LC Issuer
and Lender

By: /s/ David E. Hunt

Name: David E. Hunt
Title: Vice President

Address:
388 Greenwich Street
New York, NY 10013

Attention: David E. Hunt

Telephone: (713) 654-2829
Fax: (713) 654-2849

CITIBANK, N.A., as LC Issuer

By: /s/ David E. Hunt

Name: David E. Hunt
Title: Vice President

Address:
388 Greenwich Street
New York, NY 10013

Attention: David E. Hunt

Telephone: (713) 654-2829
Fax: (713) 654-2849

BEAR STEARNS CORPORATE LENDING INC.,
Syndication Agent and Lender

By: _____

Name: _____

Title: _____

Address:
Bear, Stearns & Co. Inc.
383 Madison Avenue, 8th Floor
New York, NY 10179

Attention: Bryan J. Carter Jr.

Telephone: (212) 272-0219
Fax: (212) 272-9184

ALLIED IRISH BANKS P.L.C., Lender

By: _____

Name: _____

Title: _____

Address:
AIB Corporate Banking
405 Park Avenue, 4th Floor
New York, NY 10022

Attention: Mark Connelly
Telephone: (212) 515-6773
Fax: (212) 339-8325

AMEGY BANK N.A., Lender

By: _____
Name: _____
Title: _____

Address:
1807 Ross Avenue, 4th Floor
Dallas, TX 75201

Attention: Tim Merrell

Telephone: (214) 754-6033
Fax: (214) 754-9687

BANK OF TEXAS, N.A., Lender

By: _____
Name: _____
Title: _____

Address:
1401 McKinney, Suite 1650
Houston, TX 77010

Attention: Mari Salazar

Telephone: (713) 289-5813
Fax: (713) 289-5825

MALAYAN BANKING BERHAD, NY BRANCH,
Lender

By: _____
Name: _____
Title: _____

Address:
400 Park Avenue, 9th Floor
New York, NY 10022

Attention: Nor Akmar Wallace

Telephone: (212) 303-1319
Fax: (212) 308-0109

MIZUHO CORPORATE BANK, LTD., Lender

By: _____
Name: _____
Title: _____

Address:
1251 Avenue of the Americas
New York, NY 10020

Attention: Leon Mo

Telephone: (212) 282-4984
Fax: (212) 282-4488

REGIONS BANK, Lender

By: _____
Name: _____
Title: _____

Address:
5005 Woodway, Suite 110
Houston, TX 77056

Attention: Gardner Cannon

Telephone: (713) 426-7142
Fax: (713) 426-7180

THE BANK OF NOVA SCOTIA, Lender

By: _____
Name: _____
Title: _____

Address:
1100 Louisiana, Suite 3000
Houston, TX 77002

Attention: Mike Roberts

Telephone: (713) 759-3449
Fax: (713) 752-2425

WESTLB AG, NY BRANCH, Lender

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Address:
1211 Avenue of the Americas
New York, NY 10036

Attention: Duncan Robertson

Telephone: (212) 852-6107
Fax: (212) 597-1157

FORM OF PROMISSORY NOTE

\$ _____

*[December __, 2005]

FOR VALUE RECEIVED, the undersigned, AREP OIL & GAS LLC, a Delaware limited liability company ("Borrower"), hereby promises to pay to the order of _____ ("Lender"), the principal sum of _____ Dollars (\$ _____), or, if greater or less, the aggregate unpaid principal amount of the Loans made by Lender to Borrower pursuant to the terms of the Credit Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as set forth in the Credit Agreement, both principal and interest payable as herein provided in lawful money of the United States of America at the offices of Administrative Agent under the Credit Agreement, or at such other place as from time to time may be designated by the holder of this Note.

This Note (a) is issued and delivered under that certain Credit Agreement dated *[December __, 2005] among Borrower, Citicorp USA, Inc., as Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and the lenders (including Lender) referred to therein (as from time to time supplemented, amended or restated, the "Credit Agreement"), and is a "Note" as defined therein, (b) is subject to the terms and provisions of the Credit Agreement, which contains provisions for payments and prepayments hereunder and acceleration of the maturity hereof upon the happening of certain stated events, and (c) is secured by and entitled to the benefits of certain Security Documents (as identified and defined in the Credit Agreement). Payments on this Note shall be made and applied as provided in the Credit Agreement. Reference is hereby made to the Credit Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein and to the Security Documents for a description of the nature and extent of the security thereby provided and the rights of the parties thereto.

The principal amount of this Note, together with all interest accrued hereon, shall be due and payable in full on the Maturity Date.

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

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

EXHIBIT A-1

payable hereunder, in each case, in accordance with the terms and conditions set forth in the Credit Agreement.

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

This Note and the rights and duties of the parties hereto shall be governed by the Laws of the State of New York (without regard to principles of conflicts

of law), except to the extent the same are governed by applicable federal Law.

AREP OIL & GAS LLC

By: _____
Name: _____
Title: _____

EXHIBIT A-2

EXHIBIT B

FORM OF BORROWING NOTICE

Reference is made to that certain Credit Agreement dated as of *[December __, 2005] (as amended or supplemented, the "Agreement"), by and among AREP Oil & Gas LLC ("Borrower"), Citicorp USA, Inc., as Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and certain financial institutions ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement. Borrower hereby requests a Borrowing of new Loans to be advanced pursuant to Section 2.1 of the Agreement as follows:

Aggregate amount of Borrowing: \$ _____
Type of Loans in Borrowing: _____
Date on which Loans are to be advanced: _____
Length of Interest Period for Eurodollar Loans (1, 2, 3 or 6 months): _____ months
If combined with existing Loans see attached Continuation/Conversion Notice.

To induce Lenders to make such Loans, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Lender that:

The officer of Borrower signing this instrument is the duly elected, qualified and acting officer of Borrower as indicated below such officer's signature hereto having all necessary authority to act for Borrower in making the request herein contained.

(a) The representations and warranties of each Credit Party set forth in the Agreement and the other Loan Documents are true and correct in all respects on and as of the date hereof, except for any such representation or warranty specifically refers to an earlier date, in which case such representation or warranty shall have been true in all respects on and as of such earlier date.

(b) No Default exists on the date hereof, both before and after giving effect to the making of the Loan requested hereby.

(c) No Material Adverse Change has occurred, and no event or circumstance has occurred that would reasonably be anticipated to cause a Material Adverse Change since the date of the Initial Financial Statements.

EXHIBIT B-1

The officer of Borrower signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and

complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 20__.

AREP OIL & GAS LLC

By: _____

Name: _____

Title: _____

EXHIBIT B-2

EXHIBIT C

FORM OF CONTINUATION/CONVERSION NOTICE

Reference is made to that certain Credit Agreement dated as of *[December __, 2005] (as amended or supplemented, the "Agreement"), by and among AREP Oil & Gas LLC ("Borrower"), Citicorp USA, Inc., as Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and the lenders referred to therein ("Lenders"). Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

Borrower hereby requests a Conversion or Continuation of existing Loans into a new Borrowing pursuant to Section 2.3 of the Agreement as follows:

Existing Borrowing(s) to be continued or converted:

\$_____ of Eurodollar Loans with Interest Period ending _____.

\$_____ of Base Rate Loans

If being combined with new Loans, \$_____ of new Loans to be advanced on _____

Aggregate amount of Borrowing: \$_____

Type of Loans in new Borrowing: _____

Date of Continuation or Conversion: _____

Length of Interest Period for Eurodollar Loans (1, 2, 3 or 6 months): _____ months

To meet the conditions set out in the Agreement for such conversion/continuation, Borrower hereby represents, warrants, acknowledges, and agrees to and with Administrative Agent and each Lender that:

The officer of Borrower signing this instrument is the duly elected, qualified and acting officer of Borrower as indicated below such officer's signature hereto having all necessary authority to act for Borrower in making the request contained herein.

(a) The representations and warranties of each Credit Party set forth in the Agreement and the other Loan Documents are true and correct in all respects on and as of the date hereof, except for any such representation or warranty specifically refers to an earlier date, in which case such representation or warranty shall have been true in all respects on and as of such earlier date.

EXHIBIT C-1

(b) No Default exists on the date hereof, both before and after giving effect to the making of the Loan requested hereby.

(c) No Material Adverse Change has occurred, and no event or circumstance has occurred that would reasonably be anticipated to cause a Material Adverse Change since the date of the Initial Financial Statements.

The officer of Borrower signing this instrument hereby certifies that, to the best of his knowledge after due inquiry, the above representations, warranties, acknowledgments, and agreements of Borrower are true, correct and complete.

IN WITNESS WHEREOF this instrument is executed as of _____, 20__.

AREP OIL & GAS LLC

By: _____
Name: _____
Title: _____

EXHIBIT C-2

EXHIBIT D

FORM OF CERTIFICATE ACCOMPANYING
FINANCIAL STATEMENTS

Reference is made to that certain Credit Agreement dated as of *[December __, 2005] (as amended or supplemented, the "Agreement"), by and among AREP Oil & Gas LLC ("Borrower"), Citicorp USA, Inc., as Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and certain financial institutions ("Lenders"), which Agreement is in full force and effect on the date hereof. Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

This Certificate is furnished pursuant to Section 6.2(d) of the Agreement. Together herewith Borrower is furnishing to Administrative Agent Borrower's financial statements (the "Financial Statements") as at _____ (the "Reporting Date"). Borrower hereby represents, warrants, and acknowledges to Administrative Agent and each Lender that:

(a) the officer of Borrower signing this instrument is the duly elected, qualified and acting _____ of Borrower and as such is Borrower's chief financial officer;

(b) the Financial Statements are accurate and complete and satisfy the requirements of the Agreement;

(c) attached hereto is a schedule of calculations showing Borrower's compliance as of the Reporting Date with the requirements of Sections [7.1, 7.3, 7.6 and 7.11] of the Agreement [and Borrower's non-compliance as of such date with the requirements of Section(s) [7.1, 7.3, 7.6 and 7.11] of the Agreement];

(d) on the Reporting Date Borrower was, and on the date hereof Borrower is, in full compliance with the requirements of Section 6.17 of the Agreement, and no Default or Internal Control Event otherwise existed on the Reporting Date or otherwise exists on the date of this instrument *[except as described on a schedule attached hereto].

(e) *[Unless otherwise disclosed on a schedule attached hereto,] The representations and warranties of each Credit Party set forth in the Agreement and the other Loan Documents are true and correct in all respects on and as of the date hereof, except for any such representation or warranty specifically refers to an earlier date, in which case such representation or warranty shall have been true in all respects on and as of such earlier date.

The officer of Borrower signing this instrument hereby certifies that he

has reviewed the Loan Documents and the Financial Statements and has otherwise undertaken such inquiry as is in his opinion necessary to enable him to express an informed opinion with respect to the above representations, warranties and acknowledgments of Borrower and, to the best of his knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

EXHIBIT D-1

IN WITNESS WHEREOF, this instrument is executed as of _____, 20__.

AREP OIL & GAS LLC

By: _____
Name: _____
Title: _____

EXHIBIT D-2

EXHIBIT E

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below (including, without limitation, any letters of credit included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

- 1. Assignor: _____
- 2. Assignee: _____
[and is an Affiliate/Approved Fund of [identify Lender]]
- 3. Borrower(s): AREP OIL & GAS LLC
- 4. Administrative Agent: CITICORP USA, INC., as the administrative agent under the Credit Agreement

5. Credit Agreement: The Credit Agreement dated as of *[December __, 2005] among AREP Oil & Gas LLC, the Lenders from time to time party thereto, Citicorp USA, Inc., as Administrative Agent, and the other agents parties thereto.

6. Assigned Interest: _____

EXHIBIT E-1

AGGREGATE AMOUNT OF COMMITMENT/LOANS FOR ALL LENDERS	AMOUNT OF COMMITMENT/LOANS ASSIGNED	PERCENTAGE ASSIGNED OF COMMITMENT/LOANS
-----	-----	-----
\$	\$	%
\$	\$	%
\$	\$	%

7. [Trade Date: _____]

EXHIBIT E-2

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title: _____

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title: _____

[Consented to and] Accepted:

CITICORP USA, INC., as
Administrative Agent

By: _____
Title _____

[Consented to]:

[NAME OF BORROWER OR OTHER CONSENTING

PARTY]

By: _____
Title _____

EXHIBIT E-3

ANNEX 1 to Assignment and Assumption

STANDARD TERMS AND CONDITIONS
FOR ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.2 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

EXHIBIT E-4

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery

of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the laws of the State of New York.

EXHIBIT E-5

EXHIBIT F

LETTER OF CREDIT APPLICATION

EXHIBIT F-1

EXHIBIT G

FORM OF COMMITMENT INCREASE AGREEMENT

THIS COMMITMENT INCREASE AGREEMENT is made as of the ___ day of _____, 20___, by and among AREP OIL & GAS LLC, a Delaware limited liability company (the "BORROWER"), CITICORP USA, INC., as administrative agent (in such capacity, the "ADMINISTRATIVE AGENT"), and the parties signatory hereto as the Increasing Lenders and the New Lenders.

RECITALS

Borrower, Administrative Agent, Bear Stearns Corporate Lending Inc., as Syndication Agent, and the Lenders party thereto ("LENDERS") have entered into that certain Credit Agreement dated as of December __, 2005 (as heretofore amended, supplemented, modified, or restated, the "CREDIT AGREEMENT"). All terms used herein and not otherwise defined shall have the same meaning given to them in the Credit Agreement.

Pursuant to Section 2.17 of the Credit Agreement, Borrower and Administrative Agent, without any further consent of any of the Lenders, have the right, in the event that the Lenders designate a Borrowing Base in excess of the Aggregate Commitment then in effect, to cause an increase in the Aggregate Commitment by adding to the Credit Agreement one or more financial institutions as Lenders (such financial institutions being referred to herein as "NEW LENDERS" and each such financial institution a "NEW LENDER") or by allowing one or more Lenders to increase their respective Commitments (such Lenders being referred to herein as "INCREASING LENDERS" and each such Lender an "INCREASING LENDER"); provided however that each of the conditions to such increase in Section 2.17 of the Credit Agreement shall have occurred and been complied with as of the Increase Effective Date (as defined below).

AGREEMENT

1. Borrower, Administrative Agent, the parties signatory hereto as Increasing Lenders or as New Lenders hereby agree that from and after the date hereof, Increasing Lenders and New Lenders shall have the respective Commitments as set forth on the attached Supplement to Schedule 1. By its execution and delivery of this Commitment Increase Agreement, each New Lender hereby assumes all of the rights and obligations of a Lender under the Credit Agreement. Such Commitment of each New Lender and the increase in the Commitments of each Increasing Lenders shall represent an increase in the Aggregate Commitments pursuant to Section 2.17 of the Credit Agreement.

2. Administrative Agent hereby consents to and approves the Commitment of each New Lender and the increase in the Commitment of each Increasing Lender and such resulting increase in the Aggregate Commitments pursuant to Section 2.17 of the Credit Agreement.

3. This Commitment Increase Agreement shall be effective on the date (the "INCREASE EFFECTIVE DATE") that (i) Borrower and each New Lender and each Increasing Lender

EXHIBIT G-1

execute a counterpart hereof and delivers the same to Administrative Agent, (ii) Administrative Agent executes a counterpart hereof, and (iii) each of the conditions to the increase in the Commitment in Section 2.17 of the Credit Agreement shall have occurred.

4. Borrower (i) represents and warrants that, as of the Increase Effective Date, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all respects on and as of the Increase Effective Date after giving effect to such increase, except as to the extent that such representations and warranties specifically refer to an earlier date, in which case they were true and correct in all material respects as of such earlier date, and no Default or Event of Default exists, (ii) ratifies and confirms each of the Loan Documents to which it is a party, (iii) agrees that all Loan Documents shall apply to the Obligations as they are increased by this Commitment Increase Agreement, and (iv) agrees that its obligations and covenants under each Loan Document are otherwise unimpaired hereby and shall remain in full force and effect.

5. Each New Lender and each Increasing Lender represents and warrants that it has received a copy of the Credit Agreement, the most recent financial statement delivered pursuant to Section 6.2 thereof and such other document and information as it has determined appropriate to make its own credit analysis and decision to enter into this Commitment Increase Agreement, and that it has made such analysis and decision independently and without reliance on Administrative Agent, LC Issuer or any other Lender.

6. This Commitment Increase Agreement may not be amended, changed, waived or modified, except by a writing executed by the parties hereto.

7. This Commitment Increase Agreement together with the Credit Agreement embody the entire agreement among New Lenders, Increasing Lenders, Borrower and Administrative Agent with respect to the subject matter hereof and supersedes all other prior arrangements and understandings relating to the subject matter hereof.

8. This Commitment Increase Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original. Each such counterpart shall become effective when counterparts have been executed by all parties hereto. Delivery of an executed counterpart of this Commitment Increase Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Commitment Increase Agreement.

9. This Commitment Increase Agreement shall be binding upon and inure to the benefit of each Lender, Administrative Agent, and Borrower and their respective successors and permitted assigns, except that no party may assign or transfer any of its rights or obligations hereunder except as contemplated in the Credit Agreement.

10. This Commitment Increase Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

EXHIBIT G-2

IN WITNESS WHEREOF, Administrative Agent, Borrower, and each New Lender and each Increasing Lender have executed this Commitment Increase Agreement as of the date shown above.

AREP OIL & GAS LLC

By: _____
Name: _____
Title: _____

CITICORP USA, INC., as Administrative

Agent

By: _____
Name: _____
Title: _____

EXHIBIT G-3

Signature Page to Commitment Increase Agreement

IN WITNESS WHEREOF, the undersigned has executed this Commitment Increase Agreement as of the date shown above.

[Name of Lender]

By: _____
Name: _____
Title: _____

EXHIBIT G-4

CONSENT AND AGREEMENT

Reference is hereby made to (i) that certain Commitment Increase Agreement dated as of _____, 20__ (the "COMMITMENT INCREASE AGREEMENT"), by and among AREP OIL & GAS LLC a Delaware limited liability company (the "BORROWER"), CITICORP USA, INC., as administrative agent (the "ADMINISTRATIVE AGENT"), and the Lenders party thereto, (ii) that certain Credit Agreement dated as of December __, 2005 (as amended, supplemented, modified or restated, the "CREDIT AGREEMENT") by and among Borrower, Administrative Agent and the Lenders party thereto, and (iii) the Guaranty to which any of the undersigned is a party. Terms that are defined in the Credit Agreement and used but not defined herein have the meanings given to them in the Credit Agreement.

By its execution below, each of the undersigned hereby (a) consents to the provisions of the Commitment Increase Agreement and the transactions contemplated therein, (b) ratifies and confirms the Guaranty and the Security Documents executed by it pursuant to the Credit Agreement after giving effect to the Commitment Increase Agreement, (c) agrees that all of its respective obligations and covenants under such Guaranty and Security Documents shall remain unimpaired by the execution and delivery of the Commitment Increase Agreement and the other documents and instruments executed in connection therewith, and (d) agrees that such Guaranty and Security Documents shall remain in full force and effect.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

EXHIBIT G-5

IN WITNESS WHEREOF, the undersigned Guarantors have executed this Consent and Agreement to Commitment Increase Agreement as of the date shown above.

[GUARANTORS]

By: _____

EXHIBIT G-6

SUPPLEMENT TO SCHEDULE I
COMMITMENTS

LENDER	COMMITMENT
-----	-----

EXHIBIT G-7

SECURITY AGREEMENT

dated as of December 20, 2005

from

the Grantors referred to herein,

to

CITICORP USA, INC.,
as Administrative Agent

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Exhibit E	-	Form of Intellectual Property Security Agreement
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Exhibit G	-	Form of Consent to Assignment of Letter of Credit Rights

SECURITY AGREEMENT

SECURITY AGREEMENT dated as of December 20, 2005 made by AREP OIL & GAS LLC, a Delaware limited liability company (the "BORROWER"), the other Persons listed on the signature pages hereof and the Additional Grantors (as defined in Section 21) (the Borrower, the Persons so listed and the Additional Grantors being collectively the "GRANTORS"), to CITIBANK USA, INC., as administrative agent (the "ADMINISTRATIVE AGENT") for the Secured Parties (as hereinafter defined).

PRELIMINARY STATEMENTS.

(1) The Borrower has entered into the Credit Agreement dated as of December 20, 2005 (as amended, restated, supplemented, or otherwise modified from time to time, the "CREDIT AGREEMENT"; capitalized terms defined therein and not otherwise defined herein being used herein as therein defined) with certain Lenders party thereto, Citicorp USA, Inc., as administrative agent (the "ADMINISTRATIVE AGENT"), and Bear, Stearns & Co., Inc., as syndication agent.

(2) As contemplated in the Credit Agreement, the Grantors owe, and may hereafter owe, Lender Hedging Obligations to some or all of the Lender Parties and their Affiliates. The Lender Hedging Contracts under which such Lender Hedging Obligations are owed are herein called the "LENDER HEDGING CONTRACTS". The Lender Parties, together with all such Affiliates to which Lender Hedging Obligations are at any time owing, are herein called the "SECURED PARTIES".

(3) The Grantors are entering into this Agreement in order to grant to the Administrative Agent for the ratable benefit of the Secured Parties a security interest in the Collateral (as hereinafter defined).

(4) Each Grantor is the owner of the shares of stock or other Equity (the "INITIAL PLEDGED EQUITY") set forth opposite such Grantor's name on and as otherwise described in Part I of Schedule II hereto and issued by the Persons named therein and of the indebtedness (the "INITIAL PLEDGED DEBT") set forth opposite such Grantor's name on and as otherwise described in Part II of Schedule II hereto and issued by the obligors named therein.

(5) The Grantors have security entitlements (the "PLEDGED SECURITY ENTITLEMENTS") with respect to all the financial assets (the "PLEDGED FINANCIAL ASSETS") credited from time to time to the Grantors' securities accounts (the "SECURITIES ACCOUNTS"), in their respective names and subject to this Agreement, described in Schedule V hereto.

(6) The Grantors have opened deposit accounts (the "DEPOSIT ACCOUNTS") with banks, in their respective names and subject to this Agreement, as described in Schedule V hereto.

(7) It is a condition precedent to the making of Loans and the issuance of Letters of Credit by the Secured Parties under the Credit Agreement and the entry into Lender Hedging Contracts by the Lenders from time to time that the Grantors shall have granted the

assignment and security interest and made the pledge and assignment contemplated by this Agreement.

(8) Each Grantor will derive substantial direct and indirect benefit from the transactions contemplated by the Loan Documents and the Lender Hedging Contracts.

(9) Unless otherwise defined in this Agreement or in the Credit Agreement, terms defined in Article 8 or 9 of the UCC (as defined below) and/or in the Federal Book Entry Regulations (as defined below) are used in this Agreement as such terms are defined in such Article 8 or 9 and/or the Federal Book Entry Regulations. "UCC" means the Uniform Commercial Code as in effect, from time to time, in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, "UCC" means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority. "FEDERAL BOOK ENTRY REGULATIONS" means (a) the federal regulations contained in Subpart B ("Treasury/Reserve Automated Debt Entry System (TRADES)") governing book-entry securities consisting of U.S. Treasury bonds, notes and bills and Subpart D ("ADDITIONAL PROVISIONS") of 31 C.F.R. Part 357, 31 C.F.R. Section 357.2, Section 357.10 through Section 357.14 and Section 357.41 through Section 357.44 and (b) to the extent substantially identical to the federal regulations referred to in clause (a) above (as in effect from time to time), the federal regulations governing other book-entry securities.

NOW, THEREFORE, in consideration of the premises and in order to induce the Secured Parties to make Loans and issue Letters of Credit under the Credit Agreement and to induce the Secured Parties to enter into Lender Hedging Contracts from time to time, each Grantor agrees with the Administrative Agent for the ratable benefit of the Secured Parties as follows:

Section 1. Grant of Security. Each Grantor grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in such Grantor's right, title and interest in and to the following, in each case, as to each type of property described below, whether now owned or hereafter acquired by such Grantor, wherever located, and whether now or hereafter existing or arising (collectively, the "COLLATERAL"):

(a) all equipment in all of its forms, including all machinery, tools, motor vehicles, furniture and fixtures, and all parts thereof and all accessions thereto and all software related thereto, including software that is embedded in and is part of the equipment (any and all such property being the "Equipment");

(b) all inventory in all of its forms, including:

(i) all raw materials, work in process, finished goods and materials used or consumed in the manufacture, production, preparation or shipping thereof,

(ii) goods in which such Grantor has an interest in mass or a joint or other interest or right of any kind (including goods in which such Grantor has an interest or right as consignee) and

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(iii) goods that are returned to or repossessed or stopped in transit by such Grantor),

and all accessions thereto and products thereof and documents therefor, and all software related thereto, including software that is embedded in and is part of the inventory (any and all such property being the "INVENTORY");

(c) all chattel paper (including tangible chattel paper and electronic chattel paper), instruments (including promissory notes), deposit accounts, letter-of-credit rights, general intangibles (including payment intangibles and rights as administrative agent or other agent under any loan agreements relating to Pledged Debt (as defined below)) and other obligations of any kind, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services and whether or not earned by performance, and all rights now or hereafter existing in and to all supporting obligations and in and to all security agreements, mortgages, Liens, leases, letters of credit and other contracts securing or otherwise relating to the foregoing property (any and all of such accounts, chattel paper, instruments, deposit accounts, letter-of-credit rights, general intangibles and other obligations, to the extent not referred to in clause (d), (e) or (f) below, being the "RECEIVABLES", and any and all such supporting obligations, security agreements, mortgages, Liens, leases, letters of credit and other contracts being the "RELATED CONTRACTS");

(d) the following (the "SECURITY COLLATERAL"):

(i) the Initial Pledged Equity and the certificates, if any, representing the Initial Pledged Equity, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Initial Pledged Equity and all subscription warrants, rights or options issued thereon or with respect thereto;

(ii) the Initial Pledged Debt and the instruments, if any, evidencing the Initial Pledged Debt, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Initial Pledged Debt;

(iii) all additional shares of stock and other Equity from time to time acquired by such Grantor in any manner (such shares and other Equity, together with the Initial Pledged Equity, being the "PLEDGED EQUITY"), and the certificates, if any, representing such additional shares or other Equity, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares or other Equity and all subscription warrants, rights or options issued thereon or with respect thereto;

(iv) all additional Indebtedness from time to time owed to such Grantor (such Indebtedness, together with the Initial Pledged Debt, being the "PLEDGED

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DEBT") and the instruments, if any, evidencing such indebtedness, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness;

(v) the Securities Accounts, all Pledged Security Entitlements with respect to all Pledged Financial Assets from time to time credited to the Securities Accounts, all Pledged Financial Assets, and all dividends, distributions, return of capital, interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Security Entitlements or the Pledged Financial Assets and all subscription warrants, rights or options issued thereon or with respect thereto; and

all other investment property (including all (A) securities, whether certificated or uncertificated, (B) security entitlements, (C) securities accounts, (D) commodity contracts and (E) commodity accounts) in which such Grantor has now, or acquires from time to time hereafter, any right, title or interest in any manner, and the certificates or instruments, if any, representing or evidencing such investment property, and all dividends,

distributions, return of capital, interest, distributions, value, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such investment property and all subscription warrants, rights or options issued thereon or with respect thereto;

(e) the following (collectively, the "ACCOUNT COLLATERAL"):

(i) the Deposit Accounts and all funds from time to time credited thereto, all interest, cash and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such funds, and all certificates and instruments, if any, from time to time representing or evidencing the Deposit Accounts;

(ii) all promissory notes, certificates of deposit, checks and other instruments from time to time delivered to or otherwise possessed by the Administrative Agent for or on behalf of such Grantor, including those delivered or possessed in substitution for or in addition to any or all of the then existing Account Collateral; and

(iii) all interest, cash and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then-existing Account Collateral;

(f) the following (collectively, the "INTELLECTUAL PROPERTY COLLATERAL"):

(i) all patents, patent applications, utility models and statutory invention registrations, all inventions claimed or disclosed therein and all improvements thereto;

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(ii) all trademarks and service marks, together, in each case, with the goodwill symbolized thereby;

(iii) all copyrights, whether registered or unregistered;

(iv) all computer software, programs and databases;

(g) all books and records (including customer lists, credit files, printouts and other computer output materials and records) of such Grantor pertaining to any of the Collateral; and

(h) all proceeds of, collateral for, income, royalties and other payments now or hereafter due and payable with respect to, and supporting obligations relating to, any and all of the Collateral (including proceeds, collateral and supporting obligations that constitute property of the types described in clauses (a) through (g) of this Section 1 and this clause (h)) and, to the extent not otherwise included, all (A) payments under insurance (whether or not the Administrative Agent is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral, (B) tort claims, including all commercial tort claims and (C) cash,

but in each case excluding from the foregoing any property for which the grant of a security interest pursuant to this Section 1 would violate any Law or require the consent of a third party.

Section 2. Security for Obligations. This Agreement secures, in the case of each Grantor, the payment of all Obligations of any Credit Party that are now or hereafter existing under the Loan Documents and all Lender Hedging Obligations of any Credit Party that are now or hereafter existing, in each case whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, fees, premiums, penalties, indemnifications, contract causes of action, costs, expenses or otherwise (all such Obligations and Lender Hedging Obligations being the "SECURED OBLIGATIONS").

Section 3. Grantors Remain Liable. Anything herein to the contrary notwithstanding:

(a) each Grantor shall remain liable under the contracts and agreements included in such Grantor's Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed;

(b) the exercise by the Administrative Agent of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under the contracts and agreements included in the Collateral; and

(c) no Secured Party shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, any other Loan Document or any Lender Hedging Contract, nor shall any Secured Party be obligated to

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perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 4. Delivery and Control of Security Collateral. (a) All certificates or instruments representing or evidencing Security Collateral shall be delivered to and held by or on behalf of the Administrative Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Administrative Agent. The Administrative Agent shall have the right, at any time in its discretion and without notice to any Grantor, to transfer to or to register in the name of the Administrative Agent or any of its nominees any or all of the Security Collateral, subject only to the revocable rights specified in Section 12(a). In addition, the Administrative Agent shall have the right, upon the occurrence and during the continuance of an Event of Default at any time to exchange certificates or instruments representing or evidencing Security Collateral for certificates or instruments of smaller or larger denominations.

(b) With respect to any Security Collateral in which any Grantor has any right, title or interest and that constitutes an uncertificated security, such Grantor will cause the issuer thereof either:

(i) to register the Administrative Agent as the registered owner of such security or

(ii) to agree in an authenticated record with such Grantor and the Administrative Agent that such issuer will comply with instructions with respect to such security originated by the Administrative Agent without further consent of such Grantor, such authenticated record to be in form and substance satisfactory to the Administrative Agent.

With respect to any Security Collateral in which any Grantor has any right, title or interest and that is not an uncertificated security, upon the request of the Administrative Agent, such Grantor will notify each such issuer of Pledged Equity that such Pledged Equity is subject to the security interest granted hereunder. Each Grantor that is the issuer of any Security Collateral or Pledged Equity belonging to another Grantor acknowledges the security interest granted hereunder in such Security Collateral and will take the actions described above in this subsection (b).

(c) With respect to any Security Collateral in which any Grantor has any right, title or interest and that constitutes a security entitlement in which the Administrative Agent is not the entitlement holder, such Grantor will cause the securities intermediary with respect to such security entitlement either:

(i) to identify in its records the Administrative Agent as the entitlement holder of such security entitlement against such securities intermediary or

(ii) to agree in an authenticated record with such Grantor and the Administrative Agent that such securities intermediary will comply with entitlement orders (that is, notifications communicated to such securities

intermediary directing

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transfer or redemption of the financial asset to which such Grantor has a security entitlement) originated by the Administrative Agent without further consent of such Grantor, such authenticated record to be in substantially the form of Exhibit C hereto (in the case of a combined Deposit Account and Securities Account) or Exhibit D hereto (in any other case) or otherwise in form and substance satisfactory to the Administrative Agent (such agreements together being the "SECURITIES ACCOUNT CONTROL AGREEMENTS").

(d) No Grantor will add any securities intermediary that maintains a Securities Account for such Grantor or open any new securities account with any then-existing securities intermediary unless:

(i) the Administrative Agent shall have received at least 10 days' prior written notice of such securities intermediary or such new securities account, and

(ii) the Administrative Agent shall have received, in the case of a securities intermediary that is not the Administrative Agent, a Securities Account Control Agreement authenticated by such new securities intermediary and such Grantor, or a supplement to an existing Securities Account Control Agreement with such then-existing securities intermediary, covering such new securities account (and, upon the receipt by the Administrative Agent of such Securities Account Control Agreement or supplement, Schedule V hereto shall be automatically amended to include such Securities Account).

No Grantor shall terminate any securities intermediary or terminate any Securities Account, except that a Grantor may terminate a Securities Account, and terminate a securities intermediary with respect to such Securities Account if it gives the Administrative Agent at least 10 days' prior written notice of such termination (and, upon such termination, Schedule V hereto shall be automatically amended to delete such securities intermediary and Securities Account).

(e) Upon any termination by a Grantor of any Securities Account or any securities intermediary with respect thereto, such Grantor will immediately:

(i) transfer all property held in such terminated Securities Account to another Securities Account, and

(ii) notify all Obligors that were making payments to such Securities Account to make all future payments to another Securities Account, in each case so that the Administrative Agent shall have a continuously perfected security interest in such Account Collateral, funds and property.

(f) So long as no Event of Default shall have occurred and be continuing, each Grantor shall have sole right to direct the disposition of funds with respect to each of its Securities Accounts.

(g) The Administrative Agent may transfer, direct the transfer of, or sell property credited to any Securities Account to satisfy the Grantor's obligations under the Loan Documents and Lender Hedging Contracts if an Event of Default shall have occurred and be continuing.

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(h) Upon the request of the Administrative Agent upon the occurrence and during the continuance of an Event of Default, such Grantor will notify each such issuer of Pledged Debt that such Pledged Debt is subject to the security interest granted hereunder.

Section 5. Maintaining the Account Collateral. So long as any Loan or any other Obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding, any Lender Hedging Contract shall be in effect or any Secured Party shall have any Commitment:

(a) Each Grantor will maintain all Account Collateral only with the Administrative Agent or with banks (the "PLEGGED ACCOUNT BANKS") that have agreed, in a record authenticated by the Grantor, the Administrative Agent and the Pledged Account Banks, to:

(i) comply with instructions originated by the Administrative Agent directing the disposition of funds in the Account Collateral without the further consent of the Grantor and

(ii) waive or subordinate in favor of the Administrative Agent all claims of the Pledged Account Banks (including claims by way of a security interest, lien or right of setoff or right of recoupment) to the Account Collateral, which authenticated record shall be substantially in the form of Exhibit C hereto (in the case of a combined Deposit Account and Securities Account) or of Exhibit B hereto (in any other case), or shall otherwise be in form and substance reasonably satisfactory to, and as negotiated in good faith by, the Administrative Agent (such agreements together being the "ACCOUNT CONTROL AGREEMENTS"), provided that each Grantor shall have up to 30 days following the date hereof to provide any such Account Control Agreement.

(b) Each Grantor will promptly instruct each Person obligated at any time to make any payment to such Grantor for any reason (an "OBLIGOR") to make such payment to a Deposit Account.

(c) Except for any deposit account holding LC Collateral, no Grantor will add any bank that maintains a deposit account for such Grantor or open any new deposit account with any then existing Pledged Account Bank unless:

(i) the Administrative Agent shall have received at least 10 days' prior written notice of such additional bank or such new deposit account, and

(ii) the Administrative Agent shall have received, in the case of a bank or Pledged Account Bank that is not the Administrative Agent, an Account Control Agreement authenticated by such new bank and such Grantor, or a supplement to an existing Account Control Agreement with such then existing Pledged Account Bank, covering such new deposit account (and, upon the receipt by the Administrative Agent of such Account Control Agreement or supplement, Schedule V hereto shall be automatically amended to include such Deposit Account).

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No Grantor shall terminate any bank as a Pledged Account Bank or terminate any Account Collateral, except that a Grantor may terminate a Deposit Account, and terminate a bank as a Pledged Account Bank with respect to such Deposit Account if it gives the Administrative Agent at least 10 days' prior written notice of such termination (and, upon such termination, Schedule V hereto shall be automatically amended to delete such Pledged Account Bank and Deposit Account).

(d) Upon any termination by a Grantor of any Deposit Account or any Pledged Account Bank with respect thereto, such Grantor will immediately:

(i) transfer all funds held in such terminated Deposit Account to another Deposit Account, and

(ii) notify all Obligors that were making payments to such Deposit Account to make all future payments to another Deposit Account, in each case so that the Administrative Agent shall have a continuously perfected security interest in such Account Collateral, funds and property.

(e) So long as no Event of Default shall have occurred and be continuing, each Grantor shall have sole right to direct the disposition of funds with respect to each of its Deposit Accounts.

(f) The Administrative Agent may, at any time and without notice to, or consent from, a Grantor transfer, or direct the transfer of, funds from the Account Collateral to satisfy the Grantor's obligations under the Loan Documents and Lender Hedging Contracts if an Event of Default shall have occurred and be continuing.

(g) Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent shall be authorized to send to each Pledged Account Bank a Notice of Exclusive Control as defined in and under any Account Control Agreement.

Section 6. Investing of Amounts in the Securities Accounts(a) . So long as no Event of Default has occurred and is continuing, the Grantors may, subject to Sections 5, and 18, from time to time, make investments credited to Securities Accounts to the extent allowed under Section 7.7 of the Credit Agreement.

Section 7. Maintaining Letter-of-Credit Rights and Giving Notice of Commercial Tort Claims. So long as any Obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding, any Lender Hedging Contract shall be in effect or any Secured Party shall have any Commitment:

(a) Each Grantor will maintain all letter-of-credit rights assigned to the Administrative Agent, including all letter-of-credit rights associated with the letters of credit described in Schedule VI so that the Administrative Agent has control of the letter-of-credit rights in the manner specified in Section 9-107 of the UCC; and

(b) Each Grantor will promptly give notice to the Administrative Agent of any commercial tort claim that may arise in the future and will immediately execute or

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otherwise authenticate a supplement to this Agreement, and otherwise take all necessary action, to subject such commercial tort claim to the first priority security interest created under this Agreement.

Section 8. Representations and Warranties. Each Grantor represents and warrants as follows:

(a) Such Grantor's exact legal name, as defined in Section 9-503(a) of the UCC, is correctly set forth in Schedule I (as amended as provided in Section 10(a)). Such Grantor has only the trade names and marks listed on Schedule IV. Such Grantor is located (within the meaning of Section 9-307 of the UCC), is the type of organization and is organized in the state or jurisdiction set forth in Schedule I (as amended as provided in Section 10(a)). The information set forth in Schedule I(as amended as provided in Section 10(a)) with respect to such Grantor is true and accurate in all respects. Such Grantor has not, within the prior five years, changed its name, location, chief executive office, place where it maintains its agreements, type of organization, jurisdiction of organization or organizational identification number from those set forth in Schedule I (as amended as provided in Section 10(a)) except as disclosed in Schedule V.

(b) All Security Collateral consisting of certificated securities and instruments have been delivered to the Administrative Agent. None of the Receivables is evidenced by a promissory note or other instrument that has not been delivered to the Administrative Agent.

(c) Such Grantor is the legal and beneficial owner of the Collateral of such Grantor free and clear of any Lien, claim, option or right of others, except for the security interest created under this Agreement or as permitted under the Credit Agreement. No effective financing statement or other instrument similar in effect covering all or any part of such Collateral or listing such Grantor or any trade name of such Grantor as debtor is on file in any recording office, except such as may have been filed in favor of the Administrative Agent relating to the Loan Documents or as otherwise permitted under the Credit Agreement.

(d) The Pledged Equity pledged by such Grantor hereunder has been duly authorized and validly issued and is fully paid and non-assessable. With respect to the Pledged Equity that is an uncertificated security, such Grantor has caused the issuer thereof either:

(i) to register the Administrative Agent as the registered owner

of such security or

(ii) to agree in an authenticated record with such Grantor and the Administrative Agent that such issuer will comply with instructions with respect to such security originated by the Administrative Agent without further consent of such Grantor.

If such Grantor is an issuer of Pledged Equity, such Grantor confirms that it has received notice of such security interest. The Pledged Debt pledged by such Grantor hereunder

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has been duly authorized, authenticated or issued and delivered, is the legal, valid and binding obligation of the issuers thereof, is evidenced by one or more promissory notes (which notes have been delivered to the Administrative Agent) and is not in default.

(e) The Initial Pledged Equity pledged by such Grantor constitutes the percentage of the issued and outstanding Equity of the issuers thereof indicated on Schedule II. The Initial Pledged Debt constitutes all of the outstanding indebtedness owed to such Grantor by the issuers thereof and is outstanding in the principal amount indicated on Schedule II.

(f) All of the investment property owned by such Grantor as of the date hereof is listed on Schedule II.

(g) Except for any deposit account in which LC Collateral may be held, such Grantor has no deposit account, other than the Account Collateral listed on Schedule V, as amended from time to time pursuant to Section 5(c), and legal, binding and enforceable Account Control Agreements are in effect for each deposit account that constitutes Account Collateral (other than Account Collateral consisting of deposit accounts maintained with the Administrative Agent). Such Grantor has instructed all existing Obligors to make all payments to either a Deposit Account.

(h) Such Grantor is not a beneficiary or assignee under any letter of credit, other than any letter of credit described in Schedule VI, as amended from time to time, and legal, binding and enforceable Consents to Assignment of Letter of Credit Rights, in the form of the Consent to Assignment of Letter of Credit Rights attached hereto as Exhibit G, are in effect for each letter of credit that constitutes Collateral. Such Grantor has instructed all issuers and nominated persons under letters of credit in which the Grantor is the beneficiary or assignee to make all payments to either a Deposit Account.

(i) All filings and other actions (including (A) actions necessary to obtain control of Collateral as provided in Sections 9-104, 9-105, 9-106 and 9-107 of the UCC and (B) actions necessary to perfect the Administrative Agent's security interest with respect to Collateral evidenced by a certificate of ownership) necessary to perfect the security interest in the Collateral of such Grantor created under this Agreement have been duly made or taken and are in full force and effect, and this Agreement creates in favor of the Administrative Agent for the benefit of the Secured Parties a valid and, together with such filings and other actions, perfected first priority security interest in the Collateral of such Grantor (subject to Permitted Liens), securing the payment of the Secured Obligations.

(j) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for:

(i) the grant by such Grantor of the security interest granted hereunder or for the execution, delivery or performance of this Agreement by such Grantor,

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(ii) the perfection or maintenance of the security interest created hereunder (including the first priority nature of such security interest), except for the filing of financing and continuation statements under the UCC, which financing statements have been duly filed and are in full force and effect, the recordation of the Intellectual Property Security Agreements referred to in Section 11 with the U.S. Patent and Trademark Office and the U.S. Copyright Office, which Agreements have been duly recorded and are in full force and effect, and the actions described in Section 4 with respect to Security Collateral, which actions have been taken and are in full force and effect, or

(iii) the exercise by the Administrative Agent of its voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement, except as may be required in connection with the disposition of any portion of the Security Collateral by laws affecting the offering and sale of securities generally.

(k) The Grantor has no commercial tort claims (as defined in Section 9-102(13) of the UCC), except for commercial tort claims with respect to which it has taken the actions required by Section 7(b).

Section 9. Further Assurances. (a) From time to time, at the expense of such Grantor, each Grantor will promptly execute and deliver, or otherwise authenticate, all further instruments and documents, and take all further action that may be necessary or desirable, or that the Administrative Agent may reasonably request, in order to perfect and protect any pledge or security interest granted or purported to be granted by such Grantor hereunder or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral of such Grantor. Without limiting the generality of the foregoing, each Grantor will promptly with respect to Collateral of such Grantor:

(i) mark conspicuously each document included in Inventory, each chattel paper included in Receivables, each Related Contract, and, at the reasonable request of the Administrative Agent, each of its records pertaining to such Collateral with a legend, in form and substance satisfactory to the Administrative Agent, indicating that such document, chattel paper, Related Contract or Collateral is subject to the security interest granted hereby;

(ii) if any such Collateral shall be evidenced by a promissory note or other instrument or chattel paper, deliver and pledge to the Administrative Agent hereunder such note or instrument or chattel paper duly indorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Administrative Agent;

(iii) execute or authenticate and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Administrative Agent may request, in order to perfect and preserve the security interest granted or purported to be granted by such Grantor hereunder;

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(iv) deliver and pledge to the Administrative Agent for benefit of the Secured Parties certificates representing Security Collateral that constitutes certificated securities, accompanied by undated stock or bond powers executed in blank;

(v) take all action necessary to ensure that the Administrative Agent has control of Collateral consisting of deposit accounts, electronic chattel paper, investment property, letter-of-credit rights and transferable records as provided in Sections 9-104, 9-105, 9-106 and 9-107 of the UCC;

(vi) at the reasonable request of the Administrative Agent, take all action to ensure that the Administrative Agent's security interest is noted on any certificate of ownership related to any Collateral evidenced by a certificate of ownership;

(vii) at the reasonable request of the Administrative Agent, cause the Administrative Agent to be the beneficiary under all letters of credit that constitute Collateral, with the exclusive right to make all draws under such letters of credit, and with all rights of a transferee under Section 5-114(e) of the UCC; and

(viii) deliver to the Administrative Agent evidence that all other action that the Administrative Agent may deem reasonably necessary or desirable in order to perfect and protect the security interest created by such Grantor under this Agreement has been taken.

(b) Each Grantor authorizes the Administrative Agent to file one or more financing or continuation statements, and amendments thereto, including one or more financing statements indicating that such financing statements cover all assets or all personal property (or words of similar effect) of such Grantor, in each case without the signature of such Grantor, and regardless of whether any particular asset described in such financing statements falls within the scope of the UCC or the granting clause of this Agreement. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. Each Grantor ratifies its authorization for the Administrative Agent to have filed such financing statements, continuation statements or amendments filed prior to the date hereof.

(c) Each Grantor will furnish to the Administrative Agent from time to time statements and schedules further identifying and describing the Collateral of such Grantor and such other reports in connection with such Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

Section 10. Post-Closing Changes; Bailees; Collections on Receivables and Related Contracts. (a) No Grantor will change its name, type of organization, jurisdiction of organization, organizational identification number or location from those set forth in Section 8(a) without first giving at least 30 days' prior written notice to the Administrative Agent and taking all action required by the Administrative Agent for the purpose of perfecting or protecting the security interest granted by this Agreement. No Grantor will become bound by a security agreement authenticated by another Person (determined as provided in Section 9-203(d) of the UCC) without giving the Administrative Agent 30 days' prior written notice thereof and taking all action required by the Administrative Agent to ensure that the perfection and first priority

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nature of the Administrative Agent's security interest in the Collateral will be maintained. . Schedule I to this Agreement may be supplemented from time to time by the Grantors, or by Additional Grantors at the time of the change or addition of any Additional Grantor, by prior written notice (as provided herein or as provided in the Credit Agreement) to the Administrative Agent and from the date of such notice such Schedule shall be deemed automatically amended to reflect the information set forth in such notice.

(b) If any Collateral of any Grantor is at any time in the possession or control of a warehouseman, bailee or agent, or if the Administrative Agent so requests such Grantor will:

(i) notify such warehouseman, bailee or agent of the security interest created hereunder,

(ii) instruct such warehouseman, bailee or agent to hold all such Collateral solely for the Administrative Agent's account subject only to the Administrative Agent's instructions (which shall permit such Collateral to be removed by such Grantor in the ordinary course of business until the Administrative Agent notifies such warehouseman, bailee or agent that an Event of Default has occurred and is continuing),

(iii) use commercially reasonable efforts, to cause such warehouseman, bailee or agent to authenticate a record acknowledging that it holds possession of such Collateral for the Administrative Agent's benefit and shall act solely on the instructions of the Administrative Agent without the further consent of the Grantor or any other Person, and

(iv) make such authenticated record available to the Administrative

Agent.

(c) Except as otherwise provided in this subsection (c), each Grantor will continue to collect, at its own expense, all amounts due or to become due such Grantor under Receivables and Related Contracts. In connection with such collections, such Grantor may take (and, at the Administrative Agent's direction, will take) such action as such Grantor or the Administrative Agent may deem necessary or advisable to enforce collection of the Receivables and Related Contracts; provided that the Administrative Agent shall have the right at any time, upon the occurrence and during the continuance of an Event of Default and upon written notice to such Grantor of its intention to do so, to notify the Obligors under any Receivables and Related Contracts of the assignment of such Receivables and Related Contracts to the Administrative Agent and to direct such Obligors to make payment of all amounts due or to become due to such Grantor thereunder directly to the Administrative Agent and, upon such notification and at the expense of such Grantor, to enforce collection of any such Receivables and Related Contracts, to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as such Grantor might have done, and to otherwise exercise all rights with respect to such Receivables and Related Contracts, including those set forth set forth in Section 9-607 of the UCC.

Section 11. As to Intellectual Property Collateral(a) . (a) With respect to its Intellectual Property Collateral, each Grantor will execute or otherwise authenticate an Intellectual Property Security Agreement, in substantially the form set forth in Exhibit E hereto

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or otherwise in form and substance satisfactory to the Administrative Agent, for recording the security interest granted hereunder to the Administrative Agent in such Intellectual Property Collateral with the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other governmental authorities necessary to perfect the security interest hereunder in such Intellectual Property Collateral.

(b) Should any Grantor obtain an ownership interest in any item of the type set forth in Section 1(f) that is not on the date hereof a part of the Intellectual Property Collateral:

(i) this Agreement shall automatically apply thereto, and

(ii) any such item and, in the case of trademarks, the goodwill symbolized thereby, shall automatically become part of the Intellectual Property Collateral subject to this Agreement.

Each Grantor shall give prompt written notice to the Administrative Agent identifying such items, and such Grantor shall execute and deliver to the Administrative Agent with such written notice, or otherwise authenticate, an Intellectual Property Security Agreement Supplement substantially in the form of Exhibit F hereto or otherwise in form and substance satisfactory to the Administrative Agent covering such items, which supplement shall be recorded with the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other governmental authorities necessary to perfect the security interest hereunder in such items.

Section 12. Voting Rights; Dividends; Etc. (a) Except as set forth in subsection (b):

(i) Each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Security Collateral of such Grantor or any part thereof for any purpose; provided that such Grantor will not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of the Security Collateral or any part thereof.

Each Grantor shall be entitled to receive and retain any and all dividends, interest and other distributions paid in respect of the Security Collateral of such Grantor if and to the extent that the payment thereof is not otherwise prohibited by the terms of the Loan Documents.

(ii) The Administrative Agent will execute and deliver (or cause to be

executed and delivered) to each Grantor all such proxies and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and other rights that it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or interest payments that it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Upon the occurrence and during the continuance of an Event of Default:

(i) All rights of each Grantor:

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(A) to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 12(a)(i) shall, upon notice to such Grantor by the Administrative Agent, cease and

(B) to receive the dividends, interest and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 12(a)(ii) shall automatically cease,

and all such rights shall thereupon become vested in the Administrative Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Security Collateral such dividends, interest and other distributions.

(ii) All dividends, interest and other distributions that are received by any Grantor contrary to the provisions of paragraph (i) of this Section 12(b) shall be received in trust for the benefit of the Administrative Agent, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Administrative Agent as Security Collateral in the same form as so received (with any necessary indorsement).

(iii) The Administrative Agent shall be authorized to send to each Securities Intermediary as defined in and under any Security Control Agreement a Notice of Exclusive Control as defined in and under such Security Account Control Agreement.

Section 13. As to Letter-of-Credit Rights. (a) Each Grantor, by granting a security interest in its Receivables consisting of letter-of-credit rights to the Administrative Agent, intends to (and does) assign to the Administrative Agent its rights (including its contingent rights) to the proceeds of all Related Contracts consisting of letters of credit of which it is or hereafter becomes a beneficiary or assignee. Each Grantor will promptly use its commercially reasonable efforts to cause the issuer of each letter of credit and each nominated person (if any) with respect thereto to consent to such assignment of the proceeds thereof in substantially the form of the Consent to Assignment of Letter of Credit Rights attached hereto as Exhibit G or otherwise in form and substance satisfactory to the Administrative Agent and deliver written evidence of such consent to the Administrative Agent.

(b) Upon the occurrence of an Event of Default, each Grantor will, promptly upon request by the Administrative Agent:

(i) notify (and such Grantor hereby authorizes the Administrative Agent to notify) the issuer and each nominated person with respect to each of the Related Contracts consisting of letters of credit that the proceeds thereof have been assigned to the Administrative Agent hereunder and any payments due or to become due in respect thereof are to be made directly to the Administrative Agent or its designee, and

(ii) arrange for the Administrative Agent to become the transferee beneficiary of letter of credit.

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Section 14. Additional Shares. Each Grantor will pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any additional Equity or other securities of each issuer of the Pledged Equity.

Section 15. Administrative Agent Appointed Attorney-in-Fact. Each Grantor irrevocably appoints the Administrative Agent such Grantor's attorney-in-fact, with full authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, from time to time, upon the occurrence and during the continuance of an Event of Default, in the Administrative Agent's discretion, to take any action and to execute any instrument that the Administrative Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to obtain and adjust insurance required to be paid to the Administrative Agent pursuant to Section 6.8(a) of the Credit Agreement

(b) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral,

(c) to receive, indorse and collect any drafts or other instruments, documents and chattel paper, in connection with clause (a) or (b) above, and

(d) to file any claims or take any action or institute any proceedings that the Administrative Agent may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Administrative Agent with respect to any of the Collateral.

Section 16. Administrative Agent May Perform. If any Grantor fails to perform any agreement contained herein, the Administrative Agent may, but without any obligation to do so and without notice, itself perform, or cause performance of, such agreement, and the expenses of the Administrative Agent incurred in connection therewith shall be payable by such Grantor under Section 19.

Section 17. The Administrative Agent's Duties. (a) The powers conferred on the Administrative Agent hereunder are solely to protect the Secured Parties' interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Administrative Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not any Secured Party has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.

(b) Anything contained herein to the contrary notwithstanding, the Administrative Agent may from time to time, when the Administrative Agent deems it to be

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necessary, appoint one or more subagents for the Administrative Agent hereunder with respect to all or any part of the Collateral. If the Administrative Agent so appoints any such subagent with respect to any Collateral:

(i) the assignment and pledge of such Collateral and the security interest granted in such Collateral by each Grantor hereunder shall be deemed for purposes of this Security Agreement to have been made to such subagent, in addition to the Administrative Agent, for the ratable benefit of the Secured Parties, as security for the Secured Obligations of such Grantor,

(ii) such subagent shall automatically be vested, in addition to the Administrative Agent, with all rights, powers, privileges, interests and remedies of the Administrative Agent hereunder with respect to such Collateral, and

(iii) the term "Administrative Agent," when used herein in relation to any rights, powers, privileges, interests and remedies of the Administrative Agent with respect to such Collateral, shall include such subagent;

provided that no such subagent shall be authorized to take any action with respect to any such Collateral unless and except to the extent expressly authorized in writing by the Administrative Agent.

Section 18. Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Administrative Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a Secured Party upon default under the UCC (whether or not the UCC applies to the affected Collateral) and also may:

(i) require each Grantor to, and each Grantor will at its expense and upon request of the Administrative Agent forthwith, assemble all or part of the Collateral as directed by the Administrative Agent and make it available to the Administrative Agent at a place and time to be designated by the Administrative Agent that is reasonably convenient to both parties;

(ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at any of the Administrative Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Administrative Agent may deem commercially reasonable;

(iii) occupy any premises owned or leased by any of the Grantors where the Collateral or any part thereof is assembled or located for a reasonable period in order to effectuate its rights and remedies hereunder or under law, without obligation to such Grantor in respect of such occupation; and

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(iv) exercise any and all rights and remedies of any of the Grantors under or in connection with the Collateral, or otherwise in respect of the Collateral, including:

(A) any and all rights of such Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, the Receivables, the Related Contracts and the other Collateral,

(B) withdraw, or cause or direct the withdrawal, of all funds with respect to the Account Collateral and

(C) exercise all other rights and remedies with respect to the Receivables, the Related Contracts and the other Collateral, including those set forth in Section 9-607 of the UCC.

To the extent that notice of sale shall be required by law, at least 10 days' notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Administrative Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by or on behalf of the Administrative Agent and all cash proceeds received by or on behalf of the Administrative Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Administrative Agent, be held by the Administrative Agent as collateral for, and/or then

or at any time thereafter applied (after payment of any amounts payable to the Administrative Agent pursuant to Section 19) in whole or in part by the Administrative Agent for the ratable benefit of the Secured Parties against, all or any part of the Secured Obligations, in the following manner:

(i) first, paid to the Administrative Agent for any amounts then owing to the Administrative Agent pursuant to the Credit Agreement or otherwise under the Loan Documents; and

(ii) second, ratably:

(A) paid to the Secured Parties for any amounts then owing to them, in their capacities as such, under the Loan Documents and Lender Hedging Contracts ratably in accordance with such respective amounts then owing to such Secured Parties; provided that, for purposes of this Section 18, the amount owing to any Lender pursuant to any Lender Hedging Contract to which it is a party (other than any amount therefore accrued and unpaid) shall be deemed to be equal to the Agreement Value therefor and

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(B) deposited as LC Collateral as provided in the Credit Agreement up to an amount equal to 100% of the aggregate Available Amount of all outstanding Letters of Credit; provided that:

(I) if any such Letter of Credit is drawn, the Administrative Agent shall pay to the Issuing Bank that issued such Letter of Credit the amount held in the L/C Collateral Account in respect of such Letter of Credit, and

(II) to the extent that any such Letter of Credit shall expire or terminate undrawn and as a result thereof the amount of the Collateral in the L/C Collateral Account shall exceed 100% of the aggregate Available Amount of all then outstanding Letters of Credit, such excess amount of such Collateral shall be applied in accordance with the remaining order of priority set out in this Section 18(b).

Any surplus of such cash or cash proceeds held by or on the behalf of the Administrative Agent and remaining after payment in full of all the Secured Obligations shall be paid over to the applicable Grantor or to whomsoever may be lawfully entitled to receive such surplus.

"AGREEMENT VALUE" means, for each Lender Hedging Contract with any Grantor, on any date of determination, an amount determined by the Secured Party party thereto equal to:

(1) if such Lender Hedging Contract is documented pursuant to the Master Agreement (Multicurrency-Cross Border) published by the International Swap and Derivatives Association, Inc., the amount, if any, that would be payable by such Grantor to such Secured Party pursuant to such Lender Hedging Contract, as if (x) such Lender Hedging Contract was being terminated early on such date of determination, (y) such Grantor was the sole "affected party", and (z) the Secured Party was the sole party determining such payment (as provided in such Master Agreement);

(2) in the case of any Lender Hedging Contract traded on an exchange, the mark-to-market value of such Lender Hedging Contract, which will be the unrealized loss thereon to such Grantor, determined by such Secured Party based on the settlement price of such Lender Hedging Contract on such date of determination; and

(3) in all other cases, the mark-to-market value of such Lender Hedging Contract, which will be the unrealized loss thereon to such Grantor, determined by such Secured Party as the amount, if any, by which (x) the present value of the future cash flows to be paid by such Grantor thereunder exceeds (y) the present value of the future cash flows to be paid by such Grantor thereunder.

(c) All payments received by any Grantor under or in connection with in respect of the Collateral shall be received in trust for the benefit of the Administrative

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Agent, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Administrative Agent in the same form as so received (with any necessary indorsement).

(d) the Administrative Agent may, without notice to any Grantor, except as required by law and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Secured Obligations against any funds held with respect to the Account Collateral or in any other deposit account.

(e) In the event of any sale or other disposition of any of the Intellectual Property Collateral of any Grantor, the goodwill symbolized by any trademarks subject to such sale or other disposition shall be included therein, and such Grantor shall supply to the Administrative Agent or its designee such Grantor's know-how and expertise, and documents and things relating to any Intellectual Property Collateral subject to such sale or other disposition, and such Grantor's customer lists and other records and documents relating to such Intellectual Property Collateral and to the manufacture, distribution, advertising and sale of products and services of such Grantor.

(f) The Grantors recognize that the Administrative Agent may deem it impracticable to effect a public sale of all or any part of the Security Collateral and that the Administrative Agent may, therefore, determine to make one or more private sales of any such securities to a restricted group of purchasers who will be obligated to agree, among other things, to acquire such securities for their own account, for investment and not with a view to the distribution or resale thereof. The Grantors acknowledge that any such private sale may be at prices and on terms less favorable to the seller than the prices and other terms which might have been obtained at a public sale and, notwithstanding the foregoing, agree that such private sales shall be deemed to have been made in a commercially reasonable manner and that the Administrative Agent shall have no obligation to delay sale of any such securities for the period of time necessary to permit the Issuer of such securities to register such securities for public sale under the Securities Act of 1933, as amended. Any offer to sell such securities that has been:

(i) publicly advertised on a bona fide basis in a newspaper or other publication of general circulation in the financial community of New York, New York (to the extent that such an offer may be so advertised without prior registration under such Securities Act), or

(ii) made privately in the manner described above to not less than 15 bona-fide offerees,

shall be deemed to involve a "public disposition" for the purposes of Section 9.610(c) of the UCC (or any successor or similar, applicable statutory provision), notwithstanding that such sale may not constitute a "public offering" under the Securities Act, and that the Administrative Agent or any other Secured Party may, in such event, bid for the purchase of such securities.

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Section 19. Indemnity and Expenses. (a) EACH GRANTOR SHALL INDEMNIFY ADMINISTRATIVE AGENT (AND ANY SUB-AGENT THEREOF), EACH SECURED PARTY 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 FEES, CHARGES AND DISBURSEMENTS OF ANY COUNSEL FOR ANY INDEMNITEE), AND SHALL INDEMNIFY AND HOLD HARMLESS EACH INDEMNITEE FROM ALL FEES AND TIME CHARGES AND

DISBURSEMENTS FOR ATTORNEYS WHO MAY BE EMPLOYEES OF ANY INDEMNITEE, INCURRED BY ANY INDEMNITEE OR ASSERTED AGAINST ANY INDEMNITEE BY ANY THIRD PARTY OR BY ANY GRANTOR ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF:

(I) THE EXECUTION OR DELIVERY OF THIS AGREEMENT, ANY OTHER LOAN DOCUMENT, ANY LENDER HEDGING CONTRACT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE PERFORMANCE BY THE PARTIES HERETO OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THEREUNDER OR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY,

(II) ANY LOAN OR LETTER OF CREDIT OR THE USE OR PROPOSED USE OF THE PROCEEDS THEREFROM, OR

(III) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, WHETHER BROUGHT BY A THIRD PARTY OR BY ANY GRANTOR, AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO.

THE FOREGOING INDEMNIFICATION WILL APPLY WHETHER OR NOT SUCH LIABILITIES AND COSTS ARE IN ANY WAY OR TO ANY EXTENT OWED, IN WHOLE OR IN PART, UNDER ANY CLAIM OR THEORY OF STRICT LIABILITY OR CAUSED, IN WHOLE OR IN PART BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY INDEMNITEE, PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NON-APPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNITEE OR IF A GRANTOR HAS OBTAINED A FINAL AND NON-APPEALABLE JUDGMENT IN ITS FAVOR ON SUCH CLAIM AS DETERMINED BY A COURT OF COMPETENT JURISDICTION.

(b) Each Grantor will upon demand pay to the Administrative Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that the Administrative Agent may incur in connection with:

(i) the administration of this Agreement,

(ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral of such Grantor,

(iii) the exercise or enforcement of any of the rights of the Administrative Agent or the other Secured Parties hereunder or

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(iv) the failure by such Grantor to perform or observe any of the provisions hereof.

(b) To the fullest extent permitted by applicable law, no Grantor shall 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, any Lender Hedging Contract or any agreement or instrument contemplated hereby or thereby, the transactions contemplated hereby or thereby, any Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee referred to in subsection (a) shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement, the other Loan Documents, the Lender Hedging Contracts or the transactions contemplated hereby or thereby.

Section 20. Subordination of Liens. Each Grantor confirms that:

(a) any and all Liens securing debts, liabilities and other Obligations owed to such Grantor by any other Credit Party ("SUBORDINATED LIENS") shall be subordinate to any and all Liens under the Security Documents securing the Secured Obligations ("SENIOR LIENS") as if the Senior Liens were created, filed, recorded and otherwise perfected prior in time to the creation, filing, recording and other perfection of the Subordinated Liens, and

(b) by reason of this Agreement, the Administrative Agent, for the benefit of the Secured Parties, has a perfected, first-priority Lien on each Subordinated Lien and the right, to the exclusion of any Grantor, to enforce, exercise remedies, grant waivers, release and take any and all other actions with respect to such Subordinated Lien.

Section 21. Amendments; Waivers; Additional Grantors; Etc. (a) No amendment or waiver of any provision of this Agreement, and no consent to any departure by any Grantor herefrom shall in any event be effective unless the same shall be entered into in accordance with Section 10.1 of the Credit Agreement. No failure on the part of the Administrative Agent or any other Secured Party to exercise, and no delay in exercising any right hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

(b) Upon the execution and delivery, or authentication, by any Person of a security agreement supplement in substantially the form of Exhibit A hereto (each a "SECURITY AGREEMENT SUPPLEMENT"):

(i) such Person shall be referred to as an "ADDITIONAL GRANTOR" and shall be and become a Grantor hereunder, and each reference in this Agreement and the other Loan Documents to "Grantor" shall also mean and be a reference to such Additional Grantor, and each reference in this Agreement, the other Loan Documents and the

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Lender Hedging Contracts to "Collateral" shall also mean and be a reference to the Collateral of such Additional Grantor, and

(ii) the supplemental schedules attached to each Security Agreement Supplement shall be incorporated into and become a part of and supplement the respective Schedule hereto, and the Administrative Agent may attach such supplemental schedules to such Schedules; and each reference to such Schedules shall mean and be a reference to such Schedules as supplemented pursuant to each Security Agreement Supplement.

Section 22. Notices, Etc. All notices and other communications provided for hereunder shall be delivered in the manner provided in the Credit Agreement, in the case of the Borrower or the Administrative Agent, addressed to it at its address specified in the Credit Agreement and, in the case of each Grantor other than the Borrower, addressed to it at its address set forth opposite such Grantor's name on the signature pages hereto or on the signature page to the Security Agreement Supplement pursuant to which it became a party hereto; or, as to any party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and other communications shall be effective when and as provided in the Credit Agreement. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or of any Security Agreement Supplement or Schedule hereto shall be effective as delivery of an original executed counterpart thereof.

Section 23. Continuing Security Interest; Assignments under the Credit Agreement. This Agreement shall create a continuing security interest in the Collateral and shall:

(a) remain in full force and effect until the latest of:

(i) the payment in full in cash of the Secured Obligations,

(ii) the irrevocable termination or expiration of all Commitments and

(iii) the termination or expiration of all Letters of Credit and all Lender Hedging Contracts,

(b) be binding upon each Grantor, its successors and assigns and

(c) inure, together with the rights and remedies of the Administrative Agent hereunder, to the benefit of the Secured Parties and their respective

successors, transferees and assigns.

Without limiting the generality of the foregoing clause (c), any Secured Party may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including all or any portion of its Commitment, the Loans owing to it and the Note or Notes, if any, held by it), to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Secured Party herein or otherwise, in each case as provided in the Credit Agreement.

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Section 24. Release; Termination. (a) Upon any sale, lease, transfer or other disposition of any item of Collateral of any Grantor or release of any Guaranty by a Grantor, in each case in accordance with the terms of the Loan Documents (other than sales of Inventory in the ordinary course of business), the Administrative Agent will, at such Grantor's expense, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided that:

(i) at the time of such request and such release no Event of Default shall have occurred and be continuing,

(ii) such Grantor shall have delivered to the Administrative Agent, at least 10 Business Days prior to the date of the proposed release, a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release for execution by the Administrative Agent and a certificate of such Grantor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as the Administrative Agent may request and

(iii) the proceeds of any such sale, lease, transfer or other disposition required to be applied, or any payment to be made in connection therewith, in accordance with the Credit Agreement shall, to the extent so required, be paid or made to, or in accordance with the instructions of, the Administrative Agent when and as required under the Credit Agreement.

(b) In the circumstances provided in Section 10.9 of the Credit Agreement, and subject to the limitations described therein, the Administrative Agent will release this Agreement.

Section 25. Terms Generally; References and Titles. 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." 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 Person shall be construed to include such Person's successors and assigns;

(c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof;

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(d) all references herein to Articles, Sections and Exhibits shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement;

(e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time; and

(f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

References to any document, instrument, or agreement shall include:

(i) all exhibits, schedules, and other attachments thereto, and

(ii) shall include all documents, instruments, or agreements issued or executed in replacement thereof.

Titles appearing at the beginning of any subdivision are for convenience only and do not constitute any part of such subdivision and shall be disregarded in construing the language contained in such subdivisions. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive. Accounting terms have the meanings assigned to them by GAAP, as applied by the accounting entity to which they refer. References to "days" shall mean calendar days, unless the term "Business Day" is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

Section 26. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

Section 27. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 28. Subordination of Liens. Each Grantor confirms that:

(a) any and all Liens securing debts, liabilities and other Obligations owed to such Grantor by any other Credit Party ("SUBORDINATED LIENS") shall be subordinate to any and all Liens under the Security Documents securing the Secured Obligations ("SENIOR LIENS") as if the Senior Liens were created, filed, recorded and otherwise perfected prior in time to the creation, filing, recording and other perfection of the Subordinated Liens, and

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(b) by reason of this Agreement, the Administrative Agent, for the benefit of the Secured Parties, has a perfected, first-priority Lien on each Subordinated Lien and the right, to the exclusion of any Grantor, to enforce, exercise remedies, grant waivers, release and take any and all other actions with respect to such Subordinated Lien.

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IN WITNESS WHEREOF, each Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

AREP OIL & GAS LLC

By: /s/ Philip D. Devlin

Name: Philip D. Devlin

Title: Vice President and Secretary

Address for Notices:
ONSHORE GP, LLC
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

ONSHORE GP LLC

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

Address for Notices:
ONSHORE LP, LLC
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

Onshore LP LLC

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

Address for Notices:
OFFSHORE GP, LLC
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

OFFSHORE GP LLC

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

Address for Notices:
OFFSHORE LP, LLC
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

OFFSHORE LP LLC

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

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Address for Notices:
NATIONAL ONSHORE LP
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

NATIONAL ONSHORE LP

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

Address for Notices:
NATIONAL OFFSHORE LP
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

NATIONAL OFFSHORE LP

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

Address for Notices:
MID RIVER LLC
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

MID RIVER LLC

By: AREP Oil & Gas LLC, sole member

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

Address for Notices:
GALVESTON BAY PROCESSING CORPORATION
1400 One Energy Square
4925 Greenville Avenue

GALVESTON BAY PROCESSING CORPORATION

By: /s/ Philip D. Devlin

Dallas, TX 75206

Name: Philip D. Devlin
Title: Vice President and Secretary

Address for Notices:
GALVESTON BAY PIPELINE COMPANY
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

GALVESTON BAY PIPELINE COMPANY

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

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EXHIBIT A TO THE
SECURITY AGREEMENT

FORM OF SECURITY AGREEMENT SUPPLEMENT

[Date of Security Agreement Supplement]

CITICORP USA, INC.,
as the Administrative Agent for the
Secured Parties referred to in the
Credit Agreement referred to below
388 Greenwich Street
New York, NY 10013

AREP Oil & Gas LLC

Ladies and Gentlemen:

Reference is made to (i) the Credit Agreement dated as of December 20, 2005 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), among AREP Oil & Gas LLC, the Lenders party thereto, Citicorp USA, Inc., as Administrative Agent (together with any successor Administrative Agent appointed pursuant to the Credit Agreement, the "ADMINISTRATIVE AGENT"), and Bear, Stearns & Co., Inc., as syndication agent, and (ii) the Security Agreement dated as of December 20, 2005 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT") made by the Grantors from time to time party thereto in favor of the Administrative Agent for the Secured Parties. Terms defined in the Credit Agreement or the Security Agreement and not otherwise defined herein are used herein as defined in the Credit Agreement or the Security Agreement.

SECTION 1. Grant of Security. The undersigned hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in, all of its right, title and interest in and to all of the Collateral of the undersigned, whether now owned or hereafter acquired by the undersigned, wherever located and whether now or hereafter existing or arising, including the property and assets of the undersigned set forth on the attached supplemental schedules to the Schedules to the Security Agreement.

SECTION 2. Security for Obligations. The grant of a security interest in, the Collateral by the undersigned under this Security Agreement Supplement and the Security Agreement secures the payment of all Obligations of any Credit Party that are now or hereafter existing under or in respect of the Loan Documents and all Lender Hedging Obligations of any Credit Party that are now or hereafter existing, in each case whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, fees, indemnifications, contract causes of action, costs, expenses or otherwise.

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SECTION 3. Supplements to Security Agreement Schedules. The undersigned has attached hereto supplemental Schedules to the respective Schedules to the Security Agreement, and the undersigned hereby certifies, as of

the date first above written, that such supplemental schedules have been prepared by the undersigned in substantially the form of the equivalent Schedules to the Security Agreement and are complete and correct.

SECTION 4. Representations and Warranties. The undersigned makes as of the date hereof each representation and warranty set forth in Section 8 of the Security Agreement (as supplemented by the attached supplemental schedules) to the same extent as each other Grantor.

SECTION 5. Obligations Under the Security Agreement. The undersigned hereby agrees, as of the date first above written, to be bound as a Grantor by all of the terms and provisions of the Security Agreement to the same extent as each of the other Grantors. The undersigned further agrees, as of the date first above written, that each reference in the Security Agreement to an "Additional Grantor" or a "Grantor" shall also mean and be a reference to the undersigned.

SECTION 6. Governing Law. This Security Agreement Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

Very truly yours,

[NAME OF ADDITIONAL GRANTOR]

By _____
Title: _____

Address for notices:

EXHIBIT B TO THE
SECURITY AGREEMENT

FORM OF DEPOSIT ACCOUNT CONTROL AGREEMENT

ACCOUNT CONTROL AGREEMENT (this "AGREEMENT") dated as of _____, among _____, a _____ (the "GRANTOR"), Citibank USA, Inc., as Administrative Agent (the "ADMINISTRATIVE AGENT"), and _____, a _____ ("_____"), as securities intermediary and depository bank (the "ACCOUNT HOLDER").

PRELIMINARY STATEMENTS:

(1) The Grantor has granted the Secured Party a security interest (the "SECURITY INTEREST") in the following accounts maintained by the Account Holder for the Grantor (each, an "ACCOUNT" and collectively, the "ACCOUNTS"):

[Insert account numbers and other identifying information.]

(2) Terms defined in Article 9 of the Uniform Commercial Code in effect in the State of New York ("N.Y. UNIFORM COMMERCIAL CODE") are used in this Agreement as such terms are defined in such Article 9.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto hereby agree as follows:

SECTION 1. The Accounts. The Grantor and Account Holder represent and warrant to, and agree with, the Administrative Agent that:

(a) The Account Holder maintains each Account for the Grantor, and funds held by the Account Holder for the account of the Grantor are, and will continue to be, credited to an Account in accordance with instructions given by the Grantor (unless otherwise provided herein).

(b) To the extent that funds are credited to any Account, such Account

is a deposit account; and to the extent that financial assets are credited to any Account, such Account is a securities account. The Account Holder is the bank with which each Account that is a deposit account is maintained. The Grantor is the Account Holder's customer with respect to the Accounts.

(c) Notwithstanding any other agreement to the contrary, the Account Holder's jurisdiction with respect to each Account for purposes of the N.Y. Uniform Commercial Code is, and will continue to be for so long as the Security Interest shall be in effect, the State of New York.

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(d) The Grantor and Account Holder do not know of any claim to or interest in any Account or any property (including funds and financial assets) credited to any Account, except for claims and interests of the parties referred to in this Agreement.

SECTION 2. Control by Administrative Agent. The Account Holder will comply with:

(a) instructions directing disposition of the funds in any and all of the Accounts,

(b) notifications that the Account Holder receives directing it to transfer funds in any and all of the Accounts, and

(c) other directions concerning any and all of the Accounts, including directions to distribute to the Administrative Agent proceeds of any such transfer or interest or any and all of the Accounts

(any such instruction, notification or direction referred to in clause (a), (b) or (c) above being an "ACCOUNT DIRECTION"), in each case of clauses (a), (b) and (c) above originated by the Administrative Agent without further consent by the Grantor or any other Person.

SECTION 3. Grantor's Rights in Accounts.

(a) Except as otherwise provided in this Section 3, the Account Holder will comply with Account Directions and other directions concerning each Account originated by the Grantor without further consent by the Administrative Agent.

(b) Until the Account Holder receives a notice from the Administrative Agent that the Administrative Agent will exercise exclusive control over any Account (a "NOTICE OF EXCLUSIVE CONTROL" with respect to such Account), the Account Holder may distribute to the Grantor all interest and funds in such Account.

(c) The Account Holder will not comply with any Account Direction originated by the Grantor that would require the Account Holder to make a free delivery of any funds or financial asset to the Grantor or any other Person.

(d) If the Account Holder receives from the Administrative Agent a Notice of Exclusive Control with respect to any Account, the Account Holder will comply only with Account Directions originated by the Administrative Agent and will cease:

(i) complying with Account Directions or other directions concerning such Account originated by the Grantor, and

(ii) distributing to the Grantor interest and dividends on property (including funds and financial assets) in such Account.

SECTION 4. Priority of Administrative Agent's Security Interest. (a) The Account Holder:

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(i) subordinates to the Security Interest and in favor of the Administrative Agent any security interest, lien, or right of recoupment or

setoff that the Account Holder may have, now or in the future, against any Account or property (including any funds and financial assets) credited to any Account, and

(ii) agrees that it will not exercise any right in respect of any such security interest or lien or any such right of recoupment or setoff until the Security Interest is terminated,

except that the Account Holder:

(A) will retain its prior security interest and lien on property credited to any Account,

(B) may exercise any right in respect of such security interest or lien, and

(C) may exercise any right of recoupment or setoff against any Account,

in the case of clauses (A), (B) and (C) above, to secure or to satisfy, and only to secure or to satisfy, payment:

(I) for such property,

(II) for its customary fees and expenses for the routine maintenance and operation of such Account, and

(III) for the face amount of any items that have been credited to such Account but are subsequently returned unpaid because of uncollected or insufficient funds.

(b) The Account Holder will not enter into any other agreement with any Person relating to Account Directions or other directions with respect to any Account.

SECTION 5. Statements, Confirmations, and Notices of Adverse Claims.

(a) The Account Holder will send copies of all statements and confirmations for each Account simultaneously to the Administrative Agent and the Grantor.

(b) When the Account Holder knows of any claim or interest in any Account or any property (including funds and financial assets) credited to any Account other than the claims and interests of the parties referred to in this Agreement, the Account Holder will promptly notify the Administrative Agent and the Grantor of such claim or interest.

SECTION 6. The Account Holder's Responsibility. (a) Except for permitting a withdrawal, delivery, or payment in violation of Section 3, the Account Holder will not be liable to the Administrative Agent for complying with Account Directions or other directions concerning any Account from the Grantor that are received by the Account Holder before the Account Holder receives and has a reasonable opportunity to act on a Notice of Exclusive Control.

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(b) The Account Holder will not be liable to the Grantor or the Administrative Agent for complying with a Notice of Exclusive Control or with an Account Direction or other direction concerning any Account originated by the Administrative Agent, even if the Grantor notifies the Account Holder that the Administrative Agent is not legally entitled to issue the Notice of Exclusive Control or Account Direction or such other direction unless the Account Holder takes the action after it is served with an injunction, restraining order, or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order or other legal process.

(c) This Agreement does not create any obligation of the Account Holder except for those expressly set forth in this Agreement and in Article 4 of the N.Y. Uniform Commercial Code. In particular, the Account Holder need not investigate whether the Administrative Agent is entitled under the Administrative Agent's agreements with the Grantor to give an Account Direction or other direction concerning any Account or a Notice of Exclusive Control. The Account Holder may rely on notices and communications it believes given by the

appropriate party.

SECTION 7. Indemnity. The Grantor will indemnify the Account Holder, its officers, directors, employees and agents against claims, liabilities and expenses arising out of this Agreement (including reasonable attorney's fees and disbursements), except to the extent the claims, liabilities or expenses are caused by the Account Holder's gross negligence or willful misconduct as found by a court of competent jurisdiction in a final, non-appealable judgment.

SECTION 8. Termination; Survival. (a) The Administrative Agent may terminate this Agreement by notice to the Account Holder and the Grantor. If the Administrative Agent notifies the Account Holder that the Security Interest has terminated, this Agreement will immediately terminate.

(b) The Account Holder may terminate this Agreement on 60 days' prior notice to the Administrative Agent and the Grantor; provided that before such termination the Account Holder and the Grantor shall make arrangements to transfer the property (including all funds and financial assets) credited to each Account to another Account Holder that shall have executed, together with the Grantor, a control agreement in favor of the Administrative Agent in respect of such property in substantially the form of this Agreement or otherwise in form and substance satisfactory to the Administrative Agent.

(c) Sections 6 and 7 will survive termination of this Agreement.

SECTION 9. Governing Law. This Agreement and each Account will be governed by the law of the State of New York. The Account Holder and the Grantor may not change the law governing any Account without the Administrative Agent's express prior written agreement.

SECTION 10. Entire Agreement. This Agreement is the entire agreement, and supersedes any prior agreements, and contemporaneous oral agreements, of the parties concerning its subject matter.

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SECTION 11. Amendments. No amendment of, or waiver of a right under, this Agreement will be binding unless it is in writing and signed by the party to be charged.

SECTION 12. Notices. A notice or other communication to a party under this Agreement will be in writing (except that Account Directions may be given orally), will be sent to the party's address set forth under its name below or to such other address as the party may notify the other parties and will be effective on receipt.

SECTION 13. Binding Effect. This Agreement shall become effective when it shall have been executed by the Grantor, the Administrative Agent and the Account Holder, and thereafter shall be binding upon and inure to the benefit of the Grantor, the Administrative Agent and the Account Holder and their respective successors and assigns.

SECTION 14. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[NAME OF GRANTOR]

By _____
Name: _____
Title: _____

Address:

CITIBANK USA, INC., as
Administrative Agent

By _____
Name: _____
Title: _____

Address:

[NAME OF ACCOUNT HOLDER]

By _____
Name: _____
Title: _____

Address:

EXHIBIT C TO THE
SECURITY AGREEMENT

FORM OF ACCOUNT CONTROL AGREEMENT

(DEPOSIT ACCOUNT/SECURITIES ACCOUNT)

ACCOUNT CONTROL AGREEMENT (this "AGREEMENT") dated as of _____,
_____, among _____, a _____ (the "GRANTOR"), Citibank USA, Inc., as
Administrative Agent (the "ADMINISTRATIVE AGENT"), and _____, a _____
("_____"), as securities intermediary and depository bank (the "ACCOUNT
HOLDER").

PRELIMINARY STATEMENTS:

(1) The Grantor has granted the Secured Party a security interest (the
"SECURITY Interest") in the following accounts maintained by the Account Holder
for the Grantor (each, an "ACCOUNT" and collectively, the "ACCOUNTS"):

[Insert account numbers and other identifying information.]

(2) Terms defined in Article 8 or 9 of the Uniform Commercial Code in
effect in the State of New York ("N.Y. UNIFORM COMMERCIAL CODE") are used in
this Agreement as such terms are defined in such Article 8 or 9.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto hereby agree as follows:

SECTION 1. The Accounts. The Grantor and Account Holder represent and warrant to, and agree with, the Administrative Agent that:

(a) The Account Holder maintains each Account for the Grantor, and all property (including all funds and financial assets) held by the Account Holder for the account of the Grantor are, and will continue to be, credited to an Account in accordance with instructions given by the Grantor (unless otherwise provided herein).

(b) To the extent that funds are credited to any Account, such Account is a deposit account; and to the extent that financial assets are credited to any Account, such Account is a securities account. The Account Holder is (i) the bank with which each Account that is a deposit account is maintained and (ii) the securities intermediary with respect to financial assets held in any Account that is a securities account. The Grantor is (x) the Account Holder's customer with respect to the Accounts and (y) the entitlement holder with respect to financial assets credited from time to time to any Account.

(c) Notwithstanding any other agreement to the contrary, the Account Holder's jurisdiction with respect to each Account for purposes of the N.Y. Uniform Commercial Code is, and will continue to be for so long as the Security Interest shall be in effect, the State of New York.

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(d) The Grantor and Account Holder do not know of any claim to or interest in any Account or any property (including funds and financial assets) credited to any Account, except for claims and interests of the parties referred to in this Agreement.

SECTION 2. Control by Administrative Agent. The Account Holder will comply with:

(a) all instructions directing disposition of the funds in any and all of the Accounts,

(b) all notifications and entitlement orders that the Account Holder receives directing it to transfer or redeem any financial asset in any and all of the Accounts, and

(c) all other directions concerning any and all of the Accounts, including directions to distribute to the Administrative Agent proceeds of any such transfer or redemption or interest or dividends on property in any and all of the Accounts

(any such instruction, notification or direction referred to in clause (a), (b) or (c) above being an "ACCOUNT DIRECTION"), in each case of clauses (a), (b) and (c) above originated by the Administrative Agent without further consent by the Grantor or any other Person.

SECTION 3. Grantor's Rights in Accounts.

(a) Except as otherwise provided in this Section 3, the Account Holder will comply with Account Directions and other directions concerning each Account originated by the Grantor without further consent by the Administrative Agent.

(b) Until the Account Holder receives a notice from the Administrative Agent that the Administrative Agent will exercise exclusive control over any Account (a "NOTICE OF EXCLUSIVE CONTROL" with respect to such Account), the Account Holder may distribute to the Grantor all interest and regular cash dividends on property (including funds and financial assets) in such Account.

(c) The Account Holder will not comply with any Account Direction originated by the Grantor that would require the Account Holder to make a free delivery of any funds or financial asset to the Grantor or any other Person.

(d) If the Account Holder receives from the Administrative Agent a

Notice of Exclusive Control with respect to any Account, the Account Holder will comply only with Account Directions originated by the Administrative Agent and will cease:

- (i) complying with Account Directions or other directions concerning such Account originated by the Grantor and
- (ii) distributing to the Grantor interest and dividends on property (including funds and financial assets) in such Account.

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SECTION 4. Priority of Administrative Agent's Security Interest. (a) The Account Holder:

- (i) subordinates to the Security Interest and in favor of the Administrative Agent any security interest, lien, or right of recoupment or setoff that the Account Holder may have, now or in the future, against any Account or property (including any funds and financial assets) credited to any Account, and
- (ii) agrees that it will not exercise any right in respect of any such security interest or lien or any such right of recoupment or setoff until the Security Interest is terminated,

except that the Account Holder:

- (A) will retain its prior security interest and lien on property credited to any Account,
- (B) may exercise any right in respect of such security interest or lien, and
- (C) may exercise any right of recoupment or setoff against any Account,

in the case of clauses (A), (B) and (C) above, to secure or to satisfy, and only to secure or to satisfy, payment:

- (I) for such property,
- (II) for its customary fees and expenses for the routine maintenance and operation of such Account, and
- (III) for the face amount of any items that have been credited to such Account but are subsequently returned unpaid because of uncollected or insufficient funds.

(b) The Account Holder will not enter into any other agreement with any Person relating to Account Directions or other directions with respect to any Account.

SECTION 5. Statements, Confirmations, and Notices of Adverse Claims.

(a) The Account Holder will send copies of all statements and confirmations for each Account simultaneously to the Administrative Agent and the Grantor.

(b) When the Account Holder knows of any claim or interest in any Account or any property (including funds and financial assets) credited to any Account other than the claims and interests of the parties referred to in this Agreement, the Account Holder will promptly notify the Administrative Agent and the Grantor of such claim or interest.

SECTION 6. The Account Holder's Responsibility. (a) Except for permitting a withdrawal, delivery, or payment in violation of Section 3, the Account Holder will not be liable to the Administrative Agent for complying with Account Directions or other directions

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concerning any Account from the Grantor that are received by the Account Holder before the Account Holder receives and has a reasonable opportunity to act on a Notice of Exclusive Control.

(b) The Account Holder will not be liable to the Grantor or the Administrative Agent for complying with a Notice of Exclusive Control or with an Account Direction or other direction concerning any Account originated by the Administrative Agent, even if the Grantor notifies the Account Holder that the Administrative Agent is not legally entitled to issue the Notice of Exclusive Control or Account Direction or such other direction unless the Account Holder takes the action after it is served with an injunction, restraining order, or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order or other legal process

(c) This Agreement does not create any obligation of the Account Holder except for those expressly set forth in this Agreement and, in the case of any Account that is a securities account, in Part 5 of Article 8 of the N.Y. Uniform Commercial Code and, in the case of any Account that is a deposit account, in Article 4 of the N.Y. Uniform Commercial Code. In particular, the Account Holder need not investigate whether the Administrative Agent is entitled under the Administrative Agent's agreements with the Grantor to give an Account Direction or other direction concerning any Account or a Notice of Exclusive Control. The Account Holder may rely on notices and communications it believes given by the appropriate party.

SECTION 7. Indemnity. The Grantor will indemnify the Account Holder, its officers, directors, employees and agents against claims, liabilities and expenses arising out of this Agreement (including reasonable attorney's fees and disbursements), except to the extent the claims, liabilities or expenses are caused by the Account Holder's gross negligence or willful misconduct as found by a court of competent jurisdiction in a final, non-appealable judgment.

SECTION 8. Termination; Survival. (a) The Administrative Agent may terminate this Agreement by notice to the Account Holder and the Grantor. If the Administrative Agent notifies the Account Holder that the Security Interest has terminated, this Agreement will immediately terminate.

(b) The Account Holder may terminate this Agreement on 60 days' prior notice to the Administrative Agent and the Grantor; provided that before such termination the Account Holder and the Grantor shall make arrangements to transfer the property (including all funds and financial assets) credited to each Account to another Account Holder that shall have executed, together with the Grantor, a control agreement in favor of the Administrative Agent in respect of such property in substantially the form of this Agreement or otherwise in form and substance satisfactory to the Administrative Agent.

(c) Sections 6 and 7 will survive termination of this Agreement.

SECTION 9. Governing Law. This Agreement and each Account will be governed by the law of the State of New York. The Account Holder and the Grantor may not change the law governing any Account without the Administrative Agent's express prior written agreement.

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SECTION 10. Entire Agreement. This Agreement is the entire agreement, and supersedes any prior agreements, and contemporaneous oral agreements, of the parties concerning its subject matter.

SECTION 11. Amendments. No amendment of, or waiver of a right under, this Agreement will be binding unless it is in writing and signed by the party to be charged.

SECTION 12. Financial Assets. To the fullest extent permitted by applicable law, all property (other than funds) credited from time to time to any Account will be treated as financial assets under Article 8 of the N.Y. Uniform Commercial Code.

SECTION 13. Notices. A notice or other communication to a party under this Agreement will be in writing (except that Account Directions may be given orally), will be sent to the party's address set forth under its name below or

to such other address as the party may notify the other parties and will be effective on receipt.

SECTION 14. Binding Effect. This Agreement shall become effective when it shall have been executed by the Grantor, the Administrative Agent and the Account Holder, and thereafter shall be binding upon and inure to the benefit of the Grantor, the Administrative Agent and the Account Holder and their respective successors and assigns.

SECTION 15. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[NAME OF GRANTOR]

By _____

Name: _____

Title: _____

Address:

CITIBANK USA, INC., as
Administrative Agent

By _____

Name: _____

Title: _____

Address:

[NAME OF ACCOUNT HOLDER]

By _____

Name: _____

Title: _____

Address:

EXHIBIT D TO THE
SECURITY AGREEMENT

FORM OF SECURITIES ACCOUNT CONTROL AGREEMENT

CONTROL AGREEMENT dated as of _____, _____, among _____, a
_____ (the "GRANTOR"), CITIBANK USA, INC., as Administrative Agent (the
"ADMINISTRATIVE AGENT"), and _____, a _____ ("_____"), as
securities intermediary (the "SECURITIES INTERMEDIARY").

PRELIMINARY STATEMENTS:

(1) The Grantor has granted the Administrative Agent a security
interest (the "SECURITY INTEREST") in account no. _____ maintained by
the Securities Intermediary for the Grantor (the "ACCOUNT").

(2) Terms defined in Article 8 or 9 of the Uniform Commercial Code in
effect in the State of New York ("N.Y. UNIFORM COMMERCIAL CODE") are used in
this Agreement as such terms are defined in such Article 8 or 9.

NOW, THEREFORE, in consideration of the premises and of the mutual
agreements contained herein, the parties hereto hereby agree as follows:

SECTION 1. The Account. The Grantor and Securities Intermediary
represent and warrant to, and agree with, the Grantor and the Administrative
Agent that:

(a) The Securities Intermediary maintains the Account for the Grantor,
and all property held by the Securities Intermediary for the account of the
Grantor is, and will continue to be, credited to the Account.

(b) The Account is a securities account. The Securities Intermediary
is the securities intermediary with respect to the property credited from
time to time to the Account. The Grantor is the entitlement holder with
respect to the property credited from time to time to the Account.

(c) The State of New York is, and will continue to be, the Securities
Intermediary's jurisdiction of organization for purposes of Section
8-110(e) of the UCC so long as the Security Interest shall remain in
effect.

(d) The Grantor and Securities Intermediary do not know of any claim
to or interest in the Account or any property credited to the Account,
except for claims and interests of the parties referred to in this
Agreement.

SECTION 2. Control by Administrative Agent. The Securities
Intermediary will comply with all notifications it receives directing it to
transfer or redeem any property in the Account (each an "ENTITLEMENT ORDER") or
other directions concerning the Account (including

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directions to distribute to the Administrative Agent proceeds of any such
transfer or redemption or interest or dividends on property in the Account)
originated by the Administrative Agent without further consent by the Grantor or
any other person.

SECTION 3. Grantor's Rights in Account.

(a) Except as otherwise provided in this Section 3, the Securities
Intermediary will comply with Entitlement Orders originated by the Grantor
without further consent by the Administrative Agent.

(b) Until the Securities Intermediary receives a notice from the
Administrative Agent that the Administrative Agent will exercise exclusive
control over the Account (a "NOTICE OF EXCLUSIVE CONTROL"), the Securities
Intermediary may distribute to the Grantor all interest and regular cash

dividends on property in the Account.

(c) The Securities Intermediary will not comply with any Entitlement Order originated by the Grantor that would require the Securities Intermediary to make a free delivery to the Grantor or any other person.

(d) If the Securities Intermediary receives from the Administrative Agent a Notice of Exclusive Control, the Securities Intermediary will cease:

(i) complying with Entitlement Orders or other directions concerning the Account originated by the Grantor and

(ii) distributing to the Grantor interest and dividends on property in the Account.

SECTION 4. Priority of Administrative Agent's Security Interest. (a) The Securities Intermediary subordinates in favor of the Administrative Agent any security interest, lien, or right of setoff it may have, now or in the future, against the Account or property in the Account, except that the Securities Intermediary will retain its prior lien on property in the Account to secure payment for property purchased for the Account and normal commissions and fees for the Account.

(b) The Securities Intermediary will not agree with any Person not party to this Agreement that the Securities Intermediary will comply with Entitlement Orders originated by such Person.

SECTION 5. Statements, Confirmations, and Notices of Adverse Claims.

(a) The Securities Intermediary will send copies of all statements and confirmations for the Account simultaneously to the Grantor and the Administrative Agent.

(b) When the Securities Intermediary knows of any claim or interest in the Account or any property credited to the Account other than the claims and interests of the parties referred to in this Agreement, the Securities Intermediary will promptly the Administrative Agent and the Grantor of such claim or interest.

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SECTION 6. The Securities Intermediary's Responsibility. (a) Except for permitting a withdrawal, delivery, or payment in violation of Section 3, the Securities Intermediary will not be liable to the Administrative Agent for complying with Entitlement Orders or other directions concerning the Account from the Grantor that are received by the Securities Intermediary before the Securities Intermediary receives and has a reasonable opportunity to act on a Notice of Exclusive Control.

(b) The Securities Intermediary will not be liable to the Grantor or the Administrative Agent for complying with a Notice of Exclusive Control or with an Entitlement Order or other direction concerning the Account originated by the Administrative Agent, even if the Grantor notifies the Securities Intermediary that the Administrative Agent is not legally entitled to issue the Notice of Exclusive Control or Entitlement Order or such other direction unless the Securities Intermediary takes the action after it is served with an injunction, restraining order, or other legal process enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order or other legal process.

(c) This Agreement does not create any obligation of the Securities Intermediary except for those expressly set forth in this Agreement and in Part 5 of Article 8 of the N.Y. Uniform Commercial Code. In particular, the Securities Intermediary need not investigate whether the Administrative Agent is entitled under the Administrative Agent's agreements with the Grantor or Administrative Agent to give an Entitlement Order or other direction concerning the Account or a Notice of Exclusive Control. The Securities Intermediary may rely on notices and communications it believes given by the appropriate party.

SECTION 7. Indemnity. The Grantor will indemnify the Securities Intermediary, its officers, directors, employees and agents against claims, liabilities and expenses arising out of this Agreement (including reasonable attorney's fees and disbursements), except to the extent the claims, liabilities

or expenses are caused by the Securities Intermediary's gross negligence or willful misconduct as found by a court of competent jurisdiction in a final, non-appealable judgment.

SECTION 8. Termination; Survival. (a) The Administrative Agent may terminate this Agreement by notice to the Securities Intermediary and the Grantor. If the Administrative Agent notifies the Securities Intermediary that the Security Interest has terminated, this Agreement will immediately terminate.

(b) The Securities Intermediary may terminate this Agreement on 60 days' prior notice to the Administrative Agent and the Grantor; provided that before such termination the Securities Intermediary and the Grantor shall make arrangements to transfer the property in the Account to another securities intermediary that shall have executed, together with the Grantor, a control agreement in favor of the Administrative Agent in respect of such property in substantially the form of this Agreement or otherwise in form and substance satisfactory to the Administrative Agent.

(c) Sections 6 and 7 will survive termination of this Agreement.

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SECTION 9. Governing Law. This Agreement and the Account will be governed by the law of the State of New York. The Securities Intermediary and the Grantor may not change the law governing the Account without the Administrative Agent's express prior written agreement.

SECTION 10. Entire Agreement. This Agreement is the entire agreement, and supersedes any prior agreements, and contemporaneous oral agreements, of the parties concerning its subject matter.

SECTION 11. Amendments. No amendment of, or waiver of a right under, this Agreement will be binding unless it is in writing and signed by the party to be charged.

SECTION 12. Financial Assets. To the fullest extent permitted by applicable law, all property credited from time to time to the Account will be treated as financial assets under Article 8 of the N.Y. Uniform Commercial Code.

SECTION 13. Notices. A notice or other communication to a party under this Agreement will be in writing (except that Entitlement Orders may be given orally), will be sent to the party's address set forth under its name below or to such other address as the party may notify the other parties and will be effective on receipt.

SECTION 14. Binding Effect. This Agreement shall become effective when it shall have been executed by the Grantor, the Administrative Agent and the Securities Intermediary, and thereafter shall be binding upon and inure to the benefit of the Grantor, the Administrative Agent and the Securities Intermediary and their respective successors and assigns.

SECTION 15. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

[NAME OF GRANTOR]

By

Title: _____

Address:

CITIBANK USA, INC., as
Administrative Agent

By _____
Title: _____

Address:
388 Greenwich Street
New York, NY 10013

[NAME OF SECURITIES
INTERMEDIARY]

By _____
Title: _____

Address:

EXHIBIT E TO THE
SECURITY AGREEMENT

FORM OF INTELLECTUAL PROPERTY SECURITY AGREEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT (as amended, amended and restated, supplemented or otherwise modified from time to time, this "AGREEMENT") dated _____, _____, is made by the Persons listed on the signature pages hereof (collectively, the "GRANTORS") in favor of CITIBANK USA, INC. ("Citibank"), as Administrative Agent (the "ADMINISTRATIVE AGENT") for the Secured Parties (as defined in the Credit Agreement referred to below).

WHEREAS, AREP Oil & Gas, LLC, a Delaware limited liability company, has entered into a Credit Agreement dated as of December 20, 2005 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), with Citibank, as administrative agent, Bear Stearns & Co., Inc., as syndication agent, and the Secured Parties party thereto. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as defined in the Credit Agreement.

WHEREAS, as a condition precedent to the making of Loans and the issuance of Letters of Credit by the Secured Parties under the Credit Agreement and the entry into Lender Hedging Contracts by the Lenders from time to time, each Grantor has executed and delivered that certain Security Agreement dated as of December 20, 2005 made by the Grantors to the Administrative Agent (as amended, amended and restated, supplemented or otherwise modified from time to time, the "SECURITY AGREEMENT").

WHEREAS, under the terms of the Security Agreement, the Grantors have granted to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in, among other property, certain intellectual property of the Grantors, and have agreed as a condition thereof to execute this Agreement for recording with the U.S. Patent and Trademark Office, the United

States Copyright Office and other governmental authorities.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor agrees as follows:

SECTION 1. Grant of Security. Each Grantor hereby grants to the Administrative Agent for the ratable benefit of the Secured Parties a security interest in all of such Grantor's right, title and interest in and to the following (the "COLLATERAL"):

(i) the patents and patent applications set forth in Schedule A hereto;

(ii) the trademark and service mark registrations and applications set forth in Schedule B hereto (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law), together with the goodwill symbolized thereby;

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(iii) all copyrights, whether registered or unregistered, now owned or hereafter acquired by such Grantor, including the copyright registrations and applications and exclusive copyright licenses set forth in Schedule C hereto;

(iv) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the foregoing, all rights in the foregoing provided by international treaties or conventions, all rights corresponding thereto throughout the world and all other rights of any kind whatsoever of such Grantor accruing thereunder or pertaining thereto;

(v) any and all claims for damages and injunctive relief for past, present and future infringement, dilution, misappropriation, violation, misuse or breach with respect to any of the foregoing, with the right, but not the obligation, to sue for and collect, or otherwise recover, such damages; and

(vi) any and all proceeds of, collateral for, income, royalties and other payments now or hereafter due and payable with respect to, and supporting obligations relating to, any and all of the Collateral of or arising from any of the foregoing.

SECTION 2. Security for Obligations. The grant of a security interest in, the Collateral by each Grantor under this Agreement secures the payment of all Obligations of any Credit Party that are now or hereafter existing under or in respect of the Loan Documents and all Lender Hedging Obligations of any Credit Party that are now or hereafter existing, in each case whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, fees, indemnifications, contract causes of action, costs, expenses or otherwise.

SECTION 3. Recordation. Each Grantor authorizes and requests that the Register of Copyrights, the Commissioner for Patents and the Commissioner for Trademarks and any other applicable government officer record this Agreement.

SECTION 4. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 5. Grants, Rights and Remedies. This Agreement has been entered into in conjunction with the provisions of the Security Agreement. Each Grantor does hereby acknowledge and confirm that the grant of the security interest hereunder to, and the rights and remedies of, the Administrative Agent with respect to the Collateral are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated herein by reference as if fully set forth herein.

SECTION 6. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, each Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

[NAME OF GRANTOR]

By _____
Name: _____
Title: _____

Address for Notices:

[NAME OF GRANTOR]

By _____
Name: _____
Title: _____

Address for Notices:

EXHIBIT F TO THE
SECURITY AGREEMENT

FORM OF INTELLECTUAL PROPERTY SECURITY AGREEMENT SUPPLEMENT

This INTELLECTUAL PROPERTY SECURITY AGREEMENT SUPPLEMENT (this "SUPPLEMENT") dated _____, _____, is made by the Person listed on the signature page hereof (the "GRANTOR") in favor of CITIBANK USA, INC. ("Citibank"), as Administrative Agent (the "ADMINISTRATIVE AGENT") for the Lenders (as defined in the Credit Agreement referred to below).

WHEREAS, AREP Oil & Gas LLC, a Delaware limited liability company, has entered into the Credit Agreement dated as of December 20, 2005 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"), with Citibank, as administrative agent, Bear Stearns & Co., Inc., as syndication agent, and the Lenders party thereto. Terms defined in the Credit Agreement and not otherwise defined herein are used herein as defined in the Credit Agreement.

WHEREAS, pursuant to the Credit Agreement, the Grantor and certain other Persons have executed and delivered the Security Agreement dated as of December 20, 2005 made by the Grantor and such other Persons to the Administrative Agent (as amended, amended and restated, supplemented or

otherwise modified from time to time, the "SECURITY AGREEMENT") and the Intellectual Property Security Agreement dated _____, _____ (as amended, amended and restated, supplemented or otherwise modified from time to time, the "IP SECURITY AGREEMENT").

WHEREAS, under the Security Agreement, the Grantor has granted to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in the Additional Collateral (as defined in Section 1 below) of the Grantor and has agreed as a condition thereof to execute this Supplement for recording with the U.S. Patent and Trademark Office, the United States Copyright Office and other governmental authorities.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Grantor agrees as follows:

SECTION 1. Grant of Security. Each Grantor hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a security interest in all of such Grantor's right, title and interest in and to the following (the "ADDITIONAL COLLATERAL"):

(i) the patents and patent applications set forth in Schedule A hereto;

(ii) the trademark and service mark registrations and applications set forth in Schedule B hereto (provided that no security interest shall be granted in United States intent-to-use trademark applications to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark applications under applicable federal law), together with the goodwill symbolized thereby;

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(iii) the copyright registrations and applications and exclusive copyright licenses set forth in Schedule C hereto;

(iv) all reissues, divisions, continuations, continuations-in-part, extensions, renewals and reexaminations of any of the foregoing, all rights in the foregoing provided by international treaties or conventions, all rights corresponding thereto throughout the world and all other rights of any kind whatsoever of such Grantor accruing thereunder or pertaining thereto;

(v) all any and all claims for damages and injunctive relief for past, present and future infringement, dilution, misappropriation, violation, misuse or breach with respect to any of the foregoing, with the right, but not the obligation, to sue for and collect, or otherwise recover, such damages; and

(vi) any and all proceeds of, collateral for, income, royalties and other payments now or hereafter due and payable with respect to, and supporting obligations relating to, any and all of the foregoing or arising from any of the foregoing.

SECTION 2. Supplement to Security Agreement. Schedule VI to the Security Agreement is, effective as of the date hereof, hereby supplemented to add to such Schedule the Additional Collateral.

SECTION 3. Security for Obligations. The grant of a security interest in the Additional Collateral by the Grantor under this Supplement secures the payment of all Obligations of any Credit Party that are now or hereafter existing under or in respect of the Loan Documents and all Lender Hedging Obligations of any Credit Party that are now or hereafter existing, in each case whether direct or indirect, absolute or contingent, and whether for principal, reimbursement obligations, interest, premiums, penalties, fees, indemnifications, contract causes of action, costs, expenses or otherwise.

SECTION 4. Recordation. The Grantor authorizes and requests that the Register of Copyrights, the Commissioner for Patents and the Commissioner for Trademarks and any other applicable government officer to record this Supplement.

SECTION 5. Grants, Rights and Remedies. This Supplement has been entered into in conjunction with the provisions of the Security Agreement. The Grantor does hereby acknowledge and confirm that the grant of the security interest hereunder to, and the rights and remedies of, the Administrative Agent with respect to the Additional Collateral are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated herein by reference as if fully set forth herein.

SECTION 6. Governing Law. This Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

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IN WITNESS WHEREOF, the Grantor has caused this Supplement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

[NAME OF GRANTOR]

By _____

Name: _____

Title: _____

Address for Notices:

EXHIBIT G TO THE
SECURITY AGREEMENT

FORM OF CONSENT TO ASSIGNMENT OF LETTER OF CREDIT RIGHTS

To:

Citicorp USA, Inc., as Administrative Agent
388 Greenwich Street
New York, NY 10013

[INSERT NAME OF BENEFICIARY], as Beneficiary

[_____]

[_____]

[_____]

We refer to the [INSERT ALL IDENTIFYING INFORMATION WITH RESPECT TO RELEVANT LETTER OF CREDIT] (as it may be amended, supplemented or otherwise modified from time to time, the "Letter of Credit. The Letter of Credit has been established in favor of [INSERT NAME OF BENEFICIARY], as beneficiary (the "Beneficiary"), and we are the issuing bank (the "ISSUING BANK") required to give value thereunder pursuant to one [or more] drawing[s] upon the satisfaction of the conditions stated in the Letter of Credit. The liability of the Issuing Bank for action or omissions under the Letter of Credit is governed by the laws of [INSERT RELEVANT JURISDICTION], as chosen by agreement in the Letter of Credit. The signatories to this consent letter are the only persons obligated to give value under the Letter of Credit.

We confirm that there is no term in the Letter of Credit or other restriction that prohibits, restricts or requires any person's consent to the Beneficiary's assignment of or creation of a security interest in the rights to payment or performance under the Letter of Credit. We hereby consent to and acknowledge the assignment by the Beneficiary of all proceeds of and rights to payment and performance under the Letter of Credit in favor of Citibank USA,

Inc., as administrative agent (the "ADMINISTRATIVE AGENT") pursuant to the Security Agreement dated as of December 20, 2005 executed by the Beneficiary and other parties thereto, as grantors, in favor of the Administrative Agent, as such agreement may be amended, amended and restated, supplemented or otherwise modified from time to time (the "SECURITY AGREEMENT").

We agree to pay, irrespective of, and without deduction for, any counterclaim, defense, recoupment or set-off, all proceeds of the Letter of Credit that would otherwise be paid to the Beneficiary directly to the Administrative Agent to the following account:

[_____
[_____
[_____
[_____]

We confirm and agree that the Letter of Credit is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects and that the Administrative Agent shall have no liability or obligation under or with respect to the Letter of Credit or any document related thereto as a result of this consent letter, the Security Agreement or otherwise.

This consent letter may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same consent letter. Delivery of an executed counterpart of a signature page to this consent letter by telecopier shall be effective as delivery of an original executed counterpart of this consent letter.

This consent letter shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF ISSUING BANK]

By _____
Name: _____
Title: _____

[NAME OF NOMINATED PERSON]

By _____
Name: _____
Title: _____

The above is acknowledged and agreed to:

[NAME OF GRANTOR/BENEFICIARY]

By _____
Name: _____
Title: _____

Address for Notices:

GUARANTY
 dated as of December 20, 2005
 from
 THE GUARANTORS NAMED HEREIN
 and
 THE ADDITIONAL GUARANTORS REFERRED TO HEREIN
 in favor of
 THE GUARANTEED PARTIES REFERRED HEREIN

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Exhibit A - Guaranty Supplement

GUARANTY

GUARANTY dated as of December 20, 2005 made by the Persons listed on the signature pages hereof and the Additional Guarantors (as defined in Section 8(b)) (such Persons so listed and the Additional Guarantors being, collectively, the "GUARANTORS" and, individually, each a "GUARANTOR") in favor of the Guaranteed Parties (as defined below).

PRELIMINARY STATEMENT. AREP Oil & Gas, LLC, a Delaware limited liability company (the "BORROWER"), is party to a Credit Agreement dated as of December 20, 2005 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "CREDIT AGREEMENT"; capitalized terms defined therein and not otherwise defined herein being used herein as therein defined) with certain Lenders party thereto, Citicorp USA, Inc., as administrative agent (the "ADMINISTRATIVE AGENT"), and Bear, Stearns & Co., Inc., as syndication agent. Each Guarantor may receive, directly or indirectly, a portion of the proceeds of the Advances under the Credit Agreement and will derive substantial direct and indirect benefits from the transactions contemplated by the Credit Agreement. It is a condition precedent to the making of Advances and the issuance of Letters of Credit by the Lender Parties under the Credit Agreement

that each Guarantor shall have executed and delivered this Guaranty. As contemplated in the Credit Agreement, the Credit Parties owe, and may hereafter owe, Lender Hedging Obligations to some or all of the Lender Parties and their Affiliates, and the Hedging Contracts under which such Lender Hedging Obligations are owed are herein called the "LENDER HEDGING CONTRACTS". The Lender Parties, together with all such Affiliates to which Lender Hedging Obligations are at any time owing, are herein called the "GUARANTEED PARTIES".

NOW, THEREFORE, in consideration of the premises and in order to induce the Guaranteed Parties to enter into, and to make Advances and to issue Letters of Credit under, the Credit Agreement and to enter into Lender Hedging Contracts from time to time, each Guarantor, jointly and severally with each other Guarantor, agrees as follows:

Section 1. Guaranty; Limitation of Liability. (a) Each Guarantor absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, of all Obligations and Lender Hedging Obligations of each other Credit Party now or hereafter existing under or in respect of the Loan Documents (in each case including, all extensions, modifications, substitutions, amendments or renewals of the Obligations and Lender Hedging Obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such Obligations and Lender Hedging Obligations being the "GUARANTEED OBLIGATIONS"), and will pay any and all expenses (including fees and expenses of counsel) incurred by the Administrative Agent or any other Guaranteed Party in enforcing any rights under this Guaranty, any other Loan Document or any Lender Hedging Contract. Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Credit Party

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to any Guaranteed Party under or in respect of the Loan Documents or Lender Hedging Contracts but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Credit Party.

(b) Each Guarantor and by its acceptance of this Guaranty the Administrative Agent and each other Guaranteed Party, confirm that it is the intention of all such Persons that this Guaranty and the Obligations of each Guarantor hereunder not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law (as hereinafter defined), the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Guaranty and the Obligations of each Guarantor hereunder. To effectuate the foregoing intention, the Administrative Agent, the other Guaranteed Parties and the Guarantors irrevocably agree that the Obligations of each Guarantor under this Guaranty at any time shall be limited to the maximum amount as will result in the Obligations of such Guarantor under this Guaranty not constituting a fraudulent transfer or conveyance. For purposes hereof, "BANKRUPTCY LAW" means law with respect to any proceeding of the type referred to in Section 8.1(h) of the Credit Agreement or Title 11, U.S. Code, or any similar foreign, federal or state law for the relief of debtors.

(c) If any payment shall be required to be made to any Guaranteed Party under this Guaranty or any other guaranty, then, subject to Section 4, each Guarantor will contribute, to the maximum extent permitted by law, such amounts to each other Guarantor and each other guarantor so as to maximize the aggregate amount paid to the Guaranteed Parties under or in respect of the Loan Documents and the Lender Hedging Contracts.

Section 2. Guaranty Absolute. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents and Lender Hedging Contracts, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Guaranteed Party with respect thereto. The Obligations of each Guarantor under or in respect of this Guaranty are independent of the Guaranteed Obligations or any other obligations of any other Credit Party under or in respect of the Loan Documents or the Lender Hedging Contracts, and a separate action or actions may be brought and prosecuted

against each Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or any other Credit Party or whether the Borrower or any other Credit Party is joined in any such action or actions. The liability of each Guarantor under this Guaranty shall be irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or Lender Hedging Contract or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other Obligations, or obligations under any Lender Hedging Contract, of any other Credit Party under or in respect of the Loan Documents or Lender Hedging Contracts, or any other amendment or waiver of or any consent to departure from any Loan Document or Lender Hedging Contract,

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including any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Credit Party or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any Collateral or any other collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of Collateral or any other collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any Collateral or any other collateral for all or any of the Guaranteed Obligations or any other Obligations of any Credit Party under the Loan Documents or obligations of any Credit Party under any Lender Hedging Contract or any other assets of any Credit Party or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Credit Party or any of its Subsidiaries;

(f) any failure of any Guaranteed Party to disclose to any Credit Party any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Credit Party now or hereafter known to such Guaranteed Party;

(g) the failure of any other Person to execute or deliver this Guaranty, any Guaranty Supplement (as hereinafter defined) or any other guaranty or agreement or the release or reduction of liability of any Guarantor or other guarantor or surety with respect to the Guaranteed Obligations; or

(h) any other circumstance (including any statute of limitations) or any existence of or reliance on any representation by any Guaranteed Party that might otherwise constitute a defense available to, or a discharge of, any Credit Party or any other guarantor or surety.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Guaranteed Party or any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or any other Credit Party or otherwise, all as though such payment had not been made.

Section 3. Waivers and Acknowledgments. (a) Each Guarantor unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that any Guaranteed Party protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Credit Party or any other Person or any Collateral.

(b) Each Guarantor unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Each Guarantor unconditionally and irrevocably waives:

(i) any defense arising by reason of any claim or defense based upon an election of remedies by any Guaranteed Party that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of such Guarantor or other rights of such Guarantor to proceed against any of the other Credit Parties, any other guarantor or any other Person or any Collateral, and

(ii) any defense based on any right of set-off or counterclaim against or in respect of the Obligations of such Guarantor hereunder.

(d) Each Guarantor acknowledges that the Administrative Agent may, without notice to or demand upon such Guarantor and without affecting the liability of such Guarantor under this Guaranty, foreclose under any mortgage or other security agreement by non-judicial sale, and each Guarantor hereby waives any defense to the recovery by the Administrative Agent and the other Guaranteed Parties against such Guarantor of any deficiency after such non-judicial sale and any defense or benefits that may be afforded by applicable law.

(e) Each Guarantor unconditionally and irrevocably waives any duty on the part of any Guaranteed Party to disclose to such Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Credit Party or any of its Subsidiaries now or hereafter known by such Guaranteed Party.

(f) Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and Lender Hedging Contracts and that the waivers set forth in Section 2 and this Section 3 are knowingly made in contemplation of such benefits.

Section 4. Subrogation. Each Guarantor unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Borrower, any other Credit Party or any other insider guarantor that arise from the existence, payment, performance or enforcement of such Guarantor's Obligations under or in respect of this Guaranty or any other Loan Document or obligations under Lender Hedging Contracts, including any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Guaranteed Party against the Borrower, any other Credit Party or any other insider guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including the right to take or receive from the Borrower, any other Credit Party or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash, all Letters of

Credit and all Lender Hedging Contracts shall have expired or been terminated and the Commitments shall have expired or been terminated. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence at any time prior to the latest of:

(a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Guaranty,

(b) the irrevocable termination or expiration in whole of all Commitments and

(c) the latest date of expiration or termination of all Letters of Credit and all Lender Hedging Contracts,

such amount shall be received and held in trust for the benefit of the Guaranteed Parties, shall be segregated from other property and funds of such Guarantor and shall forthwith be paid or delivered to the Administrative Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Loan Documents and the Lender Hedging Contracts, or to be held as Collateral for any Guaranteed Obligations or other amounts payable under this Guaranty thereafter arising. If:

(i) any Guarantor shall make payment to any Guaranteed Party of all or any part of the Guaranteed Obligations,

(ii) all of the Guaranteed Obligations and all other amounts payable under this Guaranty shall have been paid in full in cash,

(iii) all Commitments shall have been irrevocably terminated or shall have irrevocably expired in whole and

(iv) all Letters of Credit and all Lender Hedging Contracts shall have expired or been terminated,

or to the extent otherwise provided in Section 10.9 of the Credit Agreement, the Guaranteed Parties will, at such Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations resulting from such payment or other condition made by such Guarantor pursuant to this Guaranty.

Section 5. Payments Free and Clear of Taxes, Etc.

(a) Any and all payments by or on account of any obligation of any Guarantor hereunder or under any other Loan Document or Lender Hedging Contract shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if a Guarantor shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as

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necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, the LC Issuer, or the Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions and (iii) such Guarantor shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Without limiting the provisions of subsection (a) above, each Guarantor shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Each Guarantor shall indemnify each Guaranteed Party, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes which (i) arise from any payment made hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and (ii) are paid by such Guaranteed Party, 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 but net of any foreign tax credit or the benefit of any deduction or other tax benefit determined in good faith by such Guaranteed Party to be attributable to the imposition of such Indemnified Tax. A certificate as to the amount of such payment or liability delivered in good faith to a Guarantor by a Guaranteed Party (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Guaranteed Party, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or

Other Taxes by a guarantor to a Governmental Authority, such Guarantor 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) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Guarantor is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document or any Lender Hedging Contract shall deliver to such Guarantor (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by a Guarantor or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by a Guarantor or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by such Guarantor or the Administrative Agent as will enable such Guarantor or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

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(f) Without limiting the generality of the foregoing, in the event that a Guarantor is resident for tax purposes in the United States of America, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under the Credit Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

(g) If any Guaranteed Party determines that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by a Guarantor or with respect to which a Guarantor has paid additional amounts pursuant to this Section, it shall pay to such Guarantor an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Guarantor under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Guaranteed Party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that such Guarantor, upon the request of such Guaranteed Party, agrees to repay the amount paid over to such Guarantor (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Guaranteed Party in the event Guaranteed Party is required to repay such refund to such Governmental Authority. This Guaranty shall not be construed to require any Guaranteed Party to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Guarantor or any other Person, and each Guaranteed Party shall make its determination under this subsection in its sole discretion.

Section 6. Representations and Warranties. Each Guarantor makes each representation and warranty made in the Loan Documents and Lender Hedging Contracts by the

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Borrower with respect to such Guarantor and each Guarantor hereby further represents and warrants as follows:

(a) There are no conditions precedent to the effectiveness of this Guaranty that have not been satisfied or waived.

(b) Such Guarantor has, independently and without reliance upon any Guaranteed Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty and each other Loan Document to which it is or is to be a party, and such Guarantor has established adequate means of obtaining from each other Credit Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of such other Credit Party.

Section 7. Covenants. So long as any part of the Guaranteed Obligations shall remain unpaid, any Letter of Credit shall be outstanding, any Guaranteed Party shall have any Commitment or any Lender Hedging Contract shall be in effect, each Guarantor will perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements set forth in the Loan Documents and Lender Hedging Contracts on its or their part to be performed or observed or that the Borrower has agreed to cause such Guarantor or such Subsidiaries to perform or observe.

Section 8. Amendments, Guaranty Supplements, Etc. (a) No amendment or waiver of any provision of this Guaranty and no consent to any departure by any Guarantor herefrom shall in any event be effective unless the same shall be entered into in accordance with Section 10.1 of the Credit Agreement.

(b) Upon the execution and delivery by any Person of a guaranty supplement in substantially the form of Exhibit A hereto (each, a "GUARANTY SUPPLEMENT"), (i) such Person shall be referred to as an "ADDITIONAL GUARANTOR" and shall become and be a Guarantor hereunder, and each reference in this Guaranty to a "GUARANTOR" shall also mean and be a reference to such Additional Guarantor, and each reference in any other Loan Document to a "SUBSIDIARY GUARANTOR" shall also mean and be a reference to such Additional Guarantor, and (ii) each reference herein to "THIS GUARANTY", "HEREUNDER", "HEREOF" or words of like import referring to this Guaranty, and each reference in any other Loan Document to the "GUARANTY", "THEREUNDER", "THEREOF" or words of like import referring to this Guaranty, shall mean and be a reference to this Guaranty as supplemented by such Guaranty Supplement and all other Guaranty Supplements.

Section 9. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telexed or delivered to it, if to any Guarantor, addressed to it in care of the Borrower at the Borrower's address specified in Section 10.3 of the Credit Agreement, if to the Administrative Agent or any other Guaranteed Party, at its address specified in Section 10.3 of the Credit Agreement, or, as to any party, at such other address as shall be

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designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telegraphed, telecopied or telexed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or confirmed by telex answerback, respectively. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Guaranty or of any Guaranty Supplement to be executed and delivered hereunder shall be effective as delivery of an original executed counterpart thereof.

Section 10. No Waiver; Remedies. No failure on the part of any Guaranteed Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 11. Right of Set-off. To secure the repayment of the Guaranteed Obligations, each Guarantor grants to each Guaranteed Party, and each of their respective Affiliates, a security interest, a lien, and a right of offset, each of which shall be in addition to all other interests, liens, and rights of any Guaranteed Party or any of their respective Affiliates, at common Law, under the Loan Documents and Lender Hedging Contracts, or otherwise, and each of which shall be upon and against:

(a) any and all moneys, securities or other property (and the proceeds therefrom) of such Guarantor now or hereafter held or received by or in transit to any Guaranteed Party or any of their respective Affiliates, from or for the account of such Guarantor, whether for safekeeping, custody, pledge, transmission, collection or otherwise,

(b) any and all deposits (general or special, time or demand, provisional or final) of such Guarantor with any Guaranteed Party, or any of their respective Affiliates and

(c) any other credits and claims of Borrower at any time existing against any Guaranteed Party, including claims under certificates of deposit. At any time and from time to time after the occurrence of any Event of Default, each Guaranteed Party, and each of their respective Affiliates, is authorized to foreclose upon, or to offset against the Guaranteed Obligations then due and payable (in either case without notice to such Guarantor), any and all items hereinabove referred to; irrespective of whether or not such Guaranteed Party or Affiliate shall have made any demand under this Guaranty, any other Loan Document or any Lender Hedging Contract and although such obligations of such Guarantor may be contingent or unmatured or are owed to a branch or office of such Guaranteed Party different from the branch or office holding such items.

The remedies of foreclosure and offset are separate and cumulative, and either may be exercised independently of the other without regard to procedures or restrictions applicable to the other..

Section 12. Indemnification. (a) Without limitation on any other Obligations of any Guarantor or remedies of the Guaranteed Parties under this Guaranty, each Guarantor shall,

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to the fullest extent permitted by law, indemnify, defend and save and hold harmless each Guaranteed Party and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "INDEMNIFIED PARTY") from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of any Credit Party enforceable against such Credit Party in accordance with their terms.

(b) None of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to any of the Guarantors or any of their respective Affiliates or any of their respective officers, directors, employees, agents and advisors, and no Guarantor will assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Loan Documents, the actual or proposed use of the proceeds of the Advances or the Letters of Credit, the Loan Documents, the Lender Hedging Contracts or any of the transactions contemplated by the Loan Documents or Lender Hedging Contracts.

(c) Without prejudice to the survival of any of the other agreements of any Guarantor under this Guaranty or any of the other Loan Documents, the

agreements and obligations of each Guarantor contained in Section 1(a) (with respect to enforcement expenses), the last sentence of Section 2, Section 5 and this Section 12 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Guaranty.

Section 13. Subordination. Each Guarantor subordinates any and all debts, liabilities and other Obligations owed to such Guarantor by each other Credit Party (the "SUBORDINATED OBLIGATIONS") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 13:

(a) Except during the continuance of an Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Credit Party), each Guarantor may receive regularly scheduled payments from any other Credit Party on account of the Subordinated Obligations. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Credit Party), however, unless the Administrative Agent otherwise agrees, no Guarantor shall demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) In any proceeding under any Bankruptcy Law relating to any other Credit Party, the Guaranteed Parties shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Bankruptcy Law, whether or not constituting an allowed claim in such proceeding ("POST PETITION INTEREST")) before such Guarantor receives payment of any Subordinated Obligations.

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(c) After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Credit Party), each Guarantor shall, if the Administrative Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Guaranteed Parties and deliver such payments to the Administrative Agent on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guaranty.

(d) After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Credit Party), the Administrative Agent is authorized and empowered (but without any obligation to so do), in its discretion:

(i) in the name of each Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and

(ii) to require each Guarantor (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to the Administrative Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

Section 14. Continuing Guaranty; Assignments under the Credit Agreement. This Guaranty is a continuing guaranty and shall:

(a) remain in full force and effect until it is released in accordance with the Credit Agreement,

(b) be binding upon the Guarantor, its successors and assigns and

(c) inure to the benefit of and be enforceable by the Guaranteed Parties and their successors, transferees and assigns.

Without limiting the generality of clause (c) of the immediately preceding sentence, any Guaranteed Party may assign or otherwise transfer all or any

portion of its rights and obligations under the Credit Agreement (including all or any portion of its Commitments, the Advances owing to it and the Note or Notes held by it) or Lender Hedging Contract to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Guaranteed Party herein or otherwise, in each case as and to the extent provided in Section 10.5 of the Credit Agreement. No Guarantor shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Guaranteed Parties.

Section 15. Execution in Counterparts. This Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be

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deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Guaranty.

Section 16. Terms Generally; References and Titles. 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." 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 Person shall be construed to include such Person's successors and assigns;

(c) the words "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Guaranty in its entirety and not to any particular provision hereof;

(d) all references herein to Articles, Sections and Exhibits shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Guaranty;

(e) any reference to any law or regulation herein shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time; and

(f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

References to any document, instrument, or agreement shall include:

(i) all exhibits, schedules, and other attachments thereto, and

(ii) shall include all documents, instruments, or agreements issued or executed in replacement thereof.

Titles appearing at the beginning of any subdivisions are for convenience only and do not constitute any part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The phrases "this section" and "this subsection" and similar phrases refer only to the sections or subsections hereof in which such phrases occur. The word "or" is not exclusive. Accounting terms have the meanings assigned to them by GAAP, as applied by the accounting entity to which they refer. References to "days" shall mean calendar

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days, unless the term "Business Day" is used. Unless otherwise specified, references herein to any particular Person also refer to its successors and permitted assigns.

Section 17. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc.
(a) THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH GUARANTOR AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR LENDER HEDGING CONTRACT SHALL AFFECT ANY RIGHT THAT ANY GUARANTEED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT AGAINST ANY GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT IN ANY COURT REFERRED TO IN SUBSECTION (B) ABOVE. EACH GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH GUARANTOR IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9. NOTHING IN THIS GUARANTY WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

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(e) EACH GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, (I) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, AND (II) ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LEGAL PROCEEDING ANY "SPECIAL DAMAGES," AS DEFINED BELOW. EACH GUARANTOR (X) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (Y) ACKNOWLEDGES THAT THE OTHER PARTIES TO THE LOAN DOCUMENTS AND LENDER HEDGING CONTRACTS HAVE BEEN INDUCED TO ENTER THEREIN BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY.

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IN WITNESS WHEREOF, each Guarantor has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first-above written.

NATIONAL ONSHORE LP

NATIONAL OFFSHORE LP

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

By: /s/ Philip D. Devlin

Name: Philip. D. Devlin
Title: Vice President and Secretary

ONSHORE GP LLC

ONSHORE LP LLC

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

OFFSHORE GP LLC

OFFSHORE LP LLC

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

GALVESTON BAY PROCESSING CORPORATION

GALVESTON BAY PIPELINE COMPANY

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

MID RIVER LLC

By: AREP Oil & Gas LLC, sole member

By: /s/ Philip D. Devlin

Name: Philip D. Devlin
Title: Vice President and Secretary

EXHIBIT A
TO THE
GUARANTY

FORM OF GUARANTY SUPPLEMENT

CITICORP USA, INC., as Administrative Agent
388 Greenwich Street
New York, NY 10013

Credit Agreement dated as of December 20, 2005 among
AREP Oil and Gas, LLC (the "BORROWER"), the Guaranteed Parties
party to the Credit Agreement, Citicorp USA, Inc., as Administrative Agent,
and Bear Stearns & Co., Inc., as Syndication Agent

Ladies and Gentlemen:

Reference is made to the above-captioned Credit Agreement and to the Guaranty referred to therein (such Guaranty, as in effect on the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, together with this Guaranty Supplement, being the "GUARANTY"). Capitalized terms defined in the Guaranty or in the Credit Agreement and not otherwise defined herein are used herein as therein defined.

Section 1. Guaranty; Limitation of Liability. (a) The undersigned absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by

acceleration, demand or otherwise, of all Obligations of each other Credit Party now or hereafter existing under or in respect of the Loan Documents and all Lender Hedging Obligations (in each case including any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing Obligations and Lender Hedging Obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premium, fees, indemnities, contract causes of action, costs, expenses or otherwise (such Obligations and Lender Hedging Obligations being the "GUARANTEED OBLIGATIONS"), and will pay any and all expenses (including fees and expenses of counsel) incurred by the Administrative Agent or any other Guaranteed Party in enforcing any rights under this Guaranty Supplement, the Guaranty, any other Loan Document or any Lender Hedging Contract. Without limiting the generality of the foregoing, the undersigned's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Credit Party to any Guaranteed Party under or in respect of the Loan Documents or Lender Hedging Contracts but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Credit Party.

(b) The undersigned, and by their acceptance of this Guaranty Supplement, the Administrative Agent and each other Guaranteed Party, confirm that it is the intention of all

such Persons that this Guaranty Supplement, the Guaranty and the Obligations of the undersigned hereunder and thereunder not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Guaranty Supplement, the Guaranty and the Obligations of the undersigned hereunder and thereunder. To effectuate the foregoing intention, the Administrative Agent, the other Guaranteed Parties and the undersigned hereby irrevocably agree that the Obligations of the undersigned under this Guaranty Supplement and the Guaranty at any time shall be limited to the maximum amount as will result in the Obligations of the undersigned under this Guaranty Supplement and the Guaranty not constituting a fraudulent transfer or conveyance.

(c) If any payment shall be required to be made to any Guaranteed Party under this Guaranty Supplement, the Guaranty or any other guaranty, then, subject to Section 4, the undersigned will contribute, to the maximum extent permitted by applicable law, such amounts to each other Guarantor and each other guarantor so as to maximize the aggregate amount paid to the Guaranteed Parties under or in respect of the Loan Documents and the Lender Hedging Contracts.

Section 2. Obligations Under the Guaranty. The undersigned hereby agrees, as of the date first-above written, to be bound as a Guarantor by all of the terms and conditions of the Guaranty to the same extent as each of the other Guarantors thereunder. The undersigned further agrees, as of the date first above written, that each reference in the Subsidiary Guaranty to an "ADDITIONAL GUARANTOR" or a "GUARANTOR" shall also mean and be a reference to the undersigned, and each reference in any other Loan Document to a "GUARANTOR" or a "CREDIT PARTY" shall also mean and be a reference to the undersigned.

Section 3. Representations and Warranties. As of the date first-above written, the undersigned makes each representation and warranty set forth in Section 6 of the Guaranty to the same extent as each other Guarantor.

Section 4. Delivery by Telecopier. Delivery of an executed counterpart of a signature page to this Guaranty Supplement by telecopier shall be effective as delivery of an original executed counterpart of this Guaranty Supplement.

Section 5. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc. (a) THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

(b) THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY SUPPLEMENT, THE GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT, OR FOR

RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. THE UNDERSIGNED AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS GUARANTY SUPPLEMENT, THE GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT SHALL AFFECT ANY RIGHT THAT ANY GUARANTEED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS GUARANTY SUPPLEMENT, THE GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT AGAINST THE UNDERSIGNED OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) THE UNDERSIGNED IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY SUPPLEMENT, THE GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT IN ANY COURT REFERRED TO IN SUBSECTION (B) ABOVE. THE UNDERSIGNED IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) THE UNDERSIGNED IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9 OF THE GUARANTY. NOTHING IN THIS GUARANTY SUPPLEMENT OR THE GUARANTY WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

(e) THE UNDERSIGNED IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, (I) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY, ANY OTHER LOAN DOCUMENT OR ANY LENDER HEDGING CONTRACT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, AND (II) ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LEGAL PROCEEDING ANY "SPECIAL DAMAGES," AS DEFINED BELOW. THE UNDERSIGNED (X) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (Y) ACKNOWLEDGES THAT THE OTHER PARTIES

TO THE LOAN DOCUMENTS AND LENDER HEDGING CONTRACTS HAVE BEEN INDUCED TO ENTER THEREIN BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY.

Very truly yours,

[NAME OF ADDITIONAL GUARANTOR]

By _____
Title: _____

=====
AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of December 20, 2005

among

NEG OPERATING LLC
as the Borrower,

AREP OIL & GAS LLC,
as the Lender,

AREP OIL & GAS LLC,
as Administrative Agent for the Lender

and

CITICORP USA, INC,
as Collateral Agent for the Lender and the Hedging Counterparties

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December 20, 2005, is among NEG OPERATING LLC, a Delaware limited liability company (the "BORROWER"), AREP Oil & Gas LLC, a Delaware limited liability company ("AREP O&G" and the "LENDER"), AREP O&G, as administrative agent for the Lenders, successor to MIZUHO CORPORATE BANK, LTD. (in such capacity together with any successors thereto, the "ADMINISTRATIVE AGENT"), and CITICORP USA, INC., as collateral agent for the Lenders and Hedging Counterparties, successor to BANK OF TEXAS, N.A. (in such capacity together with any successors thereto, the "COLLATERAL AGENT").

W I T N E S S E T H:

WHEREAS, the Borrower entered into a Credit Agreement dated as of December 29, 2003 with, among others, Mizuho Corporate Bank, Ltd., as Administrative Agent for the Lenders, Bank of Texas, N.A. and The Bank of Nova Scotia, as co-agents for the Lenders and Bank of Texas as Collateral Agent for the Lenders (the "ORIGINAL CREDIT AGREEMENT").

WHEREAS, on or prior to the Closing Date, with the consent of Borrower, each Lender under the Original Credit Agreement has assigned all of its respective rights and obligations under the Original Credit Agreement and the other Loan Documents to AREP Oil & Gas LLC ("AREP"), as lender and AREP has assumed all such rights and obligations.

WHEREAS, on or prior to the Closing Date, with the consent of AREP as the sole Lender, Mizuho Corporate Bank, Ltd., has assigned all of its rights and obligations as administrative agent under the Original Credit Agreement and the other Loan Documents to the Administrative Agent, and the Administrative Agent has assumed all such rights and obligations.

WHEREAS, on or prior to the Closing Date, with the consent of AREP as the sole Lender, Bank of Texas, N.A., has assigned all of its Liens, rights and remedies as collateral agent under the Original Credit Agreement and the other Loan Documents to the Collateral Agent, and the Collateral Agent has accepted all such Liens, rights and remedies.

WHEREAS, the Borrower, the Lender, the Administrative Agent and the Collateral Agent desire to restate and amend the Original Credit Agreement in its entirety on the terms and conditions hereof.

WHEREAS, the Lender is willing to provide such Loans and other financial

accommodations to the Borrower on the terms and conditions hereof.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Defined Terms. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall, except where the context otherwise requires, have the following meanings:

"ADJUSTED BASE RATE" means, on any day, the Base Rate for such day plus the Applicable Margin for Base Rate Loans for such day, provided that the Adjusted Base Rate charged by any Person shall never exceed the Highest Lawful Rate.

"ADJUSTED EURODOLLAR RATE" means, for any Eurodollar Loan for any day during any Interest Period therefor, the rate per annum equal to the sum of (a) the Applicable Margin for Eurodollar Loans for such day plus (b) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by Collateral Agent to be equal to the quotient obtained by dividing (i) the Eurodollar Rate for such Eurodollar Loan for such Interest Period by (ii) 1 minus the Reserve Requirement for such Eurodollar Loan for such Interest Period, provided that no Adjusted Eurodollar Rate charged by any Person shall ever exceed the Highest Lawful Rate. The Adjusted Eurodollar Rate for any Eurodollar Loan shall change whenever the Eurodollar Margin or the Reserve Requirement changes.

"ADMINISTRATIVE AGENT" means AREP O&G in its capacity as administrative agent hereunder, and includes each other Person as shall have subsequently been appointed as the successor Administrative Agent pursuant to Section 9.4.

"AFFILIATE" of any Person means any other Person that, directly or indirectly, controls, is controlled by or is under common control with, such Person (excluding any trustee under, or any committee with responsibility for administering, any Plan). A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote ten percent (10%) or more of the Equity Interests (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"AFFIRMATION OF OBLIGATIONS" mean an affirmation by each Obligor as to all of its obligations under each Loan Document executed by it prior to the Closing Date, which shall include the acknowledgement and agreement of each Obligor that all Security Documents at any time executed by such Obligor shall be deemed to be for the benefit of each Secured Party.

"AGENTS" means each of the Administrative Agent and the Collateral Agent.

"AGREEMENT" means this Amended and Restated Credit Agreement, as it may be further amended, supplemented, restated or otherwise modified and in effect from time to time.

"APPLICABLE MARGIN" means, on any date, with respect to any Eurodollar Loans or Base Rate Loans then outstanding or payable hereunder, as applicable, the applicable per annum

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percentage set forth below under the caption "Eurodollar Loans," or "Base Rate Loans" as the case may be, based on the Borrowing Base Utilization on such date:

Borrowing Base Utilization -----	Eurodollar Loans (in basis points) -----	Base Rate Loans (in basis points) -----
--	--	---

< 33%

175.0

75.0

> or = 33% and < 66%	200.0	100.0
> or = 66% and < 85%	225.0	125.0
> or = 85%	250.0	150.0

For purposes of the foregoing, any change in the Applicable Margin will occur automatically without prior notice upon any change in the Borrowing Base Utilization, and 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 for so long as the rights of Lender under this Agreement are pledged to the AREP Agent: (a) the Applicable Margin from time to time in effect under this Agreement with respect to Eurodollar Loans will be the lower of (i) the Applicable Margin as set out above for Eurodollar Loans and (ii) the "Eurodollar Margin" in effect at such time under the AREP O&G Facility and (b) the Applicable Margin from time to time in effect under this Agreement with respect to Base Rate Loans will be the lower of (i) the Applicable Margin as set out above for Base Rate Loans and (ii) the "Base Rate Margin" in effect at such time under the AREP O&G Facility.

"AREP AGENT" means the "Administrative Agent" as defined in the AREP O&G Facility.

"AREP LENDER" means any "Lender" as defined in the AREP O&G Facility.

"AREP O&G" is defined in the preamble.

"AREP O&G FACILITY" means the Credit Agreement dated as of the Closing Date by and among AREP O&G, as borrower, Citicorp USA, Inc., as administrative agent, and the other lenders and financial institutions from time to time party thereto.

"AUTHORIZED OFFICER" means, (a) as to the Borrower, the Borrower's sole member, or any other Obligor, those of its officers, managing members or managing partners whose signatures and incumbency shall have been certified to the Agents pursuant to Section 5.1.2, and (b) as to Borrower, in respect of the execution and delivery, on behalf of Borrower, of Borrowing Requests or Continuation/Conversion Notices, any two of Randall D. Cooley, Philip D. Devlin, or Bob G. Alexander.

"BASE RATE" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall be equal at all times to the highest of the following:

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(a) the rate of interest announced publicly by Collateral Agent in New York, New York, from time to time, as Collateral Agent's base rate;

(b) the sum (adjusted to the nearest 0.25% or, if there is no nearest 0.25%, to the next higher 0.25%) of (i) 0.5% per annum, (ii) the rate per annum obtained by dividing (A) the latest three week moving average of secondary market morning offering rates in the United States for three month certificates of deposit of major United States money market banks, such three week moving average being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three week period ending on the previous Friday by Collateral Agent on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Collateral Agent from three New York certificate of deposit dealers of recognized standing selected by Collateral Agent, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three week period by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for Collateral Agent in respect of liabilities consisting of or including (among other liabilities) three month U.S. dollar nonpersonal time deposits in the United States and (iii) the average during such three week period of the maximum annual assessment rates estimated by Collateral Agent for determining the then current annual assessment payable by Collateral Agent to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits in the United States; and

(c) 0.5% per annum plus the Federal Funds Rate.

"BASE RATE LOAN" means a Loan bearing interest at a fluctuating rate determined by reference to the Adjusted Base Rate.

"BORROWER" is defined in the preamble.

"BORROWING" means each extension of credit made by the Lenders by way of Loans of the same type, having the same Interest Period made, converted or continued by the same Lenders on the same Business Day pursuant to the same Borrowing Request.

"BORROWING BASE" means \$180,000,000.

"BORROWING BASE UTILIZATION" means, at any time of determination, an amount (expressed as a percentage) equal to the quotient of (a) the total principal amount of all outstanding Loans, divided by (b) the Borrowing Base then in effect.

"BORROWING REQUEST" means a written request by an Authorized Officer of the Borrower for a Borrowing in accordance with Section 5.2.2, substantially in the form of Exhibit A hereto.

"BUSINESS DAY" means (a) any day that is neither a Saturday or Sunday nor a legal holiday on which banks are authorized or required to be closed in New York, New York, London, England, or Houston, Texas; and (b) relative to the making, continuing, prepaying or repaying of any Eurodollar Loans, any day on which dealings in Dollars are carried on in the New York interbank market.

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"CAPITALIZED LEASE LIABILITIES" means all monetary obligations of the Borrower or any of its Subsidiaries under any leasing or similar arrangement which, in accordance with GAAP, would be classified as capitalized leases, and, for purposes of this Agreement and each other Loan Document, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"CASH EQUIVALENT INVESTMENT" means, at any time: (a) any evidence of Indebtedness, maturing not more than one year after such time, issued or guaranteed by the United States Government; (b) commercial paper, maturing not more than nine (9) months from the date of issue, which is issued by (i) a corporation (other than an Affiliate of the Borrower or any other Obligor) organized under the laws of any state of the United States or of the District of Columbia and rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Investors Service, Inc., or (ii) any AREP Lender (or its holding company); (c) any certificate of deposit or bankers acceptance, maturing not more than one year after such time, which is issued by either (i) a commercial banking institution that is a member of the Federal Reserve System and has a combined capital and surplus and undivided profits of not less than \$500,000,000, or (ii) any AREP Lender; or (d) any repurchase agreement entered into with any AREP Lender (or other commercial banking institution of the stature referred to in clause (c)(i)) which (i) is secured by a fully perfected security interest in any obligation of the type described in any of clauses (a) through (c); and (ii) has a market value at the time such repurchase agreement is entered into of not less than 100% of the repurchase obligation of such AREP Lender (or other commercial banking institution) thereunder.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"CERCLIS" means the Comprehensive Environmental Response Compensation Liability Information System List.

"CHANGE IN CONTROL" means the occurrence of any of the following events at any time:

(a) NEG Holding shall cease to own 100% of the issued and outstanding Equity Interests of the Borrower;

(b) any Person or "group" (within the meaning of Section 13(d) or 14(d)

of the Exchange Act) (other than NEG or any Persons(s) the issued and outstanding Equity Interests of which are directly or indirectly 100% owned by Carl Icahn and his Affiliates, individually or collectively) shall obtain the power (whether or not exercised) to elect the Borrower's managing member;

(c) NEG Holding shall cease being the managing member of the Borrower;

(d) a plan is adopted relating to the liquidation or dissolution of any of the Borrower, Shana National, NEG Holding or NEG;

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(e) the Borrower shall consolidate with or merge into any other Person or convey, transfer or lease substantially all of its Properties to any Person, or (other than as permitted by Section 7.2.8) any other Person shall consolidate with or merge into the Borrower;

(f) NEG or any Person(s) the issued and outstanding Equity Interests of which are directly or indirectly 100% owned by Carl Icahn and his Affiliates, individually or collectively, shall cease to own 100% of the Equity Interests of NEG Holding;

(g) Carl Icahn and his Affiliates shall cease to own at least forty percent (40%) of the Equity Interests of NEG; and

(h) except as permitted by Section 7.2.8, the Borrower shall cease to own, directly or indirectly, 100% of the Equity Interests of any Subsidiary.

"CLOSING DATE" means the date on which all of the conditions precedent set forth in Article V have been satisfied or waived in accordance with the terms hereof.

"CODE" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"COLLATERAL" means any and all "Collateral" or "Mortgaged Property," as defined in any of the Security Documents.

"COLLATERAL AGENT" means Citicorp USA, Inc., in its capacity as holder of the Liens securing the Obligations, and includes each other Person as shall have subsequently been appointed as the successor Collateral Agent pursuant to Section 9.4.

"COMMITMENT" means, with respect to each Lender, the commitment of such Lender to make Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Loans, as such commitment may be reduced, increased or terminated in accordance herewith. The initial amount of each Lender's Commitment is set forth on Schedule 2.1. The term "Commitments" means the aggregate Commitments of the Lenders hereunder. The aggregate amount of the Commitments of all Lenders on the Closing Date is \$180,000,000.

"COMMITMENT TERMINATION EVENT" means (a) the occurrence of any Default described in clauses (a) through (d) of Section 8.1.8 with respect to the Borrower, any of its Subsidiaries or any other Obligor; or (b) the occurrence and continuance of any other Event of Default and either (i) the declaration of the Loans to be due and payable pursuant to Section 8.3, or (ii) in the absence of such declaration, the giving of notice by the Administrative Agent, acting at the direction of the Lenders, to the Borrower that the Commitments have been terminated.

"CONSOLIDATED CURRENT ASSETS" means, at any particular time, (i) all amounts that, in conformity with GAAP, would be included as current assets on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries (provided, however, that current assets shall not include non-cash assets described in, and calculated pursuant to, FASB 133, 142, 143 and 144) plus (ii) Unused Availability.

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"CONSOLIDATED CURRENT LIABILITIES" means, at any particular time, all amounts that, in conformity with GAAP, would be included as current liabilities on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries; provided, however, that current liabilities shall not include (i)

the current portion of long-term Indebtedness under this Agreement and the other Loan Documents and (ii) liabilities described in, and calculated pursuant to, FASB 133, 142, 143 and 144.

"CONSOLIDATED NET INCOME" means with respect to the Borrower and its Consolidated Subsidiaries, for any period, the aggregate of the net income (or loss) of the Borrower and its Consolidated Subsidiaries 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: (i) the net income of any Person in which the Borrower or any Consolidated 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 its Consolidated Subsidiaries in accordance with GAAP), except to the extent of the amount of dividends or distributions actually paid in such period by such other Person to the Borrower or to a Consolidated Subsidiary, as the case may be, (ii) the net income (but not loss) of any Consolidated Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Consolidated Subsidiary is not at the time permitted by operation of the terms of its Organic Documents or any agreement, instrument or Governmental Rule applicable to such Consolidated Subsidiary, or is otherwise restricted or prohibited (other than under restrictions or prohibitions that the Borrower or a Wholly-Owned Subsidiary of the Borrower may waive, in its sole discretion), in each case determined in accordance with GAAP, (iii) any extraordinary gains or losses, (iv) the cumulative effect of a change in accounting principles, (v) any gains or losses attributable to writeups or write downs of assets; and (vi) non-cash gains and losses, including, without limitation, FASB 133, 142, 143 and 144 non-cash gains and losses.

"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. Unless otherwise indicated, each reference to the term "Consolidated Subsidiary" means a Subsidiary consolidated with the Borrower.

"CONTINGENT LIABILITY" means any agreement, undertaking or arrangement by which any Person guarantees, endorses or otherwise becomes or is contingently liable upon (by direct or indirect agreement, contingent or otherwise, to provide funds for payment, to supply funds to, or otherwise to invest in, a debtor, or otherwise to assure a creditor against loss) the indebtedness, obligation or any other liability of any other Person (other than by endorsements of instruments in the course of collection), or guarantees the payment of dividends or other distributions upon the shares of any other Person. The amount of any Person's obligation under any Contingent Liability shall (subject to any limitation set forth therein) be deemed to be the outstanding principal amount (or maximum principal amount, if larger) of the debt, obligation or other liability guaranteed thereby.

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"CONTINUATION/CONVERSION NOTICE" means a notice of continuation or conversion and certificate duly executed by an Authorized Officer of the Borrower, substantially in the form of Exhibit B hereto.

"CONTROLLED GROUP" means all members of a controlled group of corporations and all members of a controlled group of trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code or Section 4001 of ERISA.

"CURRENT RATIO" means, at any date of determination, the ratio of (a) Consolidated Current Assets to (b) Consolidated Current Liabilities.

"DEFAULT" means any Event of Default or any condition, occurrence or event which, after notice or lapse of time or both, would constitute an Event of Default.

"DISCLOSURE SCHEDULE" means the Disclosure Schedule attached hereto as Schedule I, as it may be amended, supplemented or otherwise modified from time to time by the Borrower with the written consent of the Agents.

"DOLLAR" and the sign "\$" mean lawful money of the United States.

"EBITDA" means, for any period of determination thereof, the sum, without duplication, of the amounts for such period of Consolidated Net Income plus Total Interest Expense, plus depreciation, depletion and amortization expense, plus federal and state income taxes, and plus other non-cash charges and expenses deducted from revenues in determining net income.

"EFFECTIVE DATE" means the date the Original Credit Agreement became effective.

"ENVIRONMENTAL LAWS" means all applicable federal, state or local Governmental Rules pertaining to health or the environment in effect in any and all jurisdictions in which the Borrower or any Subsidiary or other Obligor is conducting or at any time has conducted business, or where any Property of the Borrower or any Subsidiary or other Obligor is located, including, without limitation, OPA, the Clean Air Act, as amended, CERCLA, 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, as amended ("RCRA"), 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 laws. The term "oil" shall have the meaning specified in OPA, the term "release" (or "threatened release") shall have the meaning specified in CERCLA, and the term "disposal" (or "disposed") shall have the meaning specified in RCRA; provided, however, that (a) in the event either OPA, CERCLA or RCRA 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 in which any Property of the Borrower or any Subsidiary or any other Obligor is located establish a meaning for "oil," "release," or "disposal" that is broader than that specified in either OPA, CERCLA or RCRA, such broader meaning shall apply.

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"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment, or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"EQUITY INTERESTS" means shares of the capital stock, partnership interests, membership interest in a limited liability company, beneficial interests in a trust or other equity interests in the Borrower or any Subsidiary (unless the context requires otherwise) or any warrants, options or other rights to acquire such interests.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA also refer to any successor sections.

"ERISA AFFILIATE" means each Obligor and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control that, together with such Obligor, are treated as a single employer under Section 414 of the Internal Revenue Code.

"ERISA PLAN" means any employee pension benefit plan subject to Title IV of ERISA maintained by any ERISA Affiliate with respect to which any Obligor has a fixed or contingent liability.

"EURODOLLAR LOAN" means a Loan that bears interest at the Adjusted Eurodollar Rate.

"EURODOLLAR RATE" means, with respect to any Interest Period for any Eurodollar Loan within a Borrowing and with respect to the related Interest Period therefor, the rate of interest determined by the Collateral Agent to be the rate per annum at which deposits in Dollars are offered by the principal office of Collateral Agent in London to major banks in the London interbank market at 11:00 a.m. (London time) two Business Days before the first day of

such Interest Period in the amount of \$1,000,000 for a period equal to such Interest Period.

"EVENT OF DEFAULT" is defined in Section 8.1.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, or any successor provision thereto.

"FEDERAL FUNDS RATE" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of one percent) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such

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rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate quoted to Collateral Agent on such day on such transactions as determined by Collateral Agent.

"FISCAL QUARTER" means any calendar quarter of a Fiscal Year.

"FISCAL YEAR" means any period of twelve (12) consecutive calendar months ending on December 31; references to a Fiscal Year with a number corresponding to any calendar year (e.g. the "2003 Fiscal Year") refer to the Fiscal Year ending on the December 31 occurring during such calendar year.

"F.R.S. BOARD" means the Board of Governors of the Federal Reserve System or any successor thereto.

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

"GOVERNMENTAL APPROVAL" means (a) any authorization, consent, approval, license, ruling, permit, tariff, rate, certification, waiver, exemption, filing, variance, claim, order, judgment or decree of, or with, (b) any required notice to, (c) any declaration of or with, or (d) any registration by or with, any Governmental Authority.

"GOVERNMENTAL AUTHORITY" means the government of the United States or any other nation or country 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.

"GOVERNMENTAL RULE" means any statute, law, regulation, ordinance, rule, judgment, order, decree, permit, concession, grant, franchise, license, agreement, directive, requirement of, or other governmental restriction or any similar binding form of decision of or determination by, or any binding interpretation or administration of any of the foregoing by, any Governmental Authority, whether now or hereafter in effect.

"GUARANTOR" means NEG Holding and each Subsidiary of the Borrower, each individually a Guarantor and collectively, the "Guarantors."

"GUARANTY" means, collectively, (i) the NEG Holding Guaranty, (ii) each Subsidiary Guaranty and (iii) each and every Guaranty executed and delivered by a Guarantor hereunder.

"HAZARDOUS MATERIAL" means (a) any "hazardous substance," as defined by CERCLA (other than as set forth in clause (c)); (b) any "hazardous waste," as defined by the RCRA (other than as set forth in clause (c)); (c) any petroleum, petroleum products or petroleum distillates and associated oil or natural gas exploration, production and development wastes that are not exempted or excluded from being defined as "hazardous substances", "hazardous materials", "hazardous wastes" and "toxic substances" under any Environmental Laws; or (d) any pollutant or contaminant or hazardous, dangerous or toxic chemical, material or substance within the

meaning of any other applicable federal, state or local law, regulation, ordinance or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, all as amended or hereafter amended.

"HEDGING AGREEMENTS" means any commodity, interest rate or currency swap, cap, floor, collar, forward agreement or other exchange or protection agreements or any option with respect to any such transaction.

"HEDGING COUNTERPARTY" means any AREP Lender and any Affiliate of an AREP Lender that is a counterparty to any Hedging Agreement with Borrower, provided that if such counterparty ceases to be an AREP Lender or an Affiliate of an AREP Lender, such counterparty shall continue to be a Hedging Counterparty for the purposes hereof only to the extent of Hedging Obligations arising from transactions entered prior to the time such counterparty ceases to be an AREP Lender or an Affiliate of an AREP Lender.

"HEDGING OBLIGATIONS" means, with respect to any Person, all liabilities (including but not limited to obligations and liabilities arising in connection with or as a result of early or premature termination of a Hedging Agreement, whether or not occurring as a result of a default thereunder) of such Person under a Hedging Agreement.

"HIGHEST LAWFUL RATE" is defined in Section 4.11.

"HYDROCARBON INTERESTS" means all rights, titles, interests and estates now owned or hereafter acquired by the Borrower or any of its Subsidiaries in any and all oil, gas and other liquid or gaseous hydrocarbon properties and interests, including without limitation, mineral fee or lease interests, production sharing agreements, concession agreements, license agreements, service agreements, risk service agreements or similar Hydrocarbons interests granted by an appropriate Governmental Authority, farmout, overriding royalty and royalty interests, net profit interests, oil payments, production payment interests and similar interests in Hydrocarbons, including any reserved or residual interests of whatever nature.

"HYDROCARBONS" means, collectively, oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons, all products refined, separated, settled and dehydrated therefrom and all products refined therefrom, including, without limitation, kerosene, liquefied petroleum gas, refined lubricating oils, diesel fuel, drip gasoline, natural gasoline, helium, sulfur and all other minerals.

"INCLUDING" means including without limiting the generality of any description preceding such term. For purposes of this Agreement and each other Loan Document, the parties hereto agree that the rule of ejusdem generis shall not be applicable to limit a general statement, which is followed by or referable to an enumeration of specific matters, to matters similar to the matters specifically mentioned.

"INDEBTEDNESS" of any Person means, without duplication: (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (b) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for the

account of such Person; (c) all obligations of such Person as lessee under leases which have been or should be, in accordance with GAAP, recorded as Capitalized Lease Liabilities; (d) all other items which, in accordance with GAAP, would be included as liabilities on the liability side of the balance sheet of such Person as of the date at which Indebtedness is to be determined; (e) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of Property or services, and indebtedness (excluding prepaid interest thereon) secured by a Lien on Property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in

recourse; (f) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person under any "off balance sheet" transactions, synthetic leases or operating leases; and (g) all Contingent Liabilities of such Person with respect to any of the foregoing. For all purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer.

"INDEMNIFIED LIABILITIES" is defined in Section 10.4.

"INDEMNIFIED PARTIES" is defined in Section 10.4.

"INTEREST PERIOD" means, relative to any Eurodollar Loans, the period beginning on (and including) the date on which such Eurodollar Loan is made or continued as, or converted into, a Eurodollar Loan pursuant to Section 2.3 or 2.4 and shall end on (but exclude) the day which numerically corresponds to such date one, two or three months thereafter (or, if such month has no numerically corresponding day, on the last Business Day of such month), in either case as the Borrower may select in its relevant notice pursuant to Section 2.3 or 2.4; provided, however, that (a) the Borrower shall not be permitted to select Interest Periods to be in effect at any one time which have expiration dates occurring on more than five (5) different dates; (b) Interest Periods commencing on the same date for Loans comprising part of the same Borrowing shall be of the same duration; (c) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day (unless such next following Business Day is the first Business Day of a calendar month, in which case such Interest Period shall end on the Business Day next preceding such numerically corresponding day); and (d) no Interest Period may end later than the date set forth in clause (a) of the definition of "Revolving Credit Termination Date".

"INVESTMENT" means, relative to any Person, (a) the making of any deposit with, or advance, loan or extension of credit by such Person 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 commission, travel and similar advances to officers and employees made in the ordinary course of business); (b) any Contingent Liability of such Person; and (c) any acquisition (whether for cash, property, services, 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). The amount of any Investment shall be the original principal or capital amount thereof less all returns of principal or equity thereon (and without adjustment by reason of the financial condition of such

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other Person) and shall, if made by the transfer or exchange of property other than cash, be deemed to have been made in an original principal or capital amount equal to the fair market value of such property.

"LENDER" is defined in the preamble, and "LENDERS" means the Lender and its permitted successors and assigns hereunder who, at the time in question, are the holders of any of the Loans.

"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 (i) the lien, charge or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment, bailment or margin account for security purposes or (ii) production payments and the like which constitute Indebtedness, payable out of Oil and Gas Properties. The term "LIEN" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to be the owner of any Property that 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" is defined in Section 2.1.1.

"LOAN DOCUMENT" means, collectively, (a) this Agreement, each Security Document, each Note, each Affirmation of Obligations, each Hedging Agreement between Borrower and any of its Subsidiaries and any Hedging Counterparty and each Borrowing Request, together, in each case, with all exhibits, schedules and attachments thereto; and (b) all other agreements, documents or instruments from time to time executed or delivered in connection with or pursuant to any of the foregoing.

"MARGIN STOCK" means "margin stock" within the meaning of Regulation U.

"MATERIAL ADVERSE EFFECT" means any material and adverse effect (a) on (i) the business, condition (financial or otherwise), operations or properties of the Borrower or the Borrower and its Subsidiaries (taken as a whole) or (ii) the ability of the Borrower or any other Obligor to perform its obligations under any of the Loan Documents to which it is a party or (b) that purports to affect the legality, validity or enforceability of this Agreement, the Notes or any other Loan Documents.

"MMBTu" means one million British thermal units.

"MORTGAGE" means each Mortgage, Deed of Trust, Assignment, Security Agreement and Financing Statement executed and delivered pursuant to the Loan Documents, executed and delivered by the Borrower or any Obligor, as the case may be, as amended, supplemented, restated or otherwise modified from time to time in accordance with the terms of this Agreement and the other Loan Documents.

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"MORTGAGED PROPERTY" means any Oil and Gas Property with respect to which a Lien is granted pursuant to a Mortgage.

"NEG" means National Energy Group, Inc., a Delaware corporation.

"NEG GUARANTEED PAYMENT" means any "Guaranteed Payment" (as defined in the NEG Holding Operating Agreement) payable to NEG by NEG Holding pursuant to Section 6.5 of the NEG Holding Operating Agreement.

"NEG HOLDING" means NEG Holding LLC, a Delaware limited liability company.

"NEG HOLDING GUARANTY" means the Guaranty dated as of the Effective Date, executed by NEG Holding in favor of the Administrative Agent, together with any amendments, renewals, restatements or other modifications thereof from time to time.

"NEG HOLDING OPERATING AGREEMENT" means that certain Operating Agreement for NEG Holding LLC dated as of May 1, 2001, by and between NEG and Gascon, as amended by that certain Assignment and Assumption Agreement entered into by and among AREP Oil & Gas LLC (as successor to AREP NEG/MP LLC), Gascon Partners and certain of their Affiliates on June 30, 2005.

"NEG MANAGEMENT AGREEMENT" means that certain Second Amendment to Management Agreement dated as of April 5, 2004, by and among NEG, the Borrower and NGX Energy.

"NEG MANAGEMENT FEE" means any "Fee" as defined in Section 3.1 of the NEG Management Agreement.

"NEG OPERATING LLC OPERATING AGREEMENT" means that certain Operating Agreement of NEG Operating LLC dated as of May 1, 2001, executed by NEG Holding.

"NGX ENERGY" means NGX Energy Limited Partnership, a Delaware limited partnership.

"NGX GP" means NGX GP of Delaware, a Delaware limited liability company.

"NGX LP" means NGX LP of Delaware, a Delaware limited liability company.

"NOTE" means a promissory note of the Borrower payable to any Lender (as such promissory note may be amended, endorsed or otherwise modified from time to time), and also means all other promissory notes accepted from time to time in substitution therefor or renewal thereof.

"OBLIGATIONS" means (without duplication), at any time, the sum of (a) all

obligations (monetary or otherwise) of the Borrower and each other Obligor arising under or in connection with this Agreement, the Notes and each other Loan Document plus (b) all Hedging Obligations in connection with all Hedging Agreements between the Borrower or any of its Subsidiaries and any Hedging Counterparty plus (c) all other obligations (monetary or otherwise) of the Borrower

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or any Subsidiary to any Lender or any Agent, whether or not contingent, arising under or in connection with any of the Loan Documents.

"OBLIGOR" means the Borrower, any Guarantor or any other Person (other than any of the Agents or any Lender) obligated under any Loan Document.

"OIL AND GAS BUSINESS" means (a) the acquisition, exploration, exploitation, development, operation, management and disposition of Hydrocarbon Interests and Hydrocarbons; (b) the gathering, marketing, treating, processing, storage, selling and transporting of any production from such Hydrocarbon Interests or such other interests, including, without limitation, the marketing of Hydrocarbons obtained from unrelated Persons; (c) any business relating to exploration for or development, production, treatment, processing, storage, transportation or marketing of oil, gas and other minerals and products produced in association therewith; and (d) any activity that is ancillary or necessary or desirable to facilitate the activities described in clauses (a) through (c) of this definition.

"OIL AND GAS PROPERTIES" means Hydrocarbon Interests; the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; 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; all operating agreements, contracts and other 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 Interest; all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, the lands covered thereby and all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other income from or attributable to the Hydrocarbon Interests; all tenements, hereditaments, appurtenances and Property in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests, 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 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.

"OPA" means the Oil Pollution Act of 1990, as amended from time to time.

"ORGANIC DOCUMENTS" means, for any Person, its articles of incorporation, association, formation or incorporation (or comparable document), its by-laws, certificate of formation, regulations, limited liability company agreement, or similar governing document and all

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shareholder, membership, partnership or other similar agreements, voting trusts and similar arrangements.

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

"PENSION PLAN" means a "pension plan," as defined in section 3(2) of

ERISA, which is subject to Title IV of ERISA (other than a multiemployer plan as defined in section 4001(a)(3) of ERISA), and to which the Borrower or any corporation, trade or business that is, along with the Borrower, a member of a Controlled Group, may have liability, including any liability by reason of having been a substantial employer within the meaning of section 4063 of ERISA at any time during the preceding five years, or by reason of being deemed to be a contributing sponsor under section 4069 of ERISA.

"PERCENTAGE" means, with respect to any Lender, the percentage of the Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Percentages shall be determined based upon the most recent Commitments, giving effect to any assignments made in accordance with Section 10.12 or any increases or decreases in Commitments made in accordance with this Agreement.

"PERMITTED NEG AFFILIATE TRANSACTIONS" means transactions with Affiliates permitted as of the Closing Date pursuant to the NEG Operating LLC Operating Agreement, the NEG Holding Operating Agreement and the NEG Management Agreement (including without limitation the NEG Guaranteed Payment).

"PERSON" means any natural person, corporation, limited liability company, partnership, firm, association, trust, government, governmental agency or any other entity, whether acting in an individual, fiduciary or other capacity.

"PLAN" means any Pension Plan or Welfare Plan.

"PLEDGE AGREEMENT" means each Pledge Agreement and Irrevocable Proxy, executed and delivered pursuant to the Loan Documents, as amended, supplemented, restated or otherwise modified from time to time in accordance with the Loan Documents.

"PROPERTY" means all property of any kind, name or nature, real or personal, tangible or intangible, legal or equitable, whether now owned or hereafter acquired.

"PROVEN RESERVES" means collectively, "proved oil and gas reserves," "proved developed producing oil and gas reserves," "proved developed non-producing oil and gas reserves" (consisting of proved developed shut-in oil and gas reserves and proved developed behind pipe oil and gas reserves), and "proved undeveloped oil and gas reserves," as such terms are defined by the SEC in its standards and guidelines.

"QUARTERLY PAYMENT DATE" means the last day of each March, June, September and December or, if any such day is not a Business Day, the next succeeding Business Day.

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"REGULATION U" means any of Regulations T, U or X of the F.R.S. Board from time to time in effect, and any successor or other regulations or official interpretations of the F.R.S. Board or any successor Person, relating to the extension of credit for the purpose of purchasing or carrying Margin Stock and that is applicable to member banks of the Federal Reserve System or any successor Person.

"RELEASE" means a "release," as defined in CERCLA.

"REQUIRED CLOSING DATE HEDGES" means the Hedging Agreements described in Schedule II.

"REQUIRED LENDERS" means the Lenders at any time holding Commitments in the aggregate greater than or equal to seventy-five percent (75%) of the Commitments under the Loan Documents, or, if the Commitments have been terminated, an aggregate amount greater than or equal to seventy-five percent (75%) of the then current aggregate principal amount of all outstanding Loans.

"REVOLVING CREDIT TERMINATION DATE" means the earliest of (a) the Stated Maturity Date; (b) the date on which the Commitments have terminated; and (c) the date on which any Commitment Termination Event occurs. Upon the occurrence of any event described in clause (c), the Commitments shall terminate automatically and without further action.

"SEC" means the United States Securities and Exchange Commission and any successor Governmental Authority.

"SECURED PARTIES" means (a) each Lender, (b) each Agent, (c) each Hedging Counterparty, and (d) the AREP Agent, in its capacity as pledgee of the rights of AREP O&G in all of its capacities hereunder.

"SECURITY AGREEMENT" means each Security Agreement executed and delivered pursuant to the Loan Documents, as amended, supplemented, restated or otherwise modified from time to time in accordance with the Loan Documents.

"SECURITY DOCUMENT" means any Pledge Agreement, Guaranty, Security Agreement or Mortgage, and each other security agreement or other instrument or document executed and delivered pursuant to Section 5.1, Section 7.1.6, or any other provision of this Agreement.

"SHANA NATIONAL" means Shana National LLC, a Delaware limited liability company, and its successors and assigns.

"STATED MATURITY DATE" means the earlier to occur of (i) the date on which the Borrower and its Subsidiaries become guarantors under the AREP O&G Facility and (ii) December 20, 2010.

"SUBORDINATED DEBT" means all unsecured Indebtedness of the Borrower or its Subsidiaries after the date of this Agreement that is owing to AREP O&G for money borrowed and which is subordinated, in such amounts, and upon terms and conditions satisfactory to, the Agents and the Lenders, in right of payment to the payment in full in cash of all Obligations.

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"SUBSIDIARY" means, with respect to any Person (the "PARENT") at any date any corporation, limited liability company, partnership (limited or general), association or other entity (a) of which Equity Interests representing more than 50% or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless otherwise indicated herein, each reference to the term "SUBSIDIARY" means a Subsidiary of the Borrower.

"SUBSIDIARY GUARANTY" means each Guaranty in favor of the Administrative Agent, executed and delivered by a Subsidiary pursuant to the Loan Documents, as amended, supplemented, restated or otherwise modified from time to time in accordance with the Loan Documents.

"TAXES" is defined in Section 4.6.

"TERMINATION EVENT" means (a) the occurrence with respect to any ERISA Plan of (i) a reportable event described in Section 4043(c)(5) or (6) of ERISA or (ii) any other reportable event described in Section 4043(c) of ERISA other than a reportable event not subject to the provision for 30-day notice to the Pension Benefit Guaranty Corporation pursuant to a waiver by such corporation under Section 4043(a) or 4043(b)(4) of ERISA, or (b) the withdrawal of any ERISA Affiliate from an ERISA Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate any ERISA Plan or the treatment of any ERISA Plan amendment as a termination under Section 4041(c) of ERISA, or (d) the institution of proceedings to terminate any ERISA Plan by the Pension Benefit Guaranty Corporation under Section 4042 of ERISA, or (e) any other event or condition which could reasonably be expected to result in the termination of, or the appointment of a trustee to administer, any ERISA Plan under Section 4042 of ERISA.

"TOTAL INTEREST EXPENSE" means with respect to any period for which a determination thereof is to be made, the sum, without duplication, of (i) the aggregate amount of all interest accrued (whether or not paid) on all Indebtedness of the Borrower and its Subsidiaries on a consolidated basis plus (ii) the portion of any Capitalized Lease Liabilities allocable to interest expense in accordance with GAAP. Total Interest Expense shall be calculated quarterly at the end of each fiscal quarter on a rolling four quarter basis.

"TRANSFER" is defined in Section 7.2.10.

"TYPE" means, relative to any Loan, the portion thereof, if any, being

maintained as a Base Rate Loan or a Eurodollar Loan.

"UCC SEARCHES" means central and local current financing statement and Lien searches from each state in which any Collateral is located, and such other jurisdictions as the Collateral Agent may request, covering the Borrower and each Guarantor, together with copies of all financing statements listed in such searches.

"UNITED STATES" or "U.S." means the United States of America, its fifty States and the District of Columbia.

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"UNUSED AVAILABILITY" means at any time an amount equal to the excess of (i) the Commitments less (ii) the outstanding Loans.

"WELFARE PLAN" means a "welfare plan," as defined in section 3(1) of ERISA.

"WHOLLY-OWNED SUBSIDIARY" means, as to any Person, any Subsidiary of which all of the outstanding shares of Equity Interests on a fully-diluted basis, are owned by such Person or one or more of its Wholly-Owned Subsidiaries or by such Person and one or more of its Wholly-Owned Subsidiaries. Unless otherwise indicated, each reference to the "Wholly-Owned Subsidiary" means a Wholly-Owned Subsidiary of the Borrower.

SECTION 1.2. Use of Defined Terms. Unless otherwise defined or the context otherwise requires, terms for which meanings are provided in this Agreement shall have such meanings when used in the Disclosure Schedule and in each Note, Borrowing Request, Continuation/Conversion Notice, Loan Document, notice and other communication delivered from time to time in connection with this Agreement or any other Loan Document. 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 Person shall be construed to include such Person's successors and assigns, provided such successors and assigns are permitted by the Loan Documents, (c) the words "HEREIN," "HEREOF," "HERETO," "HEREUNDER" and similar terms contained in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular Section, paragraph or provision of this Agreement or such other Loan Document. and (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement.

SECTION 1.3. Accounting and Financial Determinations. Unless otherwise specified, all accounting terms used herein or in any other Loan Document shall be interpreted, all accounting determinations and computations hereunder or thereunder shall be made, and all financial statements required to be delivered hereunder or thereunder shall be prepared in accordance with GAAP.

ARTICLE II

THE COMMITMENTS, BORROWING PROCEDURES, NOTES

SECTION 2.1. Loan Balance and Commitments. Borrower and Lender acknowledge and agree that, as of the Closing Date, after giving effect to any transactions occurring on the Closing Date, the outstanding unpaid principal balance of the Loans is

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\$132,357,634.29. On the terms and subject to the conditions of this Agreement (including Article V), each Lender severally agrees to make additional Loans, as described in this Section 2.1.

SECTION 2.1.1. Loan Commitment. Each Lender hereby severally agrees to make loans to the Borrower (relative to such Lender, and of any type, each a "LOAN" and collectively its "LOANS") from time to time on any Business Day occurring prior to the Revolving Credit Termination Date, equal to its Percentage of the aggregate amount of the Borrowing requested by the Borrower to be made on such Business Day, such Loans being in an aggregate amount never to exceed the lesser of (i) the aggregate Commitments or (ii) the then-current Borrowing Base. The commitment of each Lender described in this Section 2.1.1 is herein referred to as its "COMMITMENT." On the terms and conditions hereof, the Borrower may from time to time borrow, prepay and reborrow Loans.

SECTION 2.1.2. Lenders Not Permitted or Required to Make Loans. Notwithstanding anything herein or in any other Loan Document to the contrary, no Lender shall be permitted or required to make any Loan and the Borrower shall not be permitted to reduce the Commitments, after giving effect thereto, (a) the aggregate outstanding principal amount of all Loans of all Lenders would exceed the lesser of (i) the Commitments or (ii) the then-current Borrowing Base, or (b) the aggregate outstanding principal amount of all Loans of such Lender would exceed such Lender's Percentage of the Commitments.

SECTION 2.2. Reduction of Commitments. The Borrower may not voluntarily reduce the Commitments.

SECTION 2.3. Borrowing Procedures for Loans. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three (3) Business Days prior to the date such Borrowing is to be made or (b) in the case of a Base Rate Borrowing, not later than 10:00 a.m., New York City time, one (1) Business Day prior to the date such Borrowing is to be made. 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 \$500,000 and not less than \$500,000 (including any continuation or conversion of existing Loans pursuant to Section 2.4 made in connection therewith). At the time that each Base Rate Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$500,000 (including any continuation or conversion of existing Loans pursuant to Section 2.4 made in connection therewith); provided that a Base Rate Borrowing may be in an aggregate amount that is equal to the entire unused amount of the Commitments, if less. The Administrative Agent at its option may accept telephonic requests for Loans, provided that such acceptance shall not constitute a waiver of the Administrative Agent's right to delivery of a Borrowing Request in connection with subsequent Loans. Each such telephonic Borrowing Request for a Loan by the Borrower shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request. On the terms and subject to the conditions of this Agreement, each Borrowing comprised of Loans shall be comprised of the type of Loans, and shall be made on the Business Day, specified in such Borrowing Request. 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 five (5) Eurodollar Borrowings outstanding. On or before 11:00 a.m. New York time on such Business Day each Lender shall

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deposit with the Administrative Agent same day funds in an amount equal to such Lender's Percentage of the requested Borrowing. Such deposit will be made to an account which the Administrative Agent shall specify from time to time by notice to the Lenders. To the extent funds are received from the Lenders, the Administrative Agent shall make such funds available to the Borrower by wire transfer to the accounts the Borrower shall have specified in its Borrowing Request. 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 of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

SECTION 2.4. Continuation and Conversion Elections. By delivering a Continuation/Conversion Notice to the Administrative Agent on or before 10:00 a.m., New York time, on a Business Day, the Borrower may from time to time irrevocably elect, on not fewer than three (3) nor more than five (5) Business Days' notice that all, or any portion of any Loans, subject to the requirements of Section 2.3, be, in the case of Base Rate Loans, converted into Eurodollar Loans, and in the case of Eurodollar Loans, be converted on the last day of the then current interest period into a Base Rate Loan or continued as a Eurodollar Loan (in the absence of delivery of a Continuation/Conversion Notice with

respect to any Eurodollar Loan at least three (3) Business Days before the last day of the then current Interest Period with respect thereto, such Eurodollar Loan shall, on such last day, automatically convert to a Base Rate Loan); provided, however, that (i) each such conversion or continuation shall be pro rated among the applicable outstanding Loans of all Lenders to the Borrower, and (ii) no portion of the outstanding principal amount of any Loans may be so continued as, or be so converted into, Eurodollar Loans when any Event of Default has occurred and is continuing.

SECTION 2.5. Funding. Each Lender may, if it so elects, fulfill its obligation to make, continue or convert Eurodollar Loans hereunder by causing a domestic or foreign branch or an Affiliate (or an international banking facility created by such Lender) to make or maintain such Eurodollar Loan; provided, however, that such Eurodollar Loan shall nonetheless be deemed to have been made and to be held by such Lender, and the obligations of the Borrower to repay such Eurodollar Loan shall nevertheless be to such Lender for the account of such foreign branch, Affiliate or international banking facility.

SECTION 2.6. Notes. Each Lender's Loans under its Commitment shall be evidenced by a Note payable to the order of such Lender in a maximum principal amount equal to such Lender's Percentage of the Commitments. The Borrower hereby irrevocably authorizes each Lender to make (or cause to be made) appropriate notations on the grid attached to such Lender's Note (or on any continuation of such grid or otherwise in its records), which notations, if made, shall evidence, inter alia, the date of, the outstanding principal of, and the interest rate and Interest Period applicable to the Loans evidenced thereby. Such notations shall be conclusive and binding on the Borrower absent manifest error; provided, however, that the failure of any Lender to make any such notations shall not limit or otherwise affect any Obligations of the Borrower or any other Obligor.

ARTICLE III

REPAYMENTS, PREPAYMENTS, INTEREST AND FEES

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SECTION 3.1. Repayments and Prepayments. The Borrower shall repay in full the unpaid principal amount of each Loan upon the Revolving Credit Termination Date. Prior thereto, the Borrower:

(a) may not make any voluntary prepayment of the Loans that would reduce the outstanding principal balance thereof to less than \$150,000,000;

(b) shall, on each date when (i) any reduction in or termination of the Commitments shall become effective or (ii) the outstanding aggregate principal amount of all Loans exceeds the Commitments, make a mandatory prepayment in an amount at least equal to the aggregate, outstanding principal amount of all Loans in excess of the Commitments as reduced or terminated, and, if such mandatory prepayment was not sufficient to reduce the unpaid principal balance of the Loans to an amount that does not exceed the Commitments as reduced or terminated, such prepayments to be in an amount equal to the excess, if any, of the aggregate, outstanding principal amount of all Loans over the Commitments as so reduced or terminated; and

(c) shall, immediately upon any acceleration of the Stated Maturity Date of any Loans pursuant to Section 8.2 or Section 8.3, repay all Loans, unless, pursuant to Section 8.3, only a portion of all Loans is so accelerated.

Each prepayment of any Loan made pursuant to this Section 3.1 shall be without premium or penalty, except as may be required by Section 4.4. No voluntary prepayment of principal of any Loans shall cause a reduction in the Commitments. All amounts paid pursuant to this Section 3.1 shall be applied first as prepayments on the Loans.

SECTION 3.2. Interest Provisions. Interest on the outstanding principal amount of Loans shall accrue and be payable by the Borrower in accordance with this Section 3.2.

SECTION 3.2.1. Rates. Pursuant to an appropriately delivered Borrowing Request or Continuation/Conversion Notice, the Borrower may elect that Loans

comprising a Borrowing accrue interest at a rate per annum: (a) on that portion maintained from time to time as a Base Rate Loan, equal to the Adjusted Base Rate; (b) on that portion maintained as a Eurodollar Loan, during each Interest Period applicable thereto, equal to the Adjusted Eurodollar Rate for such Interest Period, provided that no interest shall accrue on any portion of the then outstanding Loan (or portion thereof) to the extent the Borrower has delivered cash collateral to the Collateral Agent securing such Loan (or portion thereof).

All Eurodollar Loans shall bear interest from and including the first day of the applicable Interest Period to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Eurodollar Loan.

SECTION 3.2.2. Post-Default Rates. After the date (after giving effect to any grace period) any principal amount of any Loan is due and payable (whether on the Stated Maturity Date, upon acceleration or otherwise), or after any other monetary Obligation of the Borrower shall have become due and payable, or after the occurrence of any other Event of Default the Borrower shall pay, but only to the extent permitted by Governmental Rule, interest (after as

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well as before judgment) at a rate per annum equal to the sum of (x) the Adjusted Base Rate from time to time in effect for Base Rate Loans plus (y) 2%.

SECTION 3.2.3. Payment Dates. Interest accrued on each Loan shall be payable, without duplication by the Borrower: (a) on the Stated Maturity Date therefor; (b) on the date of any payment or prepayment or cash collateralization in accordance with the proviso in Section 3.2.1, in whole or in part, of principal outstanding on such Loan; (c) with respect to Base Rate Loans, in arrears on the last Business Day of each calendar month occurring after the Effective Date; (d) with respect to Eurodollar Loans, in arrears on the last day of each applicable Interest Period; (e) with respect to any Base Rate Loans converted into Eurodollar Loans on a day when interest would not otherwise have been payable pursuant to clause (c), on the date of such conversion; and (f) on that portion of any Loans, the Stated Maturity Date of which is accelerated pursuant to Section 8.2 or Section 8.3, immediately upon such acceleration. Interest accrued on Loans or other monetary Obligations arising under this Agreement or any other Loan Document after the date such amount is due and payable (whether on the Stated Maturity Date, upon acceleration or otherwise) or after the occurrence shall be payable by the Borrower upon demand.

ARTICLE IV

CERTAIN EURODOLLAR RATE AND OTHER PROVISIONS

SECTION 4.1. Fixed Rate Lending Unlawful. If any Lender shall determine (which determination shall, upon notice thereof to the Borrower and the Lenders, be conclusive and binding on the Borrower) that the introduction of or any change in or in the interpretation of any law makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Lender to make, continue or maintain any Loan as, or to convert any Loan into, a Eurodollar Loan of a certain type, the obligations of such Lenders to make, continue, maintain or convert any such Loans shall, upon such determination, promptly be suspended until such Lender shall notify the Administrative Agent that the circumstances causing such suspension no longer exist, and all such Lenders Eurodollar Loans shall automatically convert into Base Rate Loans at the end of the then-current Interest Periods with respect thereto or sooner, if required by such law or assertion.

SECTION 4.2. Deposits Unavailable. If the Administrative Agent shall have determined that (a) Dollar deposits in the relevant amount and for the relevant Interest Period are not available to the Administrative Agent in the Administrative Agent's relevant market; or (b) by reason of circumstances affecting the interbank dollar market generally adequate means do not exist for ascertaining the interest rate applicable hereunder to Eurodollar Loans of such type, then, upon notice from the Administrative Agent to the Borrower and the Lenders, the obligations of all Lenders under Section 2.3 and Section 2.4 to make or continue any Loans as, or to convert any Loans into, Eurodollar Loans of such type shall promptly be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist; and (c) all Eurodollar Loans shall automatically convert into Base Rate Loans at the end of the then current Interest Periods

with respect thereto.

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SECTION 4.3. Increased Eurodollar Loan Costs, etc. The Borrower agrees to reimburse each Lender for any increase in the cost to such Lender of, or any reduction in the amount of any sum receivable by such Lender with respect to, making, continuing or maintaining (or of its obligation to make, continue or maintain) any Loans as, or of converting (or of its obligation to convert) any Loans into, Eurodollar Loans. Such Lender shall promptly notify the Administrative Agent and the Borrower in writing of the occurrence of any such event, such notice to state, in reasonable detail, the reasons therefor and the additional amount required fully to compensate such Lender for such increased cost or reduced amount. Such additional amounts shall be payable by the Borrower directly to such Lender within five (5) days of its receipt of such notice, and such notice shall, in the absence of manifest error, be conclusive and binding on the Borrower. The Borrower will not be responsible for paying any amounts pursuant to this Section 4.3 accruing more than one hundred eighty (180) days prior to the receipt by the Borrower of the notice referred to in the preceding sentence.

SECTION 4.4. Funding Losses. In the event any Lender shall incur any loss or expense (including any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to make, continue or maintain any portion of the principal amount of any Loan as, or to convert any portion of the principal amount of any Loan into, a Eurodollar Loan) as a result of (a) any conversion or repayment or prepayment of the principal amount of any Eurodollar Loans on a date other than the scheduled last day of the Interest Period applicable thereto, whether pursuant to Section 3.1 or otherwise; (b) any Loans not being made as Eurodollar Loans in accordance with the Borrowing Request therefor; or (c) any Loans not being continued as, or converted into, Eurodollar Loans in accordance with the Continuation/Conversion Notice therefor, then, upon the written notice of such Lender to the Borrower (with a copy to the Administrative Agent), the Borrower shall, within five (5) days of its receipt thereof, pay directly to such Lender such amount as will (in the reasonable determination of such Lender) reimburse such Lender for such loss or expense. Such written notice (which shall include calculations in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrower.

SECTION 4.5. Increased Capital Costs. If any change in, or the introduction, adoption, effectiveness, interpretation, reinterpretation or phase-in of, any law or regulation, directive, guideline, decision or request (whether or not having the force of law) of any court, central bank, regulator or other governmental authority affects or would affect the amount of capital required or expected to be maintained by any Lender or any Person controlling such Lender, and such Lender determines (in its sole and absolute discretion) that the rate of return on its or such controlling Person's capital as a consequence of its Commitment, or the Loans made by such Lender is reduced to a level below that which such Lender or such controlling Person could have achieved but for the occurrence of any such circumstance, then, in any such case upon notice from time to time by such Lender to the Borrower, the Borrower shall immediately pay directly to such Lender additional amounts sufficient to compensate such Lender or such controlling Person for such reduction in rate of return. A statement of such Lender as to any such additional amount or amounts (including calculations thereof in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the Borrower. In determining such amount, such Lender may use any method of averaging and attribution that it (in its sole and absolute discretion) shall deem applicable.

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SECTION 4.6. Taxes. All payments by the Borrower of principal of, and interest on, the Loans and all other amounts payable hereunder and under any other Loan Document shall be made free and clear of and without deduction for any present or future income, excise, stamp or franchise taxes and other taxes, fees, duties, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding franchise taxes and taxes imposed on or measured by any Lender's net income or receipts (such non-excluded items being called "TAXES"). In the event that any withholding or deduction from any payment to be made by the Borrower hereunder is required with respect to any Taxes pursuant to any applicable Governmental Rule, then the Borrower will (a) pay directly to the relevant authority the full amount required to be so withheld or

deducted; (b) promptly forward to the Administrative Agent an official receipt or other documentation satisfactory to the Administrative Agent evidencing such payment to such authority; and (c) pay to the Administrative Agent for the account of the Administrative Agent or such Lender such additional amount or amounts as is necessary to ensure that the net amount actually received by the Administrative Agent or such Lender will equal the full amount the Administrative Agent or such Lender would have received had no such withholding or deduction been required. Moreover, if any Taxes are directly asserted against the Administrative Agent or any Lender with respect to any payment received by the Administrative Agent or such Lender hereunder, the Administrative Agent or such Lender may pay such Taxes and the Borrower will promptly pay such additional amounts (including any penalties, interest or expenses) as is necessary in order that the net amount received by such Person after the payment of such Taxes (including any Taxes on such additional amount) shall equal the amount such Person would have received had such Taxes not been asserted.

If the Borrower fails to pay any Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent, for the account of the Administrative Agent, or any Lender, the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent, or such Lender for any incremental Taxes, interest or penalties that may become payable by the Administrative Agent or such Lender as a result of any such failure. For purposes of this Section 4.6, a distribution hereunder by the Administrative Agent or any Lender to or for the account of the Administrative Agent or any Lender shall be deemed a payment by the Borrower.

Each Lender which is organized under the laws of a jurisdiction outside the United States shall, (i) on the day of the initial borrowing from each such Lender hereunder and (ii) from time to time thereafter if requested by the Borrower or the Administrative Agent, provide the Administrative Agent and the Borrower with the forms prescribed by the Internal Revenue Service of the United States certifying as to such Lender's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to such Lender hereunder and under the other Loan Documents or other documents satisfactory to such Lender, the Borrower and the Administrative Agent and indicating that all payments to be made to such Lender hereunder and under the other Loan Documents are not subject to United States withholding tax. Unless the Borrower and the Administrative Agent shall have received such forms or such documents indicating that payments to such Lender hereunder and under the other Loan Documents are not subject to United States withholding tax, the Borrower and the Administrative Agent shall be entitled to withhold United States withholding taxes from such payments at the applicable statutory rate.

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SECTION 4.7. Payments, Computations, etc. Unless otherwise expressly provided, all payments by the Borrower to the Lenders pursuant to this Agreement, the Notes or any other Loan Document shall be made by the Borrower to the Administrative Agent for the pro rata account of the Lenders entitled to receive such payment, provided that during the continuance of any Event of Default all such payments shall be made by the Borrower to the AREP Agent. All such payments required to be made to the Agents shall be made, without set off, deduction or counterclaim, not later than 11:00 a.m., New York time, on the date due, in same day or immediately available funds, to such account as the applicable Agent shall specify from time to time by notice to the Borrower. Funds received after that time shall be deemed to have been received on the next succeeding Business Day. The Administrative Agent shall promptly remit in same day funds to each Lender its share, if any, of such payments received by the Administrative Agent for the account of such Lender. All interest and fees shall be computed on the basis of the actual number of days (including the first day but excluding the last day) occurring during the period for which such interest or fee is payable over a year comprised of 360 days (or, in the case of interest on a Base Rate Loan, 365 days or, if appropriate, 366 days). Whenever any payment to be made shall otherwise be due on a day which is not a Business Day, such payment shall (except as otherwise required by clause (c) of the definition of the term "INTEREST PERIOD" with respect to Eurodollar Loans) be made on the next succeeding Business Day and such extension of time shall be included in computing interest and fees, if any, in connection with such payment.

SECTION 4.8. Sharing of Payments. (a) If any Lender shall obtain any payment or other recovery (whether voluntary, involuntary, by application of set off or otherwise) on account of any Loan (other than pursuant to the terms of Sections 4.3, 4.4, 4.5 and 4.6) in excess of its pro rata share of payments then or therewith obtained by all Lenders, such Lender shall purchase from the other

Lenders such participations in Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment or other recovery ratably with each of them; provided, however, that if all or any portion of the excess payment or other recovery is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and each Lender which has sold a participation to the purchasing Lender shall repay to the purchasing Lender the purchase price to the ratable extent of such recovery together with an amount equal to such selling Lender's ratable share (according to the proportion of (a) the amount of such selling Lender's required repayment to the purchasing Lender to (b) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender with respect to the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 4.8 may, to the fullest extent permitted by Governmental Rule, exercise all its rights of payment (including pursuant to Section 4.9) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. If under any applicable bankruptcy, insolvency or other similar Governmental Rule, any Lender receives a secured claim in lieu of a set off to which this Section 4.8 applies, such Lender shall, to the extent practicable, exercise its rights with respect to such secured claim in a manner consistent with the rights of the Lenders entitled under this Section 4.8 to share in the benefits of any recovery on such secured claim.

SECTION 4.9. Set off. Each Lender shall, upon the occurrence of any Default described in clauses (a) through (d) of Section 8.1.8 with respect to the Borrower or any Subsidiary or any other Obligor or, with the consent of the Agents, upon the occurrence of any

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other Event of Default, have the right to appropriate and apply to the payment of the Obligations owing to it (whether or not then due) any and all balances, credits, deposits, accounts or moneys of the Borrower then or thereafter maintained with such Lender; provided, however, that any such appropriation and application shall be subject to the provisions of Section 4.8. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set off and application. The rights of each Lender under this Section 4.9 are in addition to other rights and remedies (including other rights of set off under applicable Governmental Rule or otherwise) which such Lender may have.

SECTION 4.10. Use of Proceeds. The Borrower will, and will cause each Subsidiary to, use the proceeds of the Loans for the Borrower's and its Subsidiaries' general limited liability company, partnership or corporate purposes, including, without limitation, working capital. No part of the proceeds of any Loan will be used, whether directly or indirectly, to acquire any equity security of a class that is registered pursuant to Section 12 of the Exchange Act or any Margin Stock, in violation of Regulation U.

SECTION 4.11. Maximum Interest. It is the intention of the parties hereto to conform strictly to applicable usury laws and, anything herein to the contrary notwithstanding, the obligations of the Borrower to each Lender under this Agreement shall be subject to the limitation that payments of interest shall not be required to the extent that receipt thereof would be contrary to provisions of law applicable to such Lender limiting rates of interest which may be charged or collected by such Lender. Accordingly, if the transactions contemplated hereby would be usurious under applicable law (including the Federal and state laws of the United States of America, or of any other jurisdiction whose laws may be mandatorily applicable) with respect to a Lender then, in that event, notwithstanding anything to the contrary in this Agreement, it is agreed as follows:

(a) the provisions of this Section 4.11 shall govern and control;

(b) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, charged or received under this Agreement, or under any of the other aforesaid agreements or otherwise in connection with this Agreement by such Lender shall under no circumstances exceed the maximum amount of interest allowed by applicable law (such maximum lawful interest rate, if any, with respect to such Lender herein called the "HIGHEST LAWFUL RATE"), and any excess shall be credited to the Borrower by such Lender (or, if such consideration shall have been paid in full, such excess promptly refunded to the Borrower);

(c) all sums paid, or agreed to be paid, to such Lender for the use, forbearance and detention of the indebtedness of the Borrower to such Lender hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest is uniform throughout the full term thereof; and

(d) if at any time the interest provided pursuant to Section 3.2 together with any other fees payable pursuant to this Agreement and deemed interest under applicable

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law, exceeds that amount which would have accrued at the Highest Lawful Rate, the amount of interest and any such fees to accrue to such Lender pursuant to this Agreement shall be limited, notwithstanding anything to the contrary in this Agreement to that amount which would have accrued at the Highest Lawful Rate, but any subsequent reductions, as applicable, shall not reduce the interest to accrue to such Lender pursuant to this Agreement below the Highest Lawful Rate until the total amount of interest accrued pursuant to this Agreement and such fees deemed to be interest equals the amount of interest which would have accrued to such Lender if a varying rate per annum equal to the interest provided pursuant to Section 3.2 had at all times been in effect, plus the amount of fees which would have been received but for the effect of this Section 4.11.

ARTICLE V

CONDITIONS TO BORROWING

SECTION 5.1. Initial Borrowing. The obligations of the Lenders to fund the initial Borrowing shall be subject to the prior or concurrent satisfaction of each of the conditions precedent set forth in this Section 5.1.

SECTION 5.1.1. Agreement and Notes. Each Agent (or its counsel) shall have received (a) an assignment and assumption agreement between each lender under the Original Credit Agreement and Lender hereunder assigning each such lender's rights and obligations under the Original Credit Agreement to Lender, (b) an assignment and assumption between Bank of Texas, N.A., as collateral agent under the Original Credit Agreement, assigning all of its rights and obligations in such capacity under the Original Credit Agreement and the Loan Documents to the Collateral Agent; (b) an assignment and assumption between Mizuho Corporate Bank, Ltd., as administrative agent under the Original Credit Agreement, assigning all of its rights and obligations under the Original Credit Agreement and the Loan Documents to the Administrative Agent (provided that any Liens or other similar rights shall be assigned to Collateral Agent); (c) from each party hereto, a counterpart of this Agreement, signed on behalf of such party and (d) a Note for the account of each Lender, duly executed and delivered by the Borrower.

SECTION 5.1.2. Organic Documents, Resolutions, etc. Each Agent shall have received from the Borrower and each other Obligor a certificate from an Authorized Officer of such Obligor dated as of the Closing Date and certifying:

(a) that attached to each such certificate are (i) a true and complete copy of all Organic Documents of such Obligor, as in effect on the date of such certificate and (ii) a true and complete copy of a certificate from the Governmental Authority of the state of such Obligor's organization certifying that such Obligor is duly organized and validly existing in such jurisdiction;

(b) that attached to such certificate is a true and complete copy of resolutions then in full force and effect, adopted by the board of directors or other governing body of such Obligor, authorizing the execution, delivery and performance of this Agreement, the Notes and each other Loan Document to be executed by it;

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(c) that attached thereto is a true and complete copy of a certificate from the appropriate Governmental Authority of the state of organization or formation, as the case may be, of such Obligor as to the

existence and good standing of such Obligor, each dated within thirty (30) days prior to the date of delivery pursuant hereto, and that such certificate of incorporation or certificate of formation, as the case may be, has not been amended since the date of such certified copy; and a true and complete copy of a certificate from the appropriate Governmental Authority of each state (without duplication) as to the good standing of and payment of franchise taxes by the Borrower or each such Obligor, if applicable, dated within thirty (30) days prior to the date of delivery pursuant hereto; and

(d) as to the incumbency and signatures of those of its officers authorized to act with respect to each Loan Document executed by it,

upon which certificate each Lender may conclusively rely until it shall have received a further certificate of the Secretary of the Borrower or such other Obligor canceling or amending such prior certificate.

SECTION 5.1.3. Required Closing Date Hedges. Each Agent shall be satisfied that Borrower has in place all Required Closing Date Hedges.

SECTION 5.1.4. Affirmation of Obligations. Each Agent shall have received from each Obligor an Affirmation of Obligations.

SECTION 5.1.5. Pledge Agreements; Certificates and Blank Powers.

(a) The Collateral Agent shall have received a copy of the Pledge Agreement executed and delivered by NEG Holding dated as of the Effective Date, together with the following:

(i) confirmation and evidence satisfactory to the Collateral Agent that the security interest in such uncertificated Equity Interest of Borrower has been transferred to and perfected by the Collateral Agent for the benefit of the Lenders by control in accordance with the Uniform Commercial Code, as in effect in the State of New York; and

(ii) all documents and instruments, including Uniform Commercial Code Financing Statements (Form UCC-1) and an amendment thereto reflecting the new Collateral Agent as secured party, required by Governmental Rule or reasonably requested by the Administrative Agent or the Collateral Agent, to be filed, registered or recorded to create or perfect the Liens intended to be created under the Pledge Agreement.

(b) The Collateral Agent shall have received a copy of the Pledge Agreements executed and delivered by NEG, dated as of the Effective Date, together with the following:

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(i) confirmation and evidence satisfactory to the Administrative Agent or the Collateral Agent that the security interest in such uncertificated Equity Interest of NEG Holding have been transferred to and perfected by the Collateral Agent for the benefit of the Lenders by control in accordance with the Uniform Commercial Code, as in effect in the State of New York; and

(ii) all documents and instruments, including Uniform Commercial Code Financing Statements (Form UCC-1) and an amendment thereto reflecting the new Collateral Agent as secured party, required by Governmental Rule or reasonably requested by the Administrative Agent or the Collateral Agent, to be filed, registered or recorded to create or perfect the Liens intended to be created under the Pledge Agreement.

(c) The Collateral Agent shall have received a copy of the Pledge Agreement executed and delivered by the Borrower, dated as of the Effective Date and amended as of April 5, 2004, together with the following:

(i) confirmation and evidence satisfactory to the Administrative Agent or the Collateral Agent that the security interest in such uncertificated Equity Interests of Shana, NGX GP and NGX LP have been transferred to and perfected by the Collateral

Agent for the benefit of the Lenders by control in accordance with the Uniform Commercial Code, as in effect in the State of New York; and

(ii) all documents and instruments, including Uniform Commercial Code Financing Statements (Form UCC-1) and an amendment thereto reflecting the new Collateral Agent as secured party, required by Governmental Rule or reasonably requested by the Administrative Agent or the Collateral Agent, to be filed, registered or recorded to create or perfect the Liens intended to be created under the Pledge Agreement.

(d) The Collateral Agent shall have received a copy of the Pledge Agreement executed and delivered by NGX GP and NGX LP dated as of April 5, 2004, together with the following:

(i) confirmation and evidence satisfactory to the Administrative Agent or the Collateral Agent that the security interest in such uncertificated Equity Interests of NGX Energy have been transferred to and perfected by the Collateral Agent for the benefit of the Lenders by control in accordance with the Uniform Commercial Code, as in effect in the State of New York; and

(ii) all documents and instruments, including Uniform Commercial Code Financing Statements (Form UCC-1) and an amendment thereto reflecting the new Collateral Agent as secured party, required by Governmental Rule or reasonably requested by the Administrative Agent or the

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Collateral Agent, to be filed, registered or recorded to create or perfect the Liens intended to be created under the Pledge Agreement.

SECTION 5.1.6. Security Agreements and UCC Filings. The Collateral Agent shall have received a copy of each Security Agreement executed and delivered by, the Borrower and each of its Subsidiaries, together with the following:

(a) executed or authorized Uniform Commercial Code Financing Statements (Form UCC-1) and an amendment thereto reflecting the new Collateral Agent as secured party, and such evidence of filing or arrangements for filing as may be acceptable to the Administrative Agent or the Collateral Agent, naming such Obligor, as applicable, as the debtor and the Collateral Agent as the secured party, or other similar instruments or documents, filed or to be under the Uniform Commercial Code of all jurisdictions as may be necessary or, in the opinion of the Administrative Agent or the Collateral Agent, desirable to perfect the security interest of the Collateral Agent pursuant to such Security Agreement; and

(b) executed or authorized copies of proper Uniform Commercial Code Form UCC-3 termination statements, if any, necessary to release all Liens and other rights of any Person in any Collateral described in the Security Agreement previously granted by any Person, and together with such other Uniform Commercial Code Form UCC-3 termination statements as the Administrative Agent or the Collateral Agent may reasonably request.

SECTION 5.1.7. Mortgages. The Collateral Agent shall have received counterparts of each of the following, in form acceptable to the Collateral Agent and duly executed by the Borrower and any other party thereto named below:

(a) an assignment of each Mortgage to the Collateral Agent from Bank of Texas, N.A., as collateral agent under the Original Credit Agreement, and

(b) a restatement of each Mortgage made by the Borrower, the Lender and the Collateral Agent to refer to this Amended and Restated Credit Agreement and to include as additional secured indebtedness the Hedging Obligations.

Either or both of the foregoing documents shall also reflect that the Lenders' rights under such restated Mortgage have been collaterally assigned by AREP Oil & Gas to the AREP Agent.

SECTION 5.1.8. Priority; Security Interest. The Collateral shall be free and clear of all Liens, except Liens permitted by Section 7.2.3. All filings, notices, recordings and other action necessary to perfect the Liens in the Collateral shall have been made, given or accomplished or arrangements for the completion thereof satisfactory to the Collateral Agent and its counsel shall have been made and all filing fees and other expenses related to such actions either have been paid in full or arrangements have been made for their payment in full which are satisfactory to the Collateral Agent.

SECTION 5.1.9. UCC and Lien Searches. The Collateral Agent shall have received (i) the UCC Searches, all dated reasonably close to the Closing Date, in the discretion of the

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Collateral Agent and in form and substance satisfactory to the Collateral Agent and (ii) evidence reasonably satisfactory to the Collateral Agent that the Liens indicated by the financing statements in such UCC Searches are permitted by Section 7.2.3 or have been released.

SECTION 5.1.10. Satisfactory Review and Legal Form. All legal matters in connection with this Agreement and the consummation of the transaction contemplated hereby and by the other Loan Documents shall be approved by each Agent and its legal counsel, and there shall have been furnished to each Agent by the Borrower, at the Borrower's expense, such agreements, opinions of counsel, title opinions, and other records and information, in form, substance, scope and methodology satisfactory to each Agent in its sole discretion, as it may reasonably have requested for that purpose.

SECTION 5.1.11. Other Documents. Each Agent shall have received such other legal opinions, instruments and documents as any of the Agents or their counsel may have reasonably requested.

SECTION 5.2. All Borrowings. The obligation of each Lender to fund any Loan on the occasion of any Borrowing (including the initial Borrowing) shall be subject to the satisfaction of each of the conditions precedent set forth in this Section 5.2.

SECTION 5.2.1. Representations and Warranties, No Default. Both before and after giving effect to any Borrowing (but, if any Default of the nature referred to in Section 8.1.4 shall have occurred with respect to any other Indebtedness, without giving effect to the application, directly or indirectly, of the proceeds thereof), the following statements shall be true and correct:

(a) the representations and warranties of the Borrower and each other Obligor set forth in the Loan Documents shall be true and correct in all material respects with the same effect as if then made (unless stated to relate solely to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date); and

(b) no Default shall have occurred and be continuing.

SECTION 5.2.2. Borrowing Request. The Collateral Agent shall have received a Borrowing Request for such Borrowing. The delivery of a Borrowing Request and the acceptance by the Borrower of the proceeds of such Borrowing shall constitute a representation and warranty by the Borrower that, on the date of such Borrowing (both immediately before and after giving effect to such Borrowing and the application of the proceeds thereof), all representations and warranties of the Borrower and each other Obligor set forth in the Loan Documents are true and correct with the same effect as if then made (unless stated to relate solely to an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date).

SECTION 5.2.3. Satisfactory Legal Form. All documents executed or submitted pursuant hereto by or on behalf of any Obligor shall be satisfactory in form and substance to each Agent and its counsel, and each Agent and its counsel shall have received all information, approvals, opinions, title opinions, documents or instruments as either Agent or its counsel may reasonably request.

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REPRESENTATIONS AND WARRANTIES

In order to induce the Agents and the Lenders to enter into this Agreement and to make Loans hereunder, the Borrower represents and warrants unto the Agents and the Lenders as set forth in this Article VI.

SECTION 6.1. Existence, etc. Each Obligor is a corporation, partnership or limited liability company validly organized and existing and in good standing under the laws of the State of its organization, incorporation or formation. Each Obligor is duly qualified to do business and is in good standing as a foreign entity in each jurisdiction where the nature of its business requires such qualification. Each Obligor has full power and authority, and holds all requisite governmental licenses, permits and other approvals, (i) to enter into and perform its Obligations under this Agreement, the Notes and each other Loan Document to which it is a party, and (ii) to own and hold under lease its property and to conduct its business substantially as currently conducted by it.

SECTION 6.2. Due Authorization. Each Obligor has all necessary power and authority to execute, deliver and perform its obligations under the Loan Documents to which it is a party; and the execution, delivery and performance by each Obligor of the Loan Documents to which it is a party, have been duly authorized by all necessary action on its part; and the Loan Documents constitute the legal, valid and binding obligations of each Obligor thereto, enforceable in accordance with their terms, except to the extent that enforcement may be subject to any applicable bankruptcy, insolvency or similar laws generally affecting the enforcement of creditors' rights.

SECTION 6.3. Non-Contravention. Neither the execution and delivery of the Loan Documents, nor compliance with the terms and provisions hereof will conflict with or result in a breach of, or require any consent which has not been obtained as of the Effective Date under, the respective Organic Documents of any Obligor, or any Governmental Rule or any material agreement or instrument to which any Obligor is a party or by which it is bound or to which it or its Properties are subject, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien upon any of the revenues or assets of any Obligor pursuant to the terms of any such agreement or instrument other than the Liens created by the Loan Documents.

SECTION 6.4. Government Approval, Regulation, etc. Except for filings necessary to perfect Liens created under the Loan Documents, no Governmental Approvals or third party consents are necessary for the execution, delivery or performance by any Obligor of the Loan Documents or for the validity or enforceability thereof.

SECTION 6.5. No Material Adverse Change. Since December 31, 2004,

(a) there has been no change or event which could reasonably be expected to have a Material Adverse Effect, nor

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(b) neither the business nor the Property of the Borrower, any Subsidiary or any other Obligor has been materially and adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of Property or cancellation of contracts, permits or concessions by any Governmental Authority, riot, activities of armed forces or acts of God or of any public enemy.

SECTION 6.6. Litigation, Labor Controversies, etc. There is no pending or, to the Borrower's knowledge, threatened litigation, action, proceeding, or labor controversy affecting the Borrower or any Subsidiary, or any of their respective properties, businesses, assets or revenues, which could reasonably be expected to have a Material Adverse Effect, except as disclosed in Item 6.7 of the Disclosure Schedule. There are no outstanding judgments against the Borrower or any Subsidiary.

SECTION 6.7. Subsidiaries. On the Closing Date, neither the Borrower nor any other Obligor has any Subsidiaries except those Subsidiaries identified in Item 6.8 of the Disclosure Schedule.

SECTION 6.8. Location of Business and Offices. The Borrower's state of organization, state identification number, principal place of business and chief

executive offices are located at the address stated on the signature page of this Agreement or as otherwise disclosed in writing to the Collateral Agent and its Federal Taxpayer Identification Number is 75-2958833. The state of organization, organizational number, principal place of business, chief executive office and Federal Tax Payer Identification Number of each Subsidiary are described in Item 6.8 of the Disclosure Schedule or as otherwise disclosed in writing to each Agent.

SECTION 6.9. Properties, etc.

(a) Each of the Borrower and its Subsidiaries has good and defensible title to, or valid leasehold interests in, its Mortgaged Properties and its other material (individually or in the aggregate) Properties, free and clear of all Liens, and free and clear of all limitations and restrictions on, and consent requirements for, disposition or transfer, except as permitted pursuant to Section 7.2.3. Other than those Subsidiaries of the Borrower that are executing a Mortgage pursuant to this Agreement, no Subsidiary of the Borrower owns any real property. Except as set forth in Item 6.10 of the Disclosure Schedule, after giving full effect to the Permitted Liens, the Borrower owns the net interests in production attributable to the Hydrocarbon Interests that are Collateral and the ownership of such Properties shall not obligate the Borrower 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 such Property.

(b) All leases and agreements necessary for the conduct of the business of the Borrower and its Subsidiaries 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 Borrower and its Subsidiaries.

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(c) The rights, Mortgaged Properties and other assets currently owned, leased or licensed by the Borrower and its Subsidiaries, including, without limitation, all easements and rights of way, include all rights, Properties and other assets necessary to permit the Borrower and its Subsidiaries to conduct their business in all material respects in the same manner as its business has been conducted prior to the Closing Date.

(d) All of the assets and Properties of the Borrower and its Subsidiaries that are reasonably necessary for the operation of its business are in good working condition and are maintained in accordance with prudent business standards.

SECTION 6.10. Taxes. The Borrower and each of its Subsidiaries has filed all tax returns and reports required by Governmental Rule to have been filed by it and has paid all taxes and governmental charges thereby shown to be owing, except any such taxes or charges which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Borrower knows of no pending investigation of the Borrower or any Subsidiary by any taxing authority or of any pending but unassessed tax liability of the Borrower or any Subsidiary.

SECTION 6.11. Investment Company Act. Neither the Borrower nor any Subsidiary is an "investment company" within the meaning of and subject to regulation under the Investment Company Act of 1940, as amended.

SECTION 6.12. Public Utility Holding Company Act. Neither the Borrower nor any Subsidiary is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

SECTION 6.13. Environmental Warranties.

(a) The Borrower and each Subsidiary and all of their respective Properties and operations are in compliance in all respects with all Environmental Laws, except as could not reasonably be expected to have a Material Adverse Effect; neither the Borrower nor any Subsidiary is aware

of, and none of the Borrower or any of its Subsidiaries has received notice of, any past, present or future conditions, events, activities, practices or incidents which may interfere with or prevent the compliance or continued compliance of any of them with all Environmental Laws;

(b) There have been no past, and there are no pending or, to the knowledge of the Borrower, threatened, (i) claims or complaints, notices or requests for information received by the Borrower or any of its Subsidiaries with respect to any alleged violation of any Environmental Law by the Borrower or any of its Affiliates, or (ii) complaints, notices or inquiries to the Borrower or any of its Affiliates regarding potential liability under any Environmental Law;

(c) Except as could not reasonably be expected to have a Material Adverse Effect, there have been no Releases of Hazardous Materials at, on or under any Property now or previously owned or leased by the Borrower or any of its Subsidiaries;

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(d) Except where the failure to take such actions would not have a Material Adverse Effect: (i) all notices, permits, licenses or similar authorizations, if any, required to be obtained or filed in connection with the operation or use of any and all Property of the Borrower and each Subsidiary, including without limitation past or present treatment, storage, disposal or release of a Hazardous Material into the environment, have been duly obtained or filed, and (ii) the Borrower and each Subsidiary are in compliance with the terms and conditions of all such notices, permits, licenses and similar authorizations;

(e) no Property now or previously owned or leased by the Borrower or any of its Subsidiaries is listed or proposed for listing (with respect to owned Property only) on the National Priorities List pursuant to CERCLA, on the CERCLIS or on any similar state list of sites requiring investigation or clean-up;

(f) there are no underground storage tanks, active or abandoned, including petroleum storage tanks, on or under any Property now or previously owned or leased by the Borrower or any of its Subsidiaries;

(g) neither the Borrower nor any Subsidiary of the Borrower has directly transported or directly arranged for the transportation of any Hazardous Material to any location which is listed or proposed for listing on the National Priorities List pursuant to CERCLA, on the CERCLIS or on any similar state list or which is the subject of federal, state or local enforcement actions or other investigations which may lead to claims against the Borrower or such Subsidiary thereof for any remedial work, damage to natural resources or personal injury, including claims under CERCLA;

(h) Except as could not reasonably be expected to have a Material Adverse Effect, there are no polychlorinated biphenyls or friable asbestos present at any Property now or previously owned or leased by the Borrower or any Subsidiary of the Borrower; and

(i) Except as could not reasonably be expected to have a Material Adverse Effect, to the knowledge of the Borrower, no conditions exist at, on or under any Property now or previously owned or leased by the Borrower which, with the passage of time, or the giving of notice or both, would give rise to liability under any Environmental Law.

SECTION 6.14. Regulation U. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Loans will be used for a purpose that violates, or would be inconsistent with, Regulation U.

SECTION 6.15. Accuracy of Information. All factual information heretofore or contemporaneously furnished by or on behalf of the Borrower or any other Obligor in writing to the Collateral Agent, the Collateral Agent or any Lender for purposes of or in connection with this Agreement, any Loan Document or any transaction contemplated hereby or thereby is, and all other such factual information hereafter furnished by or on behalf of any Obligor to the Collateral Agent, the Collateral Agent or any Lender will be, true and accurate in every material respect on the date as of which such information is dated or certified

and as of the date of execution and delivery of this Agreement by to the Collateral Agent, the Collateral Agent or such

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Lender, and such information is not, or shall not be, as the case may be, incomplete by omitting to state any material fact necessary to make such information not misleading. There is no fact existing with respect to the Borrower or any Subsidiary that could reasonably be expected to have a Material Adverse Effect and which has not been set forth in this Agreement or the other documents, certificates and statements furnished to each Agent by or on behalf of the Borrower or any Subsidiary prior to, or on, the Closing Date in connection with the transactions contemplated hereby.

SECTION 6.16. Defaults. Neither the Borrower nor any Subsidiary 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, under any material agreement or instrument to which the Borrower or any Subsidiary is a party or by which the Borrower or any Subsidiary is bound in any material respect. No Default hereunder has occurred and is continuing.

SECTION 6.17. Compliance with Law. Neither the Borrower nor any Subsidiary has violated any Governmental Rule or failed to obtain any Governmental Approval necessary for the ownership of any of its Properties or the conduct of its business which could reasonably be 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 applicable Governmental Rules of all Governmental Authorities having jurisdiction 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, except to the extent the same could not reasonably be expected to have a Material Adverse Effect.

SECTION 6.18. Direct Benefit. The Borrowings hereunder are or will be, as applicable, for the direct benefit of the Borrower. The Borrower and each of the Guarantors are engaged as an integrated group in the business of oil and gas exploration and related fields, and any benefits to any such Obligor is a benefit to all of them, both directly or indirectly, inasmuch as the successful operation and condition of any such Obligor is dependent upon the continued successful performance of the functions of the integrated group as a whole.

SECTION 6.19. Use of Proceeds. The proceeds of the Loans shall be used in accordance with the purposes set forth in Section 4.10.

SECTION 6.20. Priority; Security Matters. The Obligations are and shall be at all times secured by Liens in all Collateral to the extent perfection has or will occur by the filing of a UCC financing statement in the States of Texas and Oklahoma, if applicable, the filing of a Mortgage in real property records of the parish or county in which such real property or fixtures are located (or adjacent in the case of properties located on the Outer Continental Shelf), or by possession, and, except for Liens permitted by Section 7.2.3, all such Liens shall be first priority Liens, subject only to Permitted Liens.

ARTICLE VII

COVENANTS

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SECTION 7.1. Affirmative Covenants. The Borrower agrees with Collateral Agent, the Collateral Agent and the Lenders that, until all Commitments have terminated and all Obligations have been paid and performed in full, the Borrower will, and will cause its Subsidiaries to, perform the obligations set forth in this Section 7.1.

SECTION 7.1.1. Notices, etc. The Borrower will furnish, or will cause to be furnished, to the Agents for distribution to the Lenders, copies of the following notices and information:

- (a) Default. Immediately upon the Borrower learning of the occurrence of any Default or anything that could reasonably be expected to

have a Material Adverse Effect, a statement of an Authorized Officer of the Borrower setting forth details of such Default or Material Adverse Effect and the action that the Borrower or such other Obligor has taken and proposes to take with respect thereto.

(b) Litigation. Promptly upon the Borrower learning of (x) the occurrence of any adverse development with respect to any litigation, action, proceeding, or labor controversy described in Section 6.6 or (y) the commencement of any labor controversy, litigation, action, proceeding of the type described in Section 6.6, notice thereof and copies of all documentation relating thereto.

(c) Notice of Dispositions of Properties.

(i) Promptly upon the disposition of any Oil and Gas Properties or Equity Interests pursuant to Section 7.2.10 or otherwise, and in any event within five (5) Business Days of such disposition, the Borrower shall provide each Agent with written notice of such disposition, setting forth a description of the Oil and Gas Properties or Equity Interests so disposed of and the proceeds received in connection with such disposition.

(ii) Prior to the disposition of any Oil and Gas Properties pursuant to Section 7.2.10(c), the Borrower shall give each Agent written notice at least 10 days prior to the date of such disposition which sets out the proceeds to be received by the Borrower or any of its Subsidiaries from such disposition and certifies that no Default exists or would result from such disposition.

(d) Notice of Material Adverse Change. As soon as possible and in any event within five (5) days after the occurrence thereof, written notice of any matter that could reasonably be expected to have a Material Adverse Effect.

(e) Other. Such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its Subsidiaries as any Agent or any Lender may from time to time reasonably request, including, without limitation, such information as may be required by Lender in order to comply with its obligations as borrower under the AREP O&G Facility.

SECTION 7.1.2. Compliance with Laws, Maintenance of Existence, etc. The Borrower will and will cause each of its Subsidiaries to:

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(a) comply in all material respects with all applicable laws, rules, regulations and orders;

(b) do all things necessary and proper to maintain and preserve its respective corporate or other existence and franchises and privileges in the jurisdiction of its formation and qualify and remain qualified as a foreign entity authorized to do business in each jurisdiction in which it conducts business; and

(c) pay, before the same become delinquent, all taxes, assessments and governmental charges imposed upon it or upon its Property except to the extent being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books. The Borrower will conduct, and will cause each Subsidiary to conduct, its business in an orderly and efficient manner in accordance with good business practices.

SECTION 7.1.3. Maintenance of Properties. The Borrower will, and will cause each of its Subsidiaries to, maintain, preserve, protect and keep its and their respective Properties in good repair, working order and condition, and make necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times and otherwise do all other things necessary to keep unimpaired, except for Liens permitted in Section 7.2.3, its rights with respect to its Oil and Gas Properties and prevent any forfeiture thereof or a default thereunder, except to the extent a portion of such Oil and Gas Properties is no longer capable of producing Hydrocarbons in economically reasonable amounts and except for

dispositions of Property permitted by Section 7.2.10. The Borrower will, and will cause each of its Subsidiaries to, operate its and their respective Oil and Gas Properties or cause or make reasonable efforts to cause such Oil and Gas Properties to be operated in a reasonable and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance in all material respects with all applicable laws, rules, regulations and orders of any applicable Governmental Authority.

SECTION 7.1.4. Insurance.

(a) The Borrower will, and will cause each of its Subsidiaries to, maintain or cause to be maintained with responsible insurance companies insurance with respect to its and its Subsidiaries' Properties and business (including business interruption insurance) against such casualties and contingencies and of such types and in such amounts as is customary in the case of similar businesses and will, upon request of either Agent, furnish to the Agents and the Lenders at reasonable intervals a certificate of an Authorized Officer of the Borrower setting forth the nature and extent of all insurance maintained by the Borrower and its Subsidiaries in accordance with this Section 7.1.4(a). Each insurance policy covering Collateral shall provide that such policy will not be canceled or reduced without thirty (30) days' prior written notice to the Collateral Agent. In the event an Event of Default occurs and continues for a period of thirty (30) consecutive days, the Borrower will cause, within five (5) days, each insurance policy covering Collateral to name the Collateral Agent as additional insured and loss payee for the benefit of itself, the Agents and the Lenders.

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(b) NEG will maintain or cause to be maintained with responsible insurance companies insurance with respect to its and its Subsidiaries' Properties and business (including business interruption insurance) relating to the Borrower against such casualties and contingencies and of such types and in such amounts as is customary in the case of similar businesses and will, upon request of either Agent, furnish to each Lender and each Agent at reasonable intervals a certificate of an Authorized Officer of NEG setting forth the nature and extent of all insurance maintained by NEG and its Subsidiaries in accordance with this Section 7.1.4(b).

SECTION 7.1.5. Books and Records. The Borrower will, and will cause each of its Subsidiaries to, keep books and records which accurately reflect all of its business affairs and transactions and permit the Administrative Agent, the Collateral Agent and each Lender or any of their respective representatives, at reasonable times and intervals, to visit all of its offices, to discuss its financial matters with its officers and independent public accountant (and the Borrower hereby authorizes such independent public accountant to discuss the Borrower's and its Subsidiaries financial matters with each Lender or its representatives whether or not any representative of the Borrower is present) and to examine (and, at the expense of the Borrower, photocopy extracts from) any of its books or other corporate or organizational records. The Borrower shall pay any fees of such independent public accountant incurred in connection with the Administrative Agent's, the Collateral Agents or any Lender's exercise of its rights pursuant to this Section 7.1.5.

SECTION 7.1.6. Delivery of Security Documents; Perfection and Protection of Security Interests and Liens; Additional Subsidiaries.

(a) The Borrower agrees to deliver and to cause its Subsidiaries to deliver, to further secure the Obligations whenever requested by the Collateral Agent, any Security Documents, financing statements, continuation statements, extension agreements and other similar agreements or instruments (in addition to those delivered on the Effective Date) in form and substance satisfactory to the Collateral Agent for the purpose of granting, confirming and perfecting first and prior liens or security interests in any real or personal Property which is at such time Collateral or that was intended to be Collateral pursuant to any Loan Document previously executed and not then released by the Collateral Agent; or Equity Interests in each Subsidiary of the Borrower; provided, however, that the Borrower and its Subsidiaries shall at all times maintain in effect in favor of the Collateral Agent such Mortgages as are necessary to grant, confirm and perfect first and prior liens or security

interests in at least ninety percent (90%) of the net present value of the Oil and Gas Properties of the Borrower and its Subsidiaries; and provided, further, however, that in the event that the Hydrocarbon Interests on which the Collateral Agent has a first priority perfected Lien shall constitute less than ninety percent (90%) of the net present value of the Oil and Gas Properties of the Borrower and its Subsidiaries, the Borrower shall promptly notify the Administrative Agent and the Collateral Agent and execute or cause to be executed additional Mortgages necessary to increase such percentage to at least ninety percent (90%) Oil and Gas Properties of the Borrower and its Subsidiaries, as determined by the Collateral Agent in its reasonable discretion. The Borrower also agrees to deliver, and to cause its Subsidiaries to deliver, whenever requested by the Collateral Agent, favorable title opinions (in addition to those

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required to be delivered under Article V) from legal counsel acceptable to the Collateral Agent, or favorable title insurance policies from insurers acceptable to the Collateral Agent with respect to any Collateral as to which the Collateral Agent believes that the record ownership of such Collateral, or the status of Liens securing Obligations, is in question, based upon abstract or record examinations to date acceptable to the Collateral Agent, and (i) stating that the Borrower has good and marketable title to such properties and interest, free and clear of all Liens except for Liens permitted pursuant to Section 7.2.3; (ii) confirming that such properties and interest are subject to Security Documents securing Obligations that constitute and create legal, valid and duly perfected Liens to such properties and interests and the proceeds thereof, and (iii) covering such other matters as the Collateral Agent may request.

(b) The Borrower will and will cause its Subsidiaries to from time to time deliver or cause to be delivered to the Collateral Agent any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by the relevant Person, in form and substance satisfactory to the Collateral Agent, which the Collateral Agent requests for the purpose of perfecting, confirming or protecting any Liens or other rights in Collateral.

(c) The Borrower hereby authorizes the Collateral Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Collateral without the signature of the Borrower or any other Obligor where permitted by law. A carbon, photographic or other reproduction of the Security Documents or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law. The Collateral Agent will send the Borrower any financing or continuation statements it files without the signature of the Borrower or any other Obligor and the Collateral Agent will send Borrower the filing or recordation information with respect thereto.

(d) The Borrower will furnish to the Collateral Agent promptly, and in any event within thirty (30) days upon becoming aware of the following changes, written notice of any change (i) in any Subsidiary's corporate name or in any trade name used to identify such Subsidiary in the conduct of its business or in the ownership of its Properties, (ii) in the location of any Subsidiary's jurisdiction of organization, (iii) in any Subsidiary's identity or corporate structure, and (iv) in any Obligor's Federal Taxpayer Identification Number, including, without limitation, information regarding the time of such relocation, the items being relocated and the intended new locality of such items. Borrower also agrees to provide to the Collateral Agent, from time to time upon reasonable request of the Collateral Agent, information which is in the possession of the Borrower or its Subsidiaries or otherwise reasonably obtainable by any of them, reasonably satisfactory to the Collateral Agent as to the perfection and priority of the Liens created or intended to be created by the Security Documents. The Security Documents shall remain in effect at all times unless otherwise released pursuant to the terms of this Agreement.

(e) If any additional Subsidiary of the Borrower is formed or acquired after the Closing Date, the Borrower will notify the Agents and the Lenders thereof. The

Borrower will (i) cause any Subsidiary to execute a Guaranty within 30 days after such Subsidiary is formed or acquired and (ii) pledge, or cause any Subsidiary to pledge, all Equity Interests in such newly determined Subsidiary pursuant to a Pledge Agreement.

(f) The Original Credit Agreement was secured by a pledge and security interest heretofore made by Lender covering its Equity Interests in NEG Holding. The parties acknowledge and agree that such pledge and security interest has terminated and is not collaterally assigned or pledged to Collateral Agent.

SECTION 7.1.7. Use of Proceeds. The Borrower and its Subsidiaries will use the proceeds of the Loans only in accordance with the purposes set forth in Section 4.10.

SECTION 7.1.8. Title to Oil and Gas Properties. The Borrower shall, and shall cause each Subsidiary to, maintain good and defensible title to its material (individually or in the aggregate) Oil and Gas Properties, including, the Mortgaged Properties, if any, and to do all things reasonably necessary to cure any material title defects that are not Liens permitted by Section 7.2.3 of which the Borrower or any Subsidiary has knowledge or has been provided notice.

SECTION 7.2. Negative Covenants. The Borrower agrees with each Agent and each Lender that, until all Commitments have terminated and all Obligations have been paid and performed in full, the Borrower will, and will cause its Subsidiaries to, perform the obligations set forth in this Section 7.2.

SECTION 7.2.1. Business Activities. The Borrower will not, and will not permit any of its Subsidiaries to, engage in any business activity except the Oil and Gas Business.

SECTION 7.2.2. Indebtedness. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist or otherwise become or be liable with respect to any Indebtedness other than the following, without duplication:

(a) Indebtedness with respect to the Loans and other Obligations (including Obligations under Hedging Agreements);

(b) Indebtedness in an aggregate principal amount not to exceed \$5,000,000 at any time outstanding which is incurred by the Borrower or any of its Subsidiaries to a vendor of any assets to finance the acquisition of such assets;

(c) unsecured accounts payable by the Borrower incurred in the ordinary course of business (including open accounts extended by suppliers on normal trade terms in connection with purchases of goods and services, but excluding Indebtedness incurred through the borrowing of money or Contingent Liabilities) which are not more than 90 days past due;

(d) Indebtedness with respect to Capitalized Lease Liabilities in an aggregate principal amount not to exceed \$5,000,000 at any time outstanding;

(e) Indebtedness of the Borrower with respect to Hedging Obligations; provided, that (i) such Hedging Obligations with respect to commodities (including oil and gas) do not exceed volumes with respect to any year in excess of eighty percent (80%) of the projected production attributable to the Borrower's then proved developed producing Oil and Gas Properties with respect to such year, and are not with respect to forward sales of production, and are included to protect the Borrower against price fluctuations and are not entered into for the purpose of speculative investments; (ii) any Hedging Obligations with respect to interest rates, are entered into with the purpose and effect of fixing and capping interest rates on a principal amount of indebtedness of the Borrower that is accruing interest at a variable rate; provided that (A) the floating rate index of each such contract generally matches the index used to determine the floating rates of interest on the corresponding indebtedness

of the Borrower to be hedged by such contract; and (B) the Borrower shall not establish or maintain any margin accounts with respect to such contracts; and (iii) in each case, the underlying contracts are with any counterparty (or the parent entity thereof) who at the time the contract is made has long-term obligations rated BBB+ or better by Standard & Poor's Ratings Group or Baal or better by Moody's Investors Services, Inc.;

(f) Subordinated Debt of the Borrower; and

(g) Indebtedness in respect of any letters of credit issued for the benefit of Borrower or any of its Subsidiaries which do not in the aggregate (taking into account all such Indebtedness of all Obligors) exceed \$1,000,000 at any one time outstanding;

provided, however, that no Indebtedness otherwise permitted by clauses (b), (c), (d), (e) or (f) shall be permitted if, after giving effect to the incurrence thereof, any Default shall have occurred and be continuing.

SECTION 7.2.3. Liens. The Borrower will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, except, with respect to the Borrower and Shana National only, the following:

(a) Liens securing payment of the Obligations and any Hedging Obligations owed to a Lender or a Hedging Counterparty, granted pursuant to any Loan Document;

(b) Liens securing payment of Indebtedness of the type permitted and described in clause (g) of Section 7.2.2 and covering only cash collateral;

(c) Liens granted to secure payment of Indebtedness of the type permitted and described in clause (b) of Section 7.2.2 and covering only those assets acquired with the proceeds of such Indebtedness;

(d) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

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(e) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(f) Liens incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(g) Judgment Liens in existence fewer than fifteen (15) days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered in full (subject to a customary deductible) by insurance maintained with responsible insurance companies; and

(h) Liens of operators under joint operating agreements or similar contractual arrangements with respect to the Borrower's or such Subsidiary's proportionate share of the expense of exploration, development and operation of oil, gas and mineral leasehold or fee interests owned jointly with others, to the extent that same relate to sums not yet due or that are being contested in good faith by appropriate action promptly initiated and diligently conducted and in such manner as not to jeopardize the Administrative Agent's, the Collateral Agent's or any Lender's rights in and to any Collateral, if cash reserves shall have been provided therefor.

SECTION 7.2.4. Financial Covenants.

(a) EBITDA to Interest Expense Ratio. The Borrower will not permit its ratio of EBITDA to Total Interest Expense (calculated quarterly at the end of each Fiscal Quarter on a rolling four quarter basis) to be less than 9.0 to 1.0 at any time.

(b) Tangible Net Worth. The Borrower will not permit its Tangible Net Worth at any time to be less than the sum of (1) \$139,943,849.40 plus (2) fifty percent (50%) of the Net Cash Proceeds from the sale of any Equity Interests of the Borrower after the Effective Date; provided, however, that non-cash gains and losses, including, without limitation, FASB 133, 142, 143 and 144 non-cash gains and losses shall be excluded from the foregoing calculation (to the extent otherwise included therein).

(c) Current Ratio. The Borrower will not permit its Current Ratio to be less than 1.0 to 1.0 at any time.

(d) Indebtedness to EBITDA Ratio. The Borrower will not permit its ratio of Indebtedness to EBITDA (calculated quarterly at the end of each Fiscal Quarter on a rolling four quarter basis) to exceed 3.0 to 1.0 at any time.

SECTION 7.2.5. Investments. The Borrower will not, and will not permit any of its Subsidiaries to, make, incur, assume or suffer to exist any Investment in any other Person, except:

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(a) Investments existing on the Closing Date and identified in Item 7.2.5 of the Disclosure Schedule;

(b) without duplication, Investments permitted as Indebtedness pursuant to Section 7.2.2;

(c) Investments by the Borrower in the ordinary course of business to support the normal and customary oil and gas operations undertaken by the Borrower through joint ventures or partnerships engaged in the Oil and Gas Business in an aggregate amount at any time not to exceed \$12,000,000;

(d) with the approval of the Required Lenders, Investments by the Borrower and its Subsidiaries (except NGX GP, NGX LP and NGX Energy) in Equity Interests of other Persons engaged in the Oil and Gas Business which are not Affiliates of the Borrower or any other Obligor in an aggregate amount at any time not to exceed \$5,000,000;

(e) (i) Investments by the Borrower in Equity Interests of NGX GP and NGX LP and (ii) Investments by NGX GP and NGX LP in Equity Interests of NGX Energy, in each case as heretofore made in connection with the formation of NGX GP, NGX LP and NGX Energy; and

(f) capital contributions by the Borrower in NGX GP and NGX LP, and the immediately subsequent capital contributions by NGX GP and NGX LP in NGX Energy, in each case solely in connection with the transfer of a one percent (1%) "beneficial" interest in any newly acquired assets of the Borrower; provided, however, that, contemporaneously with any such capital contribution, the Borrower shall cause NGX Energy to execute and deliver any Security Documents required pursuant to the terms of this Agreement;

provided, however, the purchase price with respect to acquisitions permitted by and effected pursuant to Section 7.2.8(b) shall reduce dollar per dollar the \$12,000,000 Investment limitation set forth in clause (c) above; provided further, that no Investment otherwise permitted by clauses (c) and (d) above shall be permitted to be made if, immediately before or after giving effect thereto, any Default shall have occurred and be continuing; and provided further that any such Investment shall only be permitted if the Borrower gives the Administrative Agent written notice of such investment within five (5) Business days of the making of such Investment; and provided, further, that the Borrower may, in the ordinary course of business, acquire or make investments in the Oil and Gas Properties of another Person.

SECTION 7.2.6. Restricted Payments, etc. On and at all times after the Closing Date,

(a) except as set forth below, the Borrower will not declare and will not permit any Subsidiary to pay or make any dividend or distribution (in cash, property or obligations) on any shares (or other securities) of any class of the Borrower's Equity Interests (now or hereafter outstanding) or on any warrants, options or other rights with

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respect to any shares (or other securities) of any class of such Equity Interests (now or hereafter outstanding) or apply, or permit any of its Subsidiaries to apply, any of its funds or Property to the purchase, redemption, sinking fund or other retirement of, or agree or permit any of its Subsidiaries to purchase or redeem, any shares (or other securities) of any class of the Borrower's Equity Interests (now or hereafter outstanding), or warrants, options or other rights with respect to any shares (or other securities) of any class of the Borrower's Equity Interests (now or hereafter outstanding);

(b) except as set forth below, (i) the Borrower will not, and will not permit any Subsidiary to, pay any portion of the Management Fee to NEG and (ii) the Borrower will not pay any NEG Guaranteed Payments (as defined in the NEG Holding Operating Agreement) pursuant to Section 6.5 of the NEG Holding Operating Agreement to NEG;

(c) the Borrower will not, and will not permit any of its Subsidiaries to (i) make any payment or prepayment of principal of, or make any payment of interest on, any Subordinated Debt on any day other than the stated, scheduled date for such payment or prepayment permitted in the documents and instruments memorializing such Subordinated Debt; (ii) make any payment or prepayment of principal of, or make any payment of interest on, any Subordinated Debt which would violate the subordination provisions of such Subordinated Debt; or (iii) redeem, purchase or defease, any Subordinated Debt; and

(d) the Borrower will not, and will not permit any Subsidiary to, make any deposit for any of the foregoing purposes;

provided, however, that the Borrower and its Subsidiaries shall be allowed to effect a dividend or distribution otherwise restricted by clauses (a) or (b) above (subject at all times, however, with respect to any payment of a Management Fee, to the limitations set forth in Section 7.2.13) if and only if, prior to payment of the proposed dividend or distribution, the Borrower delivers to each Agent a compliance certificate executed by an Authorized Officer of the Borrower containing a statement to the effect that the Borrower has not become aware of any Default or Event of Default that has occurred or is continuing.

SECTION 7.2.7. Take or Pay Contracts. The Borrower will not, and will not permit any of its Subsidiaries to, enter into or be a party to any arrangement for the purchase of materials, supplies, other Property or services if such arrangement by its express terms requires that payment be made by the Borrower or such Subsidiary regardless of whether such materials, supplies, other Property or services are delivered or furnished to it.

SECTION 7.2.8. Consolidation, Merger, etc. The Borrower will not, and will not permit any of its Subsidiaries to, liquidate or dissolve, consolidate with, or merge into or with, any other Person, or purchase or sell, lease or otherwise dispose of (whether in one transaction or a series of transactions) all or substantially all of its Property or assets to any other Person except that:

(a) (i) (A) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower and (B) any Subsidiary of the Borrower (except NGX Energy)

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may be merged or consolidated with or into any Wholly-Owned Subsidiary; (ii) (A) the Property or Equity Interests of any Subsidiary may be purchased or otherwise acquired by the Borrower and (B) the Property or Equity Interests of any Subsidiary (except NGX Energy) may be purchased or otherwise acquired by any Wholly-Owned Subsidiary; provided that in any such transaction involving the Borrower or any Wholly-Owned Subsidiary, the Borrower or such Wholly-Owned Subsidiary shall be the surviving or

continuing entity; and (iii) (A) any Subsidiary (except NGX Energy) may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower and (B) any Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to any Wholly-Owned Subsidiary;

(b) so long as (i) permitted by Section 7.2.5 and (ii) no Default has occurred and is continuing or would occur after giving effect thereto, the Borrower or Shana National may purchase all or substantially all of the assets of any Person (except, as to Shana National, assets of NGX GP, NGX LP or NGX Energy), or acquire such Person by merger (except, as to Shana National, assets of NGX GP, NGX LP or NGX Energy) that, in the discretion of the Agents, is engaged in the Oil and Gas Business; provided that in any merger involving the Borrower or Shana National, the Borrower or Shana National shall be the surviving or continuing entity; and

(c) the Borrower may sell, transfer or otherwise dispose of to NGX Energy a one percent (1%) "beneficial" interest in any or all of its hereafter acquired assets; provided, however, that, contemporaneously with such sale, transfer or other disposition, the Borrower shall cause NGX Energy to execute and deliver any Security Documents required pursuant to the terms of this Agreement.

SECTION 7.2.9. Sale or Discount of Receivables. Neither the Borrower nor any Subsidiary will discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

SECTION 7.2.10. Asset Dispositions, etc. The Borrower will not, and will not permit any of its Subsidiaries to, sell, assign, farm-out, transfer, lease, contribute, convey or otherwise transfer, or grant options, warrants or other rights to any Person (each a "TRANSFER") any of its Property (including, without limitation, accounts receivable, Equity Interests of Subsidiaries and the Oil and Gas Properties), except for:

(a) the sale of Hydrocarbons in the ordinary course of business;

(b) the sale or transfer of equipment that is obsolete, worn out, depleted or uneconomic and disposed of in the ordinary course of business;

(c) the sale, transfer or other disposition for cash in one or more transactions of Properties of the Borrower and its Subsidiaries (except NGX GP and NGX LP), to Persons other than Affiliates of the Borrower, provided that the aggregate proceeds received by the Borrower or such Subsidiaries from the sale, transfer or disposal of such Properties during any six month period from any January 1 through the following June 30

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or from any July 1 through the following December 31 shall not exceed four percent (4%) of the Borrowing Base;

(d) sales of Equity Interests in the Borrower to NEG Holding; and

(e) dispositions permitted by Section 7.2.8;

provided, however, that no Transfer shall be permitted pursuant to clause (c) if a Default or an Event of Default shall have occurred or be continuing or result therefrom.

SECTION 7.2.11. Modification of Certain Agreements. The Borrower will not consent to any amendment, supplement or other modification of any of the terms or provisions contained in, or applicable to any document or instrument evidencing or applicable to any Subordinated Debt, other than any amendment, supplement or other modification which extends the date or reduces the amount of any required repayment or redemption. Furthermore, the Borrower will not (a) consent to any amendment, supplement or other modification of the NEG Management Agreement or (b) amend, supplement or otherwise modify, or permit any Subsidiary to amend, supplement or otherwise modify, any Organic Documents of a Subsidiary, unless previously consented to in writing by each Agent.

SECTION 7.2.12. Transactions with Affiliates. Except for Permitted NEG Affiliate Transactions and pursuant hereto, neither the Borrower nor any

Subsidiary 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 unless such transactions are otherwise permitted under this Agreement, are in the ordinary course of its business 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 7.2.13. Payment of Management Fee. The Borrower will not, and will not permit any of its Subsidiaries to, pay to NEG any portion of the NEG Management Fee (i) during any Fiscal Quarter, to the extent that such NEG Management Fee exceeds ten percent (10%) of the quarterly gross revenues for the Borrower and its Consolidated Subsidiaries, and (ii) during any Fiscal Year, to the extent that such NEG Management Fee exceeds ten percent (10%) of the annual gross revenues for the Borrower and its Consolidated Subsidiaries.

SECTION 7.2.14. Negative Pledges, Restrictive Agreements, etc. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any agreement (excluding this Agreement, any other Loan Document and, with respect to clause (a) below, by clause (b) of Section 7.2.2 solely as to the assets financed with the proceeds of such Indebtedness) prohibiting:

(a) the creation or assumption of any Lien upon its Oil and Gas Properties or other Property, whether now owned or hereafter acquired; or

(b) the ability of the Borrower or any other Obligor to amend or otherwise modify this Agreement or any other Loan Document; or

(c) the ability of any Subsidiary to make any payments, directly or indirectly, to the Borrower by way of dividends, advances, repayments of loans or advances,

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reimbursements of management and other intercompany charges, expenses and accruals or other returns on investments, or any other agreement or arrangement which restricts the ability of any such Subsidiary to make any payment, directly or indirectly, to the Borrower.

SECTION 7.2.15. Creation of Subsidiaries. The Borrower will not, and will not permit any of its Subsidiaries to, create or allow to be created any Subsidiary not already existent and listed on Item 6.8 of the Disclosure Schedule, without the prior written consent of the each Agent and each Lender; provided, however, that, in the event that the Borrower deems it necessary or desirable to effect a corporate restructuring requiring the formation of Subsidiaries, the Administrative Agent agrees on behalf of itself and the Lenders to reasonably consider and discuss the feasibility of such restructuring.

SECTION 7.2.16. Leases. The Borrower will not, and will not permit any of its Subsidiaries to create, incur, assume or permit to exist any obligation for the payment of rent or hire of Property of any kind whatsoever (real or personal, but excluding leases of Hydrocarbon Interests, oil and gas operating agreements and Capitalized Lease Liabilities), under leases or lease agreements that would cause the aggregate amount of all payments made by the Borrower and its Subsidiaries pursuant to all such leases or lease agreements to exceed \$500,000 in any period of twelve consecutive calendar months during the life of such leases.

SECTION 7.2.17. Sale and Leaseback Transactions. Neither the Borrower nor any Subsidiary will enter into any arrangement, directly or indirectly, with any Person whereby the Borrower or any Subsidiary shall sell or transfer any of its Property, whether now owned or hereafter acquired, and whereby the Borrower or any Subsidiary shall then or thereafter rent or lease as lessee such Property or any part thereof or other Property that the Borrower or any Subsidiary intends to use for substantially the same purpose or purposes as the Property sold or transferred.

ARTICLE VIII

EVENTS OF DEFAULT

SECTION 8.1. Listing of Events of Default. Each of the following events or occurrences described in this Section 8.1 shall constitute an "EVENT OF DEFAULT".

SECTION 8.1.1. Non-Payment of Obligations. Any Obligor shall default in the payment or prepayment when due of any principal of or interest on any Loan; or of any fees or any other obligation hereunder or under any other Loan Document, and such default other than a default of a payment or prepayment of principal (which shall have no cure period), shall continue unremedied for a period of three (3) days.

SECTION 8.1.2. Breach of Representation or Warranty. Any representation or warranty of any Obligor made or deemed to be made hereunder or in any other Loan Document executed by it or any other writing or certificate furnished by or on behalf of any Obligor to either Agent or any Lender for the purposes of or in connection with this Agreement or any such

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other Loan Document (including any certificates delivered pursuant to Article V) is or shall be false or in any material respect incorrect when made or deemed made.

SECTION 8.1.3. Non-Performance of Certain Covenants and Obligations.

(a) The Borrower shall default in the due performance and observance of any of its obligations under Section 7.2; or

(b) The Borrower shall default in the due performance and observance of any of its obligations under any other Section of this Agreement, or any Obligor shall default in the performance of its obligations under any other Loan Document (other than the payment of amounts due which shall be governed by Section 8.1.1) and such default shall continue unremedied for a period of thirty (30) days after the earlier to occur of (i) notice thereof to the Borrower by either Agent, or (ii) the Borrower otherwise becoming aware of such default.

SECTION 8.1.4. Default on Other Indebtedness. (a) A default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness (other than Indebtedness described in Section 8.1.1) of the Borrower or any of its Subsidiaries, or any other Obligor, having a principal amount, individually or in the aggregate, in excess of \$5,000,000, (b) a default shall occur with respect to any Hedging Obligation to any Hedging Counterparty or any Affiliate of a Hedging Counterparty, such default being, individually or in the aggregate, in excess of \$5,000,000, or (c) a default shall occur in the performance or observance of any obligation or condition with respect to such Indebtedness if the effect of such default is to accelerate the maturity of any such Indebtedness or such default shall continue unremedied for any applicable period of time sufficient to permit the holder or holders of such Indebtedness, or any trustee or agent for such holders, to cause such Indebtedness to become or be declared due and payable prior to its expressed maturity.

SECTION 8.1.5. Judgments. Any judgment or order for the payment of money in excess of \$5,000,000 shall be rendered against the Borrower or any of its Subsidiaries, or any other Obligor, and either

(a) enforcement proceedings shall have been commenced by any creditor upon such judgment or order; or

(b) there shall be any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

SECTION 8.1.6. Pension Plans. Either (i) any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code) in excess of \$1,000,000 exists with respect to any ERISA Plan, whether or not waived by the Secretary of the Treasury or his delegate, or (ii) any Termination Event occurs with respect to any ERISA Plan and the then current value of such ERISA Plan's benefit liabilities exceeds the then current value of such ERISA Plan's assets available for the payment of such benefit liabilities by more than

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\$1,000,000 (or in the case of a Termination Event involving the withdrawal of a substantial employer, the withdrawing employer's proportionate share of such

excess exceeds such amount);

SECTION 8.1.7. Change of Control. Any Change in Control shall occur.

SECTION 8.1.8. Bankruptcy, Insolvency, etc. The Borrower, any of its Subsidiaries, or any other Obligor, shall:

(a) be liquidated or become insolvent or generally fail to pay, or admit in writing its inability or unwillingness to pay, debts as they become due;

(b) apply for, consent to, or acquiesce in, the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any of its Subsidiaries, or any other Obligor, or any Property of any thereof, or make a general assignment for the benefit of creditors;

(c) in the absence of such application, consent or acquiescence, permit or suffer to exist the appointment of a trustee, receiver, sequestrator or other custodian for the Borrower or any of its Subsidiaries, or any other Obligor, or for a substantial part of the Property of any thereof, and such trustee, receiver, sequestrator or other custodian shall not be discharged within sixty (60) days, provided that the Borrower, its Subsidiaries, and the other Obligors hereby expressly authorizes each Agent and each Lender to appear in any court conducting any relevant proceeding during such 60-day period to preserve, protect and defend their rights under the Loan Documents;

(d) permit or suffer to exist the commencement of any bankruptcy, reorganization, liquidation, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, with respect to the Borrower or any of its Subsidiaries, or any other Obligor, and, if any such case or proceeding is not commenced by the Borrower or such Subsidiary or such other Obligor, such case or proceeding or winding up shall be consented to or acquiesced in by the Borrower or such Subsidiary or such other Obligor or shall result in the entry of an order for relief or shall remain for sixty (60) days undismissed, provided that each Obligor and each Subsidiary hereby expressly authorizes each Agent and each Lender to appear in any court conducting any such case or proceeding during such 60-day period to preserve, protect and defend their rights under the Loan Documents; or

(e) take any action authorizing, or in furtherance of, any of the foregoing.

SECTION 8.1.9. Impairment of Security, etc. Any Loan Document or any Lien granted thereunder shall (except in accordance with its terms), in whole or in part, terminate, cease to be effective or cease to be the legally valid, binding and enforceable obligation of any Obligor party thereto (for any reason other than its release or subordination by the Collateral Agent); any Obligor or any other party shall, directly or indirectly, contest in any manner such effectiveness, validity, binding nature or enforceability; or any Lien securing any Obligation shall, in whole or in part, cease to be a perfected first priority Lien, subject only to those exceptions expressly permitted by such Loan Document.

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SECTION 8.1.10. NEG Management Agreement. The NEG Management Agreement is terminated, cancelled or otherwise deemed unenforceable.

SECTION 8.1.11. Attachment, etc. The Borrower or any of its Subsidiaries, or any other Obligor, suffers a writ or warrant of attachment or any similar process to be issued by any Governmental Authority against all or any substantial part of its assets or any part of the Collateral, and such writ or warrant of attachment or any similar process is not stayed or released within thirty days after the entry or levy thereof or after any stay is vacated or set aside.

SECTION 8.2. Action if Bankruptcy. If any Event of Default described in clauses (a) through (d) of Section 8.1.8 shall occur, the Commitments (if not theretofore terminated) shall automatically terminate and the outstanding principal amount of all outstanding Loans and all other Obligations shall automatically be and become immediately due and payable, without notice or demand.

SECTION 8.3. Action if Other Event of Default. If any Event of Default (other than any Event of Default described in clauses (a) through (d) of Section 8.1.8 with respect to the Borrower or any Subsidiary or any other Obligor) shall occur for any reason, whether voluntary or involuntary, and be continuing, the Administrative Agent may by notice to the Borrower declare all or any portion of the outstanding principal amount of the Loans and other Obligations to be due and payable without further notice, demand or presentment, and/or the Commitments (if not theretofore terminated) to be terminated, whereupon the full unpaid amount of such Loans and other Obligations which shall be so declared due and payable shall be and become immediately due and payable, without further notice, demand or presentment, and/or, as the case may be, the Commitments shall terminate.

SECTION 8.4. Application of Proceeds. Notwithstanding any provision of this Credit Agreement or the Security Documents to the contrary, in the case of any sale of any Collateral, whether voluntary sale or foreclosure under any Security Documents, the proceeds and all other proceeds that then may be held or recovered by the Administrative Agent or the Collateral Agent for the benefit of Lenders, shall be applied in the following order:

(a) First, to the payment of the costs and expenses of the sale and of the collection or enforcement of the Collateral, and reasonable compensation to Administrative Agent and Collateral Agent, their agents and attorneys, and of all expenses and liabilities incurred and advances made by Administrative Agent and Collateral Agent in connection therewith;

(b) Second, to the payment of all expenses of Lenders (or Affiliates of Lenders) which the Borrower is obligated to pay pursuant to this Credit Agreement or any other Loan Document;

(c) Third, to the payment ratably of the sum of (i) amounts due for principal and interest on all Loans then outstanding, and (ii) amounts owed as the Hedging Obligations to any Hedging Counterparty, without preference or priority of the indebtedness owing to one Lender or Hedging Counterparty over another, or of Loans over Hedging Obligations, or of principal over interest; and

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(d) Fourth, after payment in full in cash of all of the Obligations, the termination of all Commitments and all other commitments by all Lenders, to the Borrower and the other Obligors, to the payment of the surplus of such cash or cash proceeds, if any, to the Borrower, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

ARTICLE IX

THE AGENTS

SECTION 9.1. Actions. Each of the Lenders hereby irrevocably appoints AREP O&G as the Administrative Agent under this Agreement, and each of the Lenders hereby irrevocably appoints Citicorp USA, Inc. as the Collateral Agent under and for purposes of this Agreement, the Notes and each other Loan Document. Each Lender authorizes each such Agent to act as contemplated under this Agreement, the Notes and each other Loan Document and to exercise such powers hereunder and thereunder as are specifically delegated to or required of such Agents by the terms hereof and thereof, together with such powers as may be reasonably incidental thereto. Each Lender hereby indemnifies (which indemnity shall survive any termination of this Agreement) the Administrative Agent and the Collateral Agent pro rata according to such Lender's percentage of all of the outstanding Obligations owing to all Lenders, WHETHER OR NOT RELATED TO ANY SINGULAR, JOINT OR CONCURRENT NEGLIGENCE OF THE ADMINISTRATIVE AGENT OR THE COLLATERAL AGENT, from and against any and all liabilities, obligations, losses, damages, claims, costs or expenses of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against, the Administrative Agent or the Collateral Agent in any way relating to or arising out of this Agreement, the Notes and any other Loan Document, including reasonable attorneys' fees, and as to which the Administrative Agent or the Collateral Agent, as the case may be, is not reimbursed by the Borrower; provided, however, that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, claims, costs or expenses which are determined by a court of competent jurisdiction in a final proceeding to have

resulted solely from the Collateral Agent's or the Collateral Agent's gross negligence or willful misconduct. Neither the Administrative Agent nor the Collateral Agent shall be required to take any action hereunder, under the Notes or under any other Loan Document, or to prosecute or defend any suit with respect to this Agreement, the Notes or any other Loan Document, unless it is indemnified hereunder to its satisfaction. If any indemnity in favor of the Administrative Agent or the Collateral Agent shall be or become inadequate, in the Administrative Agent's or the Collateral Agent's determination, as the case may be, the Administrative Agent or the Collateral Agent may call for additional indemnification from the Lenders and cease to do the acts indemnified against hereunder until such additional indemnity is given. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, neither the Administrative Agent nor the Collateral Agent shall have any duties or responsibilities, except as expressly set forth herein, nor shall the Administrative Agent or the Collateral Agent have or be deemed to have any fiduciary relationship with any Lender or Hedging Counterparty, as applicable, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent or the Collateral Agent. Without limitation of the foregoing, each of Borrower and Lenders acknowledges and agrees that the Collateral Agent

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has no duty or obligation to them that in any way restricts the Collateral Agent from exercising its rights and remedies, and carrying out any duties that it may have, in its various capacities as Hedging Counterparty, AREP Agent, or AREP Lender.

SECTION 9.2. Funding Reliance, etc. Unless the Administrative Agent shall have been notified by telephone, confirmed in writing, by any Lender by 5:00 p.m., New York time, on the day prior to a Borrowing that such Lender will not make available the amount which would constitute its Percentage of such Borrowing on the date specified therefor, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent and, in reliance upon such assumption, make available to the Borrower a corresponding amount. If and to the extent that such Lender shall not have made such amount available to the Administrative Agent, such Lender and the Borrower severally agree to repay the Administrative Agent immediately on demand such corresponding amount together with interest thereon, for each day from the date the Administrative Agent made such amount available to the Borrower to the date such amount is repaid to the Administrative Agent, at the interest rate applicable at the time to Loans comprising such Borrowing.

SECTION 9.3. Exculpation. Neither the Administrative Agent nor the Collateral Agent (in their capacities as such), nor any of their respective directors, officers, employees or agents, shall be liable to any Lender for any action taken or omitted to be taken by it under this Agreement or any other Loan Document, or in connection herewith or therewith, except for its own willful misconduct or gross negligence, nor responsible for any recitals or warranties herein or therein, nor for the effectiveness, enforceability, validity or due execution of this Agreement or any other Loan Document, nor for the creation, perfection or priority of any Liens purported to be created by any of the Loan Documents, or the validity, genuineness, enforceability, existence, value or sufficiency of any collateral security, nor to make any inquiry respecting the performance by the Borrower of its obligations hereunder or under any other Loan Document. Any such inquiry that may be made by the Administrative Agent or the Collateral Agent shall not obligate it to make any further inquiry or to take any action. Each of the Administrative Agent and the Collateral Agent shall be entitled to rely upon advice of counsel concerning legal matters and upon any notice, consent, certificate, statement or writing which the Administrative Agent or the Collateral Agent believes to be genuine and to have been presented by a proper Person.(1)

SECTION 9.4. Successors.

(a) Subject to the appointment of a successor as provided below, the Administrative Agent or the Collateral Agent may resign as such at any time upon at least thirty (30) days' prior notice to the Borrower, all Lenders and all Hedging Counterparties. If the Administrative Agent at any time shall resign, the Lenders may appoint another Lender as the successor Administrative Agent, which shall thereupon become the Administrative Agent hereunder. If the Collateral Agent shall at any time resign, the resigning Collateral Agent may appoint a Hedging Counterparty as the

successor

(1) Since the Hedging Counterparties will not be parties to this Agreement, they need to give this exculpation to the Collateral Agent in the Mortgages.

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Collateral Agent, which shall thereupon become the Collateral Agent hereunder. If a successor Administrative Agent or Collateral Agent shall have been so appointed, but shall not have accepted such appointment, within thirty (30) days after notice of resignation of the retiring Administrative Agent or Collateral Agent, as the case may be, then the retiring Administrative Agent or Collateral Agent, as the case may be, may appoint a successor Administrative Agent or Collateral Agent, respectively, which shall be one of the Hedging Counterparties or a commercial banking institution organized under the laws of the U.S. (or any State thereof) or a U.S. branch or agency of a commercial banking institution, and having a combined capital and surplus of at least \$100,000,000. Upon the acceptance of any appointment as Administrative Agent or Collateral Agent hereunder by a successor Administrative Agent or Collateral Agent, respectively, such successor Administrative Agent or Collateral Agent shall be entitled to receive from the retiring Administrative Agent or Collateral Agent such documents of transfer and assignment as such successor Administrative Agent or Collateral Agent may reasonably request, and shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Administrative Agent or Collateral Agent, and the retiring Administrative Agent or Collateral Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Administrative Agent's or Collateral Agent's resignation hereunder as the Administrative Agent or Collateral Agent, respectively, the provisions of this Article IX shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Administrative Agent or Collateral Agent under this Agreement; and Section 10.3 and Section 10.4 shall continue to inure to its benefit.

(b) Each of the Borrower, the Lenders, the Administrative Agent, and the Collateral Agent:

(i) acknowledges and agrees that AREP O&G has pledged and granted a security interest in all of its rights and powers under the Loan Documents, whether as Lender or as Administrative Agent, to the AREP Agent,

(ii) consents to and approves such pledge and security agreement,

(iii) agrees that it will accept the AREP Agent as the Person entitled to exercise the rights and powers of AREP O&G under the Loan Documents at any time when the AREP Agent has declared that an "Event of Default" exists under the AREP O&G Facility, and agrees further that the AREP Agent may possess and exercise such rights and powers without assuming or otherwise becoming liable for any liabilities or duties of AREP O&G in any of its capacities under the Loan Documents, and

(iv) agrees that the AREP Agent is an express third party beneficiary of the Loan Documents.

SECTION 9.5. Extensions of Credit by the Agents. Each of the Agents shall have the same rights and powers with respect to (x) the Loans made by it or any of its Affiliates, (y)

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the Notes held by it or any of its Affiliates, and (z) the rights and powers held by it as lender to or pledgee of AREP O&G, as any other Lender or Hedging Counterparty, as applicable, and may exercise the same as if it were not an Agent. Each of the Agents and their respective Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not an Agent hereunder, as the case may be.

SECTION 9.6. Credit Decisions. Each Lender acknowledges that it has, independently of the Agents and each other Lender and Hedging Counterparty, and based on such Person's review of the financial information and reserve based information of the Borrower and its Subsidiaries, this Agreement, the other Loan Documents (the terms and provisions of which being satisfactory to such Lender) and such other documents, information and investigations as such Person has deemed appropriate, made its own credit decision to extend its Commitment. Each Lender also acknowledges that it will, independently of the Agents and each other Lender and Hedging Counterparty, and based on such other documents, information and investigations as it shall deem appropriate at any time, continue to make its own credit decisions as to exercising or not exercising from time to time any rights and privileges available to it under this Agreement or any other Loan Document.

SECTION 9.7. Copies, etc. The Administrative Agent shall give prompt notice to the Collateral Agent, each Lender and Hedging Counterparty of each notice or request required or permitted to be given to the Administrative Agent by the Borrower pursuant to the terms of this Agreement (unless concurrently delivered to the Lenders by the Borrower). The Administrative Agent will distribute to the Collateral Agent, each Lender and each Hedging Counterparty each document or instrument received for its account and copies of all other communications received by the Administrative Agent from the Borrower for distribution to the Collateral Agent and the Lenders in accordance with the terms of this Agreement.

ARTICLE X

MISCELLANEOUS PROVISIONS

SECTION 10.1. Waivers, Amendments, etc. The provisions of this Agreement and of each other Loan Document may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Borrower, the Lenders and the Agents. No failure or delay on the part of any Agent, any Lender, any Hedging Counterparty or the holder of any Note in exercising any power or right under this Agreement or any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Borrower in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by any Agent, any Lender, any Hedging Counterparty or the holder of any Note under this Agreement or any other Loan Document shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

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SECTION 10.2. Notices. All notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by facsimile and addressed, delivered or transmitted to such party at its address or facsimile number set forth below its signature hereto or at such other address or facsimile number as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by pre-paid courier service, shall be deemed given when received; any notice, if transmitted by facsimile, shall be deemed given when transmitted and a receipt, demonstrating successful transmission, is received by the Sender. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or any other Loan Document shall be effective as delivery of an original executed counterpart hereof.

SECTION 10.3. Payment of Costs and Expenses. The Borrower agrees to pay on demand all expenses of the Administrative Agent and the Collateral Agent in connection with

(a) the negotiation, preparation, execution and delivery of this Agreement and of each other Loan Document, including schedules and exhibits, and any amendments, waivers, consents, supplements or other modifications to this Agreement or any other Loan Document as may from time to time hereafter be required, whether or not the transactions contemplated hereby are consummated;

(b) the filing, recording, refiling or rerecording of each of the

Security Documents and/or any Uniform Commercial Code financing statements relating thereto and all amendments, supplements and modifications to any thereof and any and all other documents or instruments of further assurance required to be filed or recorded or refiled or rerecorded by the terms hereof or of the Security Documents; and

(c) the preparation and review of the form of any document or instrument relevant to this Agreement or any other Loan Document. Each Lender and Hedging Counterparty agrees to reimburse the Administrative Agent, the Collateral Agent and each Lender and Hedging Counterparty on demand for such Lender's (or Hedging Counterparty, as applicable) pro rata share (based upon its respective percentage of all of the outstanding Obligations represented by such Person's outstanding Obligations) of any such costs or expenses not paid by the Borrower. The Borrower further agrees to pay, and to save the Administrative Agent, the Collateral Agent, the Lenders and the Hedging Counterparties harmless from all liability for, any stamp or other taxes which may be payable in connection with the execution or delivery of this Agreement, the Borrowings hereunder, or the issuance of the Notes or any other Loan Documents. The Borrower also agrees to reimburse the Administrative Agent, the Collateral Agent, the Lenders and the Hedging Counterparties upon demand for all out-of-pocket expenses (including reasonable attorneys' fees and legal expenses) incurred by the Administrative Agent, the Collateral Agent, such Lender or such Hedging Counterparty in connection with (x) the negotiation of any restructuring or "work-out," whether or not consummated, of any Obligations and (y) the enforcement of any Obligations.

SECTION 10.4. Indemnification. In consideration of the execution and delivery of this Agreement by the Administrative Agent, the Collateral Agent, each Lender and each

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Hedging Counterparty, and the extension of the Commitments, and the arrangement of the facility represented by this Agreement, the Borrower hereby indemnifies, exonerates and holds the Administrative Agent, the Collateral Agent, each Lender and each Hedging Counterparty and each of their respective Affiliates, officers, directors, employees and agents (collectively, the "INDEMNIFIED PARTIES") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable attorneys' fees and disbursements (collectively, the "INDEMNIFIED LIABILITIES"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to

(a) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Borrowing;

(b) the entering into and performance of this Agreement and any other Loan Document by any of the Indemnified Parties (including any action brought by or on behalf of the Borrower as the result of any determination by the Lenders pursuant to Article V not to fund any Borrowing);

(c) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to the protection of the environment or the Release by the Borrower or any of its Subsidiaries or any Obligor of any Hazardous Material;

(d) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any real property owned or operated by the Borrower or any of its Subsidiaries or by any other Obligor of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law); or

(e) any misrepresentation or inaccuracy or breach of Section 6.13 without giving effect to any knowledge qualification therein contained, regardless of whether caused by, or within the control of, the Borrower or such Obligor or such Subsidiary; in each case except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the relevant Indemnified Party's gross negligence or willful misconduct, as determined by a court of competent

jurisdiction in a final non-appealable judgment, or such Indemnified Party's own unexcused breach of any provision of any Loan Document (as determined by the final non-appealable judgment of a court of competent jurisdiction), PROVIDED THAT IT IS THE INTENTION OF THE PARTIES HERETO THAT THE INDEMNIFIED PARTIES BE INDEMNIFIED IN THE CASE OF THEIR OWN NEGLIGENCE, REGARDLESS OF WHETHER SUCH NEGLIGENCE IS SOLE OR CONTRIBUTORY, ACTIVE OR PASSIVE, IMPUTED, JOINT OR TECHNICAL. If and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law.

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SECTION 10.5. Survival. The obligations of the Borrower under Sections 4.3, 4.4, 4.5, 4.6, 9.3, 10.3 and 10.4, as well as any other indemnification or exculpation provisions of any Loan Document, and the obligations of the Lenders under Section 9.1, shall in each case survive any termination of this Agreement, the payment in full of all Obligations and the termination of all Commitments. The representations and warranties made by the Borrower and each other Obligor in this Agreement and in each other Loan Document shall survive the execution and delivery of this Agreement and each such other Loan Document.

SECTION 10.6. Hedging Counterparties Are Third Party Beneficiaries. The benefit of the Security Documents and of the provisions of this Agreement relating to the Collateral shall also extend to and be available to the Hedging Counterparties with respect to any Hedging Obligations of the Borrower or any of its Subsidiaries that are in effect, and the Hedging Counterparties are express third party beneficiaries of the Loan Documents.

SECTION 10.7. Severability. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 10.8. Headings. The various headings of this Agreement and of each other Loan Document are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or such other Loan Document or any provisions hereof or thereof.

SECTION 10.9. Execution in Counterparts, Effectiveness, etc. This Agreement may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. This Agreement shall become effective when counterparts hereof executed on behalf of the Borrower and each Lender and Agent (or notice thereof satisfactory to the Administrative Agent) shall have been received by the Administrative Agent.

SECTION 10.10. Governing Law; Entire Agreement. THIS AGREEMENT, THE NOTES AND EACH OTHER LOAN DOCUMENT SHALL EACH BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO THE PRINCIPLES THEREOF RELATING TO CONFLICT OF LAW, EXCEPT SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW) AND EXCEPT TO THE EXTENT THAT THE LAWS OF ANOTHER JURISDICTION ARE EXPRESSLY ELECTED IN ANOTHER LOAN DOCUMENT. This Agreement, the Notes and the other Loan Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

SECTION 10.11. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that:

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(a) none of the Borrower or any Lender may assign or transfer its rights or obligations hereunder without the prior written consent of each other party hereto, provided, however, that for purposes of this Section 10.11 if the survivor of a merger is obligated with respect to all obligations of the Borrower hereunder and under all other Loan Documents, a merger permitted pursuant to Section 7.2.8 hereof shall not be an

assignment or transfer of the Borrower's rights or obligations hereunder;
and

(b) notwithstanding the preceding subsection (a), AREP O&G may pledge and collaterally assign all of its rights under the Loan Documents (in whatever capacities) to AREP Agent (including any successor AREP Agents), and upon enforcement of such pledge and collateral assignment any purchaser or other successor to AREP O&G (whether at a foreclosure sale, under a deed in lieu of foreclosure, or otherwise) may thereafter freely assign all of its rights under the Loan Documents.

SECTION 10.12. [Reserved]

SECTION 10.13. Other Transactions. Nothing contained herein shall preclude the Administrative Agent, the Collateral Agent or any other Lender from engaging in any transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Affiliates in which the Borrower or such Affiliate is not restricted hereby from engaging with any other Person.

SECTION 10.14. Confidentiality. In the event that the Borrower provides to the Administrative Agent or the Lenders confidential information belonging to the Borrower or any of the other Obligors, then the Administrative Agent and the Lenders shall thereafter maintain such information in confidence in accordance with the standards of care and diligence that each utilizes in maintaining its own confidential information. This obligation of confidence shall not apply to such portions of the information that (a) are in the public domain, (b) hereafter become part of the public domain without the Administrative Agent or the Lenders breaching their obligation of confidence hereunder, (c) are previously known by the Administrative Agent or the Lenders from some source other than the Borrower, (d) are hereafter developed by the Administrative Agent or the Lenders without using the Borrower's information, (e) are hereafter obtained by or available to the Administrative Agent or the Lenders from a third party who owes no obligation of confidence to the Borrower with respect to such information or through any other means other than through disclosure by the Borrower, (f) are disclosed with the Borrower's consent (it being acknowledged that the Borrower consents to Lender's provision of such information to the Collateral Agent, the AREP Agent and the AREP Lenders), (g) must be disclosed either pursuant to any Governmental Rule or to Persons regulating the activities of the Administrative Agent or the Lenders, or (h) as may be required by law or regulation or order of any Governmental Authority in any judicial, arbitration or governmental proceeding. Furthermore, the Administrative Agent or a Lender may disclose any such information to any other Lender, any independent petroleum engineers or consultants, any independent certified public or chartered accountants, any legal counsel employed by such Person in connection with this Agreement or any other Loan Document, including without limitation, the enforcement or exercise of all rights and remedies thereunder, or any assignee or participant (including prospective assignees and participants) in the Loans; provided, however, that the Administrative Agent or the Lenders shall receive a confidentiality agreement from the Person to whom such

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information is disclosed such that said Person shall have the same obligation to maintain the confidentiality of such information as is imposed upon the Administrative Agent or the Lenders hereunder. Notwithstanding anything to the contrary provided herein, this obligation of confidence shall cease one (1) year from the Effective Date, unless the Borrower requests in writing at least thirty (30) days prior to the expiration of such three-year period, to maintain the confidentiality of such information for an additional three-year period. The Borrower waives any and all other rights it may have to confidentiality as against the Administrative Agent and the Lenders arising by contract, agreement, statute or law except as expressly stated in this Section 10.14.

SECTION 10.15. Non-Recourse to Officers and Directors. This Agreement and the Obligations are fully recourse to Borrower and the other Obligors. Notwithstanding anything to the contrary contained in this Agreement or in any other Loan Document, no recourse under or upon any Obligation, representation, warranty or covenant shall be had against any of the officers, directors, employees, agents or representatives of the Borrower or any other Obligor; provided, however, that nothing in this Section 10.15 shall be deemed to constitute a waiver of any Obligation evidenced or secured by, or contained in, this Agreement or any other Loan Document, or affect in any way the validity or enforceability of this Agreement or any other Loan Document.

SECTION 10.16. Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENT, THE LENDERS OR THE BORROWER MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH OF THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENT, THE LENDERS AND THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK FOR THE PURPOSE OF ANY SUCH LITIGATION AS SET FORTH ABOVE AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH SUCH LITIGATION. EACH OF THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENT, THE LENDERS AND THE BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK. EACH OF THE ADMINISTRATIVE AGENT, THE COLLATERAL AGENT, THE LENDERS AND THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER

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MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OF FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY WITH RESPECT TO ITS OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

SECTION 10.17. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, (A) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY, AND (B) ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LEGAL PROCEEDING ANY "SPECIAL DAMAGES," AS DEFINED BELOW. EACH PARTY HERETO (X) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (Y) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION. AS USED IN THIS SECTION, "SPECIAL DAMAGES" INCLUDES ALL SPECIAL, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES (REGARDLESS OF HOW NAMED), BUT DOES NOT INCLUDE ANY PAYMENTS OR FUNDS WHICH ANY PARTY HERETO HAS EXPRESSLY PROMISED TO PAY OR DELIVER TO ANY OTHER PARTY HERETO.

SECTION 10.18. No Oral Agreements. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[Signature Pages Follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

BORROWER

NEG OPERATING LLC

By: NEG Holding LLC, its sole Member

By: AREP Oil & Gas LLC, its Sole Member

By: _____
Philip D. Devlin
Vice President and Secretary

Address: 1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

Attention: Philip D. Devlin
Telephone: (214) 692-9211
Telecopy: (214) 692-5055

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CITICORP USA, INC., as Collateral Agent

By: _____
Name: David E. Hunt
Title: Vice President

Address:
388 Greenwich Street
New York, NY 10013

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AREP OIL & GAS LLC., as a Lender and
as Administrative Agent

By _____
Name: Philip D. Devlin
Title: Vice President and Secretary

Address:
1400 One Energy Square
4925 Greenville Avenue
Dallas, TX 75206

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EXHIBIT A

FORM OF BORROWING REQUEST

CITICORP USA, INC..

[_____]
[_____]

Attention: _____

NEG OPERATING LLC

Gentlemen and Ladies:

This Borrowing Request is delivered to you pursuant to Section 2.3 of the Amended and Restated Credit Agreement dated as of December 20, 2005 (together with all amendments and other modifications, if any, from time to time thereafter made thereto, the "CREDIT AGREEMENT"), among the Borrower, the various financial institutions as are or may become parties thereto (including the Lender) (collectively, the "LENDERS"), AREP Oil & Gas LLC, as administrative agent (in such capacity together with any successors thereto, the "ADMINISTRATIVE AGENT") for the Lenders, and the other agents and lenders party thereto. Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein have the meanings provided in the Credit Agreement.

The Borrower hereby requests that a Loan be made in the aggregate principal amount of \$_____ on _____, 20__ as a *[Eurodollar Loan having an Interest Period of _____ months] [Base Rate Loan].

The Borrower hereby acknowledges that, pursuant to Section 5.2.2 of the

Credit Agreement, each of the delivery of this Borrowing Request and the acceptance by the Borrower of the proceeds of the Loans requested hereby constitute a representation and warranty by the Borrower that, on the date of such Loans, and before and after giving effect thereto and to the application of the proceeds therefrom, all statements set forth in Section 5.2.1 are true and correct in all material respects.

The Borrower agrees that if prior to the time of the Borrowing requested hereby any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Administrative Agent. Except to the extent, if any, that prior to the time of the Borrowing requested hereby the Administrative Agent shall receive written notice to the contrary from the Borrower, each matter certified to herein shall be deemed once again to be certified as true and correct at the date of such Borrowing as if then made.

 * Select appropriate interest rate option.

Exhibit A - Page 1

Please wire transfer the proceeds of the Borrowing to the accounts of the following persons at the financial institutions indicated respectively:

Amount to be Transferred	Person to be Paid		Name, Address, etc. of Transferee Lender
	Name	Account No.	
\$ _____	_____	_____	_____ Attention: _____
\$ _____	_____	_____	_____ Attention: _____
Balance of such proceeds	The Borrower	_____	_____ Attention: _____

The Borrower has caused this Borrowing Request to be executed and delivered, and the certification and warranties contained herein to be made, by its duly Authorized Officer this ___ day of _____, 20__.

NEG OPERATING LLC

By: NEG Holding LLC, sole member

By: _____
 Name:
 Title:

Exhibit A - Page 2

EXHIBIT B

FORM OF CONTINUATION/CONVERSION NOTICE

CITICORP USA, INC..
 [_____]

 [_____]

 Attention: _____

NEG OPERATING LLC

Gentlemen and Ladies:

This Continuation/Conversion Notice is delivered to you pursuant to Section 2.4 of the Amended and Restated Credit Agreement dated as of December 20, 2005 (together with all amendments and other modifications, if any, from time to time thereafter made thereto, the "CREDIT AGREEMENT"), among the Borrower, the various financial institutions as are or may become parties thereto (including the Lender) (collectively, the "LENDERS"), AREP Oil & Gas LLC, as administrative agent (in such capacity together with any successors thereto, the "ADMINISTRATIVE AGENT") for the Lenders, and the other agents and lenders party thereto. Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings provided in the Credit Agreement.

The Borrower hereby requests that on _____, 20____,

(1) \$_____ of the presently outstanding principal amount of the Loans originally made on _____, 20____ [and \$_____ of the presently outstanding principal amount of the Loans originally made on _____, 20____],

(2) and all presently being maintained as *[Base Rate Loans] [Eurodollar Loans],

(3) be [converted into] [continued as],

(4) [Eurodollar Loans having an Interest Period of _____ months] [Base Rate Loans].

The Borrower hereby:

* Select appropriate interest rate option.

Exhibit B - Page 1

(a) certifies and warrants that no Event of Default has occurred and is continuing; and

(b) agrees that if prior to the time of such continuation or conversion any matter certified to herein by it will not be true and correct at such time as if then made, it will immediately so notify the Administrative Agent.

Except to the extent, if any, that prior to the time of the continuation or conversion requested hereby the Administrative Agent shall receive written notice to the contrary from the Borrower, each matter certified to herein shall be deemed to be certified at the date of such continuation or conversion as if then made.

The Borrower has caused this Continuation/Conversion Notice to be executed and delivered, and the certification and warranties contained herein to be made, by its Authorized Officer this ___ day of _____, 20____.

NEG OPERATING LLC

By: NEG Holding LLC, sole member

By: _____

Name:

Title:

Exhibit B - Page 2