

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-Q

(Mark one)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarter ended September 30, 1999
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transaction period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 0-9592

RANGE RESOURCES CORPORATION  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State of incorporation)

34-1312571  
(I.R.S. Employer  
Identification No.)

500 THROCKMORTON STREET, FT. WORTH, TEXAS  
(Address of principal executive offices)

76102  
(Zip Code)

Registrant's telephone number, including area code: (817) 870-2601

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

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37,635,727 Common Shares were outstanding on November 10, 1999.

## PART I. FINANCIAL INFORMATION

The financial statements included herein have been prepared in conformity with generally accepted accounting principles and should be read in conjunction with the Company's December 31, 1998 Form 10-K. The statements are unaudited but reflect all adjustments which, in the opinion of management, are necessary to fairly present the Company's financial position and results of operations.

RANGE RESOURCES CORPORATION  
 CONSOLIDATED BALANCE SHEETS  
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

	December 31, 1998	September 30, 1999
	-----	----- (unaudited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents .....	\$ 10,954	\$ 11,289
Accounts receivable .....	30,384	25,967
IPF receivables (Note 4) .....	7,140	11,000
Marketable securities .....	3,258	3,219
Assets held for sale (Note 5) .....	51,822	19,867
Inventory and other .....	3,373	9,562
	-----	-----
	106,931	80,904
	-----	-----
IPF receivables, net (Note 4) .....	70,032	58,263
Oil and gas properties, successful efforts method .....	935,822	926,544
Accumulated depletion and impairment .....	(273,723)	(322,684)
	-----	-----
	662,099	603,860
	-----	-----
Transportation, processing and field assets .....	89,471	27,657
Accumulated depreciation .....	(15,146)	(3,252)
	-----	-----
	74,325	24,405
	-----	-----
Other .....	8,225	8,353
	-----	-----
	\$ 921,612	\$ 775,785
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable .....	\$ 28,163	\$ 26,847
Accrued liabilities .....	23,626	19,636
Accrued interest .....	9,439	4,749
Current portion of long-term debt (Note 6) .....	55,187	29
	-----	-----
	116,415	51,261
	-----	-----
Senior debt (Note 6) .....	311,875	146,650
Non-recourse debt (Note 6) .....	60,100	146,755
Subordinated notes (Note 6) .....	180,000	176,360
Commitments and contingencies (Note 8) .....	--	--
Company-obligated preferred securities of subsidiary trust (Note 9) .....	120,000	117,669
Stockholders' equity (Notes 9 and 10) Preferred stock, \$1 par, 10,000,000 shares authorized, \$2.03 convertible preferred, 1,149,840 issued (liquidation preference \$28,746,000) .....	1,150	1,150
Common stock, \$.01 par, 50,000,000 shares authorized, 35,933,523 and 37,489,311 issued .....	359	375
Capital in excess of par value .....	334,817	339,188
Retained deficit .....	(203,396)	(204,600)
Other comprehensive income .....	292	977
	-----	-----
	133,222	137,090
	-----	-----
	\$ 921,612	\$ 775,785
	=====	=====

SEE ACCOMPANYING NOTES.

RANGE RESOURCES CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1999	1998	1999
	(unaudited)		(unaudited)	
<b>Revenues</b>				
Oil and gas sales .....	\$ 32,467	\$ 37,530	\$ 95,748	\$ 108,611
Transportation, processing and marketing .....	1,682	2,100	5,045	5,798
IPF income .....	1,130	2,065	1,130	5,520
Gain on sales, net (Note 17) .....	140	39,259	1,619	40,736
Interest and other .....	116	141	275	579
	35,535	81,095	103,817	161,244
<b>Expenses</b>				
Direct operating .....	9,999	11,041	26,041	33,126
IPF expense .....	452	1,412	452	4,389
Exploration .....	1,997	368	4,428	1,730
General and administrative .....	2,401	2,244	6,336	5,906
Interest .....	10,995	12,126	29,103	36,579
Depletion, depreciation and amortization .....	14,618	18,770	39,371	57,708
Provision for impairment (1999 amount relates to assets held for sale) .....	97,862	20,988	97,862	20,988
	138,324	66,949	203,593	160,426
Income (loss) before taxes .....	(102,789)	14,146	(99,776)	818
<b>Income taxes</b>				
Current .....	57	1,424	192	1,594
Deferred .....	(35,939)	--	(34,884)	--
	(35,882)	1,424	(34,692)	1,594
Income (loss) before extraordinary item .....	(66,907)	12,722	(65,084)	(776)
<b>Extraordinary item</b>				
Gain on retirement of securities, net (Note 18) .....	--	--	--	2,430
	--	--	--	2,430
Net income (loss) .....	\$ (66,907)	\$ 12,722	\$ (65,084)	\$ 1,654
	=====	=====	=====	=====
Comprehensive income (loss) Note (2) .....	\$ (68,243)	\$ 11,559	\$ (67,679)	\$ 1,894
	=====	=====	=====	=====
<b>Earnings (loss) per common share</b>				
Basic .....	\$ (2.57)	\$ 0.33	\$ (2.92)	\$ 0.00
	=====	=====	=====	=====
Dilutive .....	\$ (2.57)	\$ 0.33	\$ (2.92)	\$ 0.00
	=====	=====	=====	=====

SEE ACCOMPANYING NOTES.

## RANGE RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS)

	Nine Months Ended September 30,	
	1998	1999
	(unaudited)	
Cash flows from operations:		
Net income (loss) .....	\$ (65,084)	\$ 1,654
Adjustments to reconcile net income (loss) to net cash provided by operations:		
Depletion, depreciation and amortization .....	39,371	57,708
Provision for impairment .....	97,862	20,988
Amortization of security issuance costs .....	868	887
Deferred taxes .....	(34,884)	--
Changes in working capital net of effects of purchases of businesses:		
Accounts receivable .....	5,314	4,417
Allowance for IPF receivables .....	--	2,965
Marketable securities .....	(67)	--
Inventory and other .....	(583)	(6,219)
Accounts payable .....	(5,747)	(4,639)
Accrued liabilities .....	1,620	(8,680)
Gain on sale of assets and other .....	(2,874)	(40,736)
Gain on exchange of securities .....	--	(2,430)
Net cash provided by operations .....	35,796	25,915
Cash flows from investing:		
Acquisition of businesses, net of cash .....	(46,277)	--
Investment in Great Lakes .....	--	97,095
Oil and gas properties .....	(128,485)	(8,901)
Additions to property and equipment .....	(1,131)	(432)
IPF investments of capital .....	(3,397)	(4,180)
IPF repayments of capital .....	596	9,124
Proceeds on sale of assets .....	18,195	17,270
Net cash provided by (used in) investing .....	(160,499)	109,976
Cash flows from financing:		
Proceeds from indebtedness .....	130,608	--
Repayments of indebtedness .....	(406)	(133,729)
Preferred stock dividends .....	(1,751)	(1,750)
Common stock dividends .....	(2,490)	(1,108)
Proceeds from common stock issuance .....	1,415	1,054
Repurchase of common stock .....	(2,705)	(23)
Net cash provided by (used in) financing .....	124,671	(135,556)
Change in cash .....	(32)	335
Cash and equivalents at beginning of period .....	9,725	10,954
Cash and equivalents at end of period .....	\$ 9,693	\$ 11,289
	=====	=====
Supplemental disclosures of non-cash investing and financing activities:		
Purchase of property and equipment financed with common stock .....	\$ 111,062	--
Common stock issued in connection with benefit plans .....	1,267	777
Common stock issued in connection with retirement of securities (Note 18) .....	--	3,355

SEE ACCOMPANYING NOTES.

RANGE RESOURCES CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) ORGANIZATION

Range Resources Corporation ("Range" or the "Company") is an independent oil and gas company engaged in development, exploration and acquisition primarily in three core areas of the United States: the Southwest, the Gulf Coast and Appalachia. Through its Independent Producer Finance subsidiary ("IPF"), the Company also provides financing to smaller producers by purchasing term overriding royalty interests in oil and gas properties. Historically, the Company has increased its reserves and production through acquisitions, development and exploration. In pursuing this strategy, the Company has concentrated its activities in selected geographic areas. In each core area, the Company has established operating, engineering, geoscience, marketing and acquisition expertise.

In August 1998, the stockholders of the Company approved the acquisition via merger (the "Merger") of Domain Energy Corporation ("Domain"). Pursuant to the Merger, Domain became a wholly owned subsidiary. Simultaneously, the Company's name was changed to Range Resources Corporation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying financial statements include the accounts of the Company, all majority owned subsidiaries and its pro rata share of the assets, liabilities, income and expenses of certain oil and gas partnerships and joint ventures. Highly liquid temporary investments with an initial maturity of ninety days or less are considered cash equivalents. The Company recognizes revenues from the sale of its respective products in the period delivered. Revenue for services is recognized in the period the services are provided.

MARKETABLE SECURITIES

Debt and marketable equity securities are classified in one of three categories: trading, available-for-sale, or held to maturity. Equity securities of other companies held by Range qualify as available-for-sale. Such securities are recorded at fair value, and unrealized holding gains and losses, net of the related tax effect, are reflected as a separate component of stockholders' equity. A decline in the market value of an available-for-sale security below cost that is deemed other than temporary is charged to earnings and results in the establishment of a new cost basis for the security. Realized gains and losses are determined on the specific identification method and are reflected in income. During the nine months ended September 30, 1999 Range sold \$1.2 million of marketable equity securities for a \$0.4 million gain.

GREAT LAKES ENERGY PARTNERS, L.L.C. ("GREAT LAKES")

In September 1999, Range and FirstEnergy Corp. ("FirstEnergy") each contributed all of their Appalachia oil and gas properties and associated gas gathering and transportation systems to Great Lakes. In addition, Range contributed \$188.3 million of indebtedness and FirstEnergy contributed \$2.0 million in cash. Great Lakes expects to increase production by active development of existing fields and exploitation of deeper formations. In addition, Great Lakes intends to pursue acquisition opportunities in Appalachia. Range and FirstEnergy each retained a 50% ownership interest in Great Lakes. The Company consolidates its pro rata interest in the joint venture's assets and liabilities based upon its ownership interest in Great Lakes.

Great Lakes had proved reserves of approximately 450 Bcfe as of September 30, 1999, of which 90 percent is natural gas, 4,700 miles of gas gathering and transportation lines and a leasehold position of nearly one million gross acres. The joint venture owns interest in over 1,000 proved drilling locations within existing fields and has a reserve life of 18 years.

## INDEPENDENT PRODUCER FINANCE

Through IPF, Range acquires dollar denominated term overriding royalty interests in properties owned by smaller oil and gas producers. The Company accounts for the acquired term overriding royalty interests as receivables because the funds advanced to a producer for these interests are repaid from an agreed upon share of cash proceeds from the sale of production until the amount advanced plus a specified return is received. Only the interest portion of payments, net of reserves, received from producers is recognized as IPF income. The remaining cash receipts are recorded as a reduction in receivables on the balance sheet and as a return of capital on the statements of cash flows. The portion of the term overriding royalty interests classified as a current asset are those expected to be received as repayments over the next twelve month period. Periodically, the Company reviews IPF's receivables and provides an allowance for uncollectible amounts. During the first nine months of 1999, IPF recorded gross income of \$8.5 million and allowances against its portfolio of receivables of \$3.0 million. At September 30, 1999 IPF's allowance for uncollectible receivables totaled \$16.9 million. During the first nine months of 1999, IPF expenses were comprised of \$3.2 million of interest and \$1.2 million of administrative expenses.

## OIL AND GAS PROPERTIES

The Company follows the successful efforts method of accounting for oil and gas properties. Exploratory costs are capitalized pending determination of whether the well has found proved reserves. Exploratory costs which result in the discovery of proved reserves and the cost of development wells are capitalized. In the absence of a determination as to whether the reserves found from an exploratory well can be classified as proved, the costs of drilling such an exploratory well are not carried as an asset for more than one year following the completion of drilling. Geological and geophysical costs, delay rentals and costs to drill unsuccessful exploratory wells are expensed. Depletion is provided on the unit-of-production method. Oil is converted to Mcfe at the rate of 6 Mcf per barrel. The depletion rates per Mcfe were \$0.87 and \$0.99 in the nine months of 1998 and 1999, respectively. Approximately \$75.9 million and \$72.5 million of oil and gas properties were classified as unproved properties as of December 31, 1998 and September 30, 1999, respectively.

The Company has adopted SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets", which establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill. SFAS No. 121 requires a review for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability at September 30, 1998, the Company recorded provision for impairment of \$97.8 million which reduced the carrying value of certain oil and gas properties to what the Company estimates to have been their fair value at that time. The provision for impairment on the oil and gas properties was due to reserve revisions as a result of drilling results and declines in oil and gas prices in 1998. The impairment was determined based on the difference between the carrying amount of the assets and the present value of the future cash flows from proved properties discounted at 10%. Impairment is recognized only if the carrying amount of a property is greater than its expected undiscounted future cash flows. A change in reserve or price estimates could occur which would adversely affect management's estimate of future cash flows and consequently the carrying value of the properties.

Unproved properties are assessed periodically to determine whether there has been a decline in value. If such decline is indicated, a loss is recognized. The Company compares the carrying value of its unproved properties to the present value of the future cash flows of unproved properties discounted at 10% or considers such other information the Company believes is relevant in evaluating the properties' fair value. Such other information may include the Company's geological assessment of the area or other acreage purchases in the area. The present value of future cash flows from such properties has been adjusted for the Company's assessment of risk related to the unproved properties.

## TRANSPORTATION, PROCESSING AND FIELD ASSETS

The Company's gas gathering systems and gas processing plant are in proximity to its principal gas properties. Depreciation is calculated on the straight-line method based on estimated useful lives ranging from four to fifteen years. At September 30, 1999, the Company decided to sell its gas processing plant and certain related assets. See Note (5) - Assets Held For Sale

The Company receives fees for providing field related services. These fees are recognized as earned. Depreciation is calculated on the straight-line method based on estimated useful lives ranging from one to five years, except buildings which are being depreciated over seven to twenty-five year periods.

## SECURITY ISSUANCE COSTS

Expenses associated with the issuance of the 6% Convertible Subordinated Debentures due 2007, the 8.75% Senior Subordinated Notes due 2007 and the 5 3/4% Trust Convertible Preferred Securities are included in Other Assets on the accompanying balance sheet and are being amortized on the interest method over the term of the securities.

## GAS IMBALANCES

The Company uses the sales method to account for gas imbalances. Under the sales method, revenue is recognized based on cash received rather than the proportionate share of gas produced. Gas imbalances at December 31, 1998 and September 30, 1999 were not material.

## COMPREHENSIVE INCOME

Comprehensive income is defined as changes in stockholders' equity from nonowner sources which includes net income and changes in the fair value of marketable securities. The following is a calculation of comprehensive income for the three and nine month periods ended September 30, 1998 and 1999.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1999	1998	1999
Net income (loss).....	\$ (66,907)	\$ 12,722	\$ (65,084)	\$ 1,654
Add: Unrealized gain/(loss)				
Gross.....	(2,138)	(806)	(4,087)	685
Tax effect.....	802	-	1,533	-
Less: Realized gain/(loss)				
Gross.....	-	(357)	(66)	(445)
Tax effect.....	-	-	25	-
Comprehensive income (loss).....	<u>\$ (68,243)</u>	<u>\$ 11,559</u>	<u>\$ (67,679)</u>	<u>\$ 1,894</u>



## USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NATURE OF BUSINESS

The Company operates in an environment with many financial and operating risks, including, but not limited to, the ability to acquire additional economically recoverable oil and gas reserves, the inherent risks of the search for, development of and production of oil and gas, the ability to sell oil and gas at prices which will provide attractive rates of return, and the highly competitive nature of the industry and worldwide economic conditions. The Company's ability to expand its reserve base and diversify its operations is also dependent on its ability to obtain the necessary capital through operating cash flow, borrowings or debt securities.

## RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, which is effective for fiscal years beginning after June 15, 1999.

SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It also requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those items at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to change in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction. The Company plans to adopt SFAS No. 133 during 2000 and is currently evaluating its effects.

## RECLASSIFICATIONS

Certain reclassifications have been made to the prior period presentation to conform with current period classifications.

### (3) ACQUISITION AND DEVELOPMENT:

All of the Company's acquisitions have been accounted for as purchases. Purchase prices were allocated to the assets acquired based on estimates of the fair value of such assets and liabilities at the respective acquisition dates. The acquisitions were funded by working capital, advances with bank debt and the issuance of securities.

In March 1998, oil and gas properties in the Powell Ranch Field in West Texas (the "Powell Ranch Properties") were acquired for \$60 million, comprised of \$54.6 million in cash and \$5.4 million of Common Stock.

As described in Note 1, the Company acquired Domain for a purchase price of \$161.6 million, comprised of \$50.5 million of cash and \$111.1 million of Common Stock. Domain's principal assets included oil and gas properties in the Gulf Coast and the Gulf of Mexico, as well as IPF.

The Company acquired other properties for an aggregate consideration of \$22 million and \$2 million during the nine months ended September 30, 1998 and 1999, respectively.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following table presents unaudited pro forma operating results as if certain transactions had occurred at the beginning of each period presented. The pro forma operating results include the Great Lakes transaction.

	Nine Months Ended September 30,	
	1998	1999
	(In thousands, except per share data)	
Revenues.....	\$ 95,210	\$ 154,495
Net income (loss).....	(59,777)	3,845
Earnings (loss) per share-basic.....	(2.69)	0.06
Earnings (loss) per share-diluted...	(2.69)	0.06
Total assets.....	936,600	775,785
Stockholders' equity.....	234,575	137,090

The pro forma operating results have been prepared for comparative purposes only. They do not purport to present actual operating results that would have been achieved had the transaction occurred at the beginning of each period presented or to necessarily be indicative of future results.

## (4) IPF RECEIVABLES

At September 30, 1999, IPF had net receivables of \$69.3 million. The receivables result from the purchase of term overriding royalty interests representing an agreed share of revenues from certain properties until the amount invested and a specified rate of return are received. These royalty interests constitute property interests that serve as security for the receivables. The Company has estimated that \$11.0 million of receivables will be repaid in the next twelve months and has classified such receivables as current assets. The net outstanding receivables include an allowance for uncollectible receivables of \$14.0 million and \$16.9 million at December 31, 1998 and September 30, 1999, respectively.

## (5) ASSETS HELD FOR SALE

At September 30, 1999, assets held for sale consisted of the Company's gas processing plant and associated assets located in the Permian Basin. In connection with the 1999 plan of disposal, the Company determined that the carrying value of the gas processing plant exceeded its fair value. Accordingly, an impairment loss of \$21.0 million represents the excess of the carrying value over the fair value.

Fair value was determined by reference to the present value of the estimated future cash inflows of the gas processing plant. The impairment estimate on the gas processing plant recorded in the third quarter 1999 was based on estimates of future cash flows for the property. Future cash flows include revenues from residue gas, plant liquids and by-products derived from both equity and third party proved natural gas reserves, which are estimated to pass through the plant, direct operating costs and capitalized costs. The Company used estimated future gas prices by referencing ten year future strip prices in the calculation of the plant revenues estimated over the anticipated life of the property. These prices were then adjusted for the effect of the estimated throughput production, subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the date of the impairment charge.

Operating costs and capitalized costs were estimated based on the Company's historical operating experience. These costs and expenses were adjusted for changes in variable costs attributable to changes in estimated throughput volumes. The impairment estimate was determined based on the difference between the carrying value of the plant and the present value of future cash flows discounted at 10%. It is reasonably possible that a change in

reserve or price estimates could occur in the near term and adversely impact management's estimate of future cash flows and consequently the carrying value of property.

At December 31, 1998, assets held for sale primarily consisted of oil and gas properties located in south Texas and in the Gulf of Mexico. The Company entered into agreements with an independent firm to assist it in selling these assets. The assets were recorded at the lower of cost or estimated market value of the properties as assets held for sale in the current asset section of the Consolidated Balance Sheets.

(6) INDEBTEDNESS

The Company had the following debt outstanding as of the dates shown. Interest rates at September 30, 1999 are shown parenthetically (in thousands):

	December 31, 1998	September 30, 1999
	-----	-----
Senior debt		
Credit Facility (7.4%) .....	\$365,175	\$146,600
Other (6.3%) .....	1,887	79
	-----	-----
	367,062	146,679
Less amounts due within one year .....	55,187	29
	-----	-----
Senior debt, net .....	\$311,875	\$146,650
	=====	=====
Non-recourse debt		
Great Lakes (7.6%) .....	\$ --	\$ 94,139
IPF (7.5%) .....	60,100	52,616
	-----	-----
Non-recourse debt .....	\$ 60,100	\$146,755
	=====	=====
Subordinated notes		
8.75% Senior Subordinated Notes due 2007 .....	\$125,000	\$125,000
6% Convertible Subordinated Debentures due 2007 ..	55,000	51,360
	-----	-----
Subordinated notes .....	\$180,000	\$176,360
	=====	=====

The Company maintains a \$225 million revolving bank facility (the "Credit Facility"). The Credit Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Credit Facility is secured by the Company's oil and gas properties. At November 10, 1999, the borrowing base on the Credit Facility was \$160 million of which \$18.0 million was available. The borrowing base is subject to semi-annual determination and certain other redeterminations based upon a variety of factors, including the discounted present value of estimated future net cash flow from oil and gas production. At the Company's option, loans may be prepaid and the revolving credit commitment may be reduced, in whole or in part at anytime in certain minimum amounts. The next redetermination occurs on April 1, 2000. If amounts outstanding at April 1, 2000 exceed the redetermined borrowing base, one-half of the excess, if any, must be repaid within 90 days and the remaining excess, if any, must be repaid within 180 days. Any borrowing base in excess of \$135 million requires the approval of all lenders. Interest is payable quarterly or as LIBOR notes mature and the loan matures in February 2003. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn. It is the Company's policy to extend the term of the Credit Facility annually. The interest rate on the Credit Facility is LIBOR plus between 1.50% and 2.25%, depending upon amounts outstanding. The weighted average interest rates on these borrowings were 6.8% and 7.2% for the three months ended September 30, 1998 and 1999, respectively.

The Company pro rata consolidates 50% of amounts outstanding under the \$275 million revolving bank facility (the "Great Lakes Facility") through its participation in Great Lakes. The Great Lakes Facility is non-recourse to Range. The Great Lakes Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Great Lakes Facility is secured by the Great Lakes oil and gas properties. At November 10, 1999, the borrowing base on the Great Lakes Facility was \$195 million of which \$5.7 million was available. Beginning December 1, 1999, the borrowing base reduces by \$1 million per month to \$190 million at April 1, 2000. The borrowing base is subject to a semi-annual borrowing review on April 1, 2000. The redetermined borrowing base on April 1, 2000 requires the approval of all lenders. Interest is payable quarterly or as LIBOR notes mature and the loan matures in September 2002. The interest rate on the Great Lakes Facility is LIBOR plus between 1.50% and 2.00%, depending upon amounts outstanding. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn.

IPF has a \$150 million revolving credit facility (the "IPF Facility") through which it finances its activities. The IPF Facility is non-recourse to Range. The IPF Facility matures in July 2001 at which time all amounts owed thereunder are due and payable. The IPF Facility is secured by substantially all of IPF's assets. The borrowing base under the IPF Facility is subject to redeterminations, which occur routinely during the year. On November 10, 1999, the borrowing base on the IPF Facility was \$56 million of which \$3.4 million was available. The IPF Facility bears interest at prime rate or interest at LIBOR plus a margin of 1.75% to 2.25% per annum depending on the total amount outstanding. Interest expense during the first nine months of 1999 amounted to \$3.2 million and is included in IPF expenses on the Consolidated Statements of Operations. A commitment fee is paid quarterly on the average undrawn balance at a rate of 0.375% to 0.50%. The weighted average interest rate on these borrowings was 7.5% for the nine months ended September 30, 1999.

The 8.75% Senior Subordinated Notes due 2007 (the "8.75% Notes") are not redeemable prior to January 15, 2002. Thereafter, the 8.75% Notes are subject to redemption at the option of the Company, in whole or in part, at redemption prices beginning at 104.375% of the principal amount and declining to 100% in 2005. The 8.75% Notes are unsecured general obligations of the Company and are subordinated to all senior debt (as defined) including borrowings under the Credit Facility. The 8.75% Notes are guaranteed on a senior subordinated basis by the Company's subsidiaries.

The 6% Convertible Subordinated Debentures Due 2007 (the "Debentures") are convertible into shares of Common Stock at the option of the holder at any time prior to maturity. The Debentures are convertible at a conversion price of \$19.25 per share, subject to adjustment in certain events. Interest is payable semi-annually in January and June. The Debentures mature in 2007 and are redeemable beginning on February 1, 2000 at a price of 104% of the face amount and declining 0.5% annually through 2007. The Debentures are unsecured general obligations and are subordinated to all senior indebtedness (as defined), which includes the 8.75% Notes and the Credit Facility. During the nine months of 1999, \$3.6 million of Debentures were retired at the option of the holders in exchange for approximately 496,000 shares of Common Stock. An extraordinary gain of \$1.2 million was recorded as the Debentures were retired at a discount to their face value.

The debt agreements contain various covenants relating to net worth, working capital maintenance and financial ratio requirements. The Company is in compliance with these various covenants as of September 30, 1999. Interest paid during the nine months ended September 30, 1998 and 1999 totaled \$32.1 million and \$36.6 million, respectively. The Company does not capitalized any interest expense.

#### (7) FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company's financial instruments include cash and equivalents, accounts receivable, accounts payable, debt obligations, commodity and interest rate futures, options, and swaps. The book value of cash and equivalents, accounts receivable and payable and short term debt are considered to be representative of fair value because of the short maturity of these instruments. The Company believes that the carrying value of its borrowings under its bank credit facility approximates their fair value as they bear interest at rates indexed to LIBOR. The Company's accounts receivables are concentrated in the oil and gas industry. The Company does not view such a

concentration as an unusual credit risk. The Company had allowances for doubtful accounts (excluding IPF) of \$.8 million and \$1.0 million at December 31, 1998 and September 30, 1999, respectively.

A portion of the Company's crude oil and natural gas sales are periodically hedged against price risks through the use of futures, option or swap contracts. The gains and losses on these instruments are included in the valuation of the production being hedged in the contract month and are included as an adjustment to oil and gas revenue. The Company also manages interest rate risk on its Credit Facility through the use of interest rate swap agreements. Gains and losses on swap agreements are included as an adjustment to interest expense.

The following table sets forth the book value and estimated fair values of the Company's financial instruments:

	December 31, 1998		September 30, 1999	
	Book Value	Fair Value	Book Value	Fair Value
	(In thousands)			
Cash and equivalents.....	\$ 10,954	\$ 10,954	\$ 11,289	\$ 11,289
Marketable securities.....	2,966	3,258	2,242	3,219
Long-term debt.....	(607,162)	(607,162)	(469,794)	(469,794)
Commodity swaps.....	-	45	-	(6,908)
Interest rate swaps.....	-	(361)	-	(13)

At September 30, 1999, the Company had open contracts for gas and oil price derivative swaps of 36 Bcfe of gas and 800,000 Bbls of oil. The swap contracts are designed to set average NYMEX prices ranging from \$1.90 to \$3.17 per Mmbtu of gas and fix oil prices ranging from \$17.32 to \$20.71 per Bbl. While these transactions have no carrying value, the fair value of these and subsequent transactions entered into, represented by the estimated amount that would be required to terminate the contracts, was a net loss of approximately \$3.4 million at November 10, 1999. These contracts expire monthly through September 2000. The gains or losses on the Company's hedging transactions are determined as the difference between the contract price and the reference price, generally closing prices on the New York Mercantile Exchange. The resulting transaction gains and losses are determined monthly and are included in net income in the period the hedged production or inventory is sold. Net gains (losses) relating to these derivatives for the nine months ended September 30, 1998 and 1999 approximated \$2.8 million and \$(6.6) million, respectively.

Interest rate swap agreements, which are used by the Company in the management of interest rate exposure, are accounted for on the accrual basis. Income and expense resulting from these agreements are recorded in the same category as expense arising from the related liability. Amounts to be paid or received under interest rate swap agreements are recognized as an adjustment to expense in the periods in which they accrue. At September 30, 1999, the Company had \$80 million of borrowings subject to four interest rate swap agreements at rates of 5.35%, 4.82%, 5.64% and 5.59% through January 2000, September 2000, October 2000 and October 2001, respectively. The interest rate swaps may be extended at the counterparties' option for two years. The agreements require that the Company pay the counterparty interest at the above fixed swap rates and requires the counterparty to pay the Company interest at the 30-day LIBOR rate. The closing 30-day LIBOR rate on September 30, 1999 was 5.40%. The fair value of the interest rate swap agreements at September 30, 1999 is based upon quotes at that date for equivalent agreements. As discussed in Note 6, the Company's bank facilities are based on LIBOR plus applicable margin (as defined).

These hedging activities are conducted with major financial or commodities trading institutions which management believes entail acceptable levels of market and credit risks. At times such risks may be concentrated

with certain counterparties or groups of counterparties. The credit worthiness of counterparties is subject to continuing review and full performance is anticipated.

(8) COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal actions and claims arising in the ordinary course of business. In the opinion of management, such litigation and claims are likely to be resolved without material adverse effect on the Company's financial position or results of operations.

In May 1998, a Domain stockholder filed an action in the Delaware Court of Chancery, alleging that the terms of the Merger were unfair to a purported class of Domain stockholders and that the defendants (except Range) violated their legal duties to the class in connection with the Merger. Range is alleged to have aided and abetted the breaches of fiduciary duty allegedly committed by the other defendants. The action sought an injunction enjoining the Merger as well as a claim for money damages. In September 1998, the parties executed a Memorandum of Understanding (the "MOU"), which represents a settlement in principle of the litigation. Under the terms of the MOU, appraisal rights (subject to certain conditions) were offered to all holders of Domain common stock (excluding the defendants and their affiliates). Domain also agreed to pay any court-awarded attorneys' fees and expenses of the plaintiffs' counsel in an amount not to exceed \$.3 million. The settlement in principle is subject to court approval and certain other conditions that have not been satisfied.

(9) EQUITY AND TRUST SECURITIES

In October 1997, the Company, through a newly-formed affiliate Lomak Financing Trust (the "Trust") completed the issuance of \$120 million of 5 3/4% trust convertible preferred securities (the "Convertible Preferred Securities"). The Trust issued 2,400,000 shares of the Convertible Preferred Securities at \$50 per share. Each Convertible Preferred Security is convertible at the holder's option into 2.1277 shares of Common Stock, representing a conversion price of \$23.50 per share. During the first nine months of 1999, \$2.3 million of Convertible Preferred Securities were retired at the option of the holder in exchange for approximately 202,000 shares of Common Stock. An extraordinary gain of \$1.2 million was recorded as the Convertible Preferred Securities were retired at a discount to their face value.

The Trust invested the \$120 million of proceeds in 5 3/4% convertible junior subordinated debentures issued by Range (the "Junior Debentures"). In turn, Range used the net proceeds from the issuance of the Junior Convertible Debentures to repay a portion of its Credit Facility. The sole assets of the Trust are the Junior Debentures. The Junior Debentures and the related Convertible Preferred Securities mature on November 1, 2027. Range and the Trust may redeem the Junior Debentures and the Convertible Preferred Securities, respectively, in whole or in part, on or after November 4, 2000. For the first twelve months thereafter, redemptions may be made at 104.025% of the principal amount. This premium declines proportionally every twelve months until November 1, 2007, when the redemption price becomes fixed at 100% of the principal amount. If the Company redeems any Junior Debentures prior to the scheduled maturity date, the Trust must redeem Convertible Preferred Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Junior Debentures so redeemed.

The Company has guaranteed the payments of distributions and other payments on the Convertible Preferred Securities only if and to the extent that the Trust has funds available. Such guarantee, when taken together with Range's obligations under the Junior Debentures and related indenture and declaration of trust, provide a full and unconditional guarantee of amounts due on the Convertible Preferred Securities.

The Company owns all the common securities of the Trust. As such, the accounts of the Trust will be included in Range's consolidated financial statements after appropriate eliminations of intercompany balances. The distributions on the Convertible Preferred Securities will be recorded as a charge to interest expense on Range's consolidated statements of operations, and such distributions are deductible by Range for income tax purposes.

In November 1995, the Company issued 1,150,000 shares of \$2.03 convertible exchangeable preferred stock (the "\$2.03 Preferred Stock") for \$28.8 million. The \$2.03 Preferred Stock is convertible into the Company's common stock at a conversion price of \$9.50 per share, subject to adjustment in certain events. The \$2.03 Preferred Stock is redeemable, at the option of the Company, at a price of \$26.25 per share beginning November 1, 1998, declining \$0.25 per share annually through 2003. At the option of the Company, the \$2.03 Preferred Stock is exchangeable for the Company's 8-1/8% Convertible Subordinated Notes due 2005. The notes would be subject to the same redemption and conversion terms as the \$2.03 Preferred Stock.

(10) STOCK OPTION AND PURCHASE PLAN

The Company has four stock option plans, one stock incentive plan, as well as a stock purchase plan. Two of the stock option plans were adopted as a result of the Merger. Information with respect to these stock option plans is summarized as follows:

	1999		Plans Adopted Via the Merger			Total
	Incentive Plan	Option Plan	Director's Plan	Option Plan	Director's Plan	
Outstanding at December 31, 1998	-	2,042,757	140,000	938,976	19,340	3,141,073
Granted.....	60,000	904,150	40,000	-	-	1,004,150
Exercised.....	-	-	-	(374,264)	-	(374,264)
Expired/Cancelled.....	-	(426,871)	(12,000)	(12,833)	-	(451,704)
Outstanding at September 30, 1999	60,000	2,520,036	168,000	551,879	19,340	3,319,255

In May 1999, the shareholders approved the Company's 1999 Stock Incentive Plan (the "Incentive Plan") providing for the issuance of up to 1.4 million shares of common stock. The Incentive Plan is administered by the Compensation Committee of the Board. All options issued under the Incentive Plan vest 25% per year beginning one year after the grant date and expire 10 years from date of grant. During the nine months ended September 30, 1999, 60,000 options were granted, none of which were exercisable.

Range maintains the 1989 stock option plan ("Option Plan") which authorized the grant of options of up to 3.0 million shares of Common Stock, however, no new options will be granted under this plan. Under the Option Plan, incentive and non-qualified options have been issued to officers, employees and consultants. The Option Plan is administered by the Compensation Committee of the Board. All options issued under the Option Plan before September 1998 vest 30% after one year, 60% after two years and 100% after three years and expire 5 years from date of grant. Options issued after September 1998 vest 25% per year beginning one year after the grant date and expire 10 years from date of grant. During the nine months ended September 30, 1999, no options were exercised. At September 30, 1999, 972,216 options were exercisable at prices ranging from \$3.375 to \$18.00 per share.

In 1994, the stockholders approved the 1994 Outside Directors Stock Option Plan (the "Directors Plan"). Only Directors who are not employees of the Company are eligible under the Directors Plan. The Directors Plan covers a maximum of 200,000 shares. At September 30, 1999, 92,800 options were exercisable at prices ranging from \$8.00 to \$16.875 per share.

In connection with the Merger, Range adopted the Second Amended and Restated 1996 Stock Purchase and Option Plan for Key Employees of Domain Energy Corporation and Affiliates (the "Domain Option Plan") and the Domain Energy Corporation 1997 Stock Option Plan for Nonemployee Directors (the "Domain Director Plan"). Subsequent to the Merger, no new options will be granted under the Domain Option and Director Plans and existing options are exercisable into shares of Range Common Stock. During the first nine months ended September 30, 1999 options covering 356,812 shares were exercised at \$0.01 per share and 17,452 shares were exercised at \$3.46 per share. At September 30, 1999, 440,174 options were currently exercisable under the Domain Option Plan at \$3.46 per share. The remaining 111,705 options have an exercise price of \$0.01 per share.

At September 30, 1999, options totaling 19,340 shares were outstanding and exercisable under the Domain Director Plan at \$11.17 per share.

In June 1997, the stockholders approved the 1997 Stock Purchase Plan (the "1997 Plan") which authorizes the sale of up to 900,000 shares of common stock to officers, directors, key employees and consultants. Under the 1997 Plan, the right to purchase shares at prices ranging from 50% to 85% of market value may be granted. Through September 30, 1999, no rights had been granted for less than 75% of market value. The Company previously had stock purchase plans which covered 833,333 shares. The previous stock purchase plans have been terminated. The 1997 Plan is administered by the Compensation Committee of the Board. From inception through September 30, 1999, a total of 499,897 registered shares had been sold through stock purchase plans, for a total consideration of approximately \$2.9 million.

(11) BENEFIT PLAN

The Company maintains a 401(K) Plan for the benefit of its employees. The Plan permits employees to make contributions on a pre-tax salary reduction basis. The Company makes discretionary contributions to the Plan. Company contributions for 1998 totaled \$0.7 million of Common Stock, valued at market on date of contribution.

(12) INCOME TAXES

The Company follows FASB Statement No. 109, "Accounting for Income Taxes". Under Statement 109, the liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The income tax provisions for the nine month periods ended September 30, 1998 and 1999 were \$(34.7) million and \$1.6 million, respectively. The current portion of the income tax provisions represent state income taxes currently payable. Statement 109 requires a valuation allowance be recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. A valuation allowance for the full amount of the net deferred tax asset was recorded due to the uncertainties as to the amount of taxable income that would be generated in future years. The Company established a valuation allowance of \$25 million at December 31, 1998 and increased the allowance to \$29 million at September 30, 1999. Upon future realization of the deferred tax asset, \$29 million of the valuation allowance will reduce the Company's future income tax expense.

The Company has entered into several business combinations accounted for as purchases. In connection with these transactions, deferred tax assets and liabilities of \$7.7 million and \$38.3 million respectively, were recorded. In 1998 the Company acquired Domain Energy Corporation in a taxable business combination accounted for as a purchase. A net deferred tax liability of \$29 million was recorded in the transaction.

At December 31, 1998, the Company had available for federal income tax reporting purposes net operating loss carryovers of approximately \$131 million that are subject to annual limitations as to their utilization and otherwise expire between 1999 and 2013, if unused. The Company has alternative minimum tax net operating loss carryovers of \$116 million that are subject to annual limitations as to their utilization and otherwise expire from 1999 to 2013 if unused. The Company has statutory depletion carryover of approximately \$4 million and an alternative minimum tax credit carryover of approximately \$.9 million. The statutory depletion carryover and alternative minimum tax credit carryover are not subject to limitation or expiration.



## (13) EARNINGS PER COMMON SHARE

The following table sets forth the computation of earnings per common share and earnings per common share - assuming dilution (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	1998	1999	1998	1999
<b>Numerator:</b>				
Net Income .....	\$ (66,907)	\$ 12,722	\$ (65,084)	\$ 1,654
Preferred stock dividends.....	(584)	(584)	(1,751)	(1,751)
Numerator for earnings per common share.....	(67,491)	12,138	(66,835)	(97)
<b>Effect of dilutive securities:</b>				
Preferred stock dividends.....	-	-	-	-
Numerator for earnings per common Share - assuming dilution.....	\$ (67,491)	\$ 12,138	\$ (66,835)	\$ (97)
<b>Denominator:</b>				
Denominator for basic earnings per common Share - weighted average shares.....	26,243	37,477	22,857	36,745
<b>Effect of dilutive securities:</b>				
Employee stock options.....	385	-	469	-
Warrants.....	-	-	-	-
Dilutive potential common shares Denominator for diluted earnings per share Adjusted weighted-average shares and Assumed conversions.....	26,628	37,477	23,326	36,745
Earnings (loss) per common share.....	\$ (2.57)	\$ 0.33	\$ (2.92)	\$ 0.00
Earnings (loss) per common Share - assuming dilution.....	\$ (2.57)	\$ 0.33	\$ (2.92)	\$ 0.00

For additional disclosure regarding the Debentures and the \$2.03 Preferred Stock, see Notes 6 and 9, respectively. The Debentures were outstanding during 1998 and 1999 but were not included in the computation of diluted earnings per share because the conversion price was greater than the average market price of common shares and, therefore, the effect would be antidilutive. The \$2.03 Preferred Stock was outstanding during 1998 and 1999 and was convertible into 3,026,316 of additional shares of common stock. The 3,026,316 additional shares were not included in the computation of diluted earnings per share because the effect would be antidilutive. There were employee stock options outstanding during the first nine months of 1998 and 1999 which were exercisable, resulting in 1,051,370 and 1,683,936 additional shares, respectively, under the treasury method of accounting for common stock equivalents. These additional shares were not included in the first nine months 1999 computations of diluted earnings per share because the effect was antidilutive.

## (14) MAJOR CUSTOMERS

The Company markets its oil and gas production on a competitive basis. The type of contract under which gas production is sold varies but can generally be grouped into three categories: (a) life-of-the-well; (b) long-term (1 year or longer); and (c) short-term contracts which may have a primary term of one year, but which are cancelable at either party's discretion in 30-120 days. Approximately 89% of gas production is currently sold under market sensitive contracts, which do not contain floor price provisions. For the nine months ended September 30, 1999, no one customer accounted for 10% or more of total oil and gas revenues. Management believes that the loss of any one customer would not have a material adverse effect on operations. Oil is sold on a basis such that the purchaser can be changed on 30 days notice. The price received is generally equal to a posted price set by the major purchasers in the area. Oil is sold on a basis of price and service.

## (15) OIL AND GAS ACTIVITIES

The following summarizes selected information with respect to oil and gas activities (in thousands):

	December 31, 1998	September 30, 1999
	-----	-----
		(unaudited)
Oil and gas properties:		
Proved properties.....	\$ 859,911	\$ 854,090
Unproved properties.....	75,911	72,454
	-----	-----
Total.....	935,822	926,544
Accumulated depletion and impairment.....	(273,723)	(322,684)
	-----	-----
Net oil and gas properties.....	\$ 662,099	\$ 603,860
	=====	=====
	Year Ended December 31, 1998	Nine Months Ended September 30, 1999
	-----	-----
		(unaudited)
Costs incurred:		
Acquisition.....	\$ 286,974	\$ 2,084
Development.....	71,793	20,074
Exploration.....	9,756	2,438
	-----	-----
Total costs incurred.....	\$ 368,523	\$ 24,596
	=====	=====

## (16) INVESTMENT IN GREAT LAKES

As described in Note 2, the Company has a 50% ownership interest in Great Lakes. At September 30, 1999, the Company pro rata consolidated its interest in the joint venture's assets and liabilities based upon its ownership interest in Great Lakes. No operations for Great Lakes are reflected in the Company's Statements of Operations due to the fact that the joint venture was completed on September 30, 1999. The following table summarizes the financial information for 100% of Great Lakes (in thousands).

	September 30, 1999
	----- (unaudited)
Current assets.....	\$ 2,708
Oil and gas properties, net.....	288,941
Transportation, processing and field assets, net.....	39,710
Other assets.....	2,166
Current liabilities.....	5,003
Long-term debt.....	188,277
Net equity.....	140,245

## (17) GAIN ON SALE

In September 1999, Range transferred all of its Appalachian oil and gas properties and associated gas gathering and transportation systems to Great Lakes in exchange for a non-controlling ownership interest. Additionally, the Company contributed \$188.3 million of indebtedness to Great Lakes. The Great Lakes partners have no commitment to support the operations or related obligations of Great Lakes. In connection with the transfer, Range recognized a gain of \$41.0 million, which was attributable to the portion of the net assets conveyed to Great Lakes. The gain was calculated by comparing the Company's estimate of the fair market value of the assets and liabilities conveyed to their net book value.

The estimated fair market value of oil and gas properties was based upon future net cash flows from the assets discounted 10% at September 30, 1999. The present value of future cash flows from such properties has been adjusted for the Company's assessment of risk related to the properties. For purposes of determining the fair market value of oil and gas properties, risk factors ranging from 20% to 60% were used depending on the nature of the reserve category. The Company assumed NYMEX prices of \$19.00 per barrel of oil and \$2.65 per mcf of gas for purposes of calculating future net cash flows. Prices were escalated 2.5% annually, with oil capped at the price of \$30.00 per barrel and gas capped at the price of \$5.00 per mcf. These prices were then adjusted for the effect of the Company's production subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the dates of the impairment charges. Severance taxes, direct operating costs and capitalized costs were estimated based on the Company's historical operating experience. These costs and expenses were escalated at 2.5% per year. These prices and costs were applied to production profiles developed by the Company's engineers using estimates of proved reserves and unproved reserves. The estimated fair market value of other assets contributed to Great Lakes was determined by an internally generated cash flow model which was developed to determine the future revenues and costs associated with these activities, discounted 10% annually. These discounted cash flows were risked individually at rates ranging between 30% and 60%.

During the nine months ended September 30, 1999, the Company sold various non-strategic properties. A net loss in the amount of \$1.8 million was recognized on the sale of these properties due to their net book value being greater than proceeds received upon their sale.

## (18) EXTRAORDINARY ITEM

During 1999 Range exchanged \$2.3 million of Convertible Preferred Securities and \$3.6 million of Debentures for approximately 698,000 shares of Common Stock. In connection with the exchange a \$2.4 million extraordinary gain was recorded because the Convertible Preferred Securities and Debentures were retired at a discount to their face value.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
 -----  
 OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
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FACTORS AFFECTING FINANCIAL CONDITION AND LIQUIDITY

LIQUIDITY AND CAPITAL RESOURCES

General

During the nine months ended September 30, 1999, the Company spent approximately \$24.6 million on acquisition, development and exploration activities. At September 30, 1999, the Company had \$14.5 million in cash and marketable securities and total assets of \$776 million. At that date working capital was \$29.6 million. During the first nine months of 1999, total debt decreased \$137.4 million. At September 30, 1999, debt to total book capitalization was 65%.

Long-term debt at September 30, 1999 included \$147 million of borrowings under the Credit Facility, \$94 million under the non-recourse Great Lakes Facility, \$53 million under the non-recourse IPF Facility, \$125 million of 8.75% Senior Subordinated Notes and \$51 million of 6% Convertible Subordinated Debentures. The Company's exposure to its recourse Credit Facility was reduced 60% from \$365 million at December 31, 1998 to \$147 million at September 30, 1999. Including the debt exchanges noted below, total debt fell from \$607.2 million at December 31, 1998 to \$469.8 million at September 30, 1999.

During 1999, Range exchanged \$2.3 million of Convertible Preferred Securities and \$3.6 million of Debentures for approximately 698,000 shares of Common Stock. In connection with the exchange a \$2.4 million extraordinary gain was recorded as the Convertible Preferred securities and Debentures were retired at a discount to their face value.

The Company believes that its capital resources are adequate to meet the requirements of its business. However, future cash flows are subject to a number of variables including the level of production and oil and gas prices, and there can be no assurance that operations and other capital resources will provide cash in sufficient amounts to maintain planned levels of capital expenditures.

In September 1999, the Company elected to pursue the sale of its gas processing plant and associated assets located in the Permian Basin. At September 30, 1999, the Company classified these assets as held for sale. In that connection, the Company determined that the carrying value of the plant exceeded its fair value. Accordingly, an impairment loss of \$21.0 million was recorded which represented the excess of the carrying value over the estimated fair value.

Fair value of the gas processing plant was estimated by reference to the present value of the estimated future cash inflows of the gas processing plant. The impairment estimate on the gas processing plant recorded in the third quarter 1999 was based on estimates of future cash flows for the property. Future cash flows include revenues from residue gas, plant liquids and by-products derived from both equity and third party proved natural gas reserves, which are estimated to pass through the plant, direct operating costs and capitalized costs. The Company used an estimated future gas prices by referencing ten year future strip prices in the calculation of the plant revenues estimated over the anticipated life of the property. These prices were then adjusted for the effect of the estimated throughput production, subject to existing sales contracts, and are not necessarily indicative of actual prices received by the Company at the date of the impairment charge.

## Cash Flow

The Company's principal operating sources of cash include sales of oil and gas, revenues from transportation, processing and marketing and IPF revenues. The Company's cash flow is highly dependent upon oil and gas prices. Decreases in the market price of oil and gas in late 1998 reduced cash flow and resulted in the reduction of the borrowing base under the Credit Facility. As a result, the Company reduced its development and exploration budget to \$38 million in 1999. For the first nine months of 1999, the Company spent approximately \$22.5 million on these activities. The 1999 expenditures have been funded primarily by internally generated cash flow.

The Company's net cash provided by operations for the nine months ended September 30, 1998 and 1999 was \$35.8 million and \$25.9 million, respectively. The decrease in the Company's cash flow from operations is attributed primarily to decreases in oil and gas prices and increased interest on amounts outstanding under the Credit Facility.

The Company's net cash provided by (used in) investing for the nine months ended September 30, 1998 and 1999 was \$(160.5) million and \$110.0 million, respectively. Investing activities for these periods are comprised primarily of additions to oil and gas properties through the Company's investment in Great Lakes, acquisitions and development, proceeds on sale of assets, IPF investments and, to a lesser extent, exploration and additions of field assets. Cash flows from investing in 1999 also included the Company's investment in Great Lakes. These uses of cash have historically been partially offset by cash inflows associated with asset sales and IPF return of capital. The Company's acquisition, drilling and IPF activities have been financed through a combination of operating cash flow, bank borrowings and capital raised through equity and debt offerings.

The Company's net cash provided by (used in) financing for the nine months ended September 30, 1998 and 1999 was \$124.7 million and \$(135.6) million, respectively. Sources of financing used by the Company during the most recent nine month period were borrowings under its Credit Facilities. The Company decreased its debt borrowings by \$133.7 million during the period primarily due to the conveyance of debt to Great Lakes.

## Capital Requirements

During the nine months ended September 30, 1999, \$22.5 million and of costs were incurred for development and exploration activities. In an effort to reduce outstanding debt, the Company reduced its 1999 exploration and development capital budget to \$38 million. The development and exploration activities are highly discretionary and in 1999 have been reduced to levels below internally generated cash flow. The remaining cash flow has been available for debt repayment. The Company does not expect any additional material capital expenditures outside its normal operations over the next 12 month period.

## Bank Facilities

The Company maintains a \$225 million revolving bank facility (the "Credit Facility"). The Credit Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Credit Facility is secured by the Company's oil and gas properties. At November 10, 1999, the borrowing base on the Credit Facility was \$160 million of which \$18.0 million was available to be drawn. The borrowing base is subject to semi-annual determination and certain other redeterminations based upon a variety of factors, including the discounted present value of estimated future net cash flow from oil and gas production. At the Company's option, loans may be prepaid and the revolving credit commitment may be reduced, in whole or in part at anytime in certain minimum amounts. The next redetermination occurs on April 1, 2000. If amounts outstanding at April 1, 2000 exceed the redetermined borrowing base, one-half of the excess, if any, must be repaid within 90 days and the remaining excess, if any, must be repaid within 180 days. Any borrowing base in excess of \$135 million requires the approval of all lenders. Interest is payable quarterly or as LIBOR notes mature and the loan matures in February 2003. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn. It is the Company's policy to extend the term period of the Credit

Facility annually. The interest rate on the Credit Facility is LIBOR plus between 1.50% and 2.25%, depending upon amounts outstanding. The weighted average interest rates on these borrowings were 6.8% and 7.2% for the three months ended September 30, 1998 and 1999, respectively.

The Company pro rata consolidates 50% of amounts outstanding under the \$275 million revolving bank facility (the "Great Lakes Facility") through its participation in Great Lakes. The Great Lakes Facility is non-recourse to Range. The Great Lakes Facility provides for a borrowing base, which is subject to semi-annual redeterminations. The Great Lakes Facility is secured by the Great Lakes oil and gas properties. At November 10, 1999, the borrowing base on the Great Lakes Facility was \$195 million of which \$5.7 million was available to be drawn. Beginning December 1, 1999, the borrowing base reduces \$1 million per month to \$190 million at April 1, 2000. The borrowing base is subject to a semi-annual borrowing review on April 1, 2000. The redetermined borrowing base on April 1, 2000 requires the approval of all lenders. Interest is payable quarterly or as LIBOR notes mature and the loan matures in September 2002. The interest rate on the Great Lakes Facility is LIBOR plus between 1.50% and 2.00%, depending upon amounts outstanding. A commitment fee is paid quarterly on the undrawn balance at a rate of 0.25% to 0.50% depending upon the percentage of the borrowing base drawn.

IPF has a \$150 million revolving credit facility (the "IPF Facility") through which it finances its activities. The IPF Facility is non-recourse to Range. The IPF Facility matures in July 2001 at which time all amounts owed thereunder are due and payable. The IPF Facility is secured by substantially all of IPF's assets. The borrowing base under the IPF Facility is subject to redeterminations, which occur routinely during the year. On November 10, 1999, the borrowing base on the IPF Facility was \$56 million of which \$3.4 million was available to be drawn. The IPF Facility bears interest at prime rate or interest at LIBOR plus a margin of 1.75% to 2.25% per annum depending on the total amount outstanding. Interest expense during the first nine months of 1999 amounted to \$3.2 million and is included in IPF expenses on the Consolidated Statements of Operations. A commitment fee is paid quarterly on the average undrawn balance at a rate of 0.375% to 0.50%. The weighted average interest rate on these borrowings was 7.5% for the nine months ended September 30, 1999.

#### Hedging Activities

Periodically, the Company enters into futures, option and swap contracts to reduce the effects of fluctuations in crude oil and natural gas prices. At September 30, 1999, the Company had open hedges for natural gas of 36 Bcf and oil swaps of 800,000 barrels. While these transactions have no carrying value, the fair value of these and subsequent transactions entered into, represented by the estimated amount that would be required to terminate the contracts, was a net loss of approximately \$3.4 million at November 10, 1999. The gas contracts are at prices ranging from \$1.90 to \$3.17 per Mmbtu and the oil contracts range from \$17.32 to \$22.95 per Bbl. The gains or losses on the Company's hedging transactions are determined as the difference between the contract price and a reference price, generally closing prices on the NYMEX. The resulting transaction gains and losses are determined monthly and are included in the period the hedged production or inventory is sold. Net gains (losses) relating to these derivatives for the nine months ended September 30, 1998 and 1999, approximated \$2.8 million and \$(6.6) million respectively.

#### Interest Rate Risk

At September 30, 1999, Range had debt outstanding of \$469.8 million. Of this amount, \$176.4 million, or 38% bears interest at fixed rates averaging 7.9%. The remaining \$293.4 million of debt outstanding at September 30, 1999 bears interest at floating rates which averaged 7.6%. The terms of the credit facilities in place allow interest rates to be fixed at Range's option for periods of between 30 and 180 days. At September 30, 1999, the Company had \$80 million of borrowings subject to four interest rate swap agreements at rates of 5.35%, 4.82%, 5.64% and 5.59% through January 2000, September 2000, October 2000 and October 2001, respectively. The interest rate swaps may be extended at the counterparties' option for two years. The agreements require that the Company pay the counterparty interest at the above fixed swap rates and require the counterparty to pay the Company interest at the 30-day LIBOR rate. The closing 30-day LIBOR rate on September 30, 1999 was 5.40%. A 10% increase in short-term interest rates on the floating-rate debt outstanding at the end of 1998 would equal

approximately 76 basis points. Such an increase in interest rates would increase Range's nine month 1999 interest expense by approximately \$1.7 million, assuming borrowed amounts remain outstanding.

The above sensitivity analysis for interest rate risk excludes accounts receivable, accounts payable and accrued liabilities because of the short-term maturity of such instruments.

#### INFLATION AND CHANGES IN PRICES

The Company's revenues and the value of its oil and gas properties have been and will be affected by changes in oil and gas prices. The Company's ability to maintain current borrowing capacity and to obtain additional capital on attractive terms is also dependent on oil and gas prices. Oil and gas prices are subject to significant seasonal and other fluctuations that are beyond the Company's ability to control or predict. During the first nine months of 1999, the Company received an average of \$13.97 per barrel of oil, an increase of 13% from the comparable 1998 period, and \$2.01 per Mcf of gas, a decrease of 17% from the comparable 1998 period. Although certain of the Company's costs and expenses are affected by the level of inflation, inflation did not have a significant effect during the first nine months of 1999.

#### RESULTS OF OPERATIONS

##### Comparison of 1999 to 1998

The Company reported net income for the three months ended September 30, 1999 of \$12.7 million compared to net loss of \$66.9 million in the third quarter of 1998. Production volumes increased 7% from 165,760 Mcfe/d in 1998 to 177,816 Mcfe/d in 1999. The average price received on an equivalent unit basis increased 8% from \$2.13 per Mcfe in 1998 to \$2.29 per Mcfe in 1999. The average oil price increased 38% to \$16.21 per barrel while average gas prices decreased 2% to \$2.18 per Mcf. As a result of the Company's larger base of producing properties and production, oil and gas production expenses increased 10% to \$11.0 million in 1999 versus \$10.0 million in 1998. The average operating cost per Mcfe of production increased 2% from \$0.66 in the third quarter of 1998 to \$0.67 in 1999 due to higher production taxes.

Transportation, processing and marketing net revenues increased 25% to \$2.1 million versus \$1.7 million in 1998. IPF net income consists of the interest portion of the term overriding royalty interest and is net an allowance for possible uncollectable accounts. During the third quarter of 1999, IPF expense included \$1.0 million of interest and \$0.4 million of administrative expense.

General and administrative expenses decreased 7% from \$2.4 million in 1998 to \$2.2 million in 1999. General and administrative cost per Mcfe produced decreased 13% from \$0.16 in 1998 to \$0.14 in 1999. Exploration expense decreased from \$2.0 million to \$.4 million due to the farming out of projects in exchange for carried interests and decreased expenditures resulting from a reduced capital expenditure budget.

Gain on sale relates to the net excess of proceeds received on the sale of properties over their book value. The increase in gain on sale of \$39.1 million over that in the third quarter 1998 primarily due to the \$41 million proportional gain recognized on the Great Lakes transaction (See Note (17) - Gain on Sale).

Interest and other income remained relatively constant compared to the same 1998 period. Interest and other income is primarily comprised of interest on bank deposits. In 1999 interest expense increased 10% to \$12.1 million as compared to \$11.0 million in 1998. The increase was primarily a result of the higher average outstanding debt balance during the year due to the financing of acquisitions and capital expenditures and a higher average cost of borrowing. The average outstanding balances on the Credit Facility were \$240 million and \$363 million and the nine months ended September 30, 1998 and 1999, respectively. The weighted average interest rate on these borrowings was 6.7% and 7.0% for the nine month periods ended September 30, 1998 and 1999, respectively.



Depletion, depreciation and amortization increased 28% compared to 1998 as a result of increased production volumes. The Company's depletion rate was \$0.84 per Mcfe in the third quarter of 1998 versus \$1.02 per Mcfe in the third quarter of 1999. In the third quarter of 1999, the Company recognized a \$21 million impairment on a gas processing plant and related assets located in the Permian Basin. The Company has decided to sell the plant and related assets and the net book value of these assets is classified as a current asset at September 30, 1999 on the Consolidated Balances Sheets (See Note (5) Assets Held For Sale).

#### Year 2000

The Company has developed a plan (the "Year 2000 Plan") to address the Year 2000 issue caused by computer programs and applications that utilize two digit date fields rather than four to designate a year. As a result, computer equipment, software and devices with embedded technology that are date sensitive may be unable to recognize or misinterpret the actual date. This could result in a system failure or miscalculations causing disruptions of operations. The Company's Board of Directors has established a Year 2000 committee to review the adoption and implementation of the Year 2000 Plan.

Assessment of the information technology ("IT") and non-IT systems has been completed. The term "IT systems" include personal computers, accounting/data processing software and other miscellaneous systems. Range's computerized accounting / production / land system was upgraded and tested to be Year 2000 compliant. The Company's personal computer systems are also Year 2000 compliant.

The non-IT systems include operational and control equipment with embedded chip technology that is utilized in the offices and field operations. The systems were reviewed as part of the Year 2000 Plan. Most of the wells are operated by non-computerized equipment. The potentially affected areas are the gas processing plant in the Midland Basin, telemetry that controls approximately 10% of the wells and portable metering devices which are used on less than 2% of the wells. As of September 30, 1999, Range has completed the remediation of all known Year 2000 problems associated with non-IT systems.

Range is also monitoring the compliance efforts of its significant suppliers, customers and service providers with whom it does business and whose IT and non-IT systems interface with those of the Company to ensure that they will be Year 2000 compliant. If they are not, such failure could affect the ability of the Company to sell its oil and gas and receive payments therefrom and the ability of vendors to provide products and services in support of the Company's operations. Although the Company has no reason to believe that its vendors and customers will not be compliant by the year 2000, the Company is unable to determine the extent to which Year 2000 issues will affect its vendors and customers. However, management believes that ongoing communication with and assessment of the compliance efforts of these third parties will minimize these risks.

The discussion of the Company's efforts and management's expectations relating to Year 2000 compliance contains forward-looking statements. Range has conducted a comprehensive analysis of the financial and operational problems that would be reasonably likely to result from failure by Range and significant third parties to complete efforts necessary to achieve Year 2000 compliance on a timely basis. Business contingency plans for mission critical systems have been developed to deal with misrepresentations by equipment manufacturers and the inability of purchasers or partners to conduct normal operations.

The total costs for the Year 2000 Project is not expected to be in excess of \$180,000. Of this amount, approximately \$150,000 had been incurred as of September 30, 1999.

Range presently does not expect to experience significant operational problems due to the Year 2000 issues. However, if all Year 2000 issues are not properly identified, assessed, remediated and tested, there can be no assurance that the Year 2000 issue will not materially impact Range's results of operations or adversely affect its relationship with customers, vendors, or others. Additionally, there can be no assurance that the Year 2000 issues of other entities will not have a material impact on Range's systems or results of operations.

## GLOSSARY

The terms defined in this glossary are used throughout this Form 10-Q.

Bbl. One stock tank barrel, or 42 U.S. gallons liquid volume, used herein in reference to crude oil or other liquid hydrocarbons.

Bcf. One billion cubic feet.

Bcfe. One billion cubic feet of natural gas equivalents, based on a ratio of 6 Mcf for each barrel of oil, which reflects the relative energy content.

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Dry hole. A well found to be incapable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory well. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir.

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

Infill well. A well drilled between known producing wells to better exploit the reservoir.

Mbbl. One thousand barrels of crude oil or other liquid hydrocarbons.

Mcf. One thousand cubic feet.

Mcf/d. One thousand cubic feet per day.

Mcfe. One thousand cubic feet of natural gas equivalents, based on a ratio of 6 Mcf for each barrel of oil, which reflects the relative energy content.

Mmbbl. One million barrels of crude oil or other liquid hydrocarbons.

MmBtu. One million British thermal units. One British thermal unit is the heat required to raise the temperature of a one-pound mass of water from 58.5 to 59.5 degrees Fahrenheit.

Mmcf. One million cubic feet.

Mmcfe. One million cubic feet of natural gas equivalents.

Net acres or net wells. The sum of the fractional working interests owned in gross acres or gross wells.

Net oil and gas sales. Oil and natural gas sales less oil and natural gas production expenses.

Present Value. The pre-tax present value, discounted at 10%, of future net cash flows from estimated proved reserves, calculated holding prices and costs constant at amounts in effect on the date of the report (unless such prices or costs are subject to change pursuant to contractual provisions) and otherwise in accordance with the Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

Productive well. A well that is producing oil or gas or that is capable of production.

Proved developed non-producing reserves. Reserves that consist of (i) proved reserves from wells which have been completed and tested but are not producing due to lack of market or minor completion problems which are expected to be corrected and (ii) proved reserves currently behind the pipe in existing wells and which are expected to be productive due to both the well log characteristics and analogous production in the immediate vicinity of the wells.

Proved developed producing reserves. Proved reserves that can be expected to be recovered from currently producing zones under the continuation of present operating methods.

Proved developed reserves. Proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved reserves. The estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved undeveloped reserves. Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. The completion for production of an existing wellbore in another formation from that in which the well has previously been completed.

Reserve life index. The presentation of proved reserves defined in number of years of annual production.

Royalty interest. An interest in an oil and gas property entitling the owner to a share of oil and natural gas production free of costs of production.

Standardized Measure. The present value, discounted at 10%, of future net cash flows from estimated proved reserves after income taxes calculated holding prices and costs constant at amounts in effect on the date of the report (unless such prices or costs are subject to change pursuant to contractual provisions) and otherwise in accordance with the Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

Term overriding royalty. A royalty interest that is carved out of the operating or working interest in a well. Its term does not extend to the economic life of the property and is of shorter duration than the underlying working interest. The term overriding royalties in which the Company participates through its Independent Producer Finance subsidiary typically extend until amounts financed and a designated rate of return have been achieved. At such point in time, the override interest reverts back to the working interest owner.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and a share of production, subject to all royalties, overriding royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

## PART II. OTHER INFORMATION

## Item 1. Legal Proceedings

The Company is involved in various legal actions and claims arising in the ordinary course of business. In the opinion of management, such litigation and claims are likely to be resolved without material adverse effect on the Company's financial position.

In May 1998, a Domain stockholder filed an action in the Delaware Court of Chancery, alleging that the terms of the Merger were unfair to a purported class of Domain stockholders and that the defendants (except Range) violated their legal duties to the class in connection with the Merger. Range is alleged to have aided and abetted the breaches of fiduciary duty allegedly committed by the other defendants. The action sought an injunction enjoining the Merger as well as a claim for money damages. On September 3, 1998, the parties executed a Memorandum of Understanding (the "MOU"), which represents a settlement in principle of the litigation. Under the terms of the MOU, appraisal rights (subject to certain conditions) were offered to all holders of Domain common stock (excluding the defendants and their affiliates). Domain also agreed to pay any court-awarded attorneys' fees and expenses of the plaintiffs' counsel in an amount not to exceed \$.3 million. The settlement in principle is subject to court approval and certain other conditions that have not been satisfied.

Items 2 - 5. Not applicable

## Item 6. Exhibits and Report on Form 8-K

## (a) Exhibits

- 10.1 \$225,000,000 Amended and Restated Credit Agreement among Range Resources Corporation, as Borrower, The Lenders from Time to Time Parties Hereto, as Lenders, Bank One, Texas, N.A., as Administrative Agent, Chase Bank of Texas, N.A., as Syndication Agent, and Bank of America, N.A., as Documentation Agent dated September 30, 1999.
- 10.2 Credit Agreement Among Great Lakes Energy Partners, L.L.C., as Borrower and Bank One, Texas, N.A., as Administrative Agent, Chase Bank of Texas, N.A., as Syndication Agent, Bankers Trust Company, as Documentation Agent, The Bank of Nova Scotia and Credit Lyonnais New York Branch, as Managing Agents Banc One Capital Markets, Inc., as Co-Lead Arranger and Chase Securities Inc., as Co-Lead Arranger, as dated September 30, 1999.

27 Financial data schedule

## (b) Reports on Form 8-K

Current Report on Form 8-K, dated October 15, 1999 regarding the Great Lakes transaction.

SIGNATURES

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

RANGE RESOURCES CORPORATION

By: (Thomas W. Stoelk)  
-----  
Thomas W. Stoelk  
Senior Vice President  
Finance & Administration  
Chief Financial Officer

November 15, 1999

## EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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10.1	\$225,000,000 Amended and Restated Credit Agreement among Range Resources Corporation, as Borrower, The Lenders from Time to Time Parties Hereto, as Lenders, Bank One, Texas, N.A., as Administrative Agent, Chase Bank of Texas, N.A., as Syndication Agent, and Bank of America, N.A., as Documentation Agent dated September 30, 1999.
10.2	Credit Agreement Among Great Lakes Energy Partners, L.L.C., as Borrower and Bank One, Texas, N.A., as Administrative Agent, Chase Bank of Texas, N.A., as Syndication Agent, Bankers Trust Company, as Documentation Agent, The Bank of Nova Scotia and Credit Lyonnais New York Branch, as Managing Agents Banc One Capital Markets, Inc., as Co-Lead Arranger and Chase Securities Inc., as Co-Lead Arranger, as dated September 30, 1999.
27	Financial data schedule

\$225,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

AMONG

RANGE RESOURCES CORPORATION,  
AS BORROWER,

THE LENDERS FROM TIME TO TIME PARTIES HERETO,  
AS LENDERS,

BANK ONE, TEXAS, N.A.,  
AS ADMINISTRATIVE AGENT,

CHASE BANK OF TEXAS, N.A.,  
AS SYNDICATION AGENT,

AND

BANK OF AMERICA, N.A.,  
AS DOCUMENTATION AGENT

DATED AS OF SEPTEMBER 30, 1999

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Exhibit G	- Form of Compliance Certificate
Exhibit H	- Form of Assignment Agreement

AMENDED AND RESTATED CREDIT AGREEMENT  
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This Amended and Restated Credit Agreement is made on September 30, 1999, among RANGE RESOURCES CORPORATION, a Delaware corporation ("BORROWER"), BANK ONE, TEXAS, N.A., as Administrative Agent ("ADMINISTRATIVE AGENT"), CHASE BANK OF TEXAS, N.A., as Syndication Agent ("SYNDICATION AGENT"), and BANK OF AMERICA, N.A., as Documentation Agent ("DOCUMENTATION AGENT") (collectively "AGENTS"), and the banks, financial institutions, and other entities listed on attached SCHEDULE 1, as Lenders (individually a "LENDER" and collectively "LENDERS").

RECITALS:

A. Borrower, Agents, and Lenders are parties to a Credit Agreement dated as of February 14, 1997 (as amended through and including the date hereof, the "EXISTING CREDIT AGREEMENT"), pursuant to which credit is outstanding to Borrower.

B. Borrower intends to contribute, or cause its Subsidiaries to contribute, the Appalachian Properties (as defined below) to Great Lakes Energy Partners, L.L.C., a Delaware limited liability company ("GLEP"), in exchange for an equity interest in GLEP equal to 50%.

C. Immediately after giving effect to the GLEP Transaction (as defined below), but subject to the satisfaction of each condition precedent set forth in SECTION 6.01 hereof, Borrower, Agents, and Lenders desire to amend and restate the Existing Credit Agreement in its entirety in order to, among other things, (a) amend and restate the aggregate Commitments of Lenders, and (b) modify certain other provisions of the Existing Credit Agreement.

NOW, THEREFORE, in consideration of the premises, the representations, warranties, covenants and agreements contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree that upon satisfaction of each condition precedent set forth in SECTION 6.01 hereof, the Existing Credit Agreement shall be amended and restated in its entirety on the terms and conditions set forth herein. It is the intention of the parties that upon satisfaction of the conditions precedent, this Agreement shall amend, restate, supersede, and replace the Existing Credit Agreement in its entirety; PROVIDED THAT (a) the foregoing shall operate to renew, extend, amend, and modify the rights and obligations of the parties under the Existing Credit Agreement (the "EXISTING RIGHTS AND OBLIGATIONS"), but shall not effect a novation thereof, and (b) except for such Liens securing the Existing Rights and Obligations which are no longer required pursuant to the terms of this Agreement (and which are being terminated and released pursuant to express written instruments to such effect duly filed and recorded in the appropriate jurisdictions), the Liens securing the

Existing Rights and Obligations shall not be extinguished, but shall be carried forward and shall secure the Obligations as defined herein and as renewed, extended, amended, and modified hereby. Borrower, Agents, and Lenders hereby further agree as follows:

ARTICLE 1 - DEFINITIONS.

1.01. DEFINED TERMS. As used in this Agreement, the following terms have the respective meanings assigned them in this Article or in the sections or subsections referred to below:

ABR LOAN- means a Loan bearing interest with reference to the Adjusted Base Rate.

ADDITIONAL PROPERTIES- has the meaning given that term in SECTION 4.03.

ADMINISTRATIVE AGENT- means Bank One, Texas, N.A., in its capacity as Administrative Agent for Lenders.

ADJUSTED BASE RATE- means, for any day, a rate per annum (rounded upwards, if necessary to the next 1/16 of 1%) equal to the greater of (a) the Base Rate in effect on that day or (b) the Federal Funds Rate in effect on that day plus 1/2 of 1%; any change in the Adjusted Base Rate due to a change in the Base Rate or the Federal Funds Rate shall be effective as of the opening of business on the effective day of the change in the Base Rate or the Federal Funds Rate, respectively.

ADVANCE- means, with respect to any Person, any loan, advance, or extension of credit to any other Person.

AFFILIATE- means, as to any person, any other Person (other than a wholly owned Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, that Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors of that Person or (b) direct or cause the direction of the management and policies of that Person, whether by contract or otherwise.

AGENT- means any of Administrative Agent, Syndication Agent, and Documentation Agent, and "AGENTS" means Administrative Agent, Syndication Agent, and Documentation Agent.

AGREEMENT- means this Amended and Restated Credit Agreement, including the Schedules and Exhibits hereto, as the same may be amended, supplemented, or otherwise modified from time to time.

APPALACHIAN PROPERTIES- means all of Borrower's Oil and Gas Properties in the states of Michigan, New York, Ohio, Pennsylvania, and West Virginia.

APPLICABLE MARGIN- means, on any day, the basis points set out below, determined based upon the type of Loan and the Borrowing Base Usage on any such day:

BORROWING BASE USAGE

	less than 40%	40% less than 60%	60% less than 80%	80%
Eurodollar Loans	150 basis points	175 basis points	200 basis points	225 basis points
ABR Loans	25 basis points	50 basis points	75 basis points	100 basis points

ASSIGNMENT- has the meaning given that term in SECTION 10.10.

AUTHORIZED OFFICER- means, as to any Person, its Chairman, President, or Chief Financial Officer duly authorized to act on behalf of that Person.

BASE RATE- means the rate of interest per annum publicly announced from time to time by Administrative Agent as its "base rate" or "prime rate" of interest, which rate may not be the lowest, best, or most favorable rate of interest which Administrative Agent may charge on loans to its customers.

BORROWER- means Range Resources Corporation, a Delaware corporation.

BORROWER'S OIL AND GAS PROPERTIES- means all oil and gas properties, pipelines, gathering systems, gas processing plants, and other similar assets owned by Borrower and its Consolidated Subsidiaries, including related personal property and other fixed assets and all related easements, servitudes, and similar real property interests owned by Borrower and its Consolidated Subsidiaries.

BORROWING- means any disbursement to Borrower under, or to satisfy the obligations of the Loan Parties under, any of the Loan Documents. Any Borrowing comprised of ABR Loans is an "ABR BORROWING", and any Borrowing comprised of Eurodollar Loans is a "EURODOLLAR BORROWING."



**BORROWING BASE-** means, at the time of any Determination, the amount then in effect as determined in accordance with Article 4.

**BORROWING BASE DEFICIENCY-** means, at any time, the amount by which the aggregate of all Outstanding Obligations exceeds the Borrowing Base then in effect. For purposes of determining the existence of and amount of any Borrowing Base Deficiency, Letter of Credit Outstandings will not be deemed to be outstanding hereunder to the extent they have been cash collateralized in the manner required by SECTION 3.09.

**BORROWING BASE USAGE-** means at any time the quotient, expressed as a percentage, of (a) the aggregate Outstanding Obligations at such time, divided by (b) the Borrowing Base in effect at such time.

**BORROWING DATE-** means any Business Day specified in a Notice of Borrowing or Request for Letter of Credit as a date on which Borrower requests a Borrowing hereunder or that an Issuing Lender issue a Letter of Credit hereunder.

**BUSINESS DAY-** means any day except a Saturday, Sunday, or other day on which national banks in Dallas, Texas, are authorized or required by law to close and, if the applicable day relates to a Eurodollar Loan, a day on which dealings in dollar deposits are also carried on in the applicable interbank market and banks are open for business in such market.

**CAPITAL LEASE-** means, for any Person as of any date, any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

**CLOSING DATE-** means the date that all conditions precedent set out in SECTION 6.01 below have been satisfied, in each case satisfactory to Agents.

**CODE-** means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and published interpretations thereof.

**COLLATERAL-** means the Mortgaged Properties and all other assets of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

**COMMITMENT-** means, with respect to any Lender, its commitment to make Loans and participate in Letters of Credit hereunder in an aggregate amount outstanding at any time not in excess of the amount of its Commitment as set forth in SCHEDULE 1 hereto.

COMMITMENT PERCENTAGE- means, with respect to any Lender at any time, the Commitment Percentage for that Lender set forth on SCHEDULE 1 hereto.

COMMITMENT PERIOD- means the period from and including the date hereof to but not including the Termination Date or the earlier date on which the Total Commitment shall terminate as provided herein.

COMMONLY CONTROLLED ENTITY- means an entity, whether or not incorporated, which is under common control with Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes Borrower and which is treated as a single employer under SECTION 414 of the Code.

CONSOLIDATED INTEREST EXPENSE- means with respect to Borrower and the Consolidated Subsidiaries on a consolidated basis for any period, the sum of (a) gross interest expense (including all cash and accrued interest expense) of Borrower and the Consolidated Subsidiaries for that period on a consolidated basis, including (i) the amortization of debt discounts, (ii) the amortization of all fees payable in connection with the occurrence of Debt to the extent included in interest expense, and (iii) the portion of any payments or accruals with respect to Capital Leases allocable to interest expense and (b) capitalized interest of Borrower and the Consolidated Subsidiaries on a consolidated basis.

CONSOLIDATED NET INCOME- means for any period, net income of Borrower and the Consolidated Subsidiaries determined on a consolidated basis in accordance with GAAP.

CONSOLIDATED SUBSIDIARY- or "CONSOLIDATED SUBSIDIARIES" means, for any person, at any time, any Subsidiary or other entity the accounts of which would be consolidated with those of that Person into its consolidated financial statements as of that time.

CONSOLIDATED TANGIBLE NET WORTH- means, for any Person as of any date, the consolidated shareholder's equity of such Person and its Consolidated Subsidiaries which would be reflected on a consolidated balance sheet for such Person and its Consolidated Subsidiaries prepared as of such date in accordance with GAAP less the consolidated Intangible Assets of such Person as of such date. For purposes of this definition, "INTANGIBLE ASSETS" means the amount (to the extent reflected in determining such consolidated shareholder's equity) of all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, organization expenses, and other intangible items.

DEBT- of any Person means at any date, without duplication, (a) all obligations of that Person for borrowed money or for the purchase price of property, (b) all obligations of that Person evidenced by bonds, debentures, notes, or other similar instruments, (c) all other indebtedness (including obligations under Capital Leases, other than usual and customary oil and gas leases) of that Person on which interest charges are customarily paid or accrued, (d) all Guarantees by that Person, (e) the unfunded or unreimbursed portion of all letters of credit issued for the account of that Person, (f) any indebtedness

or other obligation secured by a Lien on the assets of such Person, whether or not assumed by such Person, and (g) all liability of that Person as a general partner of a partnership for obligations of that partnership of the nature described in (a) through (f) preceding.

DEFAULT- means any condition or event which constitutes an Event of Default or which with the giving of notice, the lapse of time, or both, would, unless cured or waived, become an Event of Default.

DETERMINATION- means any Periodic Determination or Special Determination.

DETERMINATION DATE- means, (i) with respect to any Special Determination, the date that is 30 days after the date of the applicable Request for Determination, and (ii) with respect to any Periodic Determination, each October 1 and April 1, commencing April 1, 2000.

DISTRIBUTION- by any Person, means (a) with respect to any stock issued by that Person, any limited liability company interest of that Person, or any partnership interest of that Person, the retirement, redemption, purchase, re-purchase, or other acquisition for value of any stock, partnership, or limited liability company interest, (b) the declaration or payment of any cash dividend or other distribution on or with respect to any stock, partnership, or limited liability company interest of that Person, and (c) any other payment by that Person with respect to its stock, partnership, or limited liability company interest.

DOCUMENTATION AGENT- means Bank of America, N.A., in its capacity as Documentation Agent for Lenders.

EBITDA- means, for any period, Consolidated Net Income for that period, PLUS, without duplication and to the extent deducted from revenues in determining Consolidated Net Income for that period, (a) the aggregate amount of Consolidated Interest Expense for that period, (b) the aggregate amount of letter of credit fees paid during that period, (c) the aggregate amount of income tax expense for that period, (d) all amounts attributable to depreciation, depletion and amortization for that period, and (e) all non-cash, extraordinary expenses during that period, and MINUS, without duplication and to the extent added to revenues in determining Consolidated Net Income for that period, all non-cash, extraordinary income during that period, in each case determined in accordance with GAAP.

ERISA- means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations and published interpretations thereof.

**ENVIRONMENTAL LAWS-** means any and all laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or other legally enforceable requirement (including, without limitation, common law) of any foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health as it relates to the environment, as has been, is now, or may at any time hereafter be, in effect.

**EQUITY-** means shares of capital stock or a partnership, profits, capital or member interest, or options, warrants or any other right to substitute for or otherwise acquire the capital stock or a partnership, profits, capital or member interest of any Person.

**EURODOLLAR BASE RATE-** applicable to any Interest Period means the rate per annum determined by Administrative Agent (rounded upward, if necessary, to the next higher 1/64 of 1%) at which deposits in dollars are offered to Administrative Agent by first class banks in the eurodollar interbank market selected by Administrative Agent as of the first day of the Interest Period in an amount approximately equal to the principal amount of the Eurodollar Loan to which the Interest Period is to apply and for a period of time comparable to the Interest Period.

**EURODOLLAR LOAN-** means a Loan bearing interest with reference to the Eurodollar Rate; each Eurodollar Loan having a different Interest Period shall be deemed to be a separate Eurodollar Loan.

**EURODOLLAR RATE-** means, with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum equal to the quotient obtained (rounded upward, if necessary to the next higher 1/64 of 1%) by dividing (i) the applicable Eurodollar Base Rate by (ii) 1.00, minus the Eurodollar Reserve Percentage, adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

**EURODOLLAR RESERVE PERCENTAGE-** means, for any day as applied to a Eurodollar Loan, that percentage (expressed as a decimal) which is in effect on that day, as prescribed by the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto for determining the maximum reserve requirement for a member bank of the Federal Reserve System, in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the Eurodollar Rate is determined or any category of extension of credit or other assets that include Eurodollar Loans).

**EVENT OF DEFAULT-** means any of the events specified in SECTION 8.01.

**EXISTING CREDIT AGREEMENT-** has the meaning given that term in the recitals hereto.

EXISTING MORTGAGE AMENDMENT- means one or more Amendments to Mortgages, UCC-3 Amendments and other documents, instruments, and agreements in form and substance acceptable to Administrative Agent to be entered into by and among Borrower or the pertinent Subsidiaries and Bank One, Texas, N.A. in its capacity as Administrative Agent, pursuant to which the Existing Mortgages shall be modified, amended, renewed, and extended to (a) reflect the renewal, extension, amendment, and modification of the Existing Rights and Obligations pursuant to this Agreement, and (b) to secure the Obligations as defined herein.

EXISTING MORTGAGES- means the mortgages, deeds of trust, security agreements, financing statements and assignments of production executed by Borrower and its Subsidiaries in favor of Bank One, Texas, N.A. as Administrative Agent under the Existing Credit Agreement to secure the Existing Rights and Obligations.

EXISTING MORTGAGED PROPERTIES- means the oil and gas properties owned by Borrower and its Subsidiaries which are subject to the Liens created by the Existing Mortgages to secure the Existing Rights and Obligations.

EXISTING RIGHTS AND OBLIGATIONS- has the meaning given that term in the recitals hereto.

FEDERAL FUNDS RATE- means, as of any date, the rate per annum (rounded upwards, if necessary to the nearest 1/100 of 1%) 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 that date, as published by the Federal Reserve Bank of New York on the Business Day next succeeding that date, PROVIDED THAT (i) if the day for which that rate is to be determined is not a Business Day, the Federal Funds Rate for that day shall be the rate on such transactions on the next preceding Business Day, as so published on the next succeeding Business Day, and (ii) if no such rate is so published on the next succeeding Business Day, the Federal Funds Rate for that day shall be the average rate charged to Administrative Agent on that day on such transactions as determined by Administrative Agent.

GAAP- means generally accepted accounting principles, applied on a consistent basis, as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants or in statements of the Financial Accounting Standards Board or their respective successors and which are applicable in the circumstances as of the date in question (accounting principles are applied on a "consistent basis" when the accounting principles observed in a current period are comparable in all material respects to those accounting principles applied in a preceding period).

GLEP- has the meaning given that term in the recitals hereto.

GLEP TRANSACTION- means, collectively, the (i) transaction contemplated by a Letter of Intent dated June 23, 1999, between Borrower and FirstEnergy, Inc., by which Borrower or its Subsidiaries, as appropriate, will contribute the Appalachian Properties to GLEP for an equity interest in GLEP equal to 50%, and (ii) the funding of GLEP's \$275,000,000 credit facility.

GOVERNMENTAL AUTHORITY- means any nation or government, any state or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to government.

GUARANTEE- by any Person means any obligation, contingent or otherwise, of that Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of that Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions, by "comfort letter" or other similar undertaking of support or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect the obligee against loss in respect thereof (in whole or in part), PROVIDED THAT the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

GUARANTY AGREEMENT- means a Guaranty Agreement substantially in the form of EXHIBIT B attached hereto (with applicable conforming changes) to be executed by each existing and future Subsidiary of Borrower (excluding REFC), in favor of Lenders, pursuant to which each such Subsidiary guarantees payment and performance in full of the Obligations.

HEDGE TRANSACTIONS- means any commodity, interest rate, currency or other swap, option, collar, futures contract, advance payment contract or other contract pursuant to which a Person hedges risks related to commodity prices, interest rates, currency exchange rates, securities prices or financial market conditions. Hedge Transactions expressly include Oil and Gas Hedge Transactions.

INDENTURE- means that certain Indenture dated as of March 14, 1997, by and between Borrower and Fleet National Bank, as Trustee, which Indenture sets forth certain terms applicable to the Subordinate Notes.

INITIAL BORROWING BASE- means a Borrowing Base in the amount of \$160,000,000, which shall be in effect during the period commencing on the Closing Date and continuing until the April 1, 2000, Periodic Determination.

INITIAL RESERVE REPORT- means the Post-Divestiture Reserve Summary as of June 30, 1999, prepared by Borrower for its Southwest and Gulf Coast Business Units.

INTELLECTUAL PROPERTY- has the meaning given that term in SECTION 7.02(Q).

INTEREST PERIOD- means, with respect to each Eurodollar Loan, the period commencing on the date that Loan is made and ending one, two, three, six, nine, or twelve months thereafter, subject to availability, as Borrower may elect, PROVIDED THAT:

(i) 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 that Business Day falls in another calendar month, in which case the Interest Period will end on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of the Interest Period) will, subject to clause (iii) below, end on the last Business Day of a calendar month;

(iii) if any Interest Period includes a date on which any payment of principal of the Loan is required to be made hereunder, but does not end on that date, then (A) the principal amount of each Eurodollar Loan required to be repaid on that date shall have an Interest Period ending on that date and (B) the remainder of the Eurodollar Loan shall have an Interest Period determined as set forth above; and

(iv) No Interest Period shall extend past the Termination Date.

INVESTMENT- means, with respect to any Person, any capital contribution to, investment in, or purchase of the stock securities of, or interests in, any other Person.

ISSUING LENDER- means any Agent selected by Borrower, in its capacity as issuer of a Letter of Credit.

LENDER- means any financial institution listed on SCHEDULE 1 hereto as having a Commitment, and its successors and assigns, and "LENDERS" shall mean all Lenders.

LENDER TERMINATION DATE- has the meaning given that term in SECTION 10.10.

LENDING OFFICE- means, with respect to any Lender, for each type of Loan, the Lending Office of that Lender (or of an affiliate of that Lender) designated for that type of Loan on the signature pages hereof or another office of that Lender (or of an affiliate of that Lender) as that Lender may from time to time specify to Borrower and Administrative Agent as the office at which its Loans of that type are to be made and maintained.

LETTER OF CREDIT- means a letter of credit issued for the account of Borrower pursuant to SECTION 3.01(a).

LETTER OF CREDIT APPLICATION- has the meaning given this term in SECTION 3.02.

LETTER OF CREDIT OUTSTANDINGS- means, at any time, the sum of (a) the aggregate amount available for drawing under Letters of Credit then outstanding and (b) the aggregate amount of all drawings under Letters of Credit which have not been reimbursed.

LETTER OF CREDIT PARTICIPATING INTEREST- means with respect to any Letter of Credit (a) in the case of the Issuing Lender with respect thereto, its interest in the Letter of Credit and any Letter of Credit Application relating thereto after giving effect to the granting of participating interests therein, if any, pursuant hereto and (b) in the case of each Lender, its undivided participating interest in the Letter of Credit and any Letter of Credit Application relating thereto.

LIEN- means with respect to any asset, any mortgage, lien, pledge, charge, security interest, or encumbrance of any kind in respect of the asset. For the purposes of this Agreement, Borrower and its Subsidiaries shall be deemed to own subject to a Lien any asset which is acquired or held subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease, or other title retention agreement relating to the asset.

LOAN- means a loan made pursuant to SECTION 2.01, which can be either an ABR Loan or a Eurodollar Loan, and "LOANS" means ABR Loans and Eurodollar Loans and any combination thereof.

LOAN DOCUMENTS- means this Agreement, the Notes, the Mortgages, the Letter of Credit Applications, the Security Documents, and all other certificates, documents or instruments delivered in connection with this Agreement, as they may be amended from time to time.



LOAN PARTIES- means Borrower and each Subsidiary of Borrower which is now or hereafter becomes a party to a Loan Document.

MANAGING AGENT- means Bankers Trust Company, in its capacity as Managing Agent for Lenders.

MAJORITY LENDERS- means at any time Lenders whose Commitment Percentages aggregate at least 66.67%.

MATERIAL ADVERSE EFFECT- means any circumstance or event that has had or would be reasonably likely to have a material adverse effect on (a) the validity or enforceability of any of the Loan Documents or the rights or remedies of Administrative Agent, any other Agent, or Lenders hereunder, (b) the business, assets, property, or condition (financial or otherwise) of Borrower and its Subsidiaries taken as a whole, (c) the ability of Borrower or any Subsidiary of Borrower to perform any of its obligations or substantially all of its Obligations under the Loan Documents.

MAXIMUM LAWFUL RATE- means, for each Lender, the maximum rate (or, if the context so permits or requires, an amount calculated at such rate) of interest which, at the time in question would not cause the interest charged on the portion of the Loans owed to that Lender at such time to exceed the maximum amount which that Lender would be allowed to contract for, charge, take, reserve, or receive under applicable law, taking into account to the extent required under applicable law, any and all relevant payments or charges under the Loan Documents. To the extent the laws of the State of Texas are applicable for purposes of determining the "Maximum Lawful Rate," such term shall mean the "indicated rate ceiling" from time to time in effect under Article 1.04, Title 79, Revised Civil Statutes of Texas, 1925, as amended, or, if permitted by applicable law and effective upon the giving of the notices required by such Article 1.04 (or effective upon any other date otherwise specified by applicable law), the "quarterly ceiling" or "annualized ceiling" from time to time in effect under such Article 1.04, whichever Administrative Agent (with the approval of Majority Lenders) shall elect to substitute for the "indicated rate ceiling," and VICE VERSA, each such substitution to have the effect provided in such Article 1.04, and Administrative Agent (with the approval of Required Lenders) shall be entitled to make such election from time to time and one or more times and, without notice to Borrower, to leave any such substitute rate in effect for subsequent periods in accordance with SUBSECTION (h)(1) of such Article 1.04.

MORTGAGED PROPERTIES- means Borrower's Oil and Gas Properties that are now or hereafter become subject to Mortgages.

MORTGAGES- means each mortgage, deed of trust, security agreement, financing statement, assignment, and each other document and instrument (including division and

transfer orders), previously granted or hereafter granted to Administrative Agent, for the ratable benefit of each Lender, to secure repayment of the Obligations (including, without limitation, the Existing Mortgages), as amended, modified, or supplemented from time to time.

MULTIEMPLOYER PLAN- means a Plan described in Section 4001(a)(3) of ERISA.

NET CASH PROCEEDS- means (a) with respect to the sale, transfer, lease or other disposition of any asset by Borrower or any Subsidiary, an amount certified in reasonable detail by an Authorized Officer of Borrower to Lenders as the excess, if any, of (i) the sum of cash and cash equivalents received in connection with such sale, transfer, lease or other disposition over (ii) the sum of (A) amounts placed in escrow or held as a reserve, in accordance with GAAP, against any liabilities associated with the sale or disposition (except that, to the extent and as of the time any of the amounts is released from the reserve, the amounts shall constitute Net Cash Proceeds), and (B) the reasonable out-of-pocket expenses actually incurred by Borrower or its Subsidiary in connection with the sale, transfer, lease or other disposition, and (b) with respect to the sale or issuance of any Equity by Borrower or any Subsidiary, an amount certified in reasonable detail by an Authorized Officer of Borrower to Lenders as the difference of (i) the sum of the cash and cash equivalents received in connection with the sale or issuance minus, without duplication, (ii) the underwriting discounts and commissions (if any) and other reasonable fees, out-of-pocket expenses, and other costs actually incurred by Borrower or the Subsidiary in connection with the sale or issuance and (c) with respect to the incurrence of Debt by Borrower or any Subsidiary, an amount certified in reasonable detail by an Authorized Officer of Borrower to Lenders as the excess of (i) the sum of the cash and cash equivalents received in connection with the incurrence of Debt over (ii) the reasonable fees, out-of-pocket expenses, and other costs actually incurred by Borrower or any Subsidiary in connection with the incurrence of Debt.

NOTE- means, for each Lender, the promissory note evidencing Loans made by such Lender hereunder and any renewals, extensions, or modifications of it, and "NOTES" means all of such Notes.

NOTICE OF BORROWING- has the meaning given that term in SECTION 2.02.

NOTICE OF TERMINATION- has the meaning given that term in SECTION 10.10.

OBLIGATIONS- means, collectively, all present and future indebtedness, obligations and liabilities, and all renewals and extensions thereof, or any part thereof, of Borrower or any of its Subsidiaries to any Lender or to any Affiliate of any Lender (a) arising pursuant to the Loan Documents, and all interest accrued thereon and costs, expenses, and attorneys' fees incurred in the enforcement or collection thereof, and (b) arising

under or in connection with any Hedge Transaction entered into between Borrower or any Subsidiary and any Lender or any Affiliate of any Lender, regardless of whether the indebtedness, obligations and liabilities are direct, indirect, fixed, contingent, liquidated, unliquidated, joint, several or joint and several.

OIL AND GAS HEDGE TRANSACTIONS- means transactions providing for the hedging, forward sale, or swap of crude oil or natural gas by Borrower or its Subsidiaries (excluding REFC).

OUTSTANDING OBLIGATIONS- means, at any time, the sum of the aggregate principal amount of the Loans and the Letter of Credit Outstandings.

PBGC- means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any entity succeeding to any or all of its functions under ERISA.

PARTICIPATING LENDER- means with respect to any Letter of Credit, any Lender (other than the Issuing Lender with respect to such Letter of Credit) with respect to its Letter of Credit Participating Interest.

PERIODIC DETERMINATION- means any Determination of the Borrowing Base pursuant to SECTION 4.02.

PERMITTED ENCUMBRANCES- means with respect to any asset:

(a) Liens securing the Obligations in favor of Lenders;

(b) Minor defects in title which do not secure the payment of money and otherwise have no material adverse effect on the value or operation of oil and gas properties, and for the purposes of this Agreement, a minor defect in title shall include (i) those instances where record title to an oil and gas lease is in a predecessor in title to Borrower or any of its Subsidiaries, but where Borrower or any of its Subsidiaries, by reason of a farmout or other instrument is presently entitled to receive an assignment of its interest or other evidence of title and the appropriate Person is proceeding diligently to obtain the assignment, and (ii) easements, rights-of-way, servitudes, permits, surface leases and other similar rights in respect of surface operations, and easements for pipelines, streets, alleys, highways, telephone lines, power lines, railways, and other easements and rights-of-way, on, over or in respect of any of the properties of Borrower (or its Subsidiaries, as applicable) that are customarily granted in the oil and gas industry; so long as, with respect to any of the minor defects in title, the same are minor defects which are customary and usual in the oil and gas industry and which are customarily accepted by a reasonably prudent operator dealing with its properties;

(c) Inchoate statutory or operators' liens which are not delinquent securing obligations for labor, services, materials, and supplies furnished to oil and gas properties;

(d) Mechanic's, materialmen's, warehouseman's, journeyman's and carrier's liens, and other similar liens arising by operation of law or statute or incident to the exploration, development, operation, and maintenance of oil and gas properties, each of which arises in the ordinary course of business and is in respect of obligations that have not been outstanding more than 90 days or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained in accordance with GAAP;

(e) Production sales contracts, gas balancing agreements, and joint operating agreements entered into in the ordinary course of business and which do not involve any advance payments for production to be produced at a later date; PROVIDED THAT the amount of all gas imbalances known to any Authorized Officer of Borrower shall have been disclosed or otherwise taken into account in the Reserve Reports delivered to Lenders hereunder;

(f) Liens for Taxes or other assessments not yet due or not yet delinquent, or, if delinquent, that are being contested in good faith in the normal course of business by appropriate action for which adequate reserves have been established;

(g) All rights to consent by, required notices to, filings with, or other actions by, Governmental Authorities in connection with the sale or conveyance of oil and gas leases or interests therein if Borrower (or its Subsidiaries, if applicable) is entitled to such consent, the same are customarily obtained subsequent to the sale or conveyance, and the appropriate Person is proceeding diligently to obtain the consent, notice or filing;

(h) The terms and provisions of any of the oil and gas leases pursuant to which Borrower (or its Subsidiaries, as applicable) derives its interests;

(i) Lease burdens payable to third parties which are deducted in the calculation of discounted present value in the Reserve Reports including, without limitation, any royalty, overriding royalty, net profits interest, production payment, carried interest, or reversionary working interest and which have been disclosed to Administrative Agent in writing; PROVIDED, HOWEVER, THAT Borrower shall not be required to disclose the lease burdens unless they are not customarily and usually found in the oil and gas industry or unless they obligate Borrower, or a Subsidiary, as applicable, in a fashion not customarily and usually found in the oil and gas industry;

(j) All applicable laws, rules, and orders of Governmental Authorities having jurisdiction of the affairs of Borrower or a Subsidiary; and

(k) Liens securing Debt incurred to finance the acquisition of the assets which are the subject of the Liens to the extent such Debt is permitted by SECTION 7.03(b)(2).

PERMITTED INVESTMENTS- means with respect to Borrower and its Subsidiaries: (a) Investments by Borrower in its Subsidiaries (excluding REFC) or by its Subsidiaries in other Subsidiaries (excluding REFC) or in Borrower; (b) Investments in (1) direct obligations of the United States or any agency thereof with maturities of one year or less from the date of acquisition; (2) commercial paper of a domestic issuer rated at least "A-1" by Standard & Poor's Corporation or "P-1" by Moody's Investor Service, Inc.; (3) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank which is a member of the Federal Reserve System and has combined capital and surplus and undivided profits of not less than \$1,000,000,000; (4) Equity, obligations, or securities received in settlement of debts (created in the ordinary course of business) owing to Borrower or any Subsidiary; and (5) Oil and Gas Hedge Transactions permitted by SECTION 7.03(i); and (c) Investments in Equity of publicly traded companies, PROVIDED THAT the aggregate cost of all Investments which are outstanding pursuant to this clause (c) at any time shall not exceed an amount equal to 10% of the Borrowing Base in effect at such time.

PERSON- means an individual, corporation, partnership, association, business trust, joint stock company, trust, unincorporated association, joint venture, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

PLAN- means, at a particular time, any employee benefit pension plan which is subject to Title IV of ERISA and in respect of which Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at that time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

PLEDGE AGREEMENT- means a Pledge Agreement substantially in the form of EXHIBIT C attached hereto (with applicable conforming changes) to be executed by Borrower and each existing Subsidiary (excluding REFC) and any future Subsidiary of Borrower (to the extent any such Subsidiary owns any outstanding Equity of another Subsidiary of Borrower), pursuant to which Borrower or such Subsidiary shall pledge to Administrative Agent, for the ratable benefit of Lenders, all of the issued and outstanding Equity of any Subsidiary owned by such Person to secure the Obligations.

PREFERRED STOCK- means Borrower's Series C Convertible Preferred Stock containing the rights and preferences set forth in, and issued pursuant to, the Preferred Stock Designation.

PREFERRED STOCK DESIGNATION- means the Certificate of Designation of Rights and References of Series C Preferred Stock filed with the Secretary of State of Delaware on or about November 1, 1995, setting forth the rights and preferences of the Preferred Stock.

PRESENT VALUE- means pre-tax value, discounted at 10%, of future net cash flows from estimated proved reserves, calculated holding prices and costs constant at amounts in effect on the date of the Reserve Report (unless such prices or costs are subject to change pursuant to contractual provisions) and otherwise in accordance with the Securities and Exchange Commission's rules for inclusion of oil and gas reserve information in financial statements filed with the Commission.

PROHIBITED TRANSACTION- means any transaction set forth in Section 406 of ERISA or Section 4975 of the Code.

PROPERTY DISPOSITION- has the meaning given that term in SECTION 7.03(c).

REFC- means Range Energy Finance Corporation, a Delaware corporation.

REFC GUARANTEE- means a Guarantee by Borrower of up to \$50,000,000 in the aggregate of REFC's Debt or other obligations owed to REFC's lender effective only in the event of a failure of title to an interest (i) acquired by REFC from a third party to whom REFC has provided financing and (ii) considered by REFC's lender for purposes of determining REFC's borrowing base.

REPLACEMENT LENDERS- has the meaning given that term in SECTION 10.10.

REPORTABLE EVENT- means any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .16, .18, .19, or .20 of PBGC Reg. '2615.

REQUEST FOR DETERMINATION- means Borrower's or Required Lenders' request for a Special Determination of the Borrowing Base made pursuant to SECTIONS 4.03 or 4.04.

REQUEST FOR LETTER OF CREDIT- has the meaning given that term in SECTION 3.02.

REQUIRED LENDERS- means, at any time, Lenders whose Commitment Percentages aggregate at least 75%.

**RESERVE REPORT-** means an engineering analysis of Borrower's Oil and Gas Properties (or properties proposed to be acquired by Borrower or one or more of its Subsidiaries) in form and substance acceptable to Required Lenders prepared by independent petroleum engineers acceptable to Required Lenders in accordance with customary and prudent practices in the petroleum engineering industry and Financial Accounting Standards Board Statement 69, which designates the owner of each asset that is the subject of the Reserve Report.

**RESTRICTED PAYMENT-** means (a) any Distribution by Borrower or any Subsidiary of Borrower to any Person other than Borrower or another wholly-owned Subsidiary of Borrower, (b) any Distribution by Borrower or any subsidiary of Borrower to REFC, (c) the issuance of a Guarantee by Borrower or a Subsidiary of Borrower with respect to any Debt or other obligation of Borrower or any Subsidiary (excluding (i) any Guarantee by a Subsidiary with respect to any Debt or other obligation of Borrower or any Subsidiary of Borrower incurred in connection with the Subordinate Notes, or any renewal, amendment, refinancing, rearrangement, modification, or restatement thereof on terms and conditions similar in all material respects to the notes issued pursuant to such offering and (ii) the REFC Guarantee), and (d) the retirement, redemption, or prepayment prior to the scheduled maturity by Borrower or any Subsidiary of Borrower of its Subordinated Debt.

**ROLLOVER NOTICE-** has the meaning given that term in SECTION 2.07.

**SECURITY DOCUMENTS-** means the collective reference to the Guaranty Agreement(s), the Pledge Agreement(s), the Security Agreement(s), the Mortgages, and all other security documents hereafter delivered to Administrative Agent granting a Lien on any asset or assets of any Person to secure the Obligations and liabilities of Borrower hereunder and under any of the other Loan Documents or to secure any guarantee of any the obligations and liabilities.

**SENIOR DEBT-** means, at any time outstanding, all Debt of Borrower and its Subsidiaries except Subordinated Debt.

**SPECIAL ACCOUNTS-** means a Person's revenue distribution accounts and other accounts at a Lender which are not solely for the benefit of that Person; PROVIDED THAT accounts for the benefit of Borrower and one or more of its Subsidiaries or for one or more Subsidiaries shall not be a "Special Account" for purposes of this Agreement.

**SPECIAL DETERMINATION-** means any determination of the Borrowing Base pursuant to SECTIONS 4.03 or 4.04.

**STERLING GAS PLANT-** means the gas processing plant located in Sterling County, Texas, owned by Range Pipeline Systems, L.P., and all pipelines, gathering systems, and other similar assets owned by such Person, including related personal property and other

fixed assets and all related servitudes, and similar real property interests owned by such Person.

**SUBORDINATE NOTES-** means those certain 8.75% Senior Subordinate Notes due January 15, 2007, as the same are more particularly described in the Indenture.

**SUBORDINATED DEBT-** means Debt incurred by Borrower, the repayment of which is subordinate (in a manner acceptable to Required Lenders, as evidenced by their written approval) to Borrower's repayment of the Obligations, including (a) notes created upon the exchange of Borrower's convertible exchangeable Preferred Stock outstanding as of the Closing Date, (b) Debt under Borrower's 6% convertible subordinated debentures due 2007, and (c) Debt incurred by Borrower in accordance with the Subordinate Notes.

**SUBSIDIARY-** means, for any Person, any corporation, partnership, limited liability company, or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions (including that of a general partner) are at the time directly or indirectly owned, collectively, by such Person and any Subsidiaries of such Person. The term Subsidiary shall include Subsidiaries of Subsidiaries (and so on).

**SYNDICATION AGENT-** means Chase Bank of Texas, N.A., in its capacity as Syndication Agent for Lenders.

**TAXES-** means all taxes, assessments, filing or other fees, levies, imposts, duties, deductions, withholdings, stamp taxes, interest equalization taxes, capital transaction taxes, foreign exchange taxes or other charges, or other charges of any nature whatsoever, from time to time or at any time imposed by law or any federal, state or local governmental agency. "TAX" means any one of the foregoing.

**TERMINATED LENDER-** has the meaning given that term in SECTION 10.10.

**TERMINATION DATE-** means February 14, 2003.

**TOTAL COMMITMENT-** means the Commitments of Lenders in an initial aggregate amount of \$225,000,000, as that amount may be reduced from time to time pursuant to the terms of this Agreement.

**TOTAL DEBT-** means, at any time outstanding, all Debt of Borrower and its Subsidiaries.

**UNUSED AVAILABILITY-** means, at any time during the Commitment Period, the remainder of (i) the Borrowing Base at that time, minus (ii) the Outstanding Obligations.



YEAR 2000 PROBLEM- has the meaning given that term in SECTION 7.01(v).

1.02. OTHER DEFINITIONAL PROVISIONS. Other terms are defined within this agreement. All definitions contained in this Agreement are equally applicable to the singular and plural forms of the terms defined. The words "hereof", "herein", and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified, all Article and Section references pertain to this Agreement. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All petroleum terms used herein have the meanings given them from time to time and at the time in question by the Society of Professional Engineers of the American Institute of Mining Engineers. Terms used herein that are defined in the Uniform Commercial Code as adopted by the State of Texas, unless otherwise defined herein, shall have the meanings specified in the Uniform Commercial Code as adopted by the State of Texas.

#### ARTICLE 2 - AMOUNT AND TERMS OF COMMITMENTS.

2.01. COMMITMENTS. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving loans (the "LOANS") to Borrower from time to time during the Commitment Period in an aggregate principal amount not to exceed at any one time outstanding the amount of that Lender's Commitment reduced by an amount equal to that Lender's Participating Interests in Letters of Credit then outstanding; PROVIDED THAT no Lender will make Loans if, after giving effect thereto, the Outstanding Obligations would exceed the lesser of (i) the Total Commitment or (ii) the Borrowing Base then in effect. During the Commitment Period, Borrower may use the Commitments by borrowing, prepaying the Loans in whole or in part, and reborrowing all in accordance with the terms and conditions hereof.

(b) The Loans may be outstanding as ABR Loans or Eurodollar Loans or a combination thereof, as determined by Borrower and notified to Administrative Agent in accordance with SECTIONS 2.02 and 2.07; PROVIDED THAT no Loan shall be made as a Eurodollar Loan after the day that is one month before the Termination Date. Each type of Loan shall be made and maintained at each Lender's Lending Office for that type of Loan. The failure of any Lender to make any requested Loan to be made by it on the Borrowing Date specified for that Loan shall not relieve the other Lenders of their obligation (if any) to make Loans on that date, but no Lender shall be responsible for the failure of the other Lenders to make Loans to be made by the other Lender. Each Borrowing shall (i) be in a minimum principal amount of \$1,000,000 or any larger integral multiple of \$100,000 (except that any ABR Loan may be in the amount of the unused portion of the Total Commitment) and (ii) be made from each Lender ratably in accordance with its respective Commitment Percentage. Notwithstanding any provision

of this Agreement or the Loan Documents to the contrary, on the Closing Date and continuously until repayment in full of all Loans or the termination of this Agreement, whichever occurs first, there shall be and remain outstanding Loans of not less than \$1,000, the balance of which may not be prepaid.

2.02. PROCEDURE FOR BORROWING. (a) To request a Borrowing hereunder, Borrower shall hand deliver or telecopy to Administrative Agent a Notice of Borrowing in the form of EXHIBIT D hereto (a "NOTICE OF BORROWING") prior to 1:00 p.m. (Dallas, Texas time) at least one Business Day before the requested Borrowing Date of each ABR Borrowing, and at least three Business Days before the Borrowing Date of each Eurodollar Borrowing. Each Notice of Borrowing shall specify (1) the Borrowing Date; (2) the aggregate amount of the Borrowing requested; (3) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing, and (4) in the case of a Eurodollar Borrowing, the duration of the Interest Period applicable thereto. Administrative Agent shall promptly notify each Lender of Borrower's request, and not later than 12:00 noon (Dallas, Texas time), on the Borrowing Date, each Lender will make available to Administrative Agent at 1717 Main Street, 4th Floor Dallas, Texas 75201, in immediately available funds, that Lender's Commitment Percentage of the aggregate amount of such Borrowing. After Administrative Agent's receipt of these funds, not later than 2:00 p.m. (Dallas, Texas time) on the Borrowing Date and upon fulfillment of the applicable conditions set forth in Article 6, Administrative Agent will make the proceeds of such Borrowing available to Borrower in immediately available funds by crediting the amount thereof to Borrower's account with Administrative Agent.

(b) All notices given by Borrower under this SECTION 2.02 shall be irrevocable and shall be given not later than 1:00 p.m. (Dallas, Texas time) on a day which is not less than the number of Business Days specified above for the notice.

2.03. NOTES. (a) All Loans made by each Lender shall be evidenced by, and repaid with interest in accordance with a single promissory note of Borrower (a "NOTE"), which shall be (i) in substantially the form of attached EXHIBIT A, duly completed; (ii) be dated the date hereof; (iii) be in a face amount equal to that Lender's Commitment; (iv) be payable to the order of that Lender for the account of its applicable Lending Office; and (v) bear interest in accordance with SECTION 2.04 hereof. Notwithstanding the principal amount of each Lender's Note as stated on the face thereof, the amount of principal actually owing on that Lender's Note at any given time shall be the aggregate of that Lender's Loans made to Borrower, less all payments of principal actually received by such Lender. The Loans shall mature on the Termination Date.

(b) Simultaneously with the execution of this Agreement, Administrative Agent shall deliver to each Lender the Note payable to that Lender referenced in SECTION 2.03(a). Each Lender may endorse (and prior to any transfer of its Note shall endorse) on the schedule attached to the Note held by that Lender appropriate notations to evidence the date and amount of each Loan made by it, the Interest Period applicable thereto, and the date and amount of each payment of principal of any Loan made by Borrower with respect thereto, PROVIDED THAT the failure by any Lender to so endorse its Note shall not affect the liability of Borrower for the repayment of all amounts outstanding under the Note together with interest thereon. Each Lender is hereby irrevocably authorized by Borrower to endorse its Note and to attach to and make a part of any Note a continuation of any such schedule as required.

2.04. INTEREST RATES AND PAYMENT DATES. Borrower shall pay interest to Administrative Agent for the account of each Lender on the outstanding and unpaid principal amount of that Lender's Loans made under this Agreement at a rate per annum as follows:

(a) For each ABR Loan, at a rate equal to the sum of the Adjusted Base Rate in effect from day to day plus the Applicable Margin, PROVIDED THAT in no event will the rate charged hereunder or under any Note exceed the Maximum Lawful Rate. Interest which accrues on each ABR Loan shall be payable in arrears on the first day of January, April, July, and October of each year.

(b) For each Eurodollar Loan, for the Interest Period applicable thereto, at a rate equal to the sum of the Eurodollar Rate plus the Applicable Margin, PROVIDED THAT in no event will the rate charged hereunder or under any Note exceed the Maximum Lawful Rate. Interest which accrues on each Eurodollar Loan shall be payable in arrears on the expiration of each applicable Interest Period and, in the case of any Eurodollar Loan with an Interest Period of longer than three months, at the expiration of each three-month period during such Interest Period.

(c) Administrative Agent shall determine each interest rate applicable to the Loans in accordance with the terms hereof. Administrative Agent shall promptly notify Borrower and Lenders of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(d) Notwithstanding the foregoing, if at any time the rate of interest calculated with reference to the Adjusted Base Rate or the Eurodollar Rate hereunder (the "CONTRACT RATE") is limited to the Maximum Lawful Rate, any subsequent reductions in the contract rate shall not reduce the rate of interest on the affected Loan below the Maximum Lawful Rate until the total amount of interest accrued equals the amount of interest which would have accrued if the contract rate had at all times been in effect. In the event that at maturity (stated or by acceleration), or at final payment of a Note, the total amount of interest paid or accrued on such Note is less than the amount of interest

which would have accrued if the contract rate had at all times been in effect with respect thereto, then at that time, to the extent permitted by law, Borrower shall pay to the holder of the Note an amount equal to the difference between (i) the lesser of the amount of interest which would have accrued if the contract rate had at all times been in effect and the amount of interest which would have accrued if the Maximum Lawful Rate had at all times been in effect, and (ii) the amount of interest actually paid on such Note.

(e) Any change in the interest rate on a Loan resulting from a change in the Adjusted Base Rate or the Eurodollar Reserve Percentage shall be effective as of the opening of business on the Business Day on which the change becomes effective. Interest on the unpaid principal of (i) each Eurodollar Loan shall be calculated on the basis of the actual days elapsed in a year consisting of 360 days (except to the extent that such calculation would result in a usurious rate, in which case a year consisting of 365 or 366 days, as the case may be, shall be used), and (ii) each ABR Loan shall be calculated on the basis of the actual days elapsed in a year consisting of 365 days or 366 days, as the case may be.

(f) Any overdue principal of and, to the extent permitted by law, overdue interest on any Loan (after giving effect to all grace periods) shall bear interest payable on demand, for each day until paid at a rate per annum equal to the lesser of (i) the sum of the Adjusted Base Rate plus 2% and (ii) the Maximum Lawful Rate.

2.05. NON-RECEIPT OF FUNDS BY ADMINISTRATIVE AGENT. (a) Unless Administrative Agent receives written notice from a Lender prior to the Borrowing Date applicable to a Borrowing that such Lender will not make the amount that would constitute its Commitment Percentage of the Borrowing, available to Administrative Agent, Administrative Agent may assume that Lender will make the funds available to Administrative Agent on the Borrowing Date, and Administrative Agent may, but shall not be obligated to, in reliance upon that assumption, make available to Borrower on the Borrowing Date a corresponding amount. If such Lender has not made the funds available to Administrative Agent, by the required time on the applicable Borrowing Date, that Lender agrees to repay to Administrative Agent, immediately on demand, the corresponding amount together with interest thereon, for each day from the date the amount is made available to Borrower until the date the amount is repaid to Administrative Agent, at the Federal Funds Rate for three Business Days and thereafter at the Adjusted Base Rate. If such Lender shall repay to Administrative Agent the corresponding amount, the amount so repaid shall constitute such Lender's Loan for purposes of this Agreement. If such Lender does not pay the corresponding amount immediately upon Administrative Agent's demand therefor, Administrative Agent shall promptly notify Borrower, and Borrower shall immediately pay the corresponding amount to Administrative Agent with interest thereon, for each day from the date the amount is made available to Borrower until the date the amount is repaid to Administrative Agent, at the rate of interest applicable at the time to the proposed Loan.

(b) Unless Administrative Agent receives notice from Borrower prior to the date on which any payment is due to Lenders hereunder that Borrower will not make the payment in full, Administrative Agent may assume that Borrower has made the payment in full to Administrative Agent on that date, and Administrative Agent in its sole discretion may, but is not be obligated to, in reliance upon this assumption, cause to be distributed to each Lender on that due date an amount equal to the amount then due that Lender. If and to the extent Borrower does not make the payment in full to Administrative Agent, each Lender shall repay to Administrative Agent immediately on demand the amount distributed to that Lender together with interest thereon, for each day from the date the amount is distributed to such Lender until the date the Lender repays the amount to Administrative Agent, at the Federal Funds Rate for three Business Days and thereafter at the Adjusted Base Rate.

2.06. USE OF PROCEEDS. The proceeds of the Loans made on or after the Closing Date shall be used (a) to refinance indebtedness existing as of the Closing Date of Borrower or any Subsidiary of Borrower excluding REFC; (b) for payment of capital expenditures, drilling costs, and other expenses incurred by Borrower and its Subsidiaries excluding REFC in the further development, exploration, and production of Borrower's Oil and Gas Properties; (c) for Borrower and its Subsidiaries excluding REFC to purchase additional oil and gas properties; (d) for working capital and general corporate purposes, but only to the extent that the use of proceeds for these purposes would be permitted under the terms of this Agreement; (e) to fund reimbursement obligations with respect to Letters of Credit; (f) for Permitted Investments, but excluding Equity of publicly traded companies; and (g) for Restricted Payments permitted under this Agreement.

2.07. CONVERSIONS AND RENEWALS. Borrower may elect from time to time to convert all or a part of one type of Loan into another type of Loan or to renew all or part of a Loan by giving Administrative Agent written notice thereof by 12:00 noon (Dallas, Texas time) at least one Business Day before the conversion into an ABR Loan and at least three Business Days before the conversion into or renewal of a Eurodollar Loan, specifying: (a) the renewal or conversion date; (b) the amount of the Loan to be converted or renewed; and (c) in the case of conversions, the type of Loan to be converted into; and (d) in the case of renewals of or a conversion into Eurodollar Loans, the duration of the Interest Period applicable thereto; PROVIDED THAT (i) the minimum principal amount of all Eurodollar Loans outstanding and subject to the same Interest Period after a renewal or conversion shall be \$1,000,000 or any larger integral multiple of \$100,000; and (ii) Eurodollar Loans can be converted to ABR Loans only on the last day of the Interest Period applicable thereto. All notices given by Borrower under this SECTION 2.07 shall be irrevocable and shall be in the form of EXHIBIT E hereto (a "ROLLOVER NOTICE"). If Borrower fails to give Administrative Agent the notice as specified above for the renewal or conversion of a Eurodollar Loan prior to the end of the Interest Period with respect thereto, that Eurodollar Loan shall automatically be converted into an ABR Loan on the last day of the Interest Period for the Loan.

2.08. LIMITATION ON NUMBER OF EURODOLLAR LOANS. There may be no more than an aggregate of ten Interest Periods applicable to outstanding Eurodollar Loans in effect at any time, unless otherwise agreed by Lenders.

2.09. PREPAYMENTS. (a) Borrower may, without premium or penalty, upon one Business Days' prior written notice to Administrative Agent, prepay the Notes, in whole or in part, with accrued interest to the date of the prepayment on the amount prepaid, PROVIDED THAT (i) each prepayment of less than the full outstanding principal balance of the Notes shall be in a minimum amount equal to \$1,000,000 or any larger integral multiple of \$100,000; and (ii) if Borrower prepays the principal of any Eurodollar Loan on any date other than the last day of the Interest Period applicable thereto, Borrower shall also pay to Lenders the amounts specified in SECTION 10.06. Upon receipt of any prepayments, Administrative Agent will promptly thereafter cause to be distributed the prepayment to each Lender for the account of its applicable Lending Office in the proportion that each Lender's Loan to which the prepayment applies bears to the total amount of all Lenders' Loans to which the prepayment applies.

(b) Borrower shall make a mandatory prepayment on the Loans (i) simultaneously with any reduction in the Borrowing Base pursuant to SECTION 4.05 hereof in an amount sufficient to eliminate any Borrowing Base Deficiency resulting from such prepayment, and (ii) at each other time required by SECTION 4.06 hereof as a result of any Borrowing Base Deficiency.

(c) Any voluntary prepayment of a Eurodollar Loan hereunder shall be (i) made together with interest accrued (through the date of the prepayment) on the principal amount prepaid and (ii) applied first to accrued interest and then to principal.

2.10. MANNER AND APPLICATION OF PAYMENTS. (a) All payments of principal of, and interest on, any Note shall be made by Borrower to Administrative Agent before 1:00 p.m. (Dallas, Texas time), in federal or other immediately available funds, at Administrative Agent's office at 1717 Main Street, 4th Floor, Dallas, Texas 75201, for the account of the applicable Lending Office of each Lender. Should the principal of, or any installment of the principal or interest on, any Note, or any commitment fee, become due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day. Whenever any payment to be made under this Agreement or under any Note shall be stated to be due on a day other than a Business Day, the payment shall be made on the next succeeding Business Day, and the extension of time shall be included in the computation of the payment of interest and the commitment fee, as the case may be, except, in the case of a Eurodollar Loan, if the result of the extension would be to extend the payment into another calendar month, the payment shall be made on the immediately preceding Business Day. All payments made

under the Loan Documents shall be credited, to the extent of the amount thereof, in the following manner: (i) first to fees, costs and expenses which Borrower has agreed to pay under the Loan Documents; (ii) second, against the amount of interest accrued and unpaid on the Notes as of the date of the payment; (iii) third, against all principal (if any) due and owing on the Notes as of the date of the payment; (iv) fourth, as a prepayment of outstanding ABR Loans under the Notes; (v) fifth, as a prepayment of outstanding Eurodollar Loans under the Notes; and (vi) sixth, as a prepayment of any remaining Obligation. Subject to the foregoing, Borrower shall select ABR Loans and Eurodollar Loans to be repaid in a manner designated to minimize the loss to each Lender, if any, resulting from the payments; PROVIDED, HOWEVER, THAT if Borrower fails to select the ABR Loans and Eurodollar Loans to which the payments are to be applied, or if an Event of Default has occurred and is continuing at the time of the payment, then each Lender shall be entitled to apply the payment to ABR Loans and Eurodollar Loans in the manner it shall deem appropriate.

(b) On the Business Day of receipt by Administrative Agent, if Administrative Agent's receipt occurs before 1:00 p.m. (Dallas, Texas time), Administrative Agent will promptly thereafter cause to be distributed, on the same Business Day, (1) the payments of principal and interest in like funds to each Lender for the account of its applicable Lending Office pro rata according to the respective outstanding principal amounts of the Loans to which the payment applies then held by Lenders and (2) other fees payable to any Lender to be applied in accordance with the terms of this Agreement. All payments received by Administrative Agent after 1:00 p.m. (Dallas, Texas time) will be distributed promptly by Administrative Agent, and in no event later than 2:00 p.m. (Dallas, Texas time) of the next succeeding Business Day. Borrower authorizes each Lender, if and to the extent payment is not made when due under this Agreement or under any Note, to charge from time to time against any account of Borrower with that Lender other than a Special Account any amount as due.

2.11. VOLUNTARY REDUCTION OF COMMITMENT. Borrower may, by notice to Administrative Agent five Business Days prior to the effective date of any such reduction, reduce the Total Commitment (and thereby reduce the Commitment of each Bank ratably) in amounts not less than \$1,000,000 and in any amount which is an integral multiple of \$100,000. On the effective date of any such reduction, Borrower shall, to the extent required as a result of such reduction, make a principal prepayment on the Loans in an amount sufficient to cause the Outstanding Obligations to be equal to or less than the Total Commitment as thereby reduced. Notwithstanding the foregoing, Borrower shall not be permitted to voluntarily reduce the Total Commitment to an amount less than the Letter of Credit Outstandings.

ARTICLE 3 - LETTERS OF CREDIT.

3.01. LETTERS OF CREDIT. (a) Subject to the terms and conditions hereof, the Issuing Lender selected by Borrower, in reliance on the agreements of the other Lenders set forth in SECTION 3.04(a), agrees to issue letters of credit ("LETTERS OF CREDIT") for the account of Borrower on any Business Day during the Commitment Period in such form as may be approved from time to time by the Issuing Lender; PROVIDED THAT Issuing Lender shall not issue any Letter of Credit if, after giving effect to the issuance and after giving effect to any Borrowing requested to be made or Letters of Credit requested to be issued on that date, (i) the Letter of Credit Outstandings would exceed \$20,000,000 or (ii) the Outstanding Obligations would exceed the lesser of (x) the Total Commitment or (y) the Borrowing Base then in effect. Each Letter of Credit shall (i) be issued to support obligations of Borrower or any of its Subsidiaries contingent or otherwise, which finance the working capital and business needs of Borrower and its Subsidiaries, and (ii) shall expire no later than the earlier of (x) one year after the date of issuance or (y) five Business Days prior to the Termination Date. Each Letter of Credit shall be denominated in dollars.

(b) Each Letter of Credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1995 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time, and, to the extent not inconsistent therewith, the laws of the State of Texas.

(c) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if the issuance would conflict with, or cause the Issuing Lender or any Participating Lender to exceed any limits imposed by, any applicable law.

3.02. PROCEDURE FOR ISSUANCE OF LETTERS OF CREDIT. Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender and Administrative Agent at their respective addresses for notices specified herein a Request for Letter of Credit in the form of EXHIBIT F hereto, together with a letter of credit application in the Issuing Lender's then customary form (a "LETTER OF CREDIT APPLICATION") completed to the satisfaction of the Issuing Lender, and the other certificates, documents, and other papers and information as may be customary and as the Issuing Lender may reasonably request. Upon receipt of any Letter of Credit Application, the Issuing Lender will process the Letter of Credit Application and the certificates, documents, and other papers and information delivered to it in connection therewith in accordance with its customary procedures and, upon receipt by the Issuing Lender of confirmation from Administrative Agent that issuance of the Letter of Credit will not contravene SECTION 3.01, the Issuing Lender shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Letter of Credit Application therefor and all certificates, documents, and other papers and information relating thereto) by issuing the original of the Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and Borrower. The Issuing Lender



shall furnish a copy of the Letter of Credit to Borrower and Administrative Agent promptly following the issuance thereof, and, thereafter, Administrative Agent shall promptly furnish a copy thereof to Lenders.

3.03. FEES, COMMISSIONS, AND OTHER CHARGES. (a) Borrower shall pay to Administrative Agent, for the account of the Issuing Lender and the Participating Lenders, a letter of credit commission with respect to each Letter of Credit on the average daily aggregate amount available to be drawn under such Letter of Credit during the relevant period equal to the greater of (x) \$500 or (y) an amount calculated for the period from the date the Letter of Credit is issued to the date upon which the payment is due under this SECTION 3.03 (and, thereafter, from the date of prior payment under this SECTION 3.03 to the date upon which the payment is due under this section) at a rate per annum equal to the Applicable Margin in effect on the date such payment is due with respect to Eurodollar Loans MINUS .125%, based upon the actual number of days that such Letter of Credit is outstanding. Borrower also shall pay to Administrative Agent, for the account of the Issuing Lender, a letter of credit commission with respect to each Letter of Credit in an amount equal to .125% per annum of the stated amount of the Letter of Credit, based upon the actual number of days that such Letter of Credit is outstanding. The Letter of Credit commissions payable pursuant to the first sentence of this section shall be payable quarterly in arrears on the first day of each October, January, April, and July, commencing October 1, 1999, and on the Termination Date. The letter of credit commissions payable pursuant to the second sentence of this section shall be payable in arrears on the first day of each October, January, April, and July, commencing October 1, 1999, on the date such Letter of Credit is extended, and on the Termination Date.

(b) In addition to the foregoing fees and commissions, Borrower shall pay or reimburse the Issuing Lender for all normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, effecting payment under, amending, or otherwise administering any Letter of Credit.

(c) Administrative Agent shall, promptly following its receipt thereof, distribute to the Issuing Lender and the Participating Lenders all fees and commissions received by Administrative Agent for their respective accounts pursuant to this subsection.

3.04. LETTER OF CREDIT PARTICIPATION. (a) Effective on the date of issuance of each Letter of Credit (including, without limitation, each Existing Letter of Credit which is deemed issued on the Closing Date), the Issuing Lender irrevocably agrees to grant and hereby grants to each Participating Lender, and each Participating Lender irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for the Participating Lender's own account and risk, an undivided interest equal to the Participating Lender's Commitment Percentage in the Issuing Lender's obligations and rights under each Letter of Credit

issued by the Issuing Lender and the amount of each draft paid by the Issuing Lender thereunder. Each Participating Lender unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by Borrower in accordance with the terms of this Agreement, the Participating Lender shall pay to Administrative Agent, for the account of the Issuing Lender, upon demand at Administrative Agent's address specified in SECTION 12.10, an amount equal to the Participating Lender's Commitment Percentage of the amount of the draft, or any part thereof, which is not so reimbursed. On the date that any assignee becomes a Lender party to this Agreement in accordance with SECTION 12.08, participating interests in any outstanding Letters of Credit held by the transferor Lender from which the assignee acquired its interest hereunder shall be proportionately reallocated between the assignee and the transferor Lender. Each Participating Lender hereby agrees that its obligation to participate in each Letter of Credit, and to pay or to reimburse the Issuing Lender for its participating share of the drafts drawn or amounts otherwise paid thereunder, is absolute, irrevocable, and unconditional and shall not be affected by any circumstances whatsoever (including, without limitation, the occurrence or continuance of any Default or Event of Default), and that each payment shall be made without offset, abatement, withholding, or other reduction whatsoever.

(b) If any amount required to be paid by any Participating Lender to the Issuing Lender pursuant to SECTION 3.04(a) in respect of any unreimbursed portion of any draft paid by the Issuing Lender under any Letter of Credit is paid to the Issuing Lender within three Business Days after the date the payment is due, the Participating Lender also shall pay to Administrative Agent, for the account of the Issuing Lender, on demand, an amount equal to the product of (i) that amount, times (ii) the daily average Federal Funds Rate during the period from and including the date the draft is paid to the date on which the payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapsed during that period and the denominator of which is 360. If any amount required to be paid by any Participating Lender pursuant to SECTION 3.04(a) is not in fact made available to Administrative Agent, for the account of the Issuing Lender, by the Participating Lender within three Business Days after the date the payment is due, the Issuing Lender shall be entitled to recover from the Participating Lender, on demand, the amount with interest thereon calculated from the due date at the Adjusted Base Rate A certificate of the Issuing Lender submitted to any Participating Lender with respect to any amounts owing under this section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has paid a draft under any Letter of Credit and has received from any Participating Lender its PRO RATA share of the payment in accordance with SECTION 3.04(a), the Issuing Lender receives any reimbursement on account of the unreimbursed portion, or any payment of interest on account thereof, the Issuing Lender will pay to Administrative Agent, for the account of the Participating Lender, its PRO RATA share thereof; PROVIDED, HOWEVER, THAT in the event

that any the payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, the Participating Lender shall return to Administrative Agent for the account of the Issuing Lender, the portion thereof previously distributed to it.

3.05. REIMBURSEMENT OBLIGATION OF BORROWER. If any draft is presented for payment under any Letter of Credit, the Issuing Lender shall notify Borrower and Administrative Agent of the date and the amount thereof. Borrower agrees to reimburse the Issuing Lender (whether with its own funds or with proceeds of Loans), within two Business Days after notice that the Issuing Lender paid a draft so presented under any Letter of Credit, for the amount of (i) the draft so paid and (ii) any taxes, fees, charges, or other costs or expenses incurred by the Issuing Lender in connection with the payment. Each payment shall be made to the Issuing Lender at its address for notices specified herein in lawful money of the United States of America and in immediately available funds. Interest shall be payable on any and all amounts remaining unpaid by Borrower under this subsection from the date of payment of the applicable draft until payment in full thereof, (x) for the period commencing on the date of payment of the applicable draft to the date which is three days after notice of payment of the draft, at the Adjusted Base Rate at that time and (y) thereafter, at the Adjusted Base Rate at that time plus 2%.

3.06. OBLIGATIONS ABSOLUTE. (a) Borrower's obligations under this Article 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim, or defense to payment which Borrower or any other Person may have or have had against the Issuing Lender or any other Lender or any beneficiary of a Letter of Credit. Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and Borrower's obligations under SECTION 3.05 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon which on its face appears valid, even though the documents shall in fact prove to be invalid, fraudulent, or forged, or any dispute between or among Borrower and any beneficiary of any Letter of Credit or any other party to which the Letter of Credit may be transferred or any claims whatsoever of Borrower against any beneficiary of the Letter of Credit or any the transferee. The Issuing Lender shall not be liable for any error, omission, interruption, or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct. Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of Texas, including, without limitation, Article V thereof, shall be binding on Borrower and shall not result in any liability of the Issuing Lender to Borrower.

(b) Without limiting the generality of the foregoing, it is expressly agreed that the absolute and unconditional nature of Borrower's obligations under this Article 3 to reimburse the Issuing Lender for each drawing under a Letter of Credit will not be excused by the gross negligence or willful misconduct of the Issuing Lender. However, the foregoing shall not be construed to excuse the Issuing Lender 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 the Issuing Lender's gross negligence or willful misconduct in determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof.

3.07. LETTER OF CREDIT PAYMENTS. Without limitation of SECTION 3.06, the responsibility of the Issuing Lender to Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in the Letter of Credit, be limited to determining that the documents (including each draft) delivered under the Letter of Credit in connection with the presentment are in conformity with the Letter of Credit.

3.08. LETTER OF CREDIT APPLICATIONS. To the extent that any provision of any Letter of Credit Application, including any reimbursement provisions contained therein, related to any Letter of Credit is inconsistent with the provisions of this Article 3, the provisions of this Article 3 shall prevail.

3.09. CASH COLLATERALIZATION OF LETTERS OF CREDIT. Upon request of Administrative Agent after the occurrence and during the continuance of an Event of Default and at any time required to eliminate any Borrowing Base Deficiency pursuant to SECTION 4.06 hereof, Borrower shall deposit cash with Administrative Agent in an amount equal to the aggregate Letter of Credit Outstandings (or, in the event of a Borrowing Base Deficiency in the amount required pursuant to SECTION 4.06). Such amount so deposited shall be held by Administrative Agent for the ratable benefit of all Lenders as security for the Letter of Credit Outstandings and other Obligations, and Borrower will, in connection therewith, deliver such security agreements in form and substance satisfactory to Administrative Agent which it may, in its discretion require. As drafts or demands are presented under any Letter of Credit, Administrative Agent shall disburse such cash to the applicable Issuing Lender to the extent necessary to satisfy Borrower's reimbursement obligations in connection therewith. To the extent drafts or other demands for payment are not made prior to the expiration date for any Letter of Credit, Administrative Agent agrees, if no Event of Default has occurred and is continuing, to remit to Borrower cash in the amount deposited under this SECTION 3.09 for which the contingent obligations evidenced by such Letter of Credit have ceased. When all Letters of Credit have expired or been canceled, and all Letter of Credit Obligations and other Obligations have been paid in full and all Commitments have been terminated (or any Borrowing Base Deficiency has been eliminated to the extent such cash collateralization is required as a result of Borrowing

Base Deficiency) Administrative Agent shall release any remaining cash deposited under this SECTION 3.09 to Borrower.

ARTICLE 4 - BORROWING BASE.

4.01. DETERMINATION OF BORROWING BASE. (a) The term "BORROWING BASE" means the designated loan value of Borrower's Oil and Gas Properties as determined by Agents in their sole discretion and approved by Required Lenders in their sole discretion, in each case in accordance with their respective then-current practices, customary procedures and standards for their respective petroleum industry customers, and utilizing (i) the pertinent economic parameters customarily used by each Lender with respect to credits of a similar size and nature, and (ii) the information that the Lenders have available to them at the time of each determination, including, without limitation, assets, liabilities, cash flow and other financial information regarding Borrower and its Subsidiaries, the Collateral and the business, properties, prospects, management, and ownership of the Borrower and its Subsidiaries. The Borrowing Base in effect under this Agreement shall be redetermined at the times set forth in SECTION 4.02, 4.03, and 4.04 and in accordance with the procedures set forth in SECTION 4.01(b). Until the Commitments of all Banks have terminated, all Letters of Credit have expired or been canceled, and all Obligations have been paid in full, amounts outstanding under this Agreement shall be subject to the then effective Borrowing Base.

(b) Not later than ten Business Days prior to each Determination Date applicable to any redetermination of the Borrowing Base, (i) Agents shall agree among themselves with respect to the Borrowing Base which Agents recommend be effective commencing on such Determination Date, and (ii) Administrative Agent shall notify each Lender of the amount of such recommended Borrowing Base. If Required Lenders, or all Lenders in the event of a proposed increase in the Borrowing Base, fail to promptly approve such recommended Borrowing Base, Agents shall propose one or more alternative Borrowing Bases and shall consult with Lenders regarding the proposed Borrowing Base until such time as Required Lenders, or all Lenders in the event of a proposed increase in the Borrowing Base, approve a Borrowing Base proposed by Agents. Promptly upon approval by Required Lenders, or all Lenders in the event of a proposed increase in the Borrowing Base, of the Borrowing Base to become effective on a Determination Date, Administrative Agent shall provide written notice of the amount of such Borrowing Base to Borrower which shall become effective on the date specified in such notice (which shall be no sooner than the date such notice is sent). In the event Required Lenders, or all Lenders in the event of a proposed increase in the Borrowing Base, fail to approve a Borrowing Base to be effective on any applicable Determination Date, the Borrowing Base in effect prior to such Determination Date shall remain in effect until such time as Required Lenders, or all Lenders in the event of a proposed increase in the Borrowing Base, approve a new Borrowing Base (which will become effective immediately upon notice to Borrower from Administrative Agent setting forth the amount thereof).

4.02. PERIODIC DETERMINATION. The Borrowing Base will be redetermined semiannually on April 1 and October 1, commencing April 1, 2000, or on such date promptly following each such date as may be required to redetermine the Borrowing Base in accordance with the procedures set forth in SECTION 4.01(b). Notwithstanding any provisions to the contrary in SECTION 4.01 above, the Borrowing Base resulting from the April 1, 2000, Determination shall not exceed \$135,000,000 without the approval of all Lenders.

4.03. SPECIAL REDETERMINATION REQUESTED BY BORROWER. In addition to Periodic Determinations required herein and Special Determinations requested by Required Lenders in accordance with SECTION 4.04, Borrower may request up to two Special Determinations of the Borrowing Base pursuant to this SECTION 4.03 in each calendar year; PROVIDED THAT one of such requests must be in connection with a request for an increase in the Borrowing Base to finance the acquisition by Borrower (or one of its Subsidiaries) of additional oil and gas properties ("ADDITIONAL PROPERTIES"). Together with any Request for Determination delivered by Borrower to Lenders under this SECTION 4.03, Borrower shall deliver to Lenders a Reserve Report prepared as of a date not more than 30 days prior to the date of such Request for Determination. At Borrower's option, such Reserve Report may only apply to (a) the Additional Properties which are the subject of such request, or (b) those existing properties which Borrower believes support an increase in the Borrowing Base as a result of the completion of a successful drilling and development program or other factors.

4.04. SPECIAL DETERMINATIONS REQUESTED BY REQUIRED LENDERS. In addition to Periodic Determinations required herein and Special Determinations requested by Borrower in accordance with SECTION 4.03, Required Lenders may request (a) a Special Determination in connection with any issuance by Borrower or any of its Subsidiaries of Subordinated Debt or Preferred Stock, and (b) two Special Determinations in each calendar year in addition to each Special Determination allowed under SECTION 4.04(a); PROVIDED THAT one such Special Determination requested pursuant to this clause (b) shall be based on a determination by Required Lenders, in their sole discretion that either (i) there has been a material decrease in the Present Value of Borrower's Oil and Gas Properties, or (ii) an event has occurred which has had, or which is reasonably expected to have, a Material Adverse Effect; and FURTHER PROVIDED THAT no Special Determination may be made pursuant to clause (b) before the April 1, 2000, Periodic Determination provided in SECTION 4.02 above unless such Special Determination is requested by all Lenders. In the event Required Lenders request a Special Determination pursuant to this SECTION 4.04, they may, at their option, suspend the next Periodic Determination.

4.05. INITIAL BORROWING BASE. Subject to the rights of Borrower to request an earlier Special Determination pursuant to SECTION 4.03 above, the rights of Lenders to request an earlier Special Determination pursuant to SECTION 4.04 above, and the rights of

Lenders to reduce the Borrowing Base as provided in SECTION 7.03(C) below, the Borrowing Base in effect under this Agreement for the period from the Closing Date through April 1, 2000, shall be the Initial Borrowing Base.

4.06. OVER ADVANCE. (a) In the event any Borrowing Base Deficiency results from any redetermination of the Borrowing Base pursuant to SECTION 4.02, 4.03, or 4.04 hereof, Borrower shall be required to eliminate such deficiency by making mandatory prepayments on the outstanding principal balance of the Loans in an amount equal to the amount of such deficiency, one half of which shall be paid on or before the 90th day following the effective date of the redetermination resulting in such Borrowing Base Deficiency, and the remaining balance of which shall be paid in full on or before the 180th day following the effective date of such redetermination.

(b) In the event any Borrowing Base Deficiency results from any reduction in the Borrowing Base pursuant to SECTION 4.05, Borrower shall be required to eliminate such deficiency by making a mandatory prepayment on the outstanding principal balance of the Loans in an amount equal to the amount of such deficiency, which prepayment shall be due and payable simultaneously with such reduction in the Borrowing Base.

(c) In the event any Borrowing Base Deficiency cannot be eliminated pursuant to this SECTION 4.06 by prepayment of the Loans in full (as a result of Letter of Credit Outstandings) on or before each date on which a prepayment of the Loans is required by this SECTION 4.06, Borrower shall also deposit cash with Administrative Agent to be held by Administrative Agent pursuant to SECTION 3.09 in an amount sufficient to eliminate such Borrowing Base Deficiency (or the required portion of such Borrowing Base Deficiency in the case of the payment due 90 days after the determination that a Borrowing Base Deficiency exists pursuant to SECTION 4.06(a)).

#### ARTICLE 5 - COLLATERAL.

5.01. SECURITY. (a) The Obligations shall be secured by first and prior Liens (subject only to Permitted Encumbrances) covering (i) Borrower's Oil and Gas Properties selected by Administrative Agent which in the aggregate comprise at least 80% of the total Present Value assigned by Administrative Agent to Borrower's Oil and Gas Properties, (ii) the Sterling Gas Plant, (iii) 100% of the issued and outstanding Equity of each existing and future Subsidiary of Borrower (exclusive of REFC), and (iv) 50% of the issued and outstanding Equity of GLEP.

(b) On each occasion on which Borrower and its Subsidiaries may be required to grant Liens on any asset, upon submission to Borrower by Administrative Agent, Borrower and its Subsidiaries shall promptly execute and deliver to Administrative Agent, for the ratable benefit of each Lender, Security Documents in form and substance acceptable to Administrative Agent granting first and prior Liens (subject only to Permitted Encumbrances) on the designated properties. Borrower acknowledges that all Mortgages now or hereafter executed by Borrower or its Subsidiaries will be recorded promptly and all other action necessary to perfect the liens and security interests evidenced by the Mortgages will be taken. Borrower represents and warrants to Lenders that all Mortgages (i) are or will be duly authorized, executed, and delivered by the Person executing them, (ii) constitute the valid, binding, and enforceable obligations of each Person that executed the Mortgages in accordance with their terms, and (iii) operate to create in favor of Administrative Agent, for the ratable benefit of Lenders, first priority liens in the interests covered thereby.

(c) On the date of the creation or acquisition by Borrower of any Subsidiary, or on the date of creation or acquisition by any Subsidiary of Borrower of any Subsidiary, Borrower or such Subsidiary of Borrower (as applicable) shall execute and deliver to Administrative Agent a Pledge Agreement together with (i) all certificates (or other evidence acceptable to Administrative Agent) evidencing the issued and outstanding Equity of any such Subsidiary of every class which shall be duly endorsed or accompanied by stock powers executed in blank (as applicable), and (ii) such UCC-1 financing statements as Administrative Agent shall deem necessary or appropriate to grant, evidence and perfect the Liens required by SECTION 5.1(a)(iii) in the issued and outstanding Equity of each such Subsidiary.

5.02. GUARANTIES. Payment and performance of the Obligations will be fully guaranteed by each existing or hereafter created or acquired Subsidiary of Borrower (other than REFC) pursuant to a Guaranty Agreement. On the date of creation or acquisition by Borrower or a Subsidiary of Borrower of any Subsidiary, Borrower shall cause such Subsidiary to execute and deliver to Administrative Agent a Guaranty Agreement.

5.03. LEGAL OPINIONS; CORPORATE MATTERS. Administrative Agent will be permitted, at Borrower's expense, to obtain opinions of counsel in each jurisdiction in which oil and gas properties of Borrower or its Subsidiaries are located, with respect to the validity, enforceability, and actions necessary to perfect the liens and security interests created by the Mortgages covering the oil and gas properties and as to the other matters as Administrative Agent shall deem necessary with respect to the Mortgages. Furthermore, simultaneously with the execution and delivery of any Mortgages required by SECTION 5.01, Borrower shall also deliver to Administrative Agent (i) such resolutions, certificates, and documents as Required Lenders shall request relating to the existence of Borrower and its Subsidiaries, the corporate, partnership, limited liability company, or other authority for the execution, delivery, and performance of the Mortgages and all



other matters relevant thereto as Required Lenders may reasonably request, and (ii) at Required Lenders' request, an opinion of counsel satisfactory to them with respect to the matters referred to in clause (i) immediately preceding.

5.04. ADDITIONAL TITLE DATA. (a) Borrower shall, upon the request of Required Lenders, make available to Administrative Agent at Borrower's Fort Worth, Texas, and Oklahoma City, Oklahoma, offices, all title opinions, title information, and other information in its possession, control, or direction with respect to title to the Mortgaged Properties and relative priority of the Mortgages as are appropriate to determine the status thereof.

(b) At any time Borrower or its Subsidiaries are required to mortgage any oil and gas properties and related assets pursuant to SECTION 5.01, Borrower shall deliver to Administrative Agent title opinions or other title information acceptable to Administrative Agent covering Borrower's Oil and Gas Properties which are, or are to become, Mortgaged Properties and other information regarding title to such properties and the relative priority of the Liens in favor of Administrative Agent as Administrative Agent shall reasonably request, all in form and substance and from attorneys acceptable to Administrative Agent.

5.05. BENEFITS OF COLLATERAL. Administrative Agent shall hold the Collateral required to be pledged and deposited by the Loan Parties to Administrative Agent, along with all payments and proceeds arising therefrom, for the ratable benefit of Lenders as security for the payment of all Obligations. Upon payment in full of all Obligations and termination of all Commitments, Administrative Agent shall release, if not sooner released pursuant to SECTION 5.01(d), all of the Collateral remaining in its possession to Borrower and shall notify each Lender of the release. Except as otherwise expressly provided for in this Article 5, Administrative Agent, in its own name or in the name of Borrower, may enforce any of the Collateral or the security therefor by any mode provided under the Loan Documents or by the law of the state in which the Collateral or in which any real property subject to any of the Collateral is located, and may collect and receive proceeds receivable on account of ownership of the Collateral.

5.06. STATUS OF COLLATERAL IN EVENT OF DEFAULT. Notwithstanding the terms of any Mortgage or other security instrument securing repayment of the Obligations by which Borrower assigns to Administrative Agent for the ratable benefit of Lenders the proceeds from the sale of production accruing to the Mortgaged Properties, so long as no Default or Event of Default has occurred that is continuing, Borrower shall be permitted to continue to receive from the purchasers of production all proceeds from the sale of production, and Administrative Agent shall not request that such proceeds be paid to Administrative Agent. Upon the occurrence and continuation of any Event of Default, Administrative Agent, at the request of Required Lenders, may direct the Persons

purchasing the production from Borrower's Oil and Gas Properties to pay the proceeds of sale directly to Administrative Agent.

ARTICLE 6 - CONDITIONS PRECEDENT.

6.01. CONDITIONS PRECEDENT TO RESTATEMENT OF EXISTING CREDIT AGREEMENT AND INITIAL EXTENSION OF CREDIT HEREUNDER. The agreement of each Lender to (i) enter into and perform its obligations under the Closing Assignment, (ii) restate the Existing Credit Agreement, and (iii) make the initial Loan requested to be made by it, and of the Issuing Lender to issue the initial Letter of Credit to be issued by it, is subject to the satisfaction, prior to or concurrently therewith of the following conditions precedent:

(a) CLOSING DELIVERIES. Administrative Agent shall have received the following documents, instruments, agreements, and other information, each of which shall be in form and substance and executed in such counterparts as shall be acceptable to Administrative Agent and Required Lenders and each of which shall, unless otherwise indicated, be dated the Closing Date:

(i) this Agreement;

(ii) a Note payable to the order of each Lender in the amount of such Lender's Commitment, duly executed by Borrower;

(iii) a Mortgage duly executed by the appropriate Person covering the Sterling Gas Plant, accompanied by such financing statements requested by Administrative Agent to perfect the Lien granted by the Mortgage;

(iv) Existing Mortgage Amendments duly executed by the appropriate Person;

(v) a Guaranty Agreement duly executed by each of Borrower's Subsidiaries (excluding REFC);

(vi) a Pledge Agreement duly executed by Borrower and its Subsidiaries, as appropriate, together with (A) certificates evidencing (1) 100% of the issued and outstanding Equity of Borrower's Subsidiaries and (2) 50% of the issued and outstanding Equity of GLEP (all certificates delivered pursuant to this provision shall be duly endorsed or accompanied by duly executed blank stock powers), and (B) accompanied by such financing statements executed by Borrower as Administrative Agent shall request to perfect the Liens granted pursuant to the Pledge Agreement;

(vii) an opinion of Vinson & Elkins L.L.P., special counsel for Borrower and its Subsidiaries, favorably opining as to the enforceability of each of the

Loan Documents executed and delivered by Borrower and its Subsidiaries and to such other matters as Administrative Agent or Required Lenders may reasonably request;

(viii) certificates executed by an Authorized Officer of Borrower stating that (A) the representations and warranties of Borrower contained in this Agreement and the other Loan Documents are true and correct in all respects, (B) no Default or Event of Default has occurred which is continuing, and (C) all conditions set forth in this SECTION 6.01 and in SECTION 6.02 have been satisfied;

(ix) such resolutions, certificates and other documents relating to the existence of the Loan Parties, the corporate, partnership, or limited liability company authority for the execution, delivery and performance of this Agreement, the Notes, the other Loan Documents, and certain other matters relevant hereto, in form and substance satisfactory to Administrative Agent, which resolutions, certificates and documents include resolutions of the directors of each Loan Party authorizing the execution, delivery, and performance of the Loan Documents and certificates of incumbency for each Loan Party;

(x) all documents required by Administrative Agent to evidence that the GLEP Transaction has closed, which must occur on or before September 30, 1999;

(xi) Agents have completed a review of the policies and procedures of Borrower and its Subsidiaries with respect to compliance with Environmental Laws, and Agents are reasonably satisfied with the results of that review;

(xii) title information with respect to Borrower's Oil and Gas Properties and the Sterling Gas Plant sufficient to enable Agents or their counsel to review title to that part of the Properties deemed necessary by Agents, and Agents are reasonably satisfied with the results of that review; and

(xiii) an unaudited pro forma consolidated balance sheet of Borrower and its Consolidated Subsidiaries which projects the financial condition of Borrower and its Consolidated Subsidiaries as at the Closing Date after giving effect to the initial extensions of credit under this Agreement and which enables Agents to verify that Borrower will have adequate liquidity on and after the Closing Date, in the sole judgment of Agents.

(b) NO MATERIAL ADVERSE CHANGE. No event has occurred that would have a Material Adverse Effect.

(c) NO LEGAL PROHIBITION. The transactions contemplated by this Agreement and the agreements pertinent to the GLEP Transaction shall be permitted by applicable law and regulation and shall not subject Agents, any Lender, Borrower, or any

Subsidiary to any material adverse change in their assets, liabilities, financial condition, or prospects.

(d) NO LITIGATION. No litigation, arbitration, or similar proceeding shall be pending which calls into question the validity or enforceability of this Agreement, the other Loan Documents, or the agreements pertinent to the GLEP Transaction.

(e) OTHER MATTERS. All matters related to this Agreement, the other Loan Documents, Borrower, its Subsidiaries, and the GLEP Transaction shall be acceptable to Administrative Agent and each Lender in their discretion, and Borrower shall have delivered to Administrative Agent and each Lender such evidence as they shall request to substantiate any matters related to this Agreement, the other Loan Documents, Borrower, its Subsidiaries, and the GLEP Transaction as Administrative Agent or any Lender shall request.

(f) CLOSING FEES. Borrower shall have paid (or made arrangements for payment from initial Loan proceeds) to Agents and Lenders any fees payable to those parties.

6.02. CONDITIONS TO EACH LOAN AND EACH LETTER OF CREDIT. The obligation of each Lender to loan its Commitment Percentage of each Borrowing and the obligation of the Issuing Lender to issue Letters of Credit on the date any Letter of Credit is to be issued is subject to the further satisfaction of the following conditions:

(a) timely receipt by Administrative Agent of a Notice of Borrowing or Request for Letter of Credit;

(b) immediately before and after giving effect to such Borrowing or issuance of the Letter of Credit, no Default or Event of Default shall have occurred and be continuing and neither the Loan nor the issuance of the Letter of Credit shall cause a Default or Event of Default;

(c) the representations and warranties of the Loan Parties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the applicable Borrowing or the date of the issuance of the Letter of Credit;

(d) the funding of the Borrowing or the issuance of the Letter of Credit and all other Borrowings to be made and/or Letters of Credit to be issued on the same day under this Agreement, shall not cause a Borrowing Base Deficiency;

(e) following the issuance of any Letter of Credit, the aggregate Letter of Credit Outstandings shall not exceed \$20,000,000.

Each Borrowing and the issuance of each Letter of Credit hereunder shall constitute a representation and warranty by Borrower that on the date of the Borrowing or issuance of the Letter of Credit that statements contained in subclauses (b), (c), (d), and (e) above are true.

ARTICLE 7 - REPRESENTATIONS, WARRANTIES, AND COVENANTS.

7.01. WARRANTIES. To induce Lenders to enter into this Agreement and to lend to Borrower and for each Lender's reliance in so doing, Borrower warrants to each Lender that each of the following statements is true and correct on the date hereof and will be true and correct on the Closing Date both before and after giving effect to the GLEP Transaction, and will be true and correct on the date of each Borrowing and the date of issuance of each Letter of Credit:

(a) FINANCIAL CONDITION. (1) The consolidated balance sheet of Borrower and its Consolidated Subsidiaries at December 31, 1998, and the related consolidated statements of operations, of cash flows and of changes in stockholders' equity for the fiscal year ended on that date, which have been furnished to each Lender, present fairly in all material respects the consolidated financial condition of Borrower and its Consolidated Subsidiaries as at that date, and the consolidated results of their operations and their consolidated cash flows for the fiscal year then ended.

(2) The consolidated balance sheet of Borrower and its Consolidated Subsidiaries at June 30, 1999, and the related consolidated statements of operations, of cash flows and of changes in stockholders' equity for the two fiscal quarters ended on that date, which have been furnished to each Lender, present fairly in all material respects the consolidated financial condition of Borrower and its Consolidated Subsidiaries as at that date, and the consolidated results of their operations and their consolidated cash flows for the fiscal year then ended.

(3) The unaudited pro forma consolidated balance sheet of Borrower and its Consolidated Subsidiaries, as at June 30, 1999, certified by an Authorized Officer, copies of which have been furnished to each Lender, represents in all material respects the pro forma consolidated financial condition of each of Borrower and its Consolidated Subsidiaries as at that date after giving effect to the initial extensions of credit under this Agreement; PROVIDED THAT the financial information which constitute projections, copies of which have been furnished to each Lender prior to the Closing Date, were prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed by Borrower to be reasonable in all material respects at the time made and which Borrower believes are reasonable in all material respects on the date hereof.

(4) The consolidated balance sheet and other financial statements, referred to in SECTIONS 7.01(a)(1) and (2), including the related schedules and notes

thereto, were prepared in accordance with GAAP applied consistently throughout the period involved. Neither Borrower nor any of its Consolidated Subsidiaries had, at the date of the balance sheet, any material obligation, contingent liability, or liability for Taxes, or any long-term lease or unusual forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the statement or in the notes thereto to the extent required by GAAP. During the period from January 1, 1999, to and including the date of this Agreement there has been no sale, transfer, or other disposition by Borrower or any of its Consolidated Subsidiaries of any material part of its business or property other than the GLEP Transaction and no purchase or other acquisition of any business or property (including any Equity of any other Person) material in relation to the consolidated financial condition of Borrower and its Consolidated Subsidiaries at December 31, 1998.

(b) NO CHANGE. Since December 31, 1998, there has been no development, circumstance, or event which has had or could reasonably be expected to have a Material Adverse Effect.

(c) CORPORATE EXISTENCE. Borrower and each of its Subsidiaries is duly organized and validly existing under the laws of its state of incorporation, organization, or formation, and is in good standing in that state and all other states in which it has material assets or operations.

(d) CORPORATE POWER. Borrower and each of its Subsidiaries has and will continue to have full power and authority to execute and deliver to Lenders this Agreement and the Loan Documents, and to perform all of its obligations under this Agreement and the Loan Documents; all of those actions have been duly authorized and are not and will not be in conflict with any provision of law or the terms of its articles of incorporation, articles of organization, joint venture agreement, partnership agreement, or any other agreement or undertaking to which it is a party or by which it is bound.

(e) INFORMATION. No written information, exhibit, schedule or report prepared by or on behalf of Borrower and furnished to any Agent or any Lender by or at the direction of Borrower or any of its Subsidiaries in connection with this Agreement or the transactions contemplated herein contained any material misstatement of fact or, when such statement is considered with all other written statements furnished to the Lenders in that connection, omitted to state a material fact or any fact necessary to make the statement contained therein not misleading; PROVIDED THAT the financial information which constitute projections, copies of which have been furnished to each Lender prior to the Closing Date, were prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed by Borrower to be reasonable in all material respects at the time made and which Borrower believes are reasonable in all material respects on the date hereof.

(f) AUTHORIZATIONS. Borrower and each of its Subsidiaries has obtained all authorizations, licenses, permits, consents, approvals, and undertakings which are required under any applicable law in connection with the execution and delivery of and the performance of its Obligations under or in connection with this Agreement and the other Loan Documents.

(g) ENFORCEABLE OBLIGATIONS. This Agreement has been, and each other Loan Document to which any Loan Party is a party will be, duly executed and delivered on behalf of the Loan Party. This Agreement constitutes, and each other Loan Document to which any Loan Party is a party when executed and delivered will constitute, a legal, valid, and binding obligation of the Loan Party enforceable against the Loan Party in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium, and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law), and an implied covenant of good faith and fair dealing.

(h) NO LEGAL BAR. The execution, delivery, and performance of the Loan Documents, the granting of the Liens under the Security Documents, and the Borrowings hereunder and the use of the proceeds thereof will not violate any applicable requirement of law or material contractual Obligation of Borrower or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of its or their respective material properties or revenues except pursuant to the Loan Documents.

(i) COMPLIANCE. Borrower and each of its Subsidiaries is in compliance with all statutes, ordinances, and regulations of each Governmental Authority having jurisdiction over its activities to the extent a failure to be in compliance could reasonably be expected to have a Material Adverse Effect.

(j) DEBTS OF OTHERS. Neither Borrower nor any of its Subsidiaries is a guarantor or surety or otherwise responsible in any material manner with respect to any Debt or undertaking of a Person other than a Subsidiary of Borrower.

(k) NO MATERIAL LITIGATION. No litigation is pending which affects the execution and delivery of this Agreement or any other Loan Document or the ability of any Loan Party to perform under them, and no litigation is pending which could have a Material Adverse Effect.

(l) SUBSIDIARIES. Borrower has no Subsidiaries other than those listed on attached SCHEDULE 3.

(m) ERISA. Borrower and each Subsidiary of Borrower is in compliance in all material respects with all applicable provisions of ERISA; neither a Reportable Event nor a Prohibited Transaction has occurred and is continuing with respect to any Plan; no notice of intent to terminate a Plan has been filed, nor has any Plan been

terminated; no circumstances exist which constitute grounds entitling the PBGC to institute proceedings to terminate, or appoint a trustee to administer, a Plan, nor has the PBGC instituted any such proceedings; neither Borrower nor any Commonly Controlled Entity has completely or partially withdrawn from a Multiemployer Plan; Borrower and each Commonly Controlled Entity have met their minimum funding requirements under ERISA with respect to all of their Plans and the present value of all vested benefits under each Plan does not exceed the fair market value of all Plan assets allocable to the benefits, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA; and neither Borrower nor any Commonly Controlled Entity has incurred any liability to the PBGC under ERISA.

(n) ENVIRONMENTAL MATTERS. To the extent any of the following would have a Material Adverse Effect on Borrower or its Subsidiaries:

(i) Neither Borrower nor any of its Subsidiaries has failed to duly comply with, or failed to cause their businesses, operations, assets, equipment, property, leaseholds, or other facilities to be in compliance with, the provisions of any applicable Environmental Law.

(ii) Neither Borrower nor any of its Subsidiaries has received notice of, nor knows of, or suspects facts which might constitute violations of any applicable Environmental Law with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities.

(iii) Except in accordance with a valid governmental permit, license, certificate, or approval, there has been no emission, spill, release, or discharge into or upon (1) the air; (2) soils, or any improvements located thereon; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage, or disposal system servicing the premises of any toxic or hazardous substances or wastes ("WASTE") at or from the premises ("RELEASE"); and accordingly the premises of Borrower and any Subsidiary are free of all waste.

(iv) There has been no complaint, order, directive, claim, citation, or notice by any Governmental Authority or any person or entity with respect to (1) air emissions; (2) release; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of waste ("TREATMENT"); or (6) other environmental, health, or safety matters affecting Borrower or any Subsidiary of Borrower or its business, operations, assets, equipment, property, leaseholds, or other facilities.

(o) TITLES. Each of Borrower and its Subsidiaries has good and defensible title to all material assets purported to be owned by it subject only to Permitted Encumbrances. Without limiting the foregoing, with the exception of oil and gas properties which are clearly identified as being owned by Persons other than the Loan



Parties, the Loan Parties have good and defensible title to all material oil and gas properties which are the subject of the most recent Reserve Report provided to Lenders (or, until superseded, the oil and gas properties which are the subject of the Initial Reserve Report), and the Mortgages establish first and prior Liens on the properties and interests intended to be covered thereby subject only to Permitted Encumbrances.

(p) RESERVE REPORTS. The Initial Reserve Report accurately reflects, and all Reserve Reports hereafter delivered pursuant to this Agreement will reflect, in all material respects, the ownership interests of Borrower and its Subsidiaries in the oil and gas properties referred to therein (including all material before and after payout calculations).

(q) INTELLECTUAL PROPERTY. Each Loan Party owns, or is licensed to use, all trademarks, tradenames, copyrights, technology, know how, and processes necessary for the conduct of its business as currently conducted except for those the failure to own or license which could not reasonably be expected to have a Material Adverse Effect (the "INTELLECTUAL PROPERTY"). No claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does any Loan Party know of any valid basis for any such claim, except claims that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect. The use of Intellectual Property by a Loan Party does not infringe on the rights of any Person, except for claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(r) NO BURDENSOME RESTRICTIONS. No applicable requirement of law or contractual obligation of any Loan Party could reasonably be expected to have a Material Adverse Effect.

(s) TAXES. Each Loan Party has filed all material tax returns which to the knowledge of the Loan Party are required to be filed by it and has paid or caused to be paid all material assessments, fees, and other governmental charges levied upon it or upon any of its property or income which are due and payable, except such taxes, assessments, fees, and other governmental charges, if any, as are being diligently contested in good faith and by appropriate proceedings and with respect to which there have been established adequate reserves on the books of the Loan Party in accordance with GAAP. No tax lien has been filed with respect to any material taxes or material assessments, fees, or other governmental charges.

(t) FEDERAL REGULATIONS. No part of the proceeds of any Loan will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation G or Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. If requested by any Lender or Administrative Agent, Borrower will furnish Administrative

Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-1 or FR Form U-1 referred to in Regulation G or Regulation U, as the case may be.

(u) INVESTMENT COMPANY ACT; OTHER REGULATIONS. No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Federal or State statute or regulation (other than Regulation X of the Board of Governors of the Federal Reserve System) which limits its ability to incur Indebtedness under this Agreement or the other Loan Documents.

(v) YEAR 2000 PROBLEM. Borrower and its Subsidiaries have reviewed the areas within their business and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the risk that certain computer applications used by Borrower and its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving dates after December 31, 1999 (the "YEAR 2000 PROBLEM"). The Year 2000 Problem is not reasonably expected to result in a Material Adverse Effect.

7.02. AFFIRMATIVE COVENANTS. Borrower hereby agrees that, so long as the Total Commitment remains in effect, any Loan, Note, or Letter of Credit remains outstanding and unpaid, or any amount is owing to any Lender or any Agent under this Agreement or any other Loan Document, Borrower shall, and except in the case of delivery of financial information, reports and policies, cause each of its Subsidiaries to:

(a) CORPORATE EXISTENCE. Maintain its existence in good standing with full legal capacity to perform all of its obligations under this Agreement and all documents called for by this Agreement and not permit its dissolution, liquidation, or other termination of existence or forfeiture of right to do business.

(b) MAINTENANCE OF BOOKS AND RECORDS. At all times keep business records in conformity with GAAP, those records to be kept at Borrower's administrative office, which at present is located at 125 State Route 43, Hartsville, Ohio 44632.

(c) FINANCIAL INFORMATION. Furnish to Lenders:

(1) Within 90 days after the end of Borrower's fiscal year (which ends on December 31), a copy of its annual audited consolidated financial statement including at least a balance sheet as of the close of the year, a statement of operations, a statement of changes in shareholders' equity, and a statement of cash flow, prepared in conformity with GAAP by Arthur Andersen L.L.P. or another independent firm of certified public accountants acceptable to Lenders, together with a certificate from an

Authorized Officer of Borrower that no Default or Event of Default has occurred or exists;

(2) Within 45 days after the end of each of the first three calendar quarters, a copy of Borrower's unaudited consolidated quarterly report, prepared in conformity with GAAP, consisting of at least a balance sheet as of the close of that quarter, a statement of operations, a statement of changes in shareholders' equity, and a statement of cash flows for the period from the beginning of the fiscal year to the close of that quarter, certified to be accurate by an Authorized Officer of Borrower, and accompanied by a certificate of the signing officer that no Default or Event of Default has occurred or exists;

(3) Simultaneously with the delivery of the financial statements referred to in SECTIONS 7.02(c)(1) and (2), a compliance certificate in the form of EXHIBIT G hereto signed by an Authorized Officer of Borrower (i) certifying that it is in compliance with the provisions of SECTION 7.04, (ii) setting forth in reasonable detail the calculations required to establish that Borrower was in compliance with the provisions of SECTION 7.04 as of the end of each quarter, and (iii) certifying that no Default or Event of Default has occurred and is continuing and that all representations and warranties of Borrower are true and correct.

(4) No later than each March 1 and September 1 during the Commitment Period, a Reserve Report as of the preceding December 31 and June 30, respectively, covering all of the oil and gas properties of Borrower and its Subsidiaries that in the opinion of Required Lenders have material value;

(5) No later than March 1 and September 1, (i) complete revenue, expense, and production information for the aggregate of the oil and gas properties of Borrower and its Subsidiaries for the most recent twelve-month period preceding the Determination Date; (ii) detailed revenue, expense, and production information for the same time period, for each area of operation, for oil and gas wells of Borrower and its Subsidiaries; (iii) an oil and gas operating statement prepared on a basis acceptable to Lenders reflecting at a minimum, for the pertinent period, net production volume, prices received, severance taxes, and capital and operating expenses, including a calculation of net operating income; and (iv) a summary of the Hedge Transactions to which Borrower or any Subsidiary is a party on such date;

(6) Promptly upon filing thereof with the Securities and Exchange Commission, copies of the following securities information for Borrower: (i) all final registration statements and post effective amendments thereto; (ii) all annual, quarterly, and special reports filed; and (iii) any item submitted for a vote of Borrower's shareholders;

(7) No later than 10 days before the date that Borrower issues Preferred Stock or incurs Subordinated Debt (to the extent permitted hereunder), written notice setting out all details deemed material by Lenders concerning either event; and

(8) As Required Lenders may from time to time reasonably require by written notice to Borrower, other reasonable oil or gas well information, other financial information and other information concerning the business affairs of Borrower and its Subsidiaries in addition to those specifically required by this Agreement.

(d) RIGHT TO INSPECT. Permit any Person designated by any Lender to visit and inspect at reasonable places and times during normal business hours any of the properties, books, and records of Borrower and any Subsidiary as often as any Lender may reasonably request.

(e) PAYMENT OF OTHER OBLIGATIONS. Pay when due all Taxes, assessments, and other liabilities, except and so long as contested in good faith in a manner acceptable to Lenders and adequate reserves are being maintained.

(f) PERFORMANCE. Promptly and fully perform all of its obligations under this Agreement and all other Loan Documents (whether now existing or entered into hereafter).

(g) INSURANCE. Maintain casualty insurance on all material property and improvements and maintain liability insurance to such extent and against such hazards and liabilities as like properties are customarily insured within the oil and gas industry by Persons similarly situated to Borrower (each policy of insurance must be with responsible insurers and must name Administrative Agent as loss payee and as an additional insured party), and deliver to Administrative Agent certificates of insurance coverage as and when reasonably requested by Administrative Agent.

(h) DEPOSITORY ACCOUNTS. Maintain its primary depository accounts at one or more of Lenders (Borrower acknowledges that this requirement is a legitimate and reasonable measure to preserve and protect Lenders' first priority Liens in all property intended as Security for the Obligations under the Loan Documents).

(i) NOTICE OF DEFAULT AND LITIGATION. Give Lenders prompt notice in writing of the occurrence or existence of a Default, an Event of Default, any litigation or proceeding or other event affecting Borrower or any of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

(j) FURTHER ASSURANCES. Borrower will and will cause each Subsidiary to cure promptly any defects in the creation and issuance of the Notes and the execution and delivery of the Security Documents and this Agreement. Borrower at its expense will and

will cause each Subsidiary to promptly execute and deliver to Administrative Agent upon request all such other documents, agreements, and instruments to comply with or accomplish the covenants and agreements of Borrower or any Subsidiary, as the case may be, in the Security Documents and this Agreement, or to further evidence and more fully describe the collateral intended as security for the Obligations, or to correct any omissions in the Security Documents, or to state more fully the security obligations set out herein or in any of the Security Documents, or to perfect, protect, or preserve any Liens created pursuant to any of the Security Documents, or to make any recordings, to file any notices or obtain any consents, all as may be necessary or appropriate in connection therewith.

(k) MAINTENANCE AND OPERATION OF PROPERTY. To the extent that the failure to comply could have a Material Adverse Effect on the financial condition or operations of Borrower or its Subsidiaries and consistent with the standards of a reasonably prudent operator:

(1) Maintain, develop, and operate Borrower's Oil and Gas Properties in a good and workmanlike manner, and observe and comply with all of the terms and provisions, express or implied, of all oil and gas leases relating to the properties so long as the oil and gas leases are capable of producing hydrocarbons and accompanying elements in paying quantities;

(2) Comply in all material respects with all contracts and agreements applicable to or relating to Borrower's Oil and Gas Properties or the production and sale of hydrocarbons and accompanying elements therefrom;

(3) At all times, maintain, preserve, and keep all operating equipment used with respect to Borrower's Oil and Gas Properties in proper repair, working order and condition, and make all necessary or appropriate repairs, renewals, replacements, additions and improvements thereto so that the efficiency of the operating equipment shall at all times be properly preserved and maintained, PROVIDED THAT no item of operating equipment need be so repaired, renewed, replaced, added to or improved, if Borrower or its Subsidiary shall in good faith determine that the action is not necessary or desirable for its continued efficient and profitable operation of business.

(4) With respect to Borrower's Oil and Gas Properties which are operated by operators other than Borrower or a Subsidiary, seek to enforce the operators' contractual obligations to maintain, develop, and operate the oil and gas properties subject to the applicable operating agreements.

(l) ERISA. As soon as possible, and in any event within 30 days after Borrower knows or has reason to know that any circumstances exist that constitute grounds entitling the PBGC to institute proceedings to terminate a Plan subject to ERISA

with respect to Borrower or any Commonly Controlled Entity, and promptly but in any event within two Business Days of receipt by Borrower or any Commonly Controlled Entity of notice that the PBGC intends to terminate a Plan or appoint a trustee to administer the same, and promptly but in any event within five Business Days of the receipt of notice concerning the imposition of withdrawal liability with respect to Borrower or any Commonly Controlled Entity, Borrower shall deliver to each Lender a certificate of the chief financial officer of Borrower setting forth all relevant details and the action which Borrower proposes to take with respect thereto.

(m) ENVIRONMENTAL MATTERS. To the extent necessary to avoid a Material Adverse Effect, be and remain, and cause each Subsidiary to be and remain, in compliance with the provisions of all Environmental Laws; notify Administrative Agent immediately of any notice of a hazardous discharge or material environmental complaint received from any Governmental Authority or any other party; notify Administrative Agent immediately of any release from or affecting its properties; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith; permit Administrative Agent to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at Administrative Agent's request, and at Borrower's expense, provide a report of a qualified environmental engineer, satisfactory in scope, form, and content to Administrative Agent, and all other and further assurances reasonably satisfactory to Administrative Agent that the condition has been corrected.

(n) ENVIRONMENTAL INDEMNITY. NOTWITHSTANDING ANY OTHER LIMITATION OF LIABILITY IN THIS OR ANY OTHER AGREEMENT OR INSTRUMENT BETWEEN BORROWER OR A SUBSIDIARY AND LENDERS OR AGENTS, BORROWER PROMISES THAT IT WILL INDEMNIFY, DEFEND, SAVE, AND HOLD HARMLESS EACH LENDER AND EACH AGENT AND AGENT'S AND EACH LENDER'S AFFILIATES, OFFICERS, DIRECTORS, SHAREHOLDERS, EMPLOYEES, AGENTS, ATTORNEYS, PARTNERS, AND THEIR RESPECTIVE HEIRS, SUCCESSORS, AND ASSIGNS (COLLECTIVELY, THE "INDEMNIFIED PARTIES") AGAINST AND FROM, AND TO REIMBURSE INDEMNIFIED PARTIES WITH RESPECT TO, ANY AND ALL DAMAGES, CLAIMS, LIABILITIES, LOSSES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES AND EXPENSES, COURT COSTS, ADMINISTRATIVE COSTS, AND COSTS OF APPEALS), INCURRED BY OR ASSERTED AGAINST INDEMNIFIED PARTIES BY REASON OR ARISING OUT OF THE TREATMENT OR RELEASE OF ANY WASTE IN, ON, OR AFFECTING OIL AND GAS PROPERTIES OF BORROWER OR ITS SUBSIDIARIES, WHETHER OR NOT CAUSED BY BORROWER OR ANY OF ITS SUBSIDIARIES, OR THE VIOLATION OF ANY ENVIRONMENTAL LAWS, EXCEPT TO THE EXTENT CAUSED BY THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF ANY

INDEMNIFIED PARTY. NOTWITHSTANDING ANYTHING IN THE LOAN DOCUMENTS TO THE CONTRARY, THE UNDERTAKINGS OF BORROWER IN THIS PARAGRAPH SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT REGARDLESS OF THE MEANS OF EXPIRATION OR TERMINATION ; PROVIDED, HOWEVER, NO INDEMNITY SHALL BE AFFORDED UNDER THIS SECTION 7.02(N) IN RESPECT OF ANY PROPERTY FOR ANY OCCURRENCE ARISING FROM THE ACTS OR OMISSIONS OF ADMINISTRATIVE AGENT OR ANY LENDER DURING THE PERIOD AFTER WHICH SUCH PERSON, ITS SUCCESSORS OR ASSIGNS, SHALL HAVE OBTAINED POSSESSION OF SUCH PROPERTY (WHETHER BY FORECLOSURE OR DEED IN LIEU OF FORECLOSURE, AS MORTGAGEE-IN-POSSESSION OR OTHERWISE). SPECIFICALLY, THE INDEMNIFICATION IN THIS PARAGRAPH SHALL RUN FROM THE NOTICE COMMUNICATED TO ADMINISTRATIVE AGENT OF ANY TREATMENT OR RELEASE OF WASTE OR OTHER ENVIRONMENTAL CONDITION COVERED BY THIS AGREEMENT.

(o) OTHER INDEMNITY. BORROWER AGREES TO INDEMNIFY THE INDEMNIFIED PARTIES AND HOLD THEM HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES, LOSSES, DAMAGES, COSTS AND EXPENSES OF ANY KIND (INCLUDING, WITHOUT LIMITATION, THE REASONABLE FEES AND DISBURSEMENTS OF COUNSEL FOR EACH INDEMNIFIED PARTY IN CONNECTION WITH ANY INVESTIGATIVE, ADMINISTRATIVE OR JUDICIAL PROCEEDING, WHETHER OR NOT THE INDEMNIFIED PARTIES SHALL BE DESIGNATED A PARTY THERETO) WHICH MAY BE INCURRED BY ANY INDEMNIFIED PARTY, RELATING TO OR ARISING OUT OF THIS AGREEMENT OR ANY ACTUAL OR PROPOSED USE OF PROCEEDS OF LOANS HEREUNDER, INCLUDING AN INDEMNIFIED PARTY'S NEGLIGENCE; PROVIDED THAT INDEMNIFIED PARTIES SHALL NOT BE INDEMNIFIED HEREUNDER FOR THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

7.03. NEGATIVE COVENANTS. Borrower hereby agrees that, so long as the Total Commitments remain in effect, any Loan, Note, or any Letter of Credit remains outstanding and unpaid, or any amount is owing to any Lender or any Agent hereunder or under any other Loan Document, Borrower shall not, and shall not permit any Subsidiary to, directly or indirectly:

(a) OTHER LIENS. Create incur, assume, or permit to exist any Lien with respect to any of its assets, whether now owned or hereafter acquired, EXCEPT FOR (i) Permitted Encumbrances; (ii) Liens securing Capital Leases allowed under Section 7.03(b)(1)(vi), but only on the property under lease; (iii) Liens on cash or securities of Borrower or any Subsidiary securing the Debt described in Section 7.03(b)(1)(vii); and (iv) Liens set forth on SCHEDULE 4 hereto.

(b) OTHER DEBT. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, any Debt except:

(1) (i) Debt under this Agreement;

(ii) Subordinated Debt incurred by Borrower as a result of the exchange of Preferred Stock issued in Borrower's November 1995 Preferred Stock offering; (iii) Subordinated Debt in existence on the Closing Date and Subordinated Debt subsequently incurred by Borrower, the terms and amount of which are acceptable to Required Lenders; (iv) Debt under any Hedge Transaction permitted by SECTIONS 7.03(i) or (l) below; (v) Debt under Capital Leases not to exceed \$10,000,000; (vi) Debt associated with bonds or surety obligations required in the ordinary course of business by any Governmental Authority in connection with the operation of Borrower's Oil and Gas Properties; (vii) Debt of Borrower and its Subsidiaries existing on the Closing Date which is reflected in the financial statements described in SECTION 7.01(a) or otherwise disclosed to Administrative Agent in writing, and any renewals or extensions (but not increases) thereof; (viii) accounts payable (for the deferred purchase price of property or services) from time to time incurred in the ordinary course of business which, if greater than 90 days past the invoice or billing date, are being contested in good faith by appropriate proceedings if reserves adequate under GAAP shall have been established therefor; (ix) Debt of Borrower arising under any Guarantee by Borrower of a Subsidiary's obligations with respect to gas purchase agreements or other contracts for the purchase of crude oil or natural gas excluding such obligations of REFC; and (x) Debt of REFC with respect to which there is no recourse for repayment to Borrower or any other Subsidiary of Borrower; and

(2) Debt in addition to that permitted in SECTION 7.03(b)(1) not to exceed \$10,000,000 in the aggregate.

(c) MERGERS AND SALES OF ASSETS. Borrower will not and will not permit any Subsidiary of Borrower to (a) merge or consolidate with, whether in one transaction or in a series of transactions, any Person or Persons or (b) sell, assign, lease, or otherwise dispose of, whether in one transaction or in a series of transactions, any properties (a "PROPERTY DISPOSITION") other than (x) sales of hydrocarbons produced from Borrower's Oil & Gas Properties in the ordinary course of business and (y) other Property Dispositions; PROVIDED THAT (i) unless Borrower has provided Lenders prior notice of a Property Disposition as provided in clause (ii) below, (A) such Property Disposition may only be for cash consideration, and (B) the Borrowing Base shall reduce simultaneously with the completion of such Property Disposition by an amount equal to the Net Cash Proceeds from such Property Disposition, and (ii) Borrower may, at its option in connection with any Property Disposition in which the cash consideration consists solely of cash, and Borrower shall, in connection with any Property Disposition in which the consideration consists in whole or in part of property other than cash, provide Lenders not less than 15 days advance written notice of such Property Disposition, describing the



properties to be disposed of and the consideration to be received, and Lenders shall have the right to reduce the Borrowing Base then in effect by an amount equal to the Borrowing Base value attributable to the properties to be disposed of; any reduction in the Borrowing Base pursuant to this clause (ii) shall (A) be determined by Required Lenders in their sole discretion but in a manner consistent with redeterminations of the Borrowing Base generally as provided in Article IV, (B) shall be effective simultaneously with the subject Property Disposition, and (C) shall not be in lieu of any Special Determination available to Lenders under Article IV; notwithstanding the foregoing, no reduction of the Borrowing Base shall be required in connection with a Property Disposition under this clause (b) of this SECTION 7.03(c) except with respect to the aggregate consideration received by Borrower and its Subsidiaries for all Property Dispositions completed since the most recent Periodic Determination (including the consideration to be received pursuant to the subject Property Disposition) that exceeds 5% of the Borrowing Base in effect immediately after such Periodic Determination. Notwithstanding anything to the contrary contained in clause (a) of this SECTION 7.03(c), Borrower or any Subsidiary of Borrower may merge or consolidate with any other Person and any Subsidiary of Borrower may transfer properties to any other Subsidiary of Borrower or to Borrower so long as, in each case, (i) immediately thereafter and giving effect thereto, no event will occur and be continuing which constitutes an Event of Default, (ii) in the case of any such merger or consolidation to which Borrower is a party, Borrower is the surviving Person, (iii) in the case of any such merger or consolidation to which any Subsidiary of Borrower is party (but not Borrower), a Subsidiary is the surviving Person, and (iv) the surviving Person ratifies each applicable Loan Document and; PROVIDED, FURTHER, THAT any Subsidiary of Borrower may merge or consolidate with any other Subsidiary of Borrower so long as, in each case (i) immediately thereafter and giving effect thereto, no event will occur and be continuing which constitutes an Event of Default and (ii) the surviving Person, if necessary, ratifies each applicable Loan Document.

(d) CHANGES IN BUSINESS. Engage in any business which differs substantially from its present business.

(e) PLAN CONTRIBUTIONS. Make contributions to any Plan in any one year which, in the aggregate, exceed \$4,000,000.

(f) ADVANCES AND INVESTMENTS. Make or permit any Subsidiary to make Advances to any Person or Investments in any Person; PROVIDED THAT Borrower and its Subsidiaries may (i) make Advances to or Investments in any wholly owned Subsidiary of Borrower excluding REFC, (ii) make Advances in addition to those described in clause (i) preceding which do not exceed \$5,000,000 in the aggregate in any calendar year and \$15,000,000 in the aggregate during the Commitment Period, and (iii) make Permitted Investments.

(g) RESTRICTED PAYMENTS. Make any Restricted Payment; PROVIDED THAT so long as no Default or Event of Default exists and no Default or Event of Default will result from the Restricted Payment, Restricted Payments may be made in an aggregate amount (measured cumulatively from June 30, 1999) not to exceed the sum of (i) \$10,000,000, plus (ii) 50% of the Net Cash Proceeds to Borrower from all common equity offerings completed by Borrower after the Closing Date, plus (ii) 50% of Borrower's Consolidated Net Income earned after June 30, 1999 (for purposes of this SECTION 7.03(g) only, Consolidated Net Income shall exclude non-cash impairments of long-lived assets as prescribed under Financial Accounting Standards Board Statements Nos. 19 and 121).

(h) INTEREST PAYMENTS. Make payments of interest or principal on Subordinated Debt, if there is an Event of Default under this Agreement or if a payment of interest or principal on the Subordinated Debt will cause a breach of any of the covenants set out in SECTION 7.04.

(i) OIL AND GAS HEDGE TRANSACTIONS. Enter into Oil and Gas Hedge Transactions with the exception that Borrower and its Subsidiaries may enter into Oil and Gas Hedge Transactions as long as the volume of hydrocarbons with respect to which a settlement payment is calculated under such Oil and Gas Hedge Transactions does not exceed 80% of Borrower's and its Subsidiaries' anticipated production from proved, developed producing reserves during the period from the immediately preceding settlement date (or the commencement of the term of such Oil and Gas Hedge Transactions if there is no prior settlement date) to such settlement date.

(j) TRANSACTIONS WITH AFFILIATES. Engage in any material transaction with an Affiliate unless the transaction is generally as favorable to Borrower or any Subsidiary as could be obtained in an arm's length transaction with an unaffiliated Person in accordance with prevailing industry customs and practices.

(k) PLANS. Permit any Subsidiary to create, adopt, or become bound by any Plan.

(l) SPECULATIVE HEDGE TRANSACTIONS. Enter into or permit any Subsidiary to enter into any commodity, interest rate, currency or other swap, option, collar or other derivative transaction pursuant to which Borrower or a Subsidiary speculates on the movement of commodity prices, interest rates, financial markets, currency markets or other items; PROVIDED THAT nothing contained herein shall prohibit Borrower from (a) entering into interest rate swaps or other interest rate hedge transactions pursuant to which Borrower hedges interest rate risk with respect to the interest reasonably anticipated to be incurred pursuant to this Agreement, (b) entering into Oil and Gas Hedge Transactions permitted by this SECTION 7.03(i) hereof, or (c) making Permitted Investments.

(m) OPTIONAL PAYMENTS AND MODIFICATIONS. Make any optional payment on or defeasance or purchase of (or otherwise set apart assets for a sinking or other analogous fund or trust for the purchase of) any Debt, or amend, modify, waive, supplement or terminate, or permit the amendment, modification, supplement, waiver or termination of any document related to Subordinated Debt.

(n) LIMITATION ON SALES AND LEASEBACKS. Enter into any arrangement with any Person providing for the leasing by Borrower or any Subsidiary of any real or personal property which has been or is to be sold or transferred by Borrower or the Subsidiary to the Person or to any other Person to whom funds have been or are to be advanced by the Person on the security of the property or rental obligations of Borrower or any Subsidiary.

(o) LIMITATION ON NEGATIVE PLEDGE CLAUSES. Enter into with any Person any agreement, other than the Loan Documents, which prohibits or limits the ability of Borrower or any Subsidiary to create, incur, assume, or suffer to exist any Lien upon any of its property, assets, or revenues, whether now owned or hereafter acquired, other than restrictions imposed in connection with Capital Leases or purchase money obligations for property leased or acquired in the ordinary course of business on the property so leased or acquired, customary restrictions contained in stock purchase agreements, asset sale agreements limiting the transfer of assets pending the closing of the sale, and customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practice.

(p) RESTRICTIONS WITH RESPECT TO OBLIGATIONS OF REFC. Issue a Guarantee with respect to any Debt or other obligation of REFC or otherwise become liable, directly or indirectly, for any such Debt or other obligation, with the exception that Borrower may issue the REFC Guarantee; or make any Advance to, Investment in, or Distribution to REFC other than as may be permitted under SECTION 7.03(f) and SECTION 7.03(g) above.

7.04. FINANCIAL COVENANTS. So long as this Agreement remains in force, Borrower and its Consolidated Subsidiaries shall maintain, on a consolidated basis, the following (all calculated in accordance with GAAP):

(a) CONSOLIDATED TANGIBLE NET WORTH. A minimum Consolidated Tangible Net Worth as of any date which is not less than the sum of (i) \$175,000,000, plus (ii) 50% of the net proceeds to Borrower from the issuance of equity securities on or after September 30, 1999 (for purposes of this SECTION 7.04(a) only, Consolidated Tangible Net Worth shall exclude non-cash impairments of long-lived assets as prescribed under Financial Accounting Standards Board Statements Nos. 19 and 121);

(b) SENIOR DEBT INTEREST COVERAGE RATIO. A ratio of EBITDA to Consolidated Interest Expense on Senior Debt for each period of four immediately preceding consecutive fiscal quarters of at least 3.0 to 1.0;

(c) TOTAL DEBT INTEREST COVERAGE RATIO. For the fiscal quarter ended June 30, 1999, through the fiscal quarter ending December 31, 1999, a ratio of EBITDA to Consolidated Interest Expense on Total Debt for each period of four immediately preceding consecutive fiscal quarters of at least 2.0 to 1.0, and for each fiscal quarter ending after December 31, 1999, a ratio of EBITDA to Consolidated Interest Expense on Total Debt for each period of four immediately preceding consecutive fiscal quarters of at least 2.5 to 1.0;

(d) SENIOR DEBT LEVERAGE RATIO. For the fiscal quarter ended June 30, 1999, through the fiscal quarter ending December 31, 1999, a ratio of Senior Debt as of the last day of any fiscal quarter to EBITDA for the period of four immediately preceding fiscal quarters then ended not in excess of 4.0 to 1.0, and for each fiscal quarter ending after December 31, 1999, a ratio of Senior Debt as of the last day of any fiscal quarter to EBITDA for each period of four immediately preceding consecutive fiscal quarters then ended not in excess of 3.0 to 1.0;

(e) TOTAL DEBT LEVERAGE RATIO. For the fiscal quarter ended June 30, 1999, through the fiscal quarter ending December 31, 1999, a ratio of Total Debt as of the last day of any fiscal quarter to EBITDA for the period of four immediately preceding consecutive fiscal quarters then ended not in excess of 6.0 to 1.0, and for each fiscal quarter ending after December 31, 1999, a ratio of Total Debt as of the last day of any fiscal quarter to EBITDA for each period of four immediately preceding consecutive fiscal quarters then ended not in excess of 5.0 to 1.0; and

(f) CURRENT RATIO. A ratio of current assets to current liabilities on any date of at least 1.0 to 1.0 (for purposes of this calculation, current assets will include an amount equal to the Unused Availability).

#### ARTICLE 8 - DEFAULT.

8.01. EVENTS OF DEFAULT. As used in this Agreement, the term "EVENT OF DEFAULT" means the occurrence of any of the following events or existence of any of the following conditions:

(a) Failure of Borrower to pay when due any principal of any Note or any reimbursement obligation with respect to any Letters of Credit when due; or

(b) Failure of Borrower to pay any accrued interest due and owing on any Note or any fees or any other amount payable hereunder when due and the failure shall continue for a period of five days; or

(c) Failure of Borrower to observe or perform any covenant or agreement contained in SECTION 7.02(C), SECTION 7.03, or SECTION 7.04 of this Agreement; or

(d) Any default by Borrower or a Subsidiary in the performance of any other covenant, agreement, obligation, or undertaking contained in this Agreement or any other Loan Document, any document called for by this Agreement or any other Loan Document, or any other agreement with any Agent or Lenders (whether now existing or made hereafter), which is not expressly covered by another subsection of this SECTION 8.01, and which has not been cured to Majority Lenders' satisfaction within the earlier to occur of (i) 30 days after written notice from Administrative Agent to Borrower of the default or (ii) 30 days after the date Borrower should have notified Lenders of the default pursuant to the terms of this Agreement; or

(e) Any warranty, representation, or statement contained in this Agreement or made or furnished to Lenders or on behalf of Borrower in connection with this Agreement or the Loans proves to have been false in any material respect when made or furnished; or

(f) (i) The default by Borrower or any Subsidiary in the performance of any obligation owed to someone other than Lenders with respect to any Debt in excess of \$5,000,000, or (ii) the commencement of any foreclosure proceedings against Borrower or any Subsidiary, if the default has not been cured or the foreclosure proceeding stopped, to Majority Lenders' satisfaction, within the earlier to occur of (A) 30 days after written notice from Administrative Agent to Borrower of the default or (B) 30 days after the date Borrower should have notified Lenders of the default pursuant to the terms of this Agreement; or

(g) Borrower's or any Subsidiary's (excluding REFC) voluntary bankruptcy filing, its liquidation or termination of existence, its merger or consolidation with another, where Borrower is not the surviving entity, its insolvency, its forfeiture of right to do business, its appointment of a custodian, trustee, or receiver for any part of its property, or its assignment for the benefit of creditors; or

(h) The commencement by a third party of any proceeding under any bankruptcy or insolvency law against Borrower or any Subsidiary (excluding REFC) if the proceeding has not been dismissed within 60 days after its commencement; or

(i) Borrower's failure to remedy a Borrowing Base Deficiency as required by SECTION 4.06; or

(j) Any of the following events shall occur or exist with respect to Borrower and any Commonly Controlled Entity under ERISA: any Reportable Event shall occur; complete or partial withdrawal from any Multiemployer Plan shall take place; any Prohibited Transaction shall occur; a notice of intent to terminate a Plan shall be filed, or a Plan shall be terminated; or circumstances shall exist which constitute grounds entitling the PBGC to institute proceedings to terminate a Plan, or the PBGC shall institute such proceedings; and in each case above, such event or condition, together with all other events or conditions, if any, could subject Borrower to any tax, penalty, or other liability which in the aggregate may exceed \$2,000,000; or

(k) If any Lender or any Agent receives its first notice of a material hazardous discharge or a material environmental complaint from a source other than Borrower (such Lender to immediately notify Administrative Agent and Borrower thereof) and Administrative Agent does not receive notice (which may be given in oral form, provided same is followed with all due dispatch by written notice given to Administrative Agent by certified mail, return receipt requested) of the hazardous discharge or environmental complaint from Borrower within 72 hours of the time such Lender or Agent first receives the notice from a source other than Borrower; or if any federal, state, or local agency asserts or creates a lien upon any or all of the assets, equipment, property, leaseholds or other facilities of any Loan Party by reason of the occurrence of a hazardous discharge or an environmental complaint; or if any federal, state, or local agency asserts a claim against any Loan Party and/or its assets, equipment, property, leaseholds, or other facilities for damages or cleanup costs relating to a hazardous discharge or an environmental complaint; PROVIDED, HOWEVER, THAT the claim shall not constitute a default if, within five Business Days of the occurrence giving rise to the claim (a) Borrower can provide to the satisfaction of each Agent that Borrower has commenced and is diligently pursuing either: (i) a cure or correction of the event which constitutes the basis for the claim, and continues diligently to pursue the cure or correction to completion or (ii) proceedings for an injunction, a restraining order or other appropriate emergency relief preventing the agency or agencies from asserting such claim, which relief is granted within ten Business Days of the occurrence giving rise to the claim and the injunction, order, or emergency relief is not thereafter resolved or reversed on appeal; and (b) in either of the foregoing events, Borrower or a Subsidiary has posted a bond, letter of credit, or other security satisfactory in form, substance, and amount to each Agent and the agency or entity asserting the claim to secure the proper and complete cure or correction of the event which constitutes the basis for the claim; or

(l) One or more judgments or orders for the payment of money aggregating in excess of \$1,000,000 shall be rendered against Borrower or any Subsidiary of Borrower and such judgment or order (i) shall continue unsatisfied and unstayed (unless bonded with a supersedeas bond at least equal to such judgment or order) for a period of

30 days or (ii) is not fully paid and satisfied at least ten days prior to the date on which any of its assets may be lawfully sold to satisfy such judgment or order; or

(m) This Agreement or any other Loan Document shall cease to be in full force and effect or shall be declared null and void or the validity or enforceability thereof shall be contested or challenged by Borrower or any Subsidiary of Borrower, or any Borrower or any Subsidiary of Borrower shall deny that it has any further liability or obligation under any of the Loan Documents, or any Lien created by the Loan Documents shall for any reason (other than the release thereof in accordance with the Loan Documents) cease to be a valid, first priority, perfected Lien upon any of the property purported to be covered thereby; or

(n) Any Person or group (as defined in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) shall become the direct or indirect beneficial owner (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of more than 35% of the total voting power of all classes of Equity then outstanding of Borrower entitled (without regard to the occurrence of any contingency) to vote in elections of directors of Borrower.

8.02. REMEDIES. (a) Upon the occurrence of an Event of Default, and at any time thereafter, Administrative Agent shall at the request of, or may, with the consent of, Majority Lenders, by notice to Borrower, (1) declare the Commitments to be terminated, whereupon the same shall immediately terminate; (2) declare the outstanding Notes, all interest thereon, and all other amounts payable under this Agreement, and the other Loan Documents to be immediately due and payable, whereupon the Notes, all interest, and all other amounts shall become and be immediately due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or further notice of any kind, all of which are hereby expressly waived by Borrower, and (3) exercise all of their rights and remedies under the Loan Documents; PROVIDED THAT in the case of the Events of Default specified in SECTION 8.01(g) or (h), without any notice to Borrower or any other act by Administrative Agent or Lenders, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable.

(b) Upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, without notice to Borrower (any notice being expressly waived by Borrower), to set off and apply any and all deposits (general or special, time or demand, provisional or final), excluding those held in Special Accounts, at any time held and other indebtedness at any time owing by that Lender to or for the credit or the account of Borrower against any and all of the Obligations of Borrower now or hereafter existing under this Agreement or any Note held by that Lender or any other Loan Document, irrespective of whether or not Administrative Agent or that Lender shall have made any demand under this Agreement or the Note or such other Loan Document and although the obligations may be unmatured. Each Lender agrees promptly to notify Borrower (with a copy of

Administrative Agent) after any set off and application, PROVIDED THAT the failure to give the notice shall not affect the validity of the set off and application. The rights of each Lender under this SECTION 8.02(b) are in addition to the other rights and remedies (including, without limitation, other rights of set off) which each Lender may have.

(c) Each Lender agrees that if it shall, by exercising any right of setoff or counterclaim or otherwise, receive payment after the occurrence and during the continuance of an Event of Default of a proportion of the aggregate amount of principal and interest due with respect to any Loan which is greater than the proportion received by any other Lender in respect of such Loan, Lender receiving such proportionately greater payment shall purchase such participations in the interests in such Loan held by the other Lenders, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to each Loan held by Lenders shall be shared by Lenders ratably in accordance with their respective Commitment Percentages; PROVIDED THAT nothing in this SECTION 8.03(c) shall impair the right of any Lender to exercise any right of setoff or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of Borrower other than its indebtedness under the Loans. Borrower agrees, to the fullest extent it may effectively do so under applicable law, that Lenders may exercise rights of setoff or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of Borrower in the amount of such participation.

#### ARTICLE 9 - AGENCY PROVISIONS.

9.01. APPOINTMENT. Each Lender hereby irrevocably designates and appoints each of Administrative Agent, Syndication Agent, and Documentation Agent as its Agent under this Agreement and the other Loan Documents, and each Lender irrevocably authorizes Agents, in those capacities, to take all action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise all powers and perform all duties as are expressly delegated to Agents by the terms of this Agreement and the other Loan Documents, together with all other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary contained elsewhere in this Agreement, Agents shall not have any duties or responsibilities except those expressly set forth herein, or any fiduciary relationship with any Lender, 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 Agents.

9.02. DELEGATION OF DUTIES. Each Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to the duties. Agents shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.



9.03. EXCULPATORY PROVISIONS. No Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or that Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any Lender for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party to perform its obligations hereunder or thereunder. Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

9.04. RELIANCE BY AGENTS. Agents shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Loan Parties), independent accountants and other experts selected by each Agent. The Agents may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with Administrative Agent. Agents shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive the advice or concurrence of Required Lenders or Majority Lenders, as applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any action. Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of Required Lenders, and the request and any action taken or failure to act pursuant thereto shall be binding upon all Lenders and all future holders of the Loans.

9.05. NOTICE OF DEFAULT. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent has received notice from a Lender or Borrower referring to this Agreement, describing the Default or Event of Default and stating that the notice is a "notice of default". In the event that any Agent receives such a notice, such Agent shall give notice thereof to each other Agent and each other Lender. Administrative Agent shall take action with respect to the Default or Event of Default as shall be reasonably directed by Majority Lenders; PROVIDED THAT unless and until Administrative Agent shall have received these directions, Administrative Agent may (but shall not be obligated to) take action, or refrain from

taking action, with respect to the Default or Event of Default as it shall deem advisable in the best interests of Lenders.

9.06. NON-RELIANCE ON AGENTS AND OTHER LENDERS. Each Lender expressly acknowledges that neither Agents nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by Agents hereafter taken, including any review of the affairs of any Loan Party, shall be deemed to constitute any representation or warranty by Agents to any Lender. Each Lender represents to Agents that it has, independently and without reliance upon Agents or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of each Loan Party and made its own decision to make its extensions of credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon Agents 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 analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of each Loan Party. Except for notices, reports, and other documents expressly required to be furnished to Lenders by Administrative Agent hereunder, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party which may come into the possession of Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

9.07. INDEMNIFICATION. Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by Borrower and without limiting the obligation of Borrower to do so), ratably according to their respective Commitment Percentages in effect on the date on which indemnification is sought, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Obligations) be imposed on, incurred by or asserted against any Agent in any way relating to or arising out of, the Total Commitment, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by each Agent under or in connection with any of the foregoing; PROVIDED THAT no Lender shall be liable for the payment of any portion of the liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements resulting solely from an Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Obligations and all other amounts payable hereunder.

9.08. EACH AGENT IN ITS INDIVIDUAL CAPACITY. Each Agent and its Affiliates may make loans to, accept deposits from, and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent hereunder and under the other Loan Documents. With respect to the extensions of credit made by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

9.09. SUCCESSOR AGENT. Each Agent may resign as Agent upon written notice to Lenders and the appointment of a Successor Agent as set out in the following sentence. If an Agent shall resign as Agent under this Agreement and the other Loan Documents, then Required Lenders shall appoint from among Lenders a successor agent for Lenders, which successor agent, with the consent of Borrower (the consent not to be unreasonably withheld or delayed), shall succeed to the rights, powers and duties of such Agent hereunder. Effective upon the appointment and approval, the term "Agent" shall mean the successor agent (serving in the capacity of the predecessor Agent), and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of the former Agent or any of the parties to this Agreement or any holders of the Loans. After any retiring Agent's resignation as Agent, the provisions of this Article 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

9.10. ISSUING LENDER. The provisions of this Article 9 applicable to an Agent shall apply to the Issuing Lender in the performance of its duties under the Loan Documents, allowing for the appropriate changes that must be made.

## ARTICLE 10 - PROTECTION OF YIELD; CHANGE IN LAWS.

10.01. RISK-BASED CAPITAL. In the event any Lender determines that (a) compliance with any judicial, administrative, or other governmental interpretation of any law or regulation adopted or made after the date hereof, or (b) compliance by such Lender or any corporation controlling such Lender with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law) adopted or made after the date hereof has the effect of requiring an increase in the amount of capital required or expected to be maintained by such Lender or any corporation controlling the Lender, and such Lender determines that the increase is based upon its obligations hereunder, Borrower shall pay to Administrative Agent, for the account of the applicable Lender, the additional amount as shall be certified by that Lender to be the amount allocable to such Lender's obligations to Borrower hereunder. Such Lender will promptly notify Borrower (with a copy to Administrative Agent) of any event occurring after the date of this Agreement that will entitle that Lender to compensation pursuant to this SECTION 10.01 as promptly as practicable, and in any event within 90 days after it obtains knowledge thereof and determines to request the compensation.

Borrower's obligations under this Section 10.01 shall be subject to delivery to Borrower by any Lender claiming compensation under this Section 10.01 of a certificate setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder and certifying that it is generally charging such costs to other similarity situated borrowers under similar credit facilities.

Determinations by a Lender for purposes of this SECTION 10.01 of the effect of any increase in the amount of capital required to be maintained by such Lender and of the amount allocable to that Lender's obligations to Borrower hereunder shall be conclusive, absent manifest error.

10.02. BASIS FOR DETERMINING INTEREST RATE APPLICABLE TO EURODOLLAR LOANS INADEQUATE. If on or prior to the first day of any Interest Period:

(a) Administrative Agent is advised that deposits in dollars (in the applicable amounts) are not being offered to Lenders in the interbank eurocurrency market for the Interest Period, or

(b) Administrative Agent determines that the Eurodollar Rate as determined by it will not adequately and fairly reflect the cost to Lenders of funding a Eurodollar Loan for the Interest Period; or

(c) Adequate means do not exist in the interbank eurocurrency market to determine the Eurodollar Rate;

the obligation of Lenders to make Eurodollar Loans shall be suspended until Administrative Agent notifies Borrower that the circumstances giving rise to the suspension no longer exist. Unless Borrower notifies Administrative Agent at least two Business Days before the date of any Eurodollar Loan previously requested that it elects not to borrow on that date, the Loan shall instead be made as a ABR Loan.

10.03. ILLEGALITY OF EURODOLLAR LOANS. (a) If, after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central Bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Lending Office) with any request or directive (whether or not having the force of law) of any the authority, central Bank, or comparable agency shall make it unlawful or impossible for that Lender (or its Lending Office) to make, maintain or fund its Eurodollar Loans, the obligation of such Lender to make Eurodollar Loans shall be suspended. If any Lender determines that it may not lawfully continue to maintain and fund any of its outstanding Eurodollar Loans to maturity, Borrower shall immediately convert the principal amount of each Eurodollar Loan to an ABR Loan of an equal principal amount from such Lender.

(b) No Lender shall be required to make a Loan hereunder if the making of the Loan would be in violation of any law applicable to such Lender.

10.04. INCREASED COST OF EURODOLLAR LOANS. If after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration hereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) of any that authority, central bank, or comparable agency:

(a) shall subject such Lender to any tax, duty or other charge with respect to its Eurodollar Loans or its obligation to make Eurodollar Loans or shall change the basis of taxation of payments to a Lender of the principal of or interest on its Eurodollar Loans or any other amounts due under this Agreement in respect of its Eurodollar Loans or its obligation to make Eurodollar Loans (except for changes in the rate of tax on the overall net income of a Lender imposed by the jurisdiction in which such Lender's Lending Office is located); or

(b) shall impose, modify or deem applicable any reserve, special deposit or similar requirement [including, without limitation, any requirement imposed by the Board of Governors of the Federal Reserve System (but excluding with respect to any Eurodollar Loan any requirement included in an applicable Eurodollar Reserve Percentage)] against assets of, deposits with or for the account of or credit extended by such Lender or shall impose on such Lender or the eurodollar interbank market any other

condition affecting the Eurodollar Loans, any Note or such Lender's obligation to make Eurodollar Loans;

and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining any Eurodollar Loan, or to reduce the amount of any sum received or receivable by that Lender under this Agreement or under the Note with respect thereto, by an amount deemed by the Lender to be material, then, within 10 days after demand by Administrative Agent, Borrower shall pay to that Lender the additional amount or amounts as will compensate that Lender for the increased cost or reduction. Each Lender will promptly notify Borrower and Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this SECTION 10.04 and will designate a different Lending Office if the designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of that Lender, be otherwise disadvantageous to the Lender. Borrower's obligations under this SECTION 10.04 shall be subject to delivery to Borrower of a certificate by any Lender claiming compensation under this SECTION 10.04, setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder and certifying that it is generally charging such costs to other similarly situated borrowers under similar credit facilities shall be delivered to Borrower and shall be conclusive in the absence of manifest error. In determining the amount, each Lender must use reasonable averaging and attribution methods.

10.05. ALTERNATIVE LOANS SUBSTITUTED FOR AFFECTED EURODOLLAR LOANS. If (a) the obligation of any Lender to make Eurodollar Loans has been suspended pursuant to SECTION 10.03 or (b) such Lender has demanded compensation under SECTION 10.04, and Borrower shall, by at least five Business Days prior notice to such Lender, have elected that the provisions of this SECTION 10.05 shall apply, then, unless and until such Lender notifies Borrower that the circumstances giving rise to the suspension or demand for compensation no longer apply:

(i) all Loans which would otherwise be made by such Lender as Eurodollar Loans shall be made instead as ABR Loans, and

(ii) after each of its Eurodollar Loans has been repaid, all payments of principal which would otherwise be applied to repay the Eurodollar Loans shall be applied to repay its ABR Loans.

10.06. FUNDING LOSS INDEMNIFICATION. Upon notice to Borrower from a Lender (with a copy to Administrative Agent), Borrower shall pay to Administrative Agent, within five days after notice from a Lender, for the ratable benefit of each Lender, the amount or amounts sufficient to compensate them for any actual loss, cost, or expense (excluding loss of anticipated profits) incurred as a result of:

(a) Any payment of a Eurodollar Loan on a date other than the last day of the Interest Period for the Loan including, but not limited to, acceleration of the Loans by Administrative Agent pursuant to this Agreement, or

(b) Any failure by Borrower to borrow or convert, as the case may be, a Eurodollar Loan on the date for borrowing or conversion, as the case may be, specified in the relevant notice under SECTION 2.02 or 2.07, as the case may be.

Each Lender shall determine the amount of compensation and will provide Borrower with the basis for its determination. Each Lender's determination shall be conclusive, absent manifest error.

10.07. TAXES. All amounts payable by Borrower under the Loan Documents (whether principal, interest, fees, expenses, or otherwise) to or for the account of each Lender shall be paid in full, free of any deductions or withholdings for or on account of any Taxes. If Borrower is prohibited by law from paying the amount free of any deductions and withholdings, then (at the same time and in the same manner that the original amount is otherwise due under the Loan Documents), Borrower shall pay to or for the account of such Lender such additional amount as may be necessary in order that the actual amount received by such Lender after deduction and/or withholding (and after payment of any additional Taxes due as a consequence of the payment of the additional amount, and so on) will equal the amount such Lender would have received if the deduction or withholding were not made.

10.08. DISCRETION OF LENDERS AS TO MANNER OF FUNDING. Notwithstanding any provisions of this Agreement to the contrary, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loans in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if such Lender had actually funded and maintained each Eurodollar Loan during the Interest Period for the Eurodollar Loan through the purchase of deposits having a maturity corresponding to the last day of the Interest Period and bearing an interest rate equal to the Eurodollar Rate for the Interest Period.

10.09. LIMITATION ON ADDITIONAL AMOUNTS. Notwithstanding anything to the contrary contained in SECTION 10.01, 10.04, and 10.07, neither Borrower nor any Subsidiary of Borrower shall be required to pay to any Lender any increased costs, Taxes, loss, expense, or liability, reduction in amounts received or receivable or reduction in return on capital incurred more than 180 days prior to the date that such Lender notifies Borrower of such Lender's intention to claim any such compensation; PROVIDED THAT if the circumstances giving rise to such claim have a retroactive effect, then such 180 day period shall be extended to include the period of such retroactive effect.

10.10. REPLACEMENT LENDERS. (a) If any Lender has notified Borrower and Administrative Agent of its incurring additional costs under SECTIONS 10.01 or 10.04, or has required Borrower

to make payments for Taxes under SECTION 10.07, then Borrower may, unless such Lender has notified Borrower and Administrative Agent that the circumstances giving rise to such notice no longer apply, terminate, in whole but not in part, the Commitment of any Lender (other than Administrative Agent) (the "TERMINATED LENDER") at any time upon five Business Days prior written notice to the Terminated Lender and Administrative Agent (such notice referred to herein as a "NOTICE OF TERMINATION").

(b) In order to effect the termination of the Commitment of the Terminated Lender, Borrower shall: (i) obtain an agreement with one or more Lenders to increase their Commitment or Commitments and/or (ii) request any one or more other banking institutions to become parties to this Agreement in place and instead of such Terminated Lender and agree to accept a Commitment or Commitments; PROVIDED, HOWEVER, THAT such one or more other banking institutions (referred to herein as the "REPLACEMENT LENDERS") agree to accept in whole or in part the Commitment of the Terminated Lender, are reasonably acceptable to all Agents, and become parties to this Agreement by executing an assignment in the form of attached EXHIBIT H, with appropriate insertions and modifications (an "ASSIGNMENT"), such that the aggregate increased and/or accepted Commitments of the Replacement Lenders under clauses (i) and (ii) above equal the Commitment of the Terminated Lender.

(c) The Notice of Termination shall include the name of the Terminated Lender, the date the termination will occur (the "LENDER TERMINATION DATE"), and the Replacement Lender or Replacement Lenders to which the Terminated Lender will assign its Commitment and, if there will be more than one Replacement Lender, the portion of the Terminated Lender's Commitment to be assigned to each Replacement Lender.

(d) On the Lender Termination Date, (i) the Terminated Lender shall by execution and delivery of an Assignment assign its Commitment to the Replacement Lender or Replacement Lenders (pro rata, if there is more than one Replacement Lender, in proportion to the portion of the Terminated Lender's Commitment to be assigned to each Replacement Lender) indicated in the Notice of Termination and shall assign to the Replacement Lender or Replacement Lenders each of its Loan (if any) then outstanding and participation interests in Letters of Credit (if any) then outstanding pro rata as aforesaid), (ii) the Terminated Lender shall endorse its Note, payable without recourse, representation or warranty to the order of the Replacement Lender or Replacement Lenders (pro rata as aforesaid), (iii) the Replacement Lender or Replacement Lenders shall purchase the Note held by the Terminated Lender (pro rata as aforesaid) at a price equal to the unpaid principal amount thereof plus interest and facility and other fees accrued and unpaid to the Termination Date, and (iv) the Replacement Lender or Replacement Lenders will thereupon (pro rata as aforesaid) succeed to and be substituted in all respects for the Terminated Lender with like effect as if becoming a Lender pursuant to the terms of SECTION 12.08(b), and the Terminated Lender will have the rights



and benefits of an assignor under SECTION 12.08(b). To the extent not in conflict, the terms of SECTION 12.08(B) shall supplement the provisions of this SECTION 10.10(d). For each assignment made under this SECTION 10.10, the Replacement Lender shall pay to Administrative Agent any processing fee provided for in SECTION 12.08(b). Borrower shall pay any breakage costs as provided by SECTION 10.06, which occur as a result of the operation of this SECTION 10.10.

ARTICLE 11 - FEES.

11.01 COMMITMENT FEES. On the first day of each October, January, April, and July, commencing on October 1, 1999, and ending on the Termination Date or any earlier termination of the Commitments, Borrower shall pay to Administrative Agent for the ratable benefit of each Lender, a commitment fee payable with respect to the daily Unused Availability for the calendar quarter (or portion thereof) ending on the day prior to the date such payment is due equal to (i) .25% per annum of the average daily Unused Availability for such calendar quarter or portion thereof if the daily average Borrowing Base Usage during such calendar quarter (or portion thereof) is less than 40% for the calendar quarter ending on the date immediately preceding the date such commitment fee is payable; (ii) .375% per annum of the average daily Unused Availability for such calendar quarter or portion thereof if the average daily Borrowing Base Usage during such calendar quarter (or portion thereof) is equal to or greater than 40% but less than 60% for the calendar quarter ending on the day immediately preceding the date such commitment fee is payable; and (iii) .50% per annum of the average daily Unused Availability for such calendar quarter or portion thereof if the average daily Borrowing Base Usage during such calendar quarter (or portion thereof) is equal to or greater than 60% for the calendar quarter ending on the day immediately preceding the date such commitment fee is payable. The commitment fees payable pursuant to this SECTION 11.01 shall be calculated on the basis of the actual number of days elapsed assuming a calendar year of 360 days.

11.02. AGENCY FEES. Borrower shall pay to each Agent and its Affiliates those fees and other amounts as Borrower shall be required to pay to each Agent and its Affiliates from time to time pursuant to any separate agreement between Borrower and that Agent or any of its Affiliates setting forth the compensation to be paid to such Agent and its Affiliates in consideration for acting as Agent hereunder and for providing other services in connection with the credit facilitations provided pursuant hereto. These fees and other amounts shall be retained by the applicable Agent and its Affiliates, and no Lender (other than the applicable Agents) shall have any interest therein.

11.03. LETTER OF CREDIT FEES. Borrower shall pay to Administrative Agent, for the ratable benefit of each Lender, and to the Issuing Lender, as appropriate, the fees provided for in SECTION 3.03 with respect to all Letters of Credit issued.

11.04. OTHER FEES. Borrower shall pay to Administrative Agent, for the ratable benefit of each Lender, those fees and other amounts as Borrower shall be required to pay to each Lender from time to time pursuant to any separate agreement between Borrower and Administrative Agent, for the ratable benefit of each Lender, setting forth the compensation to be paid to Lenders in consideration for participating in the credit facilitations provided pursuant hereto.

ARTICLE 12 - GENERAL PROVISIONS.

12.01. EXPENSES. Borrower shall pay (i) all reasonable out-of-pocket expenses of Syndication Agent associated with the syndication of the Loans, (ii) all reasonable out-of-pocket expenses of Syndication Agent, including reasonable fees, disbursements and other charges of counsel for Syndication Agent, in connection with the preparation of this Agreement and the other Loan Documents and, if appropriate, the recordation of the Loan Documents, (iii) all reasonable out-of-pocket expenses of Administrative Agent, including reasonable fees, disbursements, and other charges of counsel for Administrative Agent, in connection with the preparation of any waiver or consent under this Agreement or any amendment hereof or any default or alleged default hereunder, (iv) all reasonable out-of-pocket expenses of preparing, obtaining, and furnishing to any Agent or any Lender any statements, opinions, certificates, schedules, documents, insurance policies, and all other items required to be furnished to any Agent or any Lender pursuant to this Agreement or any request made pursuant to this Agreement or any other Loan Document, and (v) if an Event of Default occurs, all out-of-pocket expenses incurred by Administrative Agent or any Lender, including the fees, disbursements and other charges of counsel in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom, fees of auditors and consultants incurred in connection therewith and investigation expenses incurred by Administrative Agent or any Lender in connection therewith.

12.02. NON-WAIVER. No act, delay, omission, or course of dealing will be a waiver of any of a Lender's rights or remedies under this Agreement or otherwise, and no waiver, change, or modification in whole or in part of this Agreement, any Note, or any other agreement will be effective unless in a writing signed by Borrower and Lenders. All rights and remedies of Lenders are cumulative and may be exercised singly or concurrently. A waiver by Lenders of any right or remedy on any occasion will not be a bar to the exercise of any right or remedy on any subsequent occasion.

12.03. AMENDMENT AND WAIVERS. Any provision of this Agreement, the Notes or the other Loan Documents may be amended or waived if, but only if such amendment or waiver is in writing and is signed by Borrower and Majority Lenders (and, if the rights or duties of Administrative Agent are affected thereby, by Administrative Agent); PROVIDED THAT no amendment or waiver shall, unless signed by all Lenders, (a) modify the voting percentages of Lenders, (b) release a guarantor or any part of the Collateral (other

than as contemplated hereby), (c) amend or waive any of the provisions of ARTICLE 4 or the definitions contained in SECTION 1.01 applicable thereto, or (d) change the definitions of Majority Lenders or Required Lenders; and FURTHER PROVIDED THAT no amendment or waiver shall, unless signed by each Lender directly affected thereby, (i) increase the Commitment of such Lender or subject any Lender to any additional obligation, (ii) forgive any of the principal of or reduce the rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder, (iv) change a Lender's Commitment Percentage except as otherwise provided for in this Agreement, or (v) change the number or percentage of Lenders required to take any action under this SECTION 12.03 or any other provision of this Agreement.

12.04. SURVIVAL. All representations, warranties, and covenants made by Borrower herein or in any certificate or other instrument delivered by it or in its behalf under the Loan Documents shall be considered to have been relied upon by Lenders and shall survive the delivery to Lenders of the Loan Documents or the extension of the Loans (or any part thereof), regardless of any investigation made by or on behalf of Lenders.

12.05. LIMITATION ON INTEREST. Regardless of any provision contained in the Loan Documents, Lenders shall never be entitled to contract for, charge, receive, collect, or apply, as interest on the Loans, any amount in excess of the Maximum Lawful Rate, and in the event Lenders ever contract for, charge, receive, collect or apply as interest any excess, the amount which would be deemed excessive interest shall be deemed a partial prepayment of principal and treated hereunder as such; and if the Loans are paid in full, any remaining excess shall promptly be paid to Borrower. In determining whether or not the interest paid or payable under any specific contingency exceeds the Maximum Lawful Rate, Borrower and Lenders shall, to the extent permitted under applicable law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof and (c) amortize, prorate, allocate and spread, in equal parts, the total amount of the interest throughout the entire contemplated term of the Notes, so that the interest rate is the Maximum Lawful Rate throughout the entire term of the Notes; PROVIDED, HOWEVER, THAT if the unpaid principal balance thereof is paid and performed in full prior to the end of the full contemplated term thereof, and if the interest contracted for, charged or received for the actual period of existence thereof exceeds the Maximum Lawful Rate, Lenders shall refund to Borrower or any Subsidiary, as appropriate, the amount of the excess and, in that event, Lenders shall, to the fullest extent permitted under applicable law, not be subject to any penalties provided by any laws for contracting for, charging, taking, reserving or receiving interest in excess of the Maximum Lawful Rate.

12.06. INVALID PROVISIONS. If any provision of the Loan Documents is held to be illegal, invalid, or unenforceable under present or future laws effective during the term thereof, the provision shall be fully severable, the Loan Documents shall be construed

and enforced as if the illegal, invalid, or unenforceable provision had never comprised a part thereof, and the remaining provisions thereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom. Furthermore, in lieu of the illegal, invalid, or unenforceable provision there shall be added automatically as a part of the Loan Documents a provision as similar in terms to the illegal, invalid, or unenforceable provision as may be possible and be legal, valid and enforceable.

12.07. WAIVER OF CONSUMER CREDIT LAW. Pursuant to Article 15.10(b) of Chapter 15, Subtitle 79, Revised Civil Statutes of Texas, 1925, as amended, Borrower agrees that Chapter 15 shall not govern or in any manner apply to the Loans.

12.08. SUCCESSORS AND ASSIGNS. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Borrower may not assign or otherwise transfer any of its rights under this Agreement.

(b) Each Lender may transfer or assign all or any part of its interest in Loans and its interest herein to any of its Affiliates regardless of the term of the transfer or assignment. Each Lender may transfer or assign all or any part of its interest in Loans to any commercial bank which is a member of the Federal Reserve System and has combined capital and surplus and undivided profits of not less than \$100,000,000. Notwithstanding the foregoing, no Lender shall transfer or assign all or any part of its Loans under this Agreement to any Person other than an Affiliate of such Lender without the prior written approval of Borrower and Agents, the approval to not be unreasonably withheld; PROVIDED THAT Borrower's consent will not be required if a Default or Event of Default has occurred and is continuing. As to each assignment of Loans permitted by this Agreement, Borrower releases the assigning Lender from its obligations under this Agreement as to the portion of the Loans assigned.

(c) Any Lender may (subject to the provisions of this section, in accordance with applicable law, in the ordinary course of its business, and at any time) sell to one or more Persons participating interests in its portion of the Obligations. The seller Lender remains a "Lender" under the Loan, the participant does not become a "Lender" under the Loan Documents, and the selling Lender's obligations under the Loan Documents remain unchanged. The selling Lender remains solely responsible for the performance of its obligations and remains the holder of its share of the outstanding Loan for all purposes under the Loan Documents. Borrower and each Agent shall continue to deal solely and directly with the selling Lender in connection with that Lender's rights and obligations under the Loan Documents, and each Lender must retain the sole right and responsibility to enforce due obligations of Borrower. Participants have no rights under the Loan Documents except certain voting rights as provided below.

No Lender may sell any participating interest under which the participant has any rights to approve any amendment, modification, or waiver of any Loan Document except as to matters requiring the approval of all Lenders as set forth in SECTION 12.03.

(d) Each Lender shall have the right to disclose any information in its possession regarding Borrower or any Subsidiary, or regarding the Collateral, to any transferee, participant, potential transferee, or potential participant of any of the Loans or any part thereof; PROVIDED THAT such Persons agree to be bound by the provisions of SECTION 12.16.

(e) Nothing herein shall prohibit a Lender from pledging or assigning any Note to any Federal Reserve Bank in accordance with applicable law.

12.09. FOREIGN LENDERS, PARTICIPANTS, AND ASSIGNEES. Each Lender, participant (by accepting a participation interest under this Agreement), and assignee (by executing an assignment and assumption agreement in a form acceptable to Agents) that is not organized under the laws of the United States of America or one of its states (a) represents to Administrative Agent and Borrower that (i) no Taxes assessed by any Governmental Authority in the United States are required to be withheld by Administrative Agent or Borrower with respect to any payments to be made to it in respect of the Obligations and (ii) it has furnished to Administrative Agent and Borrower two duly completed copies of either U. S. Internal Revenue Service Form 4224, Form 1006, Form W-8, or other form acceptable to Administrative Agent that entitles it to exemption from U.S. federal withholding Tax on all interest payments under the Loan Documents, and (b) covenants to (i) provide Administrative Agent and Borrower a new Form 4224, Form 1001, Form W-8, or other form acceptable to Administrative Agent upon the expiration or obsolescence of any previously delivered form according to applicable laws and regulations, duly executed and completed by it, and (ii) comply from time to time with all applicable laws and regulations with regard to the withholding Tax exemption. If any of the foregoing is not true or the applicable forms are not provided, then Borrower and Administrative Agent (without duplication) may deduct and withhold from interest payments under the Loan Documents any United States federal income Tax at the maximum rate under the Code without reimbursement pursuant to SECTION 10.07.

12.10. NOTICES. All notices, requests, or other communications required or permitted to be given by this Agreement or any other Loan Documents must be in writing (including by facsimile transmission) and unless otherwise expressly provided herein, shall be deemed to have been duly given or made (a) in the case of delivery by hand or by courier service, when delivered, (b) in the case of delivery by mail, three Business Days after being deposited in the mails, postage prepaid, or (c) in the case of delivery by facsimile transmission, when sent and receipt has been confirmed, addressed as follows in the case of Borrower and Agents, and as set forth in SCHEDULE 2 in the case of the other parties hereto, or to such other address as may be hereafter notified by the representative parties hereto:

Borrower: Range Resources Corporation  
500 Throckmorton Street, Suite 1900  
Fort Worth, Texas 76102  
Attention: Rodney L. Waller  
Telephone No.: (817) 870-2601  
Fax No.: (817) 870-0075

Administrative Agent: Bank One, Texas, N.A.  
1717 Main Street, 4th Floor  
Dallas, Texas 75201  
Attention: W. Mark Cranmer  
Telephone No.: (214) 290-2212  
Fax No.: (214) 290-3431

Syndication Agent: Chase Bank of Texas, N.A.  
2200 Ross Avenue  
Dallas, Texas 75266-6197  
Attn: Dale S. Hurd  
Telephone No.: (214) 965-2583  
Fax No.: (214) 965-2389

Documentation Agent: Bank of America, N.A.  
901 Main Street, 64th Floor  
Dallas, Texas 75202-3714  
Attn: J. Scott Fowler  
Telephone No.: (214) 209-3747  
Fax No.: (214) 209-1285

Notwithstanding the foregoing, any notice, request, or demand to or upon Administrative Agent or Lenders pursuant to SECTIONS 2.02, 2.07, or 2.09 shall not be effective until received.

12.11. REPORTS AND CERTIFICATES. All reports and certificates of Borrower required by this Agreement must be in form and substance satisfactory to Administrative Agent and made under oath before a notary public by an authorized corporate officer or representative of Borrower.

12.12. GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA AND SHALL BE PERFORMED IN TARRANT COUNTY, TEXAS.

12.13. COMPLETE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG LENDERS, AGENTS, AND BORROWER AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF LENDERS, AGENTS, OR BORROWER. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN LENDERS, AGENTS, AND BORROWER.

12.14. WAIVER OF JURY TRIAL. BORROWER , AGENTS, AND LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS AND FOR ANY COUNTERCLAIM THEREIN.

12.15. COUNTERPARTS; EFFECTIVENESS. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when Administrative Agent shall have received counterparts hereof signed by all of the parties hereto or, in the case of any Lender as to which an executed counterpart shall not have been received, Administrative Agent shall have received telegraphic or other written confirmation from that Lender of execution of a counterpart hereof by that Lender.

12.16. CONFIDENTIALITY. In the event that Borrower provides to Administrative Agent or Lenders written confidential information belonging to Borrower, if Borrower shall denominate such information in writing as "confidential", Administrative Agent and 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 which (i) are in the public domain, (ii) hereafter become part of the public domain without Administrative Agent or Lenders breaching their obligation of confidence to Borrower, (iii) are previously known by Administrative Agent or Lenders from some source other than Borrower, (iv) are hereafter developed by Administrative Agent or Lenders without using Borrower's information, (v) are hereafter obtained by or available to Administrative Agent or Lenders from a third party who owes no obligation of confidence to Borrower with respect to such information or through any other means other than through disclosure by Borrower, (vi) are disclosed with Borrower's consent, (vii) must be disclosed either pursuant to any Governmental Requirement or to Persons regulating the activities of Administrative Agent or Lenders, or (viii) as may be required by law or regulation or order of any Governmental Authority in any judicial, arbitration, or governmental proceeding. Further, Administrative Agent or a Lender may disclose any such information to any other Lender, any independent petroleum engineers or consultants, any independent certified public accountants, any legal counsel employed by such Person in connection with this Agreement or any Security Instrument, 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 Administrative Agent or Lenders shall receive a confidentiality agreement from the Person to whom such information is disclosed such that said Person shall have the same obligation to maintain the confidentiality of such information as is imposed upon Administrative Agent or the Lenders hereunder. Notwithstanding anything to the contrary provided herein, this obligation of confidence shall cease five years from the date the information was furnished, unless Borrower requests in writing at least 30 days prior to the expiration of such five year period, to maintain the confidentiality of such information for an additional five year period.

Executed in Fort Worth, Texas, on the date first set forth above.

BORROWER:

RANGE RESOURCES CORPORATION

By:

-----  
Rodney L. Waller,  
Senior Vice President

AGENTS:

BANK ONE, TEXAS, N.A.,  
as Administrative Agent and a Lender

By:

-----  
W. Mark Cranmer, Vice President

CHASE BANK OF TEXAS, N.A.,  
as Syndication Agent and a Lender

By: \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA, N.A.,  
as Documentation Agent and a Lender

By: \_\_\_\_\_  
J. Scott Fowler, Managing Director



BANKERS TRUST COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

OTHER LENDERS:

PNC BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

BANKBOSTON, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CIBC INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WELLS FARGO BANK (TEXAS), N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CREDIT LYONNAIS NEW YORK BRANCH

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ABN AMRO BANK N.V.

By:  
Name:  
Title:

By:  
Name:  
Title:

BANK OF SCOTLAND

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE SANWA BANK, LIMITED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

SCHEDULE 1  
COMMITMENTS

LENDER	COMMITMENT	COMMITMENT PERCENTAGE
Bank One, Texas, N.A.	\$25,312,500	11.25%
Bank of America, N.A.	\$25,312,500	11.25%
Chase Bank of Texas, N.A.	\$25,312,500	11.25%
Bankers Trust Company	\$20,812,500	9.25%
PNC Bank, National Association	\$19,687,500	8.75%
BankBoston, N.A.	\$19,687,500	8.75%
CIBC Inc.	\$19,687,500	8.75%
Wells Fargo Bank (Texas), N.A.	\$19,687,500	8.75%
Credit Lyonnais New York Branch	\$19,687,500	8.75%
ABN AMRO Bank N.V.	\$11,250,000	5.00%
Bank of Scotland	\$10,125,000	4.50%
The Sanwa Bank, Limited	\$ 8,437,500	3.75%
<b>Total Commitment</b>	<b>\$225,000,000</b>	<b>100.00%</b>

SCHEDULE 2  
ADDRESSES FOR NOTICES

Range Resources Corporation  
500 Throckmorton Street, Suite 1900  
Fort Worth, Texas 76102  
Attention: Rodney L. Waller  
Telephone No.: (817) 870-2601  
Fax No.: (817) 870-2316

ABN AMRO Bank N.V.  
208 South LaSalle Street, Suite 1500  
Chicago, Illinois 60604-1003  
Attention: Connie Podgorny  
Telephone No.: (312) 992-5110 or 5121  
Fax No.: (312) 992-5111

ABN AMRO Bank N.V.  
c/o ABN AMRO North America, Inc.  
Three Riverway, Suite 1700  
Houston, Texas 77056  
Attention: Jamie Conn  
Telephone No.: (713) 964-3356  
Fax No.: (713) 961-1699

BankBoston, N.A.  
100 Federal Street, Mail Stop 01-08-04  
Boston, Massachusetts 02110  
Attention: Allison Rossi  
Telephone No.: (617) 434-9061  
Fax No.: (617) 434-3652

Bankers Trust Company  
130 Liberty Street, 30th Floor  
New York, New York 10006  
Attention: Terence Neafsey  
Telephone No.: (212) 250-2771  
Fax No.: (212) 250-2923

Bankers Trust Company  
909 Fannin, Suite 3000  
Houston, Texas 77010  
Attention: Jonathan S. Schwartz  
Telephone No.: (713) 759-6718  
Fax No.: (713) 759-6708

Bank of America, N.A.  
901 Main Street, 64th Floor  
Dallas, Texas 75202-3714  
Attn: J. Scott Fowler  
Telephone No.: (214) 209-3747  
Fax No.: (214) 209-1285

Bank of Scotland  
565 Fifth Avenue  
New York, New York 10017  
Attention: Annie Glynn  
Telephone No.: (212) 450-0871  
Fax No.: (212) 557-9460

Bank of Scotland  
1750 Two Allen Center  
1200 Smith Street  
Houston, Texas 77002-4312  
Attention: Richard Butler  
Telephone No.: (713) 651-1870  
Fax No.: (713) 651-9714

Bank One, Texas, N.A.  
1717 Main Street, 4th Floor  
Dallas, Texas 75201  
Attention: W. Mark Cranmer  
Telephone No.: (214) 290-2212  
Fax No.: (214) 290-3431

CIBC Inc.  
Two Paces West, 2727 Paces Ferry Road, Suite 1200  
Atlanta, Georgia 30339  
Attention: Kathryn S. McGovern  
Telephone No.: (770) 319-4999  
Fax No.: (770) 319-4950

CIBC Inc.  
1600 Smith, Suite 3100  
Houston, Texas 77002  
Attention: Russell Otts  
Telephone No.: (713) 650-2595  
Fax No.: (713) 650-7675

Chase Bank of Texas, N.A.  
2200 Ross Avenue, 3rd Floor  
Dallas, Texas 75201  
Attn: Dale S. Hurd  
Telephone No.: (214) 965-2583  
Fax No.: (214) 965-2389

Credit Lyonnais New York Branch  
1000 Louisiana, Suite 5360  
Houston, Texas 77002  
Attention: Nicole Johnson  
Telephone No.: (713) 753-8711  
Fax No.: (713) 751-0307

PNC Bank, National Association  
One PNC Plaza, 3rd Floor, 249 Fifth Ave.  
Pittsburgh, Pennsylvania 15222-2707  
Attention: Robert J. Tiskus  
Telephone No.: (412) 762-9245  
Fax No.: (412) 762-2571

The Sanwa Bank, Limited  
55 East 52nd Street  
New York, New York 10055  
Attention: Larry Murphy  
Telephone No.: (212) 339-6380  
Fax No.: (212) 754-2360

The Sanwa Bank, Limited  
Houston Representative Office  
1200 Smith Street, Suite 2670  
Houston, Texas 77002  
Attention: Clyde L. Redford  
Telephone No.: (713) 652-3190  
Fax No.: (713) 654-1462

Wells Fargo Bank (Texas), N.A.  
1000 Louisiana, 4th Floor  
Houston, Texas 77002  
Attention: Roger Freundt  
Telephone No.: (713) 319-1403  
Fax No. (713) 739-1076

## SCHEDULE 3

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## LIST OF SUBSIDIARIES

1. DOMAIN ENERGY INTERNATIONAL CORPORATION, a British Virgin Islands corporation, !100% owned by Range Energy Ventures Corporation;
2. ENERGY ASSETS OPERATING COMPANY, a Delaware corporation, !100% owned by Range Resources Corporation;
3. GULFSTAR ENERGY, INC., a Delaware corporation, !100% owned by Range Energy Ventures Corporation;
4. GULFSTAR SEISMIC, INC., a Delaware corporation, !100% owned by Gulfstar Energy, Inc.
5. RRC OPERATING COMPANY, an Ohio corporation, !100% owned by Range Resources Corporation;
6. Range Energy I, Inc., a Delaware corporation, !100% owned by Range Production Company;
7. RANGE ENERGY FINANCE CORPORATION, a Delaware corporation, !100% owned by Range Energy Ventures Corporation;
8. RANGE ENERGY SERVICES COMPANY, a Delaware corporation, !100% owned by Range Resources Corporation;
9. RANGE ENERGY VENTURES CORPORATION, a Delaware corporation, !100% owned by Range Resources Corporation;
10. RANGE GAS COMPANY, a Delaware corporation, !100% owned by Range Resources Corporation;
11. RANGE GATHERING & PROCESSING COMPANY, a Delaware corporation, !100% owned by Range Resources Corporation;
12. RANGE HOLDCO, INC., a Delaware corporation, !100% owned by Range Resources Corporation;

13. RANGE OFFSHORE, L.P., an Ohio limited partnership,  
!owned by RRC Operating Company (1%) and Range HoldCo, Inc. (99%);
14. RANGE PIPELINE SYSTEMS, L.P., a Texas limited partnership,  
!owned by Range Gathering & Processing Company (1%) and  
Range Gas Company (99%);
15. RANGE PRODUCTION I, L.P., a Texas limited partnership,  
!owned by Range Production Company (1%) and Range Energy I, Inc. (99%);
16. RANGE PRODUCTION COMPANY, a Delaware corporation,  
!100% owned by Range Energy Ventures Corporation; and
17. RANGE RESOURCES, L.L.C., an Oklahoma limited liability company,  
!owned by Range Production Company (1.71%) and  
Range HoldCo, Inc. (98.29%).

## CREDIT AGREEMENT

AMONG

GREAT LAKES ENERGY PARTNERS, L.L.C., AS BORROWER

AND

BANK ONE, TEXAS, N.A.  
AND THE INSTITUTIONS NAMED HEREIN  
AS LENDERS

AND

BANK ONE, TEXAS, N.A.,  
AS ADMINISTRATIVE AGENTCHASE BANK OF TEXAS, N.A.,  
AS SYNDICATION AGENT,BANKERS TRUST COMPANY,  
AS DOCUMENTATION AGENTTHE BANK OF NOVA SCOTIA  
AND CREDIT LYONNAIS NEW YORK BRANCH,  
AS MANAGING AGENTSBANC ONE CAPITAL MARKETS, INC.,  
AS CO-LEAD ARRANGER

AND

CHASE SECURITIES INC.,  
AS CO-LEAD ARRANGER

SEPTEMBER 30, 1999

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## EXHIBITS

- - - - -	
Exhibit "A"	- Notice of Borrowing
Exhibit "B"	- Note
Exhibit "C"	- Unlimited Guaranty
Exhibit "D"	- Certificate of Compliance
Exhibit "E"	- Assignment and Acceptance Agreement
Exhibit "F"	- Pre-Approved Hedging Counterparties

## SCHEDULES

Schedule 1	- Liens
Schedule 2	- Financial Condition
Schedule 3	- Liabilities
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Schedule 5	- Subsidiaries' Addresses
Schedule 6	- Owners
Schedule 7	- Environmental Matters
Schedule 8	- Title Matters
Schedule 9	- Curative Matters

## CREDIT AGREEMENT

THIS CREDIT AGREEMENT (hereinafter referred to as the "Agreement") executed as of the 30th day of September, 1999, by and among GREAT LAKES ENERGY PARTNERS, L.L.C., a Delaware limited liability company (hereinafter referred to as "Borrower") and BANK ONE, TEXAS, N.A. ("Bank One"), CHASE BANK OF TEXAS, N.A. ("Chase"), BANKERS TRUST COMPANY ("BT") THE BANK OF NOVA SCOTIA ("Scotiabank"), BANK OF SCOTLAND ("BOS") and CREDIT LYONNAIS NEW YORK BRANCH ("CL") and each of the financial institutions which is a party hereto (as evidenced by the signature pages to this Agreement) or which may from time to time become a party hereto pursuant to the provisions of Section 28 hereof or any successor or assignee thereof (hereinafter collectively referred to as "Lenders", and individually, "Lender"), Bank One, as Administrative Agent, Chase, as Syndication Agent, BT, as Documentation Agent and Scotiabank as Managing Agent.

## W I T N E S S E T H:

WHEREAS, Borrower has requested the Lenders make available to it a revolving loan facility in amounts of up to \$275,000,000; and

WHEREAS, the Lenders have agreed to make such facility available to Borrower.

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

1. DEFINITIONS. When used herein the terms "Administrative Agent", "Agreement", "Bank One", "Borrower", "BT", "Chase", "Documentation Agent", "Lender", "Lenders", and "Syndication Agent" shall have the meanings indicated above. When used herein the following terms shall have the following meanings:

ADMINISTRATIVE AGENT means Bank One, Texas, N.A. or any successor Administrative Agent.

ADVANCE OR ADVANCES means a loan or loans hereunder.

AFFILIATE means any Person which, directly or indirectly, controls, is controlled by or is under common control with the relevant Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean a member of the board of directors, a partner or an officer of such Person, or any other Person with possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership (of record, as trustee, or by proxy) of voting shares, partnership interests or voting rights, through a management contract or otherwise. Any Person owning or controlling, directly or indirectly, ten percent or more of the voting shares, partnership interests or voting rights, or other equity interest of another Person shall be deemed to be an Affiliate of such Person.

AGENTS means the Administrative Agent, the Syndication Agent and the Documentation Agent.

ALTERNATE BASE RATE shall mean, as of any date, a rate of interest per annum equal to the higher of (i) the Corporate Base Rate for such date, and (ii) the sum of the Federal Funds Effective Rate for such date plus one-half of one percent (.50%) per annum.

ASSIGNMENT AND ACCEPTANCE means a document substantially in the form of Exhibit "E" hereto.

BASE RATE shall mean, as of any date, the sum of the Alternate Base Rate plus the Base Rate Margin.

BASE RATE LOANS shall mean any loan during any period which bears interest based upon the Alternate Base Rate or which would bear interest based upon the Alternate Base Rate if the Maximum Rate ceiling was not in effect at that particular time.

BASE RATE MARGIN shall be:

(i) three-quarters of one percent (.75%) per annum whenever the Borrowing Base Usage is equal to or greater than 90%;

(ii) five-eighths of one percent (.625%) per annum whenever the Borrowing Base Usage is equal to or greater than 75%, but less than 90%;

(iii) one-half of one percent (.50%) per annum whenever the Borrowing Base Usage is equal to or greater than 50% but less than 75%; or

(iv) one-quarter of one percent (.25%) per annum whenever the Borrowing Base Usage is less than 50%.

BORROWING BASE means the value assigned by the Lenders from time to time to the Oil and Gas Properties pursuant to Section 7 hereof. Until the next determination of the Borrowing Base pursuant to Section 7(b) hereof, the Borrowing Base shall be \$195,000,000.

BORROWING BASE ASSETS shall mean, as of any date, (i) Oil and Gas Properties either (A) given economic value in the most recent engineering report provided to the Lenders pursuant to Section 6 hereof, or (B) other material proved producing Oil and Gas Properties, and (ii) gas pipelines and gas gathering systems which are owned by the Borrower and its subsidiaries.

BORROWING BASE USAGE shall mean, as of any date, all amounts outstanding on the Loan plus all outstanding Letters of Credit, divided by the Borrowing Base.

BORROWING DATE means the date elected by Borrower pursuant to Section 2(b) hereof for an Advance on the Loan.

BUSINESS DAY shall mean (i) with respect to any borrowing, payment or note selection of Eurodollar Loans, a day (other than Saturdays or Sundays) on which banks are legally open for business in Dallas, Texas and New York, New York and on which dealings in United States dollars are carried on in the London interbank market, and (ii) for all other purposes a day (other than Saturdays and Sundays) on which banks are legally open for business in Dallas, Texas.

CHANGE OF CONTROL shall occur if Marbel HoldCo, Inc. and Range HoldCo, Inc. or their Affiliates cease to beneficially own and control at least sixty-six and two-thirds (66-2/3%) of the membership interests of Borrower.

COMMITMENT shall mean (A) for all Lenders, the LESSER of (i) \$275,000,000 or (ii) the Borrowing Base, as reduced or increased from time to time pursuant to Sections 2 and 7 hereof, and (B) as to any Lender, its obligation to make Advances hereunder on the Loans and purchase participations in Letters of Credit issued hereunder by the Administrative Agent in amounts not exceeding, in the aggregate, an amount equal to such Lender's Commitment Percentage times the total Commitment as of any date. The Commitment of each Lender hereunder shall be adjusted from time to time to reflect assignments made by such Lender pursuant to Section 28 hereof. Each reduction in the Commitment shall result in a Pro Rata reduction in each Lender's Commitment.

COMMITMENT PERCENTAGE shall mean, for each Lender, the percentage derived by dividing its Commitment at the time of the determination by the Commitment of all Lenders at the time of determination. The Commitment Percentage of each Lender hereunder shall be adjusted from time to time to reflect assignments made by such Lender pursuant to Section 28 hereof.

CONSOLIDATED CURRENT ASSETS means the total of the consolidated current assets determined in accordance with GAAP, plus, as of any date, the unused availability on the Commitment.

CONSOLIDATED CURRENT LIABILITIES means the total of consolidated current obligations as determined in accordance with GAAP, excluding therefrom, as of any date, current maturities due on the Loans.

CONSOLIDATED EBITDAX shall mean Consolidated Net Income (excluding gains and losses from asset sales, extraordinary and non-recurring gains and losses and non-recurring formation costs) plus the sum of (i) income tax expense (but excluding income tax expense relating to the sales or other disposition of assets, including capital stock, the gains and losses from which are excluded in the determination of Consolidated Net Income), plus (ii) Consolidated Interest Expense, plus (iii) depreciation, depletion and amortization expense, plus (iv) exploration expenses.

CONSOLIDATED INTEREST EXPENSE shall mean the aggregate amount of cash and non-cash interest expense (including capitalized interest) of Borrower as determined on a consolidated basis in accordance with GAAP in respect of all indebtedness, excluding (i) accrued and unpaid interest to intercompany indebtedness and (ii) amortization of deferred financing costs.

CONSOLIDATED NET INCOME shall mean Borrower's consolidated net income after income taxes calculated in accordance with GAAP.

CONSOLIDATED TOTAL DEBT means, as of any date, without duplication, (i) all obligations for borrowed money or for the purchase price of property, (ii) all obligations evidenced by bonds, debentures, notes, or other similar instruments, (iii) all other indebtedness (including obligations under capital leases, other than usual and customary oil and gas leases) on which interest charges are customarily paid or accrued, (iv) all guarantees, (v) the unfunded or unreimbursed portion of all letters of credit, (vi) any indebtedness or other obligation secured by a Lien on assets, whether or not assumed, and (vii) all liability as a general partner of a partnership for obligations of that partnership of the nature described in (i) through (vii) preceding.

CORPORATE BASE RATE means a rate per annum equal to the Corporate Base Rate announced by Administrative Agent from time to time, changing when and as said Corporate Base Rate changes.

DEFAULT means all the events specified in Section 14 hereof, regardless of whether there shall have occurred any passage of time or giving of notice, or both, that would be necessary in order to constitute such event as an Event of Default.

DEFAULT RATE shall mean a default rate of interest determined in accordance with Section 4(e) hereof.

DEFAULTING LENDER is used herein as defined in Section 3(f) hereof.

DOCUMENTATION AGENT means Bankers Trust Company or any successor Documentation Agent.

EFFECTIVE DATE means the date of this Agreement.

ELIGIBLE ASSIGNEE means any of (i) a Lender or any Affiliate of a Lender; (ii) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000; (iii) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having a combined capital and surplus of at least \$100,000,000.00, provided that such bank is acting through a branch or agency located in the United States; (iv) a Person that



is primarily engaged in the business of commercial lending and that (A) is a subsidiary of a Lender, (B) a subsidiary of a Person of which a Lender is a subsidiary, or (C) a Person of which a Lender is a subsidiary; (v) any other entity (other than a natural person) which is an "accredited investor" (as defined in Regulation D under the Securities Act) which extends credit or buys loans as one of its businesses, including, but not limited to, insurance companies, mutual funds, and lease financing companies; and (vi) with respect to any Lender that is a fund that invests in loans, any other fund that invests in loans and is managed by the same investment advisor of such Lender or by an Affiliate of such investment advisor (and treating all such funds so managed as a single Eligible Assignee); provided, however, that any Affiliate of Borrower that acquires an interest in any of the Commitment Loans shall not be entitled to vote as a Lender.

ENGINEERED VALUE is used herein as defined in Section 6 hereof.

ENVIRONMENTAL LAWS means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C.A. Section 9601, ET SEQ., the Resource Conservation and Recovery Act, as amended by the Hazardous Solid Waste Amendment of 1984, 42 U.S.C.A. Section 6901, ET SEQ., the Clean Water Act, 33 U.S.C.A. Section 1251, ET SEQ., the Clean Air Act, 42 U.S.C.A. Section 1251, ET SEQ., the Toxic Substances Control Act, 15 U.S.C.A. Section 2601, ET SEQ., The Oil Pollution Act of 1990, 33 U.S.G. Section 2701, ET SEQ., and all other laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, orders, permits and restrictions of any federal, state, county, municipal and other governments, departments, commissions, boards, agencies, courts, authorities, officials and officers, domestic or foreign, relating to oil pollution, air pollution, water pollution, noise control and/or the handling, discharge, disposal or recovery of on-site or off-site asbestos, radioactive materials, spilled or leaked petroleum products, distillates or fractions and industrial solid waste or "hazardous substances" as defined by 42 U.S.C. Section 9601, ET SEQ., as amended, as each of the foregoing may be amended from time to time.

ENVIRONMENTAL LIABILITY means any claim, demand, obligation, cause of action, order, violation, damage, injury, judgment, penalty or fine, cost of enforcement, cost of remedial action or any other costs or expense whatsoever, including reasonable attorneys' fees and disbursements, resulting from the violation or alleged violation of any Environmental Law or the release of any substance into the environment which is required to be remediated by a regulatory agency or governmental authority or the imposition of any Environmental Lien (as hereinafter defined) which could reasonably be expected to individually or in the aggregate have a Material Adverse Effect.

ENVIRONMENTAL LIEN means a Lien in favor of any court, governmental agency or instrumentality or any other Person (i) for any Environmental Liability or (ii) for damages arising from or cost incurred by such court or governmental agency or instrumentality or other person in response to a release or threatened release of asbestos or "hazardous substance" into the environment, the imposition of which Lien could reasonably be expected to have a Material Adverse Effect.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

EURODOLLAR BASE RATE shall mean, with respect to any Eurodollar Loan for the relevant Interest Period, the rate determined by the Administrative Agent to be the rate at which the Administrative Agent offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first date of such Interest Period, in the approximate amount of the Administrative Agent's relevant Eurodollar Loan and having a maturity equal to such Interest Period.

EURODOLLAR LOANS mean any Advance during any period which bears interest at the Eurodollar Rate, or which would bear interest at such rate if the Maximum Rate ceiling was not in effect at a particular time.

EURODOLLAR MARGIN shall be:

(i) two percent (2%) per annum whenever the Borrowing Base Usage is equal to or greater than 90%;

(ii) one and seven-eighths percent (1.875%) per annum whenever the Borrowing Base Usage is equal to or greater than 75%, but less than 90%;

(iii) one and three-quarters percent (1.75%) per annum whenever the Borrowing Base Usage is equal to or greater than 50%, but less than 75%; or

(iv) one and one-half percent (1.50%) per annum whenever the Borrowing Base Usage is less than 50%.

EURODOLLAR RATE means, with respect to a Eurodollar Loan for the relevant Interest Period, the sum of (i) the quotient of (A) the Eurodollar Base Rate applicable to such Interest Period, divided by (B) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus the Eurodollar Margin. The Eurodollar Rate shall be rounded to the next higher multiple of 1/16th of one percent if the rate is not such a multiple.

FEDERAL FUNDS EFFECTIVE RATE shall mean, for any day, an interest rate per annum 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 for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Dallas, Texas time) on such day on such transactions received by the Administrative Agent from three (3) Federal funds brokers of recognized standing selected by the Administrative Agent in its sole discretion.

FINANCIAL STATEMENTS means balance sheets, income statements, statements of cash flow and appropriate footnotes and schedules, prepared in accordance with GAAP.

GAAP means generally accepted accounting principles, consistently applied.

GUARANTORS means all Subsidiaries of Borrower.

GUARANTIES means unlimited guaranties of the Guarantors in the form of Exhibit "C" hereto.

INTEREST PAYMENT DATE shall mean the last day of each calendar month in the case of Base Rate Loans and, in the case of Eurodollar Loans, the last day of the applicable Interest Period, and if such Interest Period is longer than three (3) months, at three-month intervals following the first day of such Interest Periods.

INTEREST PERIOD shall mean with respect to any Eurodollar Loan (i) initially, the period commencing on the date such Eurodollar Loan is made and ending one (1), two (2), three (3), six (6), nine (9) or twelve (12) months thereafter as selected by the Borrower pursuant to Section 4(a)(ii), and (ii) thereafter, each period commencing on the day following the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one (1), two (2), three (3), six (6), nine (9) or twelve (12) months thereafter, as selected by the Borrower pursuant to Section 4(a)(ii); provided, however, that (i) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day unless the result of such extension would be to extend such Interest Period into the next calendar month, in which case such Interest Period shall end on the immediately preceding Business Day, (ii) if any Interest Period begins on the last Business Day of 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) such Interest Period shall end on the last Business Day of a calendar month, and (iii) any Interest Period which would otherwise expire after the Maturity Date shall end on such Maturity Date.

LETTERS OF CREDIT is used herein as defined in Section 2(c) hereof.

LIEN means any mortgage, deed of trust, pledge, security interest, assignment, encumbrance or lien (statutory or otherwise) of every kind and character. LOANS means an Advance or Advances made under the Commitment.

LOAN DOCUMENTS means this Agreement, the Notes, the Security Instruments and all other documents executed in connection with the transaction described in this Agreement.

MAJORITY LENDERS means Lenders holding 66-2/3% or more of the Commitments or if the Commitments have been terminated, Lenders holding 66-2/3% of the outstanding Loans.

MANAGING AGENT means the Bank of Nova Scotia and Credit Lyonnais New York Branch and any successor Managing Agent.

MATERIAL ADVERSE EFFECT shall mean a material adverse effect on (i) the assets or properties, liabilities, financial condition, business, operations, affairs or circumstances of the Borrower, (ii) the ability of the Borrower to carry out its businesses as of the date of this Agreement or as proposed at the date of this Agreement to be conducted, (iii) the ability of Borrower to perform fully and on a timely basis its obligations under any of the Loan Documents, or (iv) the validity or enforceability of any of the Loan Documents or the rights and remedies of the Administrative Agent or the Lenders thereunder.

MATURITY DATE shall mean September 30, 2002.

MAXIMUM RATE means at any particular time in question, the maximum non-usurious rate of interest which under applicable law may then be charged on the Note. If such Maximum Rate changes after the date hereof, the Maximum Rate shall be automatically increased or decreased, as the case may be, without notice to Borrower from time to time as the effective date of each change in such Maximum Rate.

MONTHLY COMMITMENT REDUCTION is used herein as defined in Section 2(h) hereof.

NOTES means the Notes described in Section 3 hereof, substantially in the form of Exhibit "B" hereto issued or to be issued hereunder to each Lender, respectively, to evidence the indebtedness to such Lender arising by reason of the Advances on the Loan, together with all modifications, renewals and extensions thereof or any part thereof.

OIL AND GAS PROPERTIES means all oil, gas and mineral properties and interests, related personal properties (excluding gas pipelines and gas gathering systems), in which Borrower grants to the Lenders a first and prior lien and security interest pursuant to Section 6 hereof.

OTHER FINANCING is used herein as defined in Section 15(1) hereof.

PAYOR is used herein as defined in Section 3(h) hereof.

PERMITTED LIENS shall mean (i) royalties, overriding royalties, reversionary interests, production payments and similar burdens; (ii) sales contracts or other arrangements for the sale of production of oil, gas or associated liquid or gaseous hydrocarbons which would not (when considered cumulatively with the matters discussed in clause (i) above) deprive Borrower of any material right in respect of Borrower's assets or properties (except for rights customarily granted with respect to such contracts and arrangements); (iii) statutory Liens for taxes or other assessments that are not yet delinquent (or that, if delinquent, are being contested in good faith by appropriate proceedings, levy and execution thereon having been stayed and continue to be stayed and for which Borrower has set aside on its books adequate reserves in accordance with GAAP); (iv) easements, rights of way,

servitudes, permits, surface leases and other rights in respect to surface operations, pipelines, grazing, logging, canals, ditches, reservoirs or the like, conditions, covenants and other restrictions, and easements of streets, alleys, highways, pipelines, telephone lines, power lines, railways and other easements and rights of way on, over or in respect of Borrower's assets or properties and that do not individually or in the aggregate, cause a Material Adverse Effect; (v) materialmen's, mechanic's, repairman's, employee's, warehousemen's, landlord's, carrier's, pipeline's, contractor's, sub-contractor's, operator's, non-operator's (arising under operating or joint operating agreements), and other Liens (including any financing statements filed in respect thereof) incidental to obligations incurred by Borrower in connection with the construction, maintenance, development, transportation, storage or operation of Borrower's assets or properties to the extent not delinquent (or which, if delinquent, are being contested in good faith by appropriate proceedings and for which Borrower has set aside on its books adequate reserves in accordance with GAAP); (vi) all contracts, agreements and instruments, and all defects and irregularities and other matters affecting Borrower's assets and properties which were in existence at the time Borrower's assets and properties were originally acquired by Borrower and all routine operational agreements entered into in the ordinary course of business, which contracts, agreements, instruments, defects, irregularities and other matters and routine operational agreements are not such as to, individually or in the aggregate, interfere materially with the operation, value or use of Borrower's assets and properties, considered in the aggregate; (vii) liens in connection with workmen's compensation, unemployment insurance or other social security, old age pension or public liability obligations; (viii) legal or equitable encumbrances deemed to exist by reason of the existence of any litigation or other legal proceeding or arising out of a judgment or award with respect to which an appeal is being prosecuted in good faith and levy and execution thereon have been stayed and continue to be stayed; (ix) rights reserved to or vested in any municipality, governmental, statutory or other public authority to control or regulate Borrower's assets and properties in any manner, and all applicable laws, rules and orders from any governmental authority; (x) landlord's liens; (xi) Liens incurred pursuant to the Security Instruments; and (xii) Liens existing at the date of this Agreement which have been disclosed to Lenders in Schedule "1" hereto.

PERSON means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

PLAN means any plan subject to Title IV of ERISA and maintained by Borrower, or any such plan to which Borrower is required to contribute on behalf of its employees.

PRE-APPROVED CONTRACTS as used herein shall mean any contracts or agreements entered into in connection with any Rate Management Transaction designed (i) to hedge, forward, sell or swap crude oil or natural gas or otherwise sell up to 80% of the Borrower's anticipated production from proved, developed producing reserves of crude oil, and/or 80% of the Borrower's anticipated production from proved, developed producing reserves of natural gas, during the period from the immediately preceding settlement date (or the

commencement of the term of such hedge transactions if there is no prior settlement date) to such settlement date, and (ii) with one or more of the counterparties to the hedging agreement listed on Exhibit "F" hereto.

PRO RATA OR PRO RATA PART means for each Lender, (i) for all purposes where no Loan is outstanding, such Lender's Commitment Percentage and (ii) otherwise, the proportion which the portion of the outstanding Loans owed to such Lender bears to the aggregate outstanding Loans owed to all Lenders at the time in question.

RATE MANAGEMENT TRANSACTION means any transaction (including an agreement with respect thereto) now existing or hereafter entered into between Borrower and Administrative Agent or the Lenders which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, forward exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

REGULATION D shall mean Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto and other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

REIMBURSEMENT OBLIGATIONS means, at any time, the obligations of the Borrower in respect of all Letters of Credit then outstanding to reimburse amounts paid by any Lender in respect of any drawing or drawings under a Letter of Credit.

RELEASE PRICE is used herein as defined in Section 12(r) hereof.

REQUIRED LENDERS means Lenders holding 75% or more of the Commitments or if the Commitments have been terminated, Lenders holding 75% of the outstanding Loans.

REQUIRED PAYMENT is used herein as defined in Section 3(h) hereof.

RESERVE REQUIREMENT means, with respect to any Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D or Eurocurrency liabilities.

SECURITY INSTRUMENTS is used collectively herein to mean this Agreement, all Deeds of Trust, Mortgages, Security Agreements, Assignments of Production and Financing Statements and other collateral documents covering the Oil and Gas Properties and related personal property, equipment, oil and gas inventory and proceeds of the foregoing, all such documents to be in form and substance satisfactory to Administrative Agent.

SUBSIDIARY means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by Borrower or another subsidiary.

SYNDICATION AGENT means Chase Bank of Texas, N.A. or any successor Syndication Agent.

TOTAL OUTSTANDINGS means, as of any date, the sum of (i) the total principal balance outstanding on the Notes, plus (ii) the total face amount of all outstanding Letters of Credit, plus (iii) the total amount of all unpaid Reimbursement Obligations.

TRANCHE means a set of Eurodollar Loans made by the Lenders at the same time and for the same Interest Period.

UNSCHEDULED REDETERMINATIONS means a redetermination of the Borrowing Base made at any time other than on the dates set for the regular semi-annual redetermination of the Borrowing Base which are made (A) at the request of Borrower (but only one between Borrowing Base redeterminations) (B) at the request of Majority Lenders (but only once between Borrowing Base redeterminations), provided, however, that Majority Lenders may require an Unscheduled Redetermination at any time it appears to Administrative Agent or Majority Lenders, in the exercise of their reasonable discretion, that either (i) there has been a material decrease in the value of the Oil and Gas Properties, or (ii) an event has occurred which is reasonably expected to have a Material Adverse Effect.

UNUSED COMMITMENT FEE RATE shall be:

(i) one-half of one percent (.50%) per annum whenever the Borrowing Base Usage is equal to or greater than 75%;

(ii) three-eighths of one percent (.375%) per annum whenever the Borrowing Base Usage is equal to or greater than 50% but less than 75% and

(iii) one-fourth of one percent (.25%) per annum whenever the Borrowing Base Usage is less than 50%.

## 1. COMMITMENTS OF THE LENDERS.

(a) TERMS OF COMMITMENT. On the terms and conditions hereinafter set forth, each Lender agrees severally to make Advances to the Borrower from time to time during the period beginning on the Effective Date and ending on the Maturity Date in such amounts as the Borrower may request up to an amount not to exceed, in the aggregate principal amount outstanding at any time, the Commitment less Total Outstandings. The obligation of the Borrower hereunder shall be evidenced by this Agreement and the Notes issued in connection herewith, said Notes to be as described in Section 3 hereof. Notwithstanding any other provision of this Agreement, no Advance shall be required to be made hereunder if any Default or Event of Default (as hereinafter defined) has occurred and is continuing. Each Advance under the Commitment shall be an aggregate amount of at least \$1,000,000 or any whole multiples of \$100,000 in excess thereof. Irrespective of the face amount of the Note or Notes, the Lenders shall never have the obligation to Advance any amount or amounts in excess of the Commitment or to increase the Commitment.

(a) PROCEDURE FOR BORROWING. Whenever the Borrower desires an Advance hereunder, it shall give Administrative Agent telegraphic, telex, facsimile or telephonic notice ("Notice of Borrowing") of such requested Advance, which in the case of telephonic notice, shall be promptly confirmed in writing. Each Notice of Borrowing shall be in the form of Exhibit "A" attached hereto and shall be received by Administrative Agent not later than 12:00 noon Dallas, Texas time, (i) one Business Day prior to the Borrowing Date in the case of the Base Rate Loan, or (ii) three Business Days prior to any proposed Borrowing Date in the case of Eurodollar Loans. Each Notice of Borrowing shall specify (i) the Borrowing Date (which shall be a Business Day), (ii) the principal amount to be borrowed, (iii) the portion of the Advance constituting Base Rate Loans and/or Eurodollar Loans, (iv) if any portion of the proposed Advance is to constitute Eurodollar Loans, the initial Interest Period selected by Borrower pursuant to Section 4 hereof to be applicable thereto, and (v) the date upon which such Advance is required. Upon receipt of such Notice, Administrative Agent shall advise each Lender thereof; provided, that if the Lenders have received at least one (1) day's notice of such Advance prior to funding of a Base Rate Loan, or at least three (3) days' notice of each Advance prior to funding in the case of a Eurodollar Loan, each Lender shall provide Administrative Agent at its office at 1717 Main Street, Dallas, Texas 75201, not later than 1:00 p.m., Dallas, Texas time, on the Borrowing Date, in immediately available funds, its pro rata share of the requested Advance, but the aggregate of all such fundings by each Lender shall never exceed such Lender's Commitment. Not later than 2:00 p.m., Dallas, Texas time, on the Borrowing Date, Administrative Agent shall make available to the Borrower at the same office, in like funds, the aggregate amount of such requested Advance. Neither Administrative Agent nor any Lender shall incur any liability to the Borrower in acting upon any Notice referred to above which Administrative Agent or such Lender believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of Borrower or for otherwise acting in good faith under this Section 2(b). Upon funding of Advances by Lenders in accordance with this Agreement, pursuant to any such Notice, the Borrower shall have effected Advances hereunder.



(a) LETTERS OF CREDIT. On the terms and conditions hereinafter set forth, the Administrative Agent shall from time to time during the period beginning on the Effective Date and ending on the Maturity Date upon request of Borrower issue standby and/or commercial Letters of Credit for the account of Borrower (the "Letters of Credit") in such face amounts as Borrower may request, but not to exceed in the aggregate face amount at any time outstanding the sum of Twenty Million Dollars (\$20,000,000.00). The face amount of all Letters of Credit issued and outstanding hereunder shall be considered as Advances on the Commitment for Borrowing Base purposes and all payments made by the Administrative Agent on such Letters of Credit shall be considered as Advances under the Notes. Each Letter of Credit issued for the account of Borrower hereunder shall (i) be in favor of such beneficiaries as specifically requested by Borrower, (ii) have an expiration date not exceeding the earlier of (a) one year or (b) the Maturity Date, and (iii) contain such other terms and provisions as may be required by issuing Lender. Each Lender (other than Administrative Agent) agrees that, upon issuance of any Letter of Credit hereunder, it shall automatically acquire a participation in the Administrative Agent's liability under such Letter of Credit in an amount equal to such Lender's Commitment Percentage of such liability, and each Lender (other than Administrative Agent) thereby shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and shall be unconditionally obligated to Administrative Agent to pay and discharge when due, its Commitment Percentage of Administrative Agent's liability under such Letter of Credit. The Borrower hereby unconditionally agrees to pay and reimburse the Administrative Agent for the amount of each demand for payment under any Letter of Credit that is in substantial compliance with the provisions of any such Letter of Credit at or prior to the date on which payment is to be made by the Administrative Agent to the beneficiary thereunder, without presentment, demand, protest or other formalities of any kind. Upon receipt from any beneficiary of any Letter of Credit of any demand for payment under such Letter of Credit, the Administrative Agent shall promptly notify the Borrower of the demand and the date upon which such payment is to be made by the Administrative Agent to such beneficiary in respect of such demand. Forthwith upon receipt of such notice from the Administrative Agent, Borrower shall advise the Administrative Agent whether or not it intends to borrow hereunder to finance its obligations to reimburse the Administrative Agent, and if so, submit a Notice of Borrowing as provided in Section 2(b) hereof. If Borrower fails to so advise Administrative Agent and thereafter fails to reimburse Administrative Agent, the Administrative Agent shall notify each Lender of the demand and the failure of the Borrower to reimburse the Administrative Agent, and each Lender shall reimburse the Administrative Agent for its Commitment Percentage of each such draw paid by the Administrative Agent and unreimbursed by the Borrower. All such amounts paid by Administrative Agent and/or reimbursed by the Lenders shall be treated as an Advance or Advances under the Commitment, which Advances shall be immediately due and payable and shall bear interest at the Maximum Rate.

(a) PROCEDURE FOR OBTAINING LETTERS OF CREDIT. The amount and date of issuance, renewal, extension or reissuance of a Letter of Credit pursuant to the Commitments shall be designated by Borrower's written request delivered to Administrative Agent at least three (3) Business Days prior to the date of such issuance, renewal, extension or reissuance. Concurrently with or promptly following the delivery of the request for a Letter of Credit, Borrower shall execute and deliver to the Administrative Agent an application and agreement with respect to the

Letters of Credit, said application and agreement to be in the form used by the Administrative Agent. The Administrative Agent shall not be obligated to issue, renew, extend or reissue such Letters of Credit if (A) the amount thereon when added to the face amount of the outstanding Letters of Credit plus any Reimbursement Obligations exceeds Twenty Million Dollars (\$20,000,000.00) or (B) the amount thereof when added to the Total Outstandings would exceed the Commitment. Borrower agrees to pay the Administrative Agent for the benefit of the Lenders commissions for issuing the Letters of Credit (calculated separately for each Letter of Credit) in an amount equal to the Eurodollar Margin multiplied by the maximum face amount of the Letter of Credit. Borrower further agrees to pay Administrative Agent for its own account an additional fronting fee equal to one-quarter of one percent (.25%) per annum multiplied times the maximum face amount of each Letter of Credit. Such commissions shall be payable prior to the issuance of each Letter of Credit and thereafter on each anniversary date of such issuance while such Letter of Credit is outstanding. Such commissions and fronting fee will be calculated based on the basis of a year consisting of 360 days.

(a) VOLUNTARY REDUCTION OF COMMITMENT. The Borrower may at any time, or from time to time, upon not less than three (3) Business Days' prior written notice to Administrative Agent, reduce or terminate the Commitment; provided, however, that (i) each reduction in the Commitment must be in the amount of \$1,000,000 or more, in increments of \$1,000,000 and (ii) each reduction must be accompanied by a prepayment of the Notes in the amount by which the outstanding principal balance of the Notes exceeds the Commitment as reduced pursuant to this Section 2.

(a) SEVERAL OBLIGATIONS. The obligations of the Lenders under the Commitments are several and not joint. The failure of any Lender to make an Advance required to be made by it shall not relieve any other Lender of its obligation to make its Advance, and no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender. No Lender shall be required to lend hereunder any amount in excess of its legal lending limit.

(a) TYPE AND NUMBER OF ADVANCES. Any Advance under the Commitment may be a Base Rate Loan or a Eurodollar Loan, or a combination thereof, as selected by the Borrower pursuant to Section 4 hereof. The total number of Tranches which may be outstanding at any time shall never exceed four (4).

(a) MONTHLY COMMITMENT REDUCTION. The Borrowing Base and the Commitment shall be reduced as of the first day of each month by \$1,000,000 (the "Monthly Commitment Reduction") per month beginning on December 1, 1999 with like reductions continuing on the first day of each month thereafter through April 1, 2000. If as a result of any such Monthly Commitment Reduction, the Total Outstandings ever exceed the Commitment then in effect, the Borrower shall make the mandatory prepayment of principal required pursuant to Section 9(b) hereof.

1. NOTES EVIDENCING LOANS. The loans described above in Section 2 shall be evidenced by promissory notes of Borrower as follows:

(a) FORM OF NOTES. The Loans shall be evidenced by a Note or Notes in the aggregate face amount of \$275,000,000, and shall be in the form of Exhibit "B" hereto with appropriate insertions (each a " Note"). Notwithstanding the face amount of the Notes, the actual principal amount due from the Borrower to Lenders on account of the Notes, as of any date of computation, shall be the sum of Advances then and theretofore made on account thereof, less all principal payments actually received by Lenders in collected funds with respect thereto. Although the Notes may be dated as of the Effective Date, interest in respect thereof shall be payable only for the period during which the loans evidenced thereby are outstanding and, although the stated amount of the Notes may be higher, the Notes shall be enforceable, with respect to Borrower's obligation to pay the principal amount thereof, only to the extent of the unpaid principal amount of the Loans. Irrespective of the face amount of the Notes, no Lender shall ever be obligated to advance on the Commitment any amount in excess of its Commitment then in effect.

(a) ISSUANCE OF ADDITIONAL NOTES. At the Effective Date there shall be outstanding Notes in the aggregate face amount of \$275,000,000. From time to time new Notes may issued to other Lenders as such Lenders become parties to this Agreement. Upon request from Administrative Agent, the Borrower shall execute and deliver to Administrative Agent any such new or additional Notes. From time to time as new Notes are issued the Administrative Agent shall require that each Lender exchange its Note(s) for newly issued Note(s) to better reflect the extent of each Lender's Commitments hereunder.

(a) INTEREST RATES. The unpaid principal balance of the Notes shall bear interest from time to time as set forth in Section 4 hereof.

(a) PAYMENT OF INTEREST. Interest on the Notes shall be payable on each Interest Payment Date.

(a) PAYMENT OF PRINCIPAL. Principal of the Note or Notes shall be due and payable to the Administrative Agent for the ratable benefit of the Lenders on the Maturity Date unless earlier due in whole or in part as a result of an acceleration of the amount due or pursuant to the mandatory prepayment provisions of Section 9(b) hereof.

(a) PAYMENT TO LENDERS. Each Lender's Pro Rata Part of payment or prepayment of the Loans shall be directed by wire transfer to such Lender by the Administrative Agent at the address provided to the Administrative Agent for such Lender for payments no later than 2:00 p.m., Dallas, Texas, time on the Business Day such payments or prepayments are deemed hereunder to have been received by Administrative Agent; provided, however, in the event that any Lender shall have failed to make an Advance as contemplated under Section 2 hereof (a "Defaulting Lender") and the Administrative Agent or another Lender or Lenders shall have made such Advance, payment received by Administrative Agent for the account of such Defaulting Lender or Lenders shall not be distributed to such Defaulting Lender or Lenders until such Advance or Advances shall have been repaid in full to the Lender or Lenders who funded such Advance or Advances. Any payment or prepayment received by Administrative Agent at any time after 12:00 noon, Dallas, Texas, time on a Business Day shall be deemed to have been received on the next

Business Day. Interest shall cease to accrue on any principal as of the end of the day preceding the Business Day on which any such payment or prepayment is deemed hereunder to have been received by Administrative Agent. If Administrative Agent fails to transfer any principal amount to any Lender as provided above, then Administrative Agent shall promptly direct such principal amount by wire transfer to such Lender together with interest thereon with respect of the period commencing on the date one (1) day after such amount was made available to the Administrative Agent until the date the Administrative Agent pays such principal amount to the Lender at the rate applicable to such portion of the applicable loan.

(a) SHARING OF PAYMENTS, ETC. If any Lender shall obtain any payment (whether voluntary, involuntary, or otherwise) on account of the Loans, (including, without limitation, any set-off) which is in excess of its Pro Rata Part of payments on either of the Loans, as the case may be, obtained by all Lenders, such Lender shall purchase from the other Lenders such participation as shall be necessary to cause such purchasing Lender to share the excess payment pro rata with each of them; provided that, if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, the purchase shall be rescinded and the purchase price restored to the extent of the recovery. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section may, to the fullest extent permitted by law, exercise all of its rights of payment (including the right of offset) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

(a) NON-RECEIPT OF FUNDS BY THE ADMINISTRATIVE AGENT. Unless the Administrative Agent shall have been notified by a Lender or the Borrower (the "Payor") prior to the date on which such Lender is to make payment to the Administrative Agent of the proceeds of a Loan to be made by it hereunder or the Borrower is to make a payment to the Administrative Agent for the account of one or more of the Lenders, as the case may be (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt, that the Payor does not intend to make the Required Payment to the Administrative Agent, the Administrative Agent may assume that the Required Payment has been made and may, in reliance upon such assumption (but shall not be required to), make the amount thereof available to the intended recipient on such date and, if the Payor has not in fact made the Required Payment to the Administrative Agent, the recipient of such payment shall, on demand, pay to the Administrative Agent the amount made available to it together with interest thereon in respect of the period commencing on the date such amount was made available by the Administrative Agent until the date the Administrative Agent recovers such amount at the rate applicable to such portion of the applicable Loan.

## 1. INTEREST RATES.

## (a) OPTIONS.

(i) BASE RATE LOANS. On all Base Rate Loans the Borrower agrees to pay interest on the Notes calculated on the basis of the actual days elapsed in a year consisting of 360 days with respect to the unpaid principal amount of each Base Rate Loan from the date the proceeds thereof are made available to Borrower until maturity (whether by acceleration or otherwise), at a varying rate per annum equal to the lesser of (i) the Maximum Rate (defined herein), or (ii) the sum of the Base Rate plus the Base Rate Margin. Subject to the provisions of this Agreement as to prepayment, the principal of the Notes representing Base Rate Loans shall be payable as specified in Section 3(d) hereof and the interest in respect of each Base Rate Loan shall be payable on each Interest Payment Date. Past due principal and, to the extent permitted by law, past due interest in respect to each Base Rate Loan, shall bear interest, payable on demand, at a rate per annum equal to the Maximum Rate.

(i) EURODOLLAR LOANS. On all Eurodollar Loans the Borrower agrees to pay interest calculated on the basis of a year consisting of 360 days with respect to the unpaid principal amount of each Eurodollar Loan from the date the proceeds thereof are made available to Borrower until maturity (whether by acceleration or otherwise), at a varying rate per annum equal to the lesser of (i) the Maximum Rate, or (ii) the Eurodollar Rate plus the Eurodollar Margin. Subject to the provisions of this Agreement with respect to prepayment, the principal of the Notes shall be payable as specified in Section 3(d) hereof and the interest with respect to each Eurodollar Loan shall be payable on each Interest Payment Date. Past due principal and, to the extent permitted by law, past due interest shall bear interest, payable on demand, at a rate per annum equal to the Maximum Rate. Upon three (3) Business Days' written notice prior to the making by the Lenders of any Eurodollar Loan (in the case of the initial Interest Period therefor) or the expiration date of each succeeding Interest Period (in the case of subsequent Interest Periods therefor), Borrower shall have the option, subject to compliance by Borrower with all of the provisions of this Agreement, as long as no Event of Default exists, to specify whether the Interest Period commencing on any such date shall be a one (1), two (2), three (3), six (6) or nine (9) month period. If Administrative Agent shall not have received timely notice of a designation of such Interest Period as herein provided, Borrower shall be deemed to have elected to convert all maturing Eurodollar Loans to Base Rate Loans.

(a) INTEREST RATE DETERMINATION. The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the Lenders of each rate of interest so determined and its determination thereof shall be conclusive absent error.

(a) CONVERSION OPTION. Borrower may elect from time to time (i) to convert all or any part of its Eurodollar Loans to Base Rate Loans by giving Administrative Agent irrevocable notice of such election in writing prior to 10:00 a.m. (Dallas, Texas time) on the conversion date and such conversion shall be made on the requested conversion date, provided that any such

conversion of a Eurodollar Loan shall only be made on the last day of the Eurodollar Interest Period with respect thereof, (ii) to convert all or any part of its Base Rate Loans to Eurodollar Loans by giving the Administrative Agent irrevocable written notice of such election three (3) Business Days prior to the proposed conversion and such conversion shall be made on the requested conversion date or, if such requested conversion date is not a Business Day, on the next succeeding Business Day. Any such conversion shall not be deemed to be a prepayment of any of the loans for purposes of this Agreement on the Notes.

(a) RECOUPMENT. If at any time the applicable rate of interest selected pursuant to Sections 4(a)(i) or 4(a)(ii) above shall exceed the Maximum Rate, thereby causing the interest on the Notes to be limited to the Maximum Rate, then any subsequent reduction in the interest rate so selected or subsequently selected shall not reduce the rate of interest on the Notes below the Maximum Rate until the total amount of interest accrued on the Note equals the amount of interest which would have accrued on the Notes if the rate or rates selected pursuant to Sections 4(a)(i) or (ii), as the case may be, had at all times been in effect.

(a) INTEREST RATES APPLICABLE AFTER DEFAULT. Notwithstanding anything to the contrary contained in this Section 4, during the continuance of a Default or an Event of Default the Majority Lenders may, at their option, by notice from Administrative Agent to the Borrower (which notice may be revoked at the option of the Majority Lenders notwithstanding the provisions of Section 15 hereof, which requires all Lenders to consent to changes in interest rates) declare that no Advance may be made as, converted into, or continued as a Eurodollar Loan. During the continuance of an Event of Default, the Majority Lenders, may, at their option, by notice from Administrative Agent to the Borrower (which notice may be revoked at the option of Majority Lenders notwithstanding the provisions of Section 15 hereof, which requires all Lenders to consent to changes in interest rates) declare that (i) each Eurodollar Loan shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus two percent (2%) per annum and (ii) each Base Rate Loan shall bear interest at the rate otherwise applicable to such Interest Period plus two percent (2%), provided that, during the continuance of an Event of Default under Section 14(f) or 14(g), the interest rate set forth in clauses (i) and (ii) above shall be applicable to all outstanding Loans without any election or action on the part of the Administrative Agent or any Lender.

## 1. SPECIAL PROVISIONS RELATING TO LOANS.

(a) UNAVAILABILITY OF FUNDS OR INADEQUACY OF PRICING. In the event that, in connection with any proposed Eurodollar Loan, the Administrative Agent determines, which determination shall, absent manifest error, be final, conclusive and binding upon all parties, due to changes in circumstances since the date hereof, adequate and fair means do not exist for determining the Eurodollar Rate or such rate will not accurately reflect the costs to the Lenders of funding Eurodollar Loan for such Eurodollar Interest Period, the Administrative Agent shall give notice of such determination to the Borrower and the Lenders, whereupon, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such suspension no longer exist, the obligations of the Lenders to make, continue or convert a Loan into a Eurodollar Loan shall be suspended, and all loans to Borrower shall be Base Rate Loans during the period of suspension.

(a) CHANGE IN LAWS. If at any time any new law or any change in existing laws or in the interpretation of any new or existing laws shall make it unlawful for any Lender to make or continue to maintain or fund a Eurodollar Loan hereunder, then such Lender shall promptly notify Borrower in writing and such Lender's obligation to make, continue or convert Loans into Eurodollar Loans under this Agreement shall be suspended until it is no longer unlawful for such Lender to make or maintain Eurodollar Loans. Upon receipt of such notice, Borrower shall either repay the outstanding Eurodollar Loan owed to the Lenders, without penalty, on the last day of the current Interest Periods (or, if any Lender may not lawfully continue to maintain and fund such Eurodollar Loan, immediately), or Borrower may convert such Eurodollar Loan at such appropriate time to Base Rate Loan.

## (a) INCREASED COST OR REDUCED RETURN.

(i) If, after the date hereof, the adoption of any applicable law, rule, or regulation, or any change in any applicable law, rule, or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender with any request or directive (whether or not having the force of law) of any such governmental authority, central bank, or comparable agency:

(A) shall subject such Lender to any tax, duty, or other charge with respect to any Eurodollar Loan, its Notes, or its obligation to make Eurodollar Loans, or change the basis of taxation of any amounts payable to such Lender under this Agreement or its Notes in respect of any Eurodollar Loan (other than franchise taxes and taxes imposed on the overall net income of such Lender);

(B) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than reserve requirements, if any, taken into account in the determination of the Eurodollar Rate) relating to any extensions of credit or other assets of, or

any deposits with or other liabilities or commitments of, such Lender, including the Commitment of such Lender hereunder; or

(C) shall impose on such Lender or on the London interbank market any other condition affecting this Agreement or its Notes or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender of making, converting into, continuing, or maintaining any Eurodollar Loan or to reduce any sum received or receivable by such Lender under this Agreement or its Notes with respect to any Eurodollar Loan, then Borrower shall pay to such Lender on demand such amount or amounts as will compensate such Lender for such increased cost or reduction. If any Lender requests compensation by Borrower under this Section 5(c), Borrower may, by notice to such Lender (with a copy to Administrative Agent), suspend the obligation of such Lender to make or continue Eurodollar Loans, or to convert all or part of the Base Rate Loan owing to such Lender to a Eurodollar Loan, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 5(c) shall be applicable); PROVIDED that such suspension shall not affect the right of such Lender to receive the compensation so requested.

(i) If, after the date hereof, any Lender shall have determined that the adoption of any applicable law, rule, or regulation regarding capital adequacy or any change therein or in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such governmental authority, central bank, or comparable agency, has or would have the effect of reducing the rate of return on the capital of such Lender or any corporation controlling such Lender as a consequence of such Lender's obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change, request, or directive (taking into consideration its policies with respect to capital adequacy), then from time to time upon demand Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(i) Each Lender shall promptly notify Borrower and Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section 5(c) and will designate a separate lending office, if applicable, if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to it. Any Lender claiming compensation under this Section 5(c) shall furnish to Borrower and Administrative Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.



(i) Any Lender giving notice to the Borrower through the Administrative Agent, pursuant to Sections 3(k) or 5(c) shall give to the Borrower a statement signed by an officer of such Lender setting forth in reasonable detail the basis for, and the calculation of such additional cost, reduced payments or capital requirements, as the case may be, and the additional amounts required to compensate such Lender therefor.

(i) Within five (5) Business Days after receipt by the Borrower of any notice referred to in Sections 3(k) or 5(c), the Borrower shall pay to the Administrative Agent for the account of the Lender issuing such notice such additional amounts as are required to compensate such Lender for the increased cost, reduce payments or increase capital requirements identified therein, as the case may be.

(a) DISCRETION OF LENDER AS TO MANNER OF FUNDING. Notwithstanding any provisions of this Agreement to the contrary, each Lender shall be entitled to fund and maintain its funding of all or any part of its Loan in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder shall be made as if each Lender had actually funded and maintained each Eurodollar Loan through the purchase of deposits having a maturity corresponding to the last day of the Eurodollar Interest Period applicable to such Eurodollar Loan and bearing an interest rate to the applicable interest rate for such Eurodollar Period.

(a) BREAKAGE FEES. Without duplication under any other provision hereof, if any Lender incurs any loss, cost or expense including, without limitation, any loss of profit and loss, cost, expense or premium reasonably incurred by reason of the liquidation or re-employment of deposits or other funds acquired by such Lender to fund or maintain any Eurodollar Loan or the relending or reinvesting of such deposits or amounts paid or prepaid to the Lenders as a result of any of the following events other than any such occurrence as a result in the change of circumstances described in Sections 5(a) and (b):

(i) any payment, prepayment or conversion of a Eurodollar Loan on a date other than the last day of its Eurodollar Interest Period (whether by acceleration, prepayment or otherwise);

(ii) any failure to make a principal payment of a Eurodollar Loan on the due date thereof; or

(iii) any failure by the Borrower to borrow, continue, prepay or convert to a Eurodollar Loan on the dates specified in a notice given pursuant to Section 2(c) or 4(c) hereof;

then the Borrower shall pay to such Lender such amount as will reimburse such Lender for such loss, cost or expense. If any Lender makes such a claim for compensation, it shall furnish to Borrower and Administrative Agent a statement setting forth the amount of such loss, cost or expense in reasonable detail (including an explanation of the basis for

and the computation of such loss, cost or expense) and the amounts shown on such statement shall be conclusive and binding absent manifest error.

1. COLLATERAL SECURITY. To secure the performance by Borrower and the Guarantors of their respective obligations hereunder, and under the Notes, the Guaranties and Security Instruments, whether now or hereafter incurred, matured or unmatured, direct or contingent, joint or several, or joint and several, including extensions, modifications, renewals and increases thereof, and substitutions therefore, Borrower and each Guarantor shall grant and assign to Administrative Agent for the ratable benefit of the Lenders a first and prior Lien on certain of its Oil and Gas Properties, certain related equipment, oil and gas inventory, stock and membership interest in Borrower's subsidiaries, and proceeds of the foregoing. The Oil and Gas Properties herewith or hereafter mortgaged to the Administrative Agent shall represent not less than 80% of the Engineered Value (as hereinafter defined) of Borrower's and Guarantors' Oil and Gas Properties as of the Effective Date. All Rate Management Agreements shall be secured by the Collateral and repaid on a pari passu basis with the indebtedness and obligations of the Borrower and the Guarantors under the Loan Documents. All Oil and Gas Properties and other collateral in which Borrower and the Guarantors herewith grant or hereafter grants to Administrative Agent for the ratable benefit of the Lenders a first and prior Lien (to the satisfaction of the Administrative Agent) in accordance with this Section 6, as such properties and interests are from time to time constituted, are hereinafter collectively called the "Collateral".

The granting and assigning of such security interests and Liens by Borrower and the Guarantors shall be pursuant to Security Instruments in form and substance reasonably satisfactory to the Administrative Agent. Concurrently with the delivery of each of the Security Instruments or within a reasonable time thereafter, Borrower and the Guarantors shall furnish to the Administrative Agent mortgage and title opinions and other title information satisfactory to Administrative Agent with respect to the title and Lien status of Borrower's and Guarantors' interests in not less than 80% of the Engineered Value of the Oil and Gas Properties covered by the Security Instruments as Administrative Agent shall have designated. "Engineered Value" for this purpose shall mean future net revenues discounted at the discount rate being used by the Administrative Agent as of the date of any such determination utilizing the pricing parameters used in the engineering report furnished to the Administrative Agent for the ratable benefit of the Lenders, pursuant to Sections 7 and 12 hereof. Borrower and the Guarantors will cause to be executed and delivered to the Administrative Agent, in the future, additional Security Instruments if the Administrative Agent reasonably deems such are necessary to insure perfection or maintenance of Lenders' security interests and Liens in the Oil and Gas Properties or any part thereof.

1. BORROWING BASE.

(a) INITIAL BORROWING BASE AND MONTHLY COMMITMENT REDUCTION. At the Effective Date, the Borrowing Base shall be \$195,000,000 and the Monthly Commitment Reduction shall be \$1,000,000 per month beginning December 1, 1999.

(a) SUBSEQUENT DETERMINATIONS OF BORROWING BASE. Subsequent determinations of the Borrowing Base shall be made by the Lenders at least semi-annually on April 1 and October 1 of each year beginning April 1, 2000 or as Unscheduled Redeterminations. The Borrower shall furnish to the Lenders as soon as possible but in any event no later than March 1 of each year, beginning March 1, 2000, with (i) an engineering report in form and substance satisfactory to the Administrative Agent prepared by Wright & Company or another independent petroleum engineering firm acceptable to Administrative Agent covering at least 80% of the Oil and Gas Properties and (ii) an engineering report in form and substance acceptable to Administrative Agent prepared by Borrower's in-house engineering staff covering the remaining 20% of the Oil and Gas Properties, both of said engineering reports to utilize economic and pricing parameters used by Administrative Agent as established from time to time, together with such other information concerning the value of the Oil and Gas Properties as the Administrative Agent shall deem necessary to determine the value of the Oil and Gas Properties. Each such engineering report required to be furnished by March 1 of each year shall be dated as of December 31 of the preceding year. By September 1 of each year, or within thirty (30) days after either (i) receipt of notice from Administrative Agent that the Lenders require an Unscheduled Redetermination, or (ii) the Borrower gives notice to Administrative Agent of its desire to have an Unscheduled Redetermination performed, the Borrower shall furnish to the Lenders an engineering report in form and substance satisfactory to Administrative Agent prepared by Borrower's in-house engineering staff valuing all of the Oil and Gas Properties utilizing economic and pricing parameters used by the Administrative Agent as established from time to time, together with such other information, reports and data concerning the value of the Oil and Gas Properties as Administrative Agent shall deem reasonably necessary to determine the value of such Oil and Gas Properties. Each such engineering report required to be furnished by September 1 of each year, shall be dated as of the preceding June 30. Administrative Agent shall by notice to the Borrower no later than April 1 and October 1 of each year, or within a reasonable time thereafter (herein called the "Determination Date"), notify the Borrower of the designation by the Lenders of the new Borrowing Base for the period beginning on such Determination Date and continuing until, but not including, the next Determination Date. If an Unscheduled Redetermination is made by the Lenders, the Administrative Agent shall notify the Borrower within a reasonable time after receipt of all requested information of the new Borrowing Base, and such new Borrowing Base shall continue until the next Determination Date. If the Borrower does not furnish all such information, reports and data by any date specified in this Section 7(b), unless such failure is of no fault of the Borrower, the Lenders may nonetheless designate the Borrowing Base at such amount which the Lenders in their discretion determine and may redesignate the Borrowing Base from time to time thereafter until the Lenders receive all such information, reports and data, whereupon the Lenders shall designate a new Borrowing Base as described above. The procedure for determining the Borrowing Base at each redetermination shall be that the Agents shall determine the Borrowing Base and submit the same to the Lenders. If, at any time, the Agents cannot otherwise agree upon the Borrowing Base to be recommended, the Borrowing Base to be recommended by the Agents shall be determined based upon the weighted arithmetic average of the amounts proposed by each Agent. Said proposals to be weighted according to each Agent's Commitment. Increases in the Borrowing Base will require approval of all Lenders, but all other changes to the Borrowing Base will be subject to approval by Required Lenders; provided, however, that notwithstanding the foregoing, the Borrowing Base to be redetermined as of April 1, 2000 shall

require the approval of all Lenders. If any redetermined Borrowing Base is not approved by the required percentage of Lenders within twenty (20) days after it is submitted to the Lenders by the Agents, the Administrative Agent shall notify each of the Lenders that the proposed Borrowing Base has not been approved and each Lender will submit within ten (10) days thereafter its proposed Borrowing Base. The redetermined Borrowing Base shall be then determined based upon the weighted arithmetic average of the proposed amounts submitted by each Lender, said proposals to be weighted according to each Lender's Commitment. Each Lender shall determine the amount of its proposed Borrowing Base based upon the loan collateral value which such Lender in its discretion (using such methodology, assumptions and discounts rates as such Lender customarily uses in assigning collateral value to oil and gas properties, oil and gas gathering systems, gas processing and plant operations) assigns to such Oil and Gas Properties of the Borrower at the time in question and based upon such other credit factors consistently applied (including, without limitation, the assets, liabilities, cash flow, business, properties, prospects, management and ownership of the Borrower and its affiliates) as such Lender customarily considers in evaluating similar oil and gas credits, but such Lender in its discretion shall not be required to give any additional positive value to any Oil and Gas Property over the current economic and pricing parameters used by such Lender for such Determination Date which additional value is derived directly from a hedging, forward sale or swap agreement covering such Oil and Gas Property as of the date of such determination. If at any time any of the Oil and Gas Properties are sold, the Borrowing Base then in effect shall automatically be reduced by a sum equal to the amount of prepayment required to be made pursuant to Section 12(r) hereof. The Borrowing Base shall be additionally reduced from time to time pursuant to the provisions of Section 2(e) hereof. It is expressly understood that the Lenders have no obligation to designate the Borrowing Base at any particular amount, except in the exercise of their discretion, whether in relation to the Commitment or otherwise. Provided, however, that the Lenders shall not have the obligation to designate a Borrowing Base in an amount in excess of the Commitment.

#### 1. FEES.

(a) UNUSED COMMITMENT FEE. The Borrower shall pay to Administrative Agent for the ratable benefit of the Lenders an unused commitment fee (the "Unused Commitment Fee") equivalent to the Unused Commitment Fee Rate times the daily average of the unadvanced amount of the Commitment. Such Unused Commitment Fee shall be calculated on the basis of a year consisting of 360 days. The Unused Commitment Fee shall be payable in arrears on the last Business Day of each calendar quarter beginning December 31, 1999 with the final fee payment due on the Maturity Date for any period then ending for which the Unused Commitment Fee shall not have been theretofore paid. In the event the Commitment terminates on any date prior to the end of any such monthly period, the Borrower shall pay to the Administrative Agent for the ratable benefit of the Lenders, on the date of such termination, the total Unused Commitment Fee due for the period in which such termination occurs.

(a) THE LETTER OF CREDIT FEE. Borrower shall pay to the Administrative Agent the Letter of Credit fees required above in Section 2(d).

a) AGENCY FEES. The Borrower shall pay to the Administrative Agent certain fees for acting as Administrative Agent hereunder in amounts to be negotiated between the Borrower and the Administrative Agent.

1. PREPAYMENTS.

(a) VOLUNTARY PREPAYMENTS. Subject to the provisions of Section 5(g) hereof, the Borrower may at any time and from time to time, without penalty or premium, prepay the Notes, in whole or in part. Each such prepayment shall be made on at least three (3) Business Days' notice to Administrative Agent in the case of Eurodollar Loans and not later than 11:00 a.m., Dallas, Texas time, in the case of Base Rate Loans and shall be in a minimum amount of (i) \$500,000 or any whole multiples of \$100,000 in excess thereof (or the unpaid balance of the Notes, whichever is less), for Base Rate Loans, and (ii) \$1,000,000 or any whole multiple of \$100,000 in excess thereof (or the unpaid balance of the Notes, whichever is less), on Eurodollars Loans, plus accrued interest thereon to the date of prepayment.

(a) MANDATORY PREPAYMENTS.

(i) BORROWING BASE DEFICIENCY. In the event the Total Outstandings ever exceed the Borrowing Base as determined by Lenders pursuant to Section 7(b) hereof, the Borrower shall either (A) within ninety (90) days after notification from the Administrative Agent, by instruments reasonably satisfactory in form and substance to the Lender, provide the Administrative Agent with collateral with value and quality in amounts satisfactory to all of the Lenders in their discretion in order to increase the Borrowing Base by an amount at least equal to such excess, or (B) prepay, without premium or penalty, the principal amount of the Notes in an amount, of 50% of such excess plus accrued interest thereon to the date of prepayment within ninety (90) days after such notification, and the remaining amount of such excess plus accrued interest thereon within one hundred eighty (180) days after such notification. If the Total Outstandings ever exceed the Commitment as a result of a Monthly Commitment Reduction or any other required reduction in the Commitment, then in such event, Borrower shall immediately prepay the principal amount of the Notes in an amount at least equal to such excess plus accrued interest to the date of prepayment.

(ii) SALE OF ASSETS AND/OR EQUITY. The prepayments required to be made pursuant to the provisions of Sections 12(r) and 12(w) hereof.

1. REPRESENTATIONS AND WARRANTIES. In order to induce the Lenders to enter into this Agreement, the Borrower hereby represents and warrants to the Lenders (which representations and warranties will survive the delivery of the Notes) that:

(a) CREATION AND EXISTENCE. Borrower and Oceana Exploration Company, L.C. are both limited liability companies duly organized, validly existing and in good standing under the laws of the jurisdiction in which they were formed and are duly qualified in all jurisdictions

wherein failure to qualify may result in a Material Adverse Effect. Ohio Intrastate Gas Transmission Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was formed and is duly qualified in all jurisdictions wherein failure to qualify may result in a Material Adverse Effect. Borrower and each of its Subsidiaries has all power and authority to own their respective properties and assets and to transact the business in which they are engaged.

(a) POWER AND AUTHORITY. Borrower is duly authorized and empowered to create and issue the Notes; and Borrower and each of its Subsidiaries is duly authorized and empowered to execute, deliver and perform their respective Loan Documents, including this Agreement; and all action on Borrower's part requisite for the due creation and issuance of the Notes on Borrower's and each Subsidiary's part for the due execution, delivery and performance of their respective Loan Documents, including this Agreement, has been duly and effectively taken.

(a) BINDING OBLIGATIONS. This Agreement does, and the Notes and other Loan Documents upon their creation, issuance, execution and delivery will, constitute valid and binding obligations of Borrower, enforceable in accordance with their respective terms (except that enforcement may be subject to any applicable bankruptcy, insolvency, or similar debtor relief laws now or hereafter in effect and relating to or affecting the enforcement of creditors' rights generally). The Guaranties, upon their execution and delivery will constitute valid and binding obligations of the Guarantors, enforceable in accordance with their respective terms (except that enforcement may be subject to any applicable bankruptcy, insolvency, or similar debtor relief laws now or hereafter in effect and relating to or affecting the enforcement of creditors' rights generally).

(a) NO LEGAL BAR OR RESULTANT LIEN. The Notes and the Loan Documents, including this Agreement, do not and will not, to the best of the Borrower's knowledge violate any provisions of any contract, agreement, law, regulation, order, injunction, judgment, decree or writ to which Borrower or any Subsidiary is subject, or result in the creation or imposition of any lien or other encumbrance upon any assets or properties of Borrower or any Subsidiary, other than those contemplated by this Agreement.

(a) NO CONSENT. The execution, delivery and performance by Borrower of the Notes and the Loan Documents, including this Agreement, and the execution, delivery and performance by the Guarantors of their respective Guaranties, do not require the consent or approval of any other person or entity, including without limitation any regulatory authority or governmental body of the United States or any state thereof or any political subdivision of the United States or any state thereof except for consents required for federal, state and, in some instances, private leases, right of ways and other conveyances or encumbrances of oil and gas leases, which consents have been obtained by the Borrower or its Subsidiaries, as the case may be.

(a) FINANCIAL CONDITION. No change from the pro forma financial information furnished by Borrower to the Agents has occurred which is reasonably expected to have a Material Adverse Effect, except as disclosed to the Lenders in Schedule "2" attached hereto.

(a) LIABILITIES. Neither Borrower nor any Subsidiary has any material liability, direct or contingent, except as disclosed to the Lenders in the Financial Statements and on Schedule "3" attached hereto. No unusual or unduly burdensome restrictions, restraint, or hazard exists by contract, law or governmental regulation or otherwise relative to the business, assets or properties of Borrower or any Subsidiary which is reasonably expected to have a Material Adverse Effect.

(a) LITIGATION. Except as described in the Financial Statements, or as otherwise disclosed to the Lenders in Schedule "4" attached hereto, there is no litigation, legal or administrative proceeding, investigation or other action of any nature pending or, to the knowledge of the officers of Borrower threatened against or affecting Borrower or any Subsidiary which involves the possibility of any judgment or liability not fully covered by insurance, and which is reasonably expected to have a Material Adverse Effect.

(a) TITLES, ETC. Borrower and each Subsidiary has good and defensible title to their respective assets, including without limitation, the Oil and Gas Properties, free and clear of all liens or other encumbrances except Permitted Liens.

(a) DEFAULTS. Neither Borrower nor any Subsidiary is in default and no event or circumstance has occurred which, but for the passage of time or the giving of notice, or both, would constitute a default under any loan or credit agreement, indenture, mortgage, deed of trust, security agreement or other agreement or instrument to which Borrower or any Subsidiary is a party in any respect that would be reasonably expected to have a Material Adverse Effect. No Default or Event of Default hereunder has occurred and is continuing.

(a) CASUALTIES; TAKING OF PROPERTIES. Since the dates of the pro forma financial statements of the Borrower delivered to Lenders, neither the business nor the assets or properties of Borrower or any Subsidiary has been affected (to the extent it is reasonably likely to cause a Material Adverse Effect), 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 domestic or foreign government or any agency thereof, riot, activities of armed forces or acts of God or of any public enemy.

(a) USE OF PROCEEDS; MARGIN STOCK. The proceeds of the Commitment may be used by the Borrower for the purposes of (i) working capital, (ii) Letters of Credit, and (iii) general corporate purposes. Borrower is not engaged principally or as one of its important activities in the business of extending credit for the purpose of purchasing or carrying any "margin stock " as defined in Regulation U of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 221), 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 said Regulation U.

Neither Borrower, any Subsidiary nor any other Person or entity acting on behalf of Borrower or any Subsidiary has taken or will take any action which might cause the loans hereunder or any of the Loan Documents, including this Agreement, to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to

violate the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereafter be in effect.

(a) LOCATION OF BUSINESS AND OFFICES. The principal place of business and chief executive offices of the Borrower is located at the address stated in Section 17 hereof. The principal place of business and chief executive office of each of the Subsidiaries is located at the addresses shown on Schedule "5" hereto.

(a) COMPLIANCE WITH THE LAW. To the best of Borrower's knowledge, neither Borrower or any Subsidiary:

(i) is in violation of any law, judgment, decree, order, ordinance, or governmental rule or regulation to which Borrower, or any of its assets or properties are subject; or

(i) has failed to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of any of its assets or properties or the conduct of its business;

which violation or failure is reasonably expected to have a Material Adverse Effect.

(a) NO MATERIAL MISSTATEMENTS. No information, exhibit or report furnished by Borrower to the Lenders in connection with the negotiation of this Agreement or in the preparation of the offering memo contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statement contained therein not materially misleading.

(a) NOT A UTILITY. Borrower is not an entity engaged in the State of Texas in the (i) generation, transmission, or distribution and sale of electric power; (ii) transportation, distribution and sale through a local distribution system of natural or other gas for domestic, commercial, industrial, or other use; (iii) provision of telephone or telegraph service to others; (iv) production, transmission, or distribution and sale of steam or water; (v) operation of a railroad; or (vii) provision of sewer service to others.

(a) ERISA. Borrower and each Subsidiary is in compliance in all material respects with the applicable provisions of ERISA, and no "reportable event", as such term is defined in Section 403 of ERISA, has occurred with respect to any Plan of Borrower or any Subsidiary.

(a) PUBLIC UTILITY HOLDING COMPANY ACT. Borrower is not a "holding company", or "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" subject to the registration requirements of the Public Utility Holding Company Act of 1935, as amended.

(a) SUBSIDIARIES. Ohio Intrastate Gas Transmission Company and Oceana Exploration Company, L.C. are the only Subsidiaries of Borrower as of the Effective Date. Borrower is owned by the parties shown on Schedule "6" hereto.



(a) ENVIRONMENTAL MATTERS. Except as disclosed on Schedule "7", neither Borrower nor any Subsidiary (i) has received notice or otherwise learned of any Environmental Liability which would be reasonably likely to individually or in the aggregate have a Material Adverse Effect arising in connection with (A) any non-compliance with or violation of the requirements of any Environmental Law or (B) the release or threatened release of any toxic or hazardous waste into the environment, (ii) has received notice of any threatened or actual liability in connection with the release or notice of any threatened release of any toxic or hazardous waste into the environment which would be reasonably likely to individually or in the aggregate have a Material Adverse Effect or (iii) has received notice or otherwise learned of any federal or state investigation evaluating whether any remedial action is needed to respond to a release or threatened release of any toxic or hazardous waste into the environment for which Borrower or any Subsidiary is or may be liable which may reasonably be expected to result in a Material Adverse Effect.

(a) LIENS. Except (i) as disclosed on Schedule "1" hereto and (ii) for Permitted Liens, the assets and properties of the Borrower and each Subsidiary are free and clear of all liens and encumbrances.

(a) YEAR 2000 COMPLIANCE. Borrower represents and warrants to Lenders that:

(i) It will use its best efforts to cause all devices, systems, machinery, information technology, computer software and hardware, and other date sensitive technology (jointly and severally the "Systems") necessary for Borrower and each Subsidiary to carry on its respective business as presently conducted and as contemplated to be conducted in the future to be Year 2000 Compliant within a period of time calculated to result in no material disruption of any of Borrower's or its Subsidiaries' business operations. For purposes of these provisions, "Year 2000 Compliant" means that such Systems are designed to be used prior to, during and after the Gregorian calendar year 2000 A.D. and will operate during each such time period without error relating to date data, specifically including any error relating to, or the product of, date data which represents or references different centuries or more than one century.

(i) Borrower and each Subsidiary has: (A) undertaken, or will undertake, an inventory, review, and assessment of all areas within its business and operations that could be adversely affected by the failure of Borrower or any Subsidiary to be Year 2000 Compliant on a timely basis; (B) developed, or will develop, a plan and time line for becoming Year 2000 Compliant on a timely basis; (C) to date, implemented, or will implement, that plan in accordance with that timetable in all material respects on a best-efforts basis.

(i) Borrower and each Subsidiary has either made, or will make, written inquiry of each of its vendors, and has obtained, or will obtain, in writing confirmations from all such persons, as to whether such persons have initiated programs to become Year 2000 Compliant and on the basis of such confirmations. Borrower reasonably believes that all such persons will be or become so compliant. For purposes hereof, "vendors" refers to those vendors of Borrower or any Subsidiary whose business failure would, with reasonable probability, result in a Material Adverse Effect.

(i) The fair market value of all Collateral pledged to Lenders to secure the Loan and the Notes and all of Borrower's obligations hereunder are not and shall not be less than currently anticipated or subject to deterioration in value because of the failure of such Collateral to be Year 2000 Compliant.

(a) INDEBTEDNESS. At the Effective Date, Borrower's Consolidated Total Debt does not exceed \$ 190,000,000, which includes indebtedness transferred to Borrower in connection with its organization.

(a) ASSETS. All assets, including, but not limited to the Collateral indicated in the Borrower's pro forma financial statement or other information furnished to the Administrative Agent and the Lenders are to be owned by Borrower and its Subsidiaries are, in fact, owned by Borrower or one of its Subsidiaries as of the Effective Date.

#### 1. CONDITIONS OF LENDING.

(a) The effectiveness of this Agreement, and the obligation to make the initial Advance or issue any initial Letter of Credit under the Commitment shall be subject to satisfaction of the following conditions precedent:

(i) EXECUTION AND DELIVERY. The Borrower has executed and delivered the Agreement, the Notes and other required Loan Documents, all in form and substance satisfactory to the Administrative Agent;

(i) LEGAL OPINION. The Administrative Agent shall have received from Borrower's and the Guarantors' legal counsel a favorable legal opinion in form and substance satisfactory to it (i) as to the matters set forth in Subsections 10(a), (b), (c), (d), (e) and (h) hereof, (ii) as to the matters required below in Sections 11(a)(vii) and (ii) as to such other matters as Administrative Agent or its counsel may reasonably request;

(i) RESOLUTIONS. The Administrative Agent shall have received appropriate certified resolutions of Borrower and each Guarantor;

(i) GOOD STANDING. The Administrative Agent shall have received evidence of existence and good standing for Borrower and each Guarantor;

(i) INCUMBENCY. The Administrative Agent shall have received a signed certificate of Borrower and each Guarantor, certifying the names of the officers of Borrower and each Guarantor authorized to sign loan documents on behalf of Borrower and each Guarantor, together with the true signatures of each such officer. The Administrative Agent may conclusively rely on such certificate until the Administrative Agent receives a further certificate of Borrower or any Guarantor canceling or amending the prior certificate and submitting signatures of the officers named in such further certificate;

(i) CORPORATE AND LIMITED LIABILITY COMPANY DOCUMENTS. The Administrative Agent shall have received copies of (i) the Certificates of Formation of Borrower and any limited liability company Subsidiary and all amendments thereto, certified by the Secretary of State of the State of its organization, and a copy of the Limited Liability Company Agreements of Borrower and any limited liability company Subsidiary and all amendments thereto, certified by one or more officers of Borrower as being true, correct and complete and (ii) Articles of Incorporation of any corporate Subsidiary and all amendments thereto, certified by the Secretary of State of the State of its organization, and a copy of the Bylaws of such Subsidiaries, and all amendments thereto, certified by one or more officers of such Subsidiary as being true, correct and complete;

(i) COMPLETION OF ALL MERGERS, ETC. The Administrative Agent shall have received an opinion of counsel from Borrower's counsel to the effect that all mergers and transfers entered into or in connection with the formation of Borrower and the acquisition by the Borrower of all of the equity ownership of the Subsidiaries have been completed, are in compliance with, and not in violation of, all applicable laws, regulations and agreements and are binding on all of the parties thereto.

(i) ASSETS OF BORROWER. The Administrative Agent shall have received satisfactory evidence that all the assets that are purported to be owned by the Borrower and its Subsidiaries pursuant to pro forma financial statements and other information delivered to the Lenders are in fact owned by Borrower and its Subsidiaries.

(i) MORTGAGE AND TITLE. The Administrative Agent shall have received executed mortgages and other collateral documents satisfactory to it covering at least 50% of the Oil and Gas Properties required to be mortgaged pursuant to Section 6 hereof with the remaining 50% of the required mortgages to be executed and delivered within sixty (60) days thereafter. In addition, the Administrative Agent and its counsel shall have satisfactorily completed title review covering 50% of the PW10 of such mortgaged Oil and Gas Properties with the remaining 50% to be completed within sixty (60) days thereafter;

(i) ENVIRONMENTAL REPORT. The Administrative Agent shall have received a copy of the Borrower's environmental report showing any and all material environmental matters and concerns relating to the Borrower and/or any of its assets, including all assets merged into or transferred to the Borrower in connection with the formation of the Borrower, said report to be in form and substance satisfactory to the Administrative Agent;

(i) REPRESENTATION AND WARRANTIES. The representations and warranties of Borrower under this Agreement are true and correct in all material respects as of such date, as if then made (except to the extent that such representations and warranties related solely to an earlier date);

(i) NO EVENT OF DEFAULT. No Event of Default shall have occurred and be continuing nor shall any event have occurred or failed to occur which, with the passage of time or service of notice, or both, would constitute an Event of Default;

(i) OTHER DOCUMENTS. Administrative Agent shall have received such other instruments and documents incidental and appropriate to the transaction provided for herein as Administrative Agent or its counsel may reasonably request, and all such documents shall be in form and substance reasonably satisfactory to the Administrative Agent; and

(i) LEGAL MATTERS SATISFACTORY. All legal matters incident to the consummation of the transactions contemplated hereby shall be reasonably satisfactory to special counsel for Administrative Agent retained at the expense of the Borrower.

(a) The obligation of the Lenders to make any Advance or issue any Letter of Credit under the Commitment (including the initial Advance) shall be subject to the following additional conditions precedent that, at the date of making each such Advance and after giving effect thereto:

(i) REPRESENTATION AND WARRANTIES. The representations and warranties of Borrower under this Agreement are true and correct in all material respects as of such date, as if then made (except to the extent that such representations and warranties related solely to an earlier date);

(i) NO EVENT OF DEFAULT. No Event of Default shall have occurred and be continuing nor shall any event have occurred or failed to occur which, with the passage of time or service of notice, or both, would constitute an Event of Default;

(i) OTHER DOCUMENTS. Administrative Agent shall have received such other instruments and documents incidental and appropriate to the transaction provided for herein as Administrative Agent or its counsel may reasonably request, and all such documents shall be in form and substance reasonably satisfactory to the Administrative Agent; and

(i) LEGAL MATTERS SATISFACTORY. All legal matters incident to the consummation of the transactions contemplated hereby shall be reasonably satisfactory to special counsel for Administrative Agent retained at the expense of Borrower.

1. AFFIRMATIVE COVENANTS. A deviation from the provisions of this Section 12 shall not constitute an Event of Default under this Agreement if such deviation is consented to in writing by Majority Lenders prior to the date of deviation. The Borrower will at all times comply with the covenants contained in this Section 12 from the date hereof and for so long as the Commitments are in existence or any amount is owed to the Administrative Agent or the Lenders under this Agreement or the other Loan Documents.

(a) FINANCIAL STATEMENTS AND REPORTS. Borrower shall promptly furnish to the Administrative Agent from time to time upon request such information regarding the business and affairs and financial condition of Borrower, as the Administrative Agent may reasonably request, and will furnish to the Administrative Agent:

(i) ANNUAL AUDITED FINANCIAL STATEMENTS. As soon as available, and in any event within ninety (90) days after the close of each fiscal year beginning with the fiscal year ended

December 31, 1999, the annual audited consolidated and consolidating Financial Statements of Borrower, prepared in accordance with GAAP accompanied by an unqualified opinion rendered by an independent accounting firm reasonably acceptable to the Administrative Agent;

(i) QUARTERLY FINANCIAL STATEMENTS. As soon as available, and in any event within forty-five (45) days after the end of each fiscal quarter of each year, beginning with the fiscal quarter ended March 31, 2000, the quarterly unaudited, consolidated and consolidating Financial Statements of Borrower prepared in accordance with GAAP;

(i) REPORT ON PROPERTIES. As soon as available and in any event on or before March 1 and September 1 of each calendar year, and at such other times as any Lender, in accordance with Section 7 hereof, may request, the engineering reports required to be furnished to the Administrative Agent under such Section 7 on the Oil and Gas Properties;

(i) ADDITIONAL INFORMATION. Promptly upon request of the Administrative Agent from time to time any additional financial information or other information that the Administrative Agent may reasonably request.

All such reports, information, balance sheets and Financial Statements referred to in Subsection 12(a) above shall be in such detail as the Administrative Agent may reasonably request and shall be prepared in a manner consistent with the Financial Statements.

(a) CERTIFICATES OF COMPLIANCE. Concurrently with the furnishing of the annual audited Financial Statements pursuant to Subsection 12(a)(i) hereof and the quarterly unaudited Financial Statements pursuant to Subsection 12(a)(ii) hereof for the months coinciding with the end of each calendar quarter, Borrower will furnish or cause to be furnished to the Administrative Agent a certificate in the form of Exhibit "D" attached hereto, signed by the President, Chief Financial Officer, Treasurer or Controller of Borrower, (i) stating that Borrower has fulfilled in all material respects its obligations under the Notes and the Loan Documents, including this Agreement, and that all representations and warranties made herein and therein continue (except to the extent they relate solely to an earlier date) to be true and correct in all material respects (or specifying the nature of any change), or if a Default has occurred, specifying the Default and the nature and status thereof; (ii) to the extent requested from time to time by the Administrative Agent, specifically affirming compliance of Borrower in all material respects with any of its representations (except to the extent they relate solely to an earlier date) or obligations under said instruments; (iii) setting forth the computation, in reasonable detail as of the end of each period covered by such certificate, of compliance with Sections 13(b) and (c); and (iv) containing or accompanied by such financial or other details, information and material as the Administrative Agent may reasonably request to evidence such compliance.

(a) ACCOUNTANTS' CERTIFICATE. Concurrently with the furnishing of the annual audited Financial Statement pursuant to Section 12(a)(i) hereof, Borrower will furnish a statement from the firm of independent public accountants which prepared such Financial Statement to the effect that nothing has come to their attention to cause them to believe that there existed on the date of

such statements any Event of Default and specifically calculating Borrower's compliance with Sections 13(b) and (c) of this Agreement.

(a) TAXES AND OTHER LIENS. The Borrower will pay and discharge, and will cause each Subsidiary to pay and discharge, promptly all taxes, assessments and governmental charges or levies imposed upon the Borrower or any Subsidiary, or upon the income or any assets or property of Borrower or any Subsidiary, as well as all claims of any kind (including claims for labor, materials, supplies and rent) which, if unpaid, might become a Lien or other encumbrance upon any or all of the assets or property of Borrower or any Subsidiary and which could reasonably be expected to result in a Material Adverse Effect; provided, however, that neither Borrower nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted, levy and execution thereon have been stayed and continue to be stayed and if Borrower or such Subsidiary shall have set up adequate reserves therefor, if required, under GAAP.

(a) COMPLIANCE WITH LAWS. Borrower will observe and comply, and will cause each of its Subsidiaries to observe and comply, in all material respects, with all applicable laws, statutes, codes, acts, ordinances, orders, judgments, decrees, injunctions, rules, regulations, orders and restrictions relating to environmental standards or controls or to energy regulations of all federal, state, county, municipal and other governments, departments, commissions, boards, agencies, courts, authorities, officials and officers, domestic or foreign.

(a) FURTHER ASSURANCES. The Borrower will cure promptly any defects in the creation and issuance of the Notes and the execution and delivery of the Notes and the Loan Documents, including this Agreement. The Borrower will cause the Guarantors to promptly cure any defects in the issuance of the Guaranties. The Borrower at its sole expense will promptly execute and deliver, and will cause its Subsidiaries to execute and deliver, to Administrative Agent upon its reasonable request all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements in this Agreement, or to correct any omissions in the Notes or more fully to state the obligations set out herein. The Borrower shall cause each existing Subsidiary and each new Subsidiary to execute and deliver Guaranties to Administrative Agent. The Borrower shall and shall cause each of its Subsidiaries to pledge to Administrative Agent, for the ratable benefit of the Lenders, as security for the obligations under the Loan Documents, any interest in a Subsidiary.

(a) PERFORMANCE OF OBLIGATIONS. The Borrower will pay the Notes and other obligations incurred by it hereunder according to the reading, tenor and effect thereof and hereof; and Borrower will, and will cause each of its Subsidiaries to, do and perform every act and discharge all of the obligations provided to be performed and discharged by the Borrower under the Loan Documents, including this Agreement, at the time or times and in the manner specified.

(a) INSURANCE. The Borrower and each Subsidiary will have in force as of the Effective Date and will continue to maintain insurance with financially sound and reputable insurers with respect to its assets against such liabilities, fires, casualties, risks and contingencies and in such

types and amounts as is customary in the case of persons engaged in the same or similar businesses and similarly situated. Upon request of the Administrative Agent, the Borrower will furnish or cause to be furnished to the Administrative Agent from time to time a summary of the insurance coverage of Borrower and each Subsidiary in form and substance satisfactory to the Administrative Agent, and, if requested, will furnish the Administrative Agent copies of the applicable policies. Upon demand by Administrative Agent any insurance policies covering any such property shall be endorsed (i) to provide that such policies may not be canceled, reduced or affected in any manner for any reason without fifteen (15) days prior notice to Administrative Agent, (ii) to provide for insurance against fire, casualty and other hazards normally insured against, in the amount of the full value (less a reasonable deductible not to exceed amounts customary in the industry for similarly situated business and properties) of the property insured, and (iii) to provide for such other matters as the Administrative Agent may reasonably require. The Borrower shall at all times maintain, and shall cause each Subsidiary to maintain, adequate insurance with respect to all of its assets, including but not limited to, the Oil and Gas Properties or any collateral against its liability for injury to persons or property, which insurance shall be by financially sound and reputable insurers and shall without limitation provide the following coverages: comprehensive general liability (including coverage for damage to underground resources and equipment, damage caused by blowouts or cratering, damage caused by explosion, damage to underground minerals or resources caused by saline substances, broad form property damage coverage, broad form coverage for contractually assumed liabilities and broad form coverage for acts of independent contractors), worker's compensation and automobile liability. The Borrower shall at all times maintain, and shall cause each Subsidiary owning Oil and Gas Properties, to maintain cost of control of well insurance with respect to the Oil and Gas Properties which shall insure the Borrower and such Subsidiary against seepage and pollution expense; redrilling expense; and cost of control of well; fires, blowouts, etc., if deemed economical in the reasonable discretion of the Borrower and such Subsidiary. Additionally, the Borrower shall at all times maintain, and cause its Subsidiaries to maintain, adequate insurance with respect to all of its other assets and wells in accordance with prudent business practices.

(a) ACCOUNTS AND RECORDS. Borrower will keep books, records and accounts and will cause each Subsidiary to keep books, records and accounts, in which full, true and correct entries will be made of all dealings or transactions in relation to its business and activities, prepared in a manner consistent with prior years, subject to changes suggested by Borrower's or any Subsidiary's auditors.

(a) RIGHT OF INSPECTION. Borrower will permit, and will cause each Subsidiary to permit, any officer, employee or agent of the Lenders to examine Borrower's or any Subsidiary's books, records and accounts, and take copies and extracts therefrom, all at such reasonable times during normal business hours and as often as the Lenders may reasonably request. The Lenders will use best efforts to keep all Confidential Information (as herein defined) confidential and will not disclose or reveal the Confidential Information or any part thereof other than (i) as required by law, and (ii) to the Lenders', and the Lenders' subsidiaries', Affiliates, officers, employees, legal counsel and regulatory authorities or advisors to whom it is necessary to reveal such information for the purpose of effectuating the agreements and undertakings specified herein or as otherwise required in connection with the enforcement of the Lenders' and the Administrative Agent's rights

and remedies under the Notes, this Agreement and the other Loan Documents. As used herein, "Confidential Information" means information about the Borrower or any Subsidiary furnished by the Borrower or any Subsidiary to the Lenders, but does not include information (i) which was publicly known, or otherwise known to the Lenders (except not in violation of any confidentiality agreement), at the time of the disclosure, (ii) which subsequently becomes publicly known through no act or omission by the Lenders (except not in violation of any confidentiality agreement), or (iii) which otherwise becomes known to the Lenders, other than through disclosure by the Borrower.

(a) NOTICE OF CERTAIN EVENTS. The Borrower shall, and shall cause each Subsidiary to, promptly notify the Administrative Agent if Borrower or any Subsidiary learns of the occurrence of (i) any event which constitutes an Event of Default together with a detailed statement by Borrower of the steps being taken to cure such Event of Default; (ii) any legal, judicial or regulatory proceedings affecting Borrower or any Subsidiary, or any of the assets or properties of Borrower or any Subsidiary which, if adversely determined, could reasonably be expected to have a Material Adverse Effect; (iii) any dispute between Borrower, any Subsidiary and any governmental or regulatory body or any other Person or entity which, if adversely determined, might reasonably be expected to cause a Material Adverse Effect; (iv) any other matter which in Borrower's reasonable opinion could have a Material Adverse Effect.

(a) ERISA INFORMATION AND COMPLIANCE. The Borrower will, and will cause each Subsidiary to, promptly furnish to the Administrative Agent immediately upon becoming aware of the occurrence of any "reportable event", as such term is defined in Section 4043 of ERISA, or of any "prohibited transaction", as such term is defined in Section 4975 of the Internal Revenue Code of 1954, as amended, in connection with any Plan or any trust created thereunder, a written notice signed by the chief financial officer of Borrower or such Subsidiary specifying the nature thereof, what action Borrower or any such Subsidiary is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with respect thereto.

(a) ENVIRONMENTAL REPORTS AND NOTICES. The Borrower will, and will cause each Subsidiary to, deliver to the Administrative Agent (i) promptly upon its becoming available, one copy of each report sent by Borrower or any Subsidiary to any court, governmental agency or instrumentality pursuant to any Environmental Law, (ii) notice, in writing, promptly upon Borrower's or any Subsidiary's receipt of notice or otherwise learning of any claim, demand, action, event, condition, report or investigation indicating any potential or actual liability arising in connection with (x) the non-compliance with or violation of the requirements of any Environmental Law which reasonably could be expected to have a Material Adverse Effect; (y) the release or threatened release of any toxic or hazardous waste into the environment which reasonably could be expected to have a Material Adverse Effect or which release Borrower or any Subsidiary would have a duty to report to any court or government agency or instrumentality, or (iii) the existence of any Environmental Lien on any properties or assets of Borrower or any Subsidiary, and Borrower shall immediately deliver, and shall cause any such Subsidiary to immediately deliver, a copy of any such notice to Administrative Agent.



(a) COMPLIANCE AND MAINTENANCE. The Borrower will, and will cause each Subsidiary to, (i) observe and comply in all material respects with all Environmental Laws; (ii) except as provided in Subsections 12(o) and 12(p) below, maintain the Oil and Gas Properties and other assets and properties in good and workable condition at all times and make all repairs, replacements, additions, betterments and improvements to the Oil and Gas Properties and other assets and properties as are needed and proper so that the business carried on in connection therewith may be conducted properly and efficiently at all times in the opinion of the Borrower or any Subsidiary exercised in good faith; (iii) take or cause to be taken whatever actions are necessary or desirable to prevent an event or condition of default by Borrower or any Subsidiary under the provisions of any gas purchase or sales contract or any other contract, agreement or lease comprising a part of the Oil and Gas Properties or other collateral security hereunder which default could reasonably be expected to result in a Material Adverse Effect; and (iv) furnish Administrative Agent upon request evidence satisfactory to Administrative Agent that there are no Liens, claims or encumbrances on the Oil and Gas Properties, except laborers', vendors', repairmen's, mechanics', worker's, or materialmen's liens arising by operation of law or incident to the construction or improvement of property if the obligations secured thereby are not yet due or are being contested in good faith by appropriate legal proceedings or Permitted Liens.

(a) OPERATION OF PROPERTIES. Except as provided in Subsection 12(p) and (q) below, the Borrower will and will cause each Subsidiary to, operate, or use reasonable efforts to cause to be operated, all Oil and Gas Properties in a careful and efficient manner in accordance with the practice of the industry and in compliance in all material respects with all applicable laws, rules, and regulations, and in compliance in all material respects with all applicable proration and conservation laws of the jurisdiction in which the properties are situated, and all applicable laws, rules, and regulations, of every other agency and authority from time to time constituted to regulate the development and operation of the properties and the production and sale of hydrocarbons and other minerals therefrom; provided, however, that the Borrower and any such Subsidiary shall have the right to contest in good faith by appropriate proceedings, the applicability or lawfulness of any such law, rule or regulation and pending such contest may defer compliance therewith, as long as such deferment shall not subject the properties or any part thereof to foreclosure or loss.

(a) COMPLIANCE WITH LEASES AND OTHER INSTRUMENTS. The Borrower will, and will cause each Subsidiary to, pay or cause to be paid and discharge all rentals, delay rentals, royalties, production payment, and indebtedness required to be paid by Borrower or any Subsidiary (or required to keep unimpaired in all material respects the rights of Borrower or any Subsidiary in the Oil and Gas Properties) accruing under, and perform or cause to be performed in all material respects each and every act, matter, or thing required of Borrower or any Subsidiary by each and all of the assignments, deeds, leases, subleases, contracts, and agreements in any way relating to Borrower or any Subsidiary or any of the Oil and Gas Properties and do all other things necessary of Borrower or any Subsidiary to keep unimpaired in all material respects the rights of Borrower or any Subsidiary thereunder and to prevent the forfeiture thereof or default thereunder; provided, however, that nothing in this Agreement shall be deemed to require Borrower or any Subsidiary to perpetuate or renew any oil and gas lease or other lease by payment of rental or delay rental or by commencement or continuation of operations nor to prevent Borrower or any Subsidiary from

abandoning or releasing any oil and gas lease or other lease or well thereon when, in any of such events, in the opinion of Borrower or any Subsidiary exercised in good faith, it is not in the best interest of the Borrower or such Subsidiary to perpetuate the same.

(a) CERTAIN ADDITIONAL ASSURANCES REGARDING MAINTENANCE AND OPERATIONS OF PROPERTIES. With respect to those Oil and Gas Properties which are being operated by operators other than the Borrower or its Subsidiaries, the Borrower or its Subsidiaries shall not be obligated to perform any undertakings contemplated by the covenants and agreement contained in Subsections 12(o) or 12(p) hereof which are performable only by such operators and are beyond the control of the Borrower or its Subsidiaries; however, the Borrower agrees to promptly take, and cause each Subsidiary to take, all reasonable actions available under any operating agreements or otherwise to bring about the performance of any such material undertakings required to be performed thereunder.

(a) SALE OF CERTAIN ASSETS/PREPAYMENT OF PROCEEDS. The Borrower or any Subsidiary will immediately pay over to the Administrative Agent for the ratable benefit of the Lenders as a prepayment of principal on the Notes, an amount equal to 100% of the "Release Price" received by Borrower or any Subsidiary from the sale of Borrowing Base Assets. The term "Release Price" as used herein shall mean the Borrowing Base value assigned to the Borrowing Base Assets sold as of the last Borrowing Base determination. Any such prepayment of principal on the Notes required by this Section 12(r), shall not be in lieu of, but shall be in addition to, any mandatory prepayment of principal required to be paid pursuant to Section 9(b) hereof.

(a) TITLE MATTERS. Within sixty (60) days after the Effective Date with respect to the Oil and Gas Properties the title to which were not examined prior to the Effective Date and to the Oil and Gas Properties referred to on Schedule "8" hereto, furnish, and cause its Subsidiaries to furnish, Administrative Agent with title opinions and/or title information reasonably satisfactory to Administrative Agent showing good and defensible title of Borrower or any Subsidiary to such Oil and Gas Properties subject only to the Permitted Liens. As to any Oil and Gas Properties hereafter mortgaged to Administrative Agent, Borrower will, and will cause each Subsidiary to, promptly (but in no event more than thirty (30) days following such mortgaging), furnish Administrative Agent with title opinions and/or title information reasonably satisfactory to Administrative Agent showing good and defensible title of Borrower or any such Subsidiary to such Oil and Gas Properties subject only to Permitted Liens.

(a) CURATIVE MATTERS. Within sixty (60) days after the Effective Date with respect to matters listed on Schedule "9" and, thereafter, within sixty (60) days after receipt by Borrower from Administrative Agent or its counsel of written notice of title defects the Administrative Agent reasonably requires to be cured, Borrower shall, and shall cause each Subsidiary to, either (i) provide such curative information, in form and substance satisfactory to Administrative Agent, or (ii) substitute Oil and Gas Properties of value and quality satisfactory to the Administrative Agent for all of Oil and Gas Properties for which such title curative was requested but upon which Borrower or any Subsidiary elected not to provide such title curative information, and, within sixty (60) days of such substitution, provide title opinions or title information satisfactory to the Administrative Agent covering the Oil and Gas Properties so substituted. If the Borrower or any

Subsidiary fails to satisfy (i) or (ii) above within the time specified, the loan collateral value assigned by the Lenders to the Oil and Gas Properties for which such curative information was requested shall be deducted from the Borrowing Base resulting in a reduction thereof.

(a) CHANGE OF PRINCIPAL PLACE OF BUSINESS. Borrower shall, and shall cause each Subsidiary to, give Administrative Agent at least thirty (30) days prior written notice of its intention to move its principal place of business from the address set forth in Section 17 hereof.

(a) YEAR 2000 COMPATIBILITY. Borrower covenants and agrees with Lenders that it will:

(i) Furnish such additional information, statements and other reports with respect to Borrower's and its Subsidiaries' activities, course of action and progress towards becoming Year 2000 Compliant as Lenders may reasonably request from time to time;

(i) In the event of any change in circumstances that causes or will likely cause any of Borrower's representations and warranties with respect to its being or becoming Year 2000 Compliant to no longer be true (hereinafter, referred to as a "Change in Circumstances") then Borrower shall promptly, and in any event within ten (10) days of receipt of information regarding a Change in Circumstances, provide Lenders with written notice (the "Notice") that describes in reasonable detail the Change in Circumstances and how such Change in Circumstances caused or will likely cause Borrower's representations and warranties with respect to being or becoming Year 2000 Compliant no longer to be true. Borrower shall, within ten (10) days of a request, also provide Lenders with any additional information Lenders reasonably request of Borrower in connection with the Notice and/or a Change in Circumstances.

(a) SALE OF EQUITY. The Borrower or any Subsidiary will immediately pay over to the Administrative Agent for the ratable benefit of the Lenders as a prepayment of principal on the Notes, an amount equal to 100% of the proceeds (net of direct costs of sale) received by Borrower or any Subsidiary from the sale of any equity interest in, or securities of, the Borrower or any such Subsidiary.

(a) SUBSIDIARY. Borrower will acquire all of the issued and outstanding voting securities of Gas Transport, Inc. within one-hundred and twenty (120) days of the Effective Date.

1. NEGATIVE COVENANTS. A deviation from the provisions of this Section 13 shall not constitute an Event of Default under this Agreement if such deviation is consented to in writing by Majority Lenders prior to the date of deviation. The Borrower will at all times comply with the covenants contained in this Section 13 from the date hereof and for so long as the Commitment is in existence or any amount is owed to the Administrative Agent or the Lenders under this Agreement or the other Loan Documents.

(a) NEGATIVE PLEDGE. Borrower shall not, and shall not allow its Subsidiaries to, without the prior written consent of the Lenders:

(i) create, incur, assume or permit to exist any Lien, security interest or other encumbrance on any of its assets or properties except Permitted Liens; or

(i) sell, lease, transfer or otherwise dispose of, in any fiscal year, any of its assets except for (A) sales, leases, transfers or other dispositions made in the ordinary course of Borrower's oil and gas businesses, (B) sales made with the consent of Majority Lenders which are made pursuant to, and in full compliance with, Section 12(r) hereof; and (C) sales, leases or transfers or other dispositions (including those referred to in Section 13(a)(ii)(B)) made by Borrower and its Subsidiaries which do not exceed \$10,000,000 in the aggregate during any fiscal year.

(a) CURRENT RATIO. Borrower shall not allow its ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 1.0 to 1.0 as of the end of any fiscal quarter.

(a) TOTAL DEBT TO EBITDAX. The Borrower will not allow its ratio of Consolidated Total Debt to Consolidated EBITDAX to be less than (i) 4.75 to 1.0 as of the end of the calendar quarters ended December 31, 1999, March 31, 2000 and June 30, 2000; (ii) 4.50 to 1.0 for the calendar quarter ended September 30, 2000; (iii) 4.25 to 1.0 for the calendar quarter ended December 31, 2000; and (iv) 4.0 to 1.0 as of the end of any calendar quarter thereafter beginning with the calendar quarter ending March 31, 2001. For each calendar quarter through June 30, 2000, EBITDAX will be annualized from October 1, 1999 through the end of the period being calculated. Thereafter, beginning September 30, 2000 the ratio shall be calculated on a trailing four-quarters basis.

(a) CONSOLIDATIONS AND MERGERS. Borrower will not, and will not allow any of its Subsidiaries to, consolidate or merge with or into any other Person, except that Borrower or any such Subsidiary may merge with another Person if Borrower or such Subsidiary is the surviving entity in a non-hostile merger and if, after giving effect thereto, no Default or Event of Default shall have occurred and be continuing.

(a) DEBTS, GUARANTIES AND OTHER OBLIGATIONS. Without the consent of Majority Lenders, Borrower will not, and will not allow any of its Subsidiaries to, incur, create, assume or in any manner become or be liable in respect of any indebtedness, nor will Borrower or any Subsidiary guarantee or otherwise in any manner become or be liable in respect of any indebtedness, liabilities or other obligations of any other person or entity, whether by agreement to purchase the indebtedness of any other person or entity or agreement for the furnishing of funds to any other person or entity through the purchase or lease of goods, supplies or services (or by way of stock purchase, capital contribution, advance or loan) for the purpose of paying or discharging the indebtedness of any other person or entity, or otherwise, except that the foregoing restrictions shall not apply to:

(i) the Notes and any renewal or increase thereof, or other indebtedness of the Borrower and any Subsidiary heretofore disclosed to Lenders in the Borrower's Financial Statements or on Schedule "4" hereto; or

i) taxes, assessments or other government charges which are not yet due or are being contested in good faith by appropriate action promptly initiated and diligently conducted, if such reserve as shall be required by GAAP shall have been made therefor and levy and execution thereon have been stayed and continue to be stayed; or

(i) indebtedness not exceeding in the aggregate outstanding at any time the sum of \$10,000,000; or

(i) any renewals or extensions of any of the foregoing.

(a) DISTRIBUTIONS OR DIVIDENDS. Borrower will not (i) declare or pay any cash distribution, or dividend; (ii) purchase, redeem or otherwise acquire for value any of its stock now or hereafter outstanding; (iii) return any capital to its stockholders, or (iv) make any distribution of its assets to its stockholders as such, except the foregoing shall not apply to cash distributions to its owners in amounts not exceeding such owners' income tax and franchise tax liability (calculated at the highest of such owner's actual tax rates) directly attributable to Borrower's income; provided, however, that immediately before and after giving effect thereto no (A) Default or Event of Default or (B) Borrowing Base deficiency or requirement to make any mandatory prepayment of principal pursuant to Section 9(b) hereof, shall exist.

(a) LOANS AND ADVANCES. Borrower shall not, and shall not allow any Subsidiary to, make or permit to remain outstanding any loans or advances to or in any person or entity, except that the foregoing restriction shall not apply to:

(i) loans or advances to any person, the material details of which have been set forth in the Financial Statements of the Borrower or any Subsidiary heretofore furnished to Lenders; or

(i) loans or advances not exceeding \$1,000,000 a year in the aggregate.

(a) SALE OR DISCOUNT OF RECEIVABLES. Borrower will not, nor will Borrower allow any of its Subsidiaries to, discount or sell with recourse, or sell for less than the greater of the face or market value thereof, any of its notes receivable or accounts receivable.

(a) NATURE OF BUSINESS. Borrower will not, nor will Borrower allow any of its Subsidiaries to, permit any material change to be made in the character of its business as carried on at the date hereof.

(a) TRANSACTIONS WITH AFFILIATES. Borrower will not, nor will Borrower allow any of its Subsidiaries to, enter into any transaction with any Affiliate, except transactions upon terms that are no less favorable to it than would be obtained in a transaction negotiated at arm's length with an unrelated third party.

(a) RATE MANAGEMENT TRANSACTIONS. Borrower will not, and will not permit any Subsidiary to, enter into any Rate Management Transaction, except the foregoing prohibitions

shall not apply to (x) non-speculative transactions consented to in writing by the Administrative Agent, or (y) Pre-Approved Contracts.

(a) INVESTMENTS. Borrower shall not make, nor will Borrower allow any of its Subsidiaries to make, any investments in any person or entity, except such restriction shall not apply to investments not exceeding \$3,000,000 in the aggregate per year for Borrower and all of its Subsidiaries.

(a) AMENDMENT TO CERTIFICATE OF FORMATION OR LIMITED LIABILITY COMPANY AGREEMENT. Without the consent of the Administrative Agent, Borrower will not permit any material amendment to, or any material alteration of, its Certificate of Formation or Limited Liability Company Agreement. Borrower will not allow any Subsidiary to make any material amendment or alteration to any of their Certificates of Formation, Articles of Incorporation, Limited Liability Company Agreements or Bylaws. Borrower shall provide a copy of any such amendment, whether the same requires consent or not pursuant to this Section 13(1), to the Administrative Agent as soon as reasonably possible after adoption thereof.

(a) PAYMENT OR PRE-PAYMENT OF OTHER INDEBTEDNESS. Except as otherwise provided for in this Agreement, Borrower shall not make, nor allow any of its Subsidiaries to make, any unscheduled principal payments or redeem any of its indebtedness (other than indebtedness owed the Lenders hereunder), or redeem any of its equity unless such payment, prepayment, redemption or purchase is approved by Majority Lenders.

(a) SALE OF INTERESTS IN SUBSIDIARIES. Other than as may be permitted under Section 13(d) hereof, Borrower will not sell or otherwise transfer any its ownership interests in any of its Subsidiaries.

(p) ACQUISITION OR FORMATION OF SUBSIDIARIES. Except for the acquisition of the voting securities of Gas Transport, Inc. by Borrower as required pursuant to the provisions of Section 12(x) hereof, Borrower will not, nor allow any of its Subsidiaries to, acquire or form any Subsidiary unless Administrative Agent shall have consented to such in writing and Borrower and such Subsidiary have complied with Section 12(f) hereof.

1. EVENTS OF DEFAULT. Any one or more of the following events shall be considered an "Event of Default" as that term is used herein:

(a) The Borrower shall fail to pay when due or declared due the principal of, and the interest on, the Notes, or any fee or any other indebtedness of the Borrower incurred pursuant to this Agreement or any other Loan Document; or

(a) Any representation or warranty made by Borrower under this Agreement, or in any certificate or statement furnished or made to the Lenders pursuant hereto, or in connection herewith, or in connection with any document furnished hereunder, shall prove to be untrue in any material respect as of the date on which such representation or warranty is made (or deemed made), or any representation, statement (including financial statements), certificate, report or

other data furnished or to be furnished or made by Borrower under any Loan Document, including this Agreement, proves to have been untrue in any material respect, as of the date as of which the facts therein set forth were stated or certified; or

(a) Default shall be made in the due observance or performance of any of the covenants or agreements of the Borrower or any Subsidiary contained in the Loan Documents, including this Agreement (excluding covenants contained in Section 12(m) or Section 13 of the Agreement for which there is no cure period), and such default shall continue for more than thirty (30) days; or

(a) Default shall be made in the due observance or performance of the covenants of Borrower contained in Section 12(m) or Section 13 of this Agreement; or

(a) Default shall be made in respect of any obligation for borrowed money, other than the Notes, for which Borrower or any of its Subsidiaries is liable (directly, by assumption, as guarantor or otherwise), or any obligations secured by any mortgage, pledge or other security interest, lien, charge or encumbrance with respect thereto, on any asset or property of Borrower or any of its Subsidiaries or in respect of any agreement relating to any such obligations unless Borrower or any of its Subsidiaries is not liable for same (i.e., unless remedies or recourse for failure to pay such obligations is limited to foreclosure of the collateral security therefor), and if such default shall continue beyond the applicable grace period, if any; or

(a) Borrower or any of its Subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking an appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action authorizing the foregoing; or

(a) An involuntary case or other proceeding, shall be commenced against Borrower or any of its Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days; or an order for relief shall be entered against Borrower or any of its Subsidiaries under the federal bankruptcy laws as now or hereinafter in effect; or

(a) A final judgment or order for the payment of money in excess of \$1,500,000 (or judgments or orders aggregating in excess of \$1,500,000) shall be rendered against Borrower or any of its Subsidiaries and such judgments or orders shall continue unsatisfied and unstayed for a period of thirty (30) days; or

(a) In the event the Total Outstandings shall at any time exceed the Borrowing Base established for the Notes, and the Borrower shall fail to comply with the provisions of Section 9(b) hereof; or

(a) A Change of Control shall occur; or

(a) An Event of Default shall have occurred under any agreement entered into in connection with a Rate Management Transaction.

Upon occurrence of any Event of Default specified in Subsections 14(f) and (g) hereof, the entire principal amount due under the Notes and all interest then accrued thereon, and any other liabilities of the Borrower hereunder, shall become immediately due and payable all without notice and without presentment, demand, protest, notice of protest or dishonor or any other notice of default of any kind, all of which are hereby expressly waived by the Borrower. In any other Event of Default, the Administrative Agent, upon request of Majority Lenders, shall by notice to the Borrower declare the principal of, and all interest then accrued on, the Notes and any other liabilities hereunder to be forthwith due and payable, whereupon the same shall forthwith become due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which the Borrower hereby expressly waives, anything contained herein or in the Notes to the contrary notwithstanding. Nothing contained in this Section 14 shall be construed to limit or amend in any way the Events of Default enumerated in the Notes, or any other document executed in connection with the transaction contemplated herein.

Upon the occurrence and during the continuance of any Event of Default, the Lenders are hereby authorized at any time and from time to time, without notice to the Borrower or any of its Subsidiaries, (any such notice being expressly waived by the Borrower), to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by any of the Lenders to or for the credit or the account of the Borrower or any of its Subsidiaries against any and all of the indebtedness of the Borrower or any Subsidiaries under the Notes and the Loan Documents, including this Agreement, irrespective of whether or not the Lenders shall have made any demand under the Loan Documents, including this Agreement or the Notes and although such indebtedness may be unmatured. Any amount set-off by any of the Lenders shall be applied against the indebtedness owed the Lenders by the Borrower pursuant to this Agreement and the Notes. The Lenders agree promptly to notify the Borrower and the affected Subsidiary after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Lenders may have.

#### 1. THE AGENTS AND THE LENDERS.

(a) APPOINTMENT AND AUTHORIZATION. Each Lender hereby appoints Administrative Agent as its nominee and Administrative Agent, in its name and on its behalf: (i) to act as nominee for and on behalf of such Lender in and under all Loan Documents; (ii) to arrange the means whereby the funds of Lenders are to be made available to the Borrower under the Loan



Documents; (iii) to take such action as may be requested by any Lender under the Loan Documents (when such Lender is entitled to make such request under the Loan Documents); (iv) to receive all documents and items to be furnished to Lenders under the Loan Documents; (v) to be the secured party, mortgagee, beneficiary, and similar party in respect of, and to receive, as the case may be, any collateral for the benefit of Lenders; (vi) to promptly distribute to each Lender all material information, requests, documents and items received from the Borrower under the Loan Documents; (vii) to promptly distribute to each Lender such Lender's Pro Rata Part of each payment or prepayment (whether voluntary, as proceeds of insurance thereon, or otherwise) in accordance with the terms of the Loan Documents and (viii) to deliver to the appropriate Persons requests, demands, approvals and consents received from Lenders. Each Lender hereby authorizes Administrative Agent to take all actions and to exercise such powers under the Loan Documents as are specifically delegated to Administrative Agent by the terms hereof or thereof, together with all other powers reasonably incidental thereto. With respect to its Commitments hereunder and the Notes issued to it, Administrative Agent and any successor Administrative Agent shall have the same rights under the Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Administrative Agent and any successor Administrative Agent in its capacity as a Lender. Administrative Agent and any successor Administrative Agent and its Affiliates may accept deposits from, lend money to, act as trustee under indentures of and generally engage in any kind of business with the Borrower and any person which may do business with the Borrower, all as if Administrative Agent and any successor Administrative Agent was not Administrative Agent hereunder and without any duty to account therefor to the Lenders; provided that, if any payments in respect of any property (or the proceeds thereof) now or hereafter in the possession or control of Administrative Agent which may be or become security for the obligations of the Borrower arising under the Loan Documents by reason of the general description of indebtedness secured or of property contained in any other agreements, documents or instruments related to any such other business shall be applied to reduction of the obligations of the Borrower arising under the Loan Documents, then each Lender shall be entitled to share in such application according to its pro rata part thereof. Each Lender, upon request of any other Lender, shall disclose to all other Lenders all indebtedness and liabilities, direct and contingent, of the Borrower to such Lender as of the time of such request.

(a) NOTE HOLDERS. From time to time as other Lenders become a party to this Agreement, Administrative Agent shall obtain execution by the Borrower of additional Notes in amounts representing the Commitment of each such new Lender, up to an aggregate face amount of all Notes not exceeding \$275,000,000. The obligation of such Lender shall be governed by the provisions of this Agreement, including but not limited to, the obligations specified in Section 2 hereof. From time to time, Administrative Agent may require that the Lenders exchange their Notes for newly issued Notes to better reflect the Commitments of the Lenders. Administrative Agent may treat the payee of any Note as the holder thereof until written notice of transfer has been filed with it, signed by such payee and in form satisfactory to Administrative Agent.

(a) CONSULTATION WITH COUNSEL. Lenders agree that Administrative Agent may consult with legal counsel selected by Administrative Agent and shall not be liable for any action taken or suffered in good faith by it in accordance with the advice of such counsel. LENDERS ACKNOWLEDGE

THAT GARDERE & WYNNE, L.L.P. IS COUNSEL FOR BANK ONE, BOTH AS ADMINISTRATIVE AGENT AND AS A LENDER, AND THAT SUCH FIRM DOES NOT REPRESENT ANY OF THE OTHER LENDERS IN CONNECTION WITH THIS TRANSACTION.

(a) DOCUMENTS. Administrative Agent shall not be under a duty to examine or pass upon the validity, effectiveness, enforceability, genuineness or value of any of the Loan Documents or any other instrument or document furnished pursuant thereto or in connection therewith, and Administrative Agent shall be entitled to assume that the same are valid, effective, enforceable and genuine and what they purport to be.

(a) RESIGNATION OR REMOVAL OF ADMINISTRATIVE AGENT. Subject to the appointment and acceptance of a successor Administrative Agent as provided below, Administrative Agent may resign at any time by giving written notice thereof to Lenders and the Borrower, and Administrative Agent may be removed at any time with or without cause by all Lenders (other than Administrative Agent). If no successor Administrative Agent has been so appointed by Majority Lenders (and approved by the Borrower) and has accepted such appointment within 30 days after the retiring Administrative Agent's giving of notice of resignation or removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of Lenders, appoint a successor Administrative Agent. Any successor Administrative Agent must be approved by Borrower, which approval will not be unreasonably withheld. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent, as the case may be, shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Section 15 shall continue in effect for its benefit in respect to any actions taken or omitted to be taken by it while it was acting as Administrative Agent. To be eligible to be an Administrative Agent hereunder the party serving, or to serve, in such capacity must own a Pro Rata Part of the Commitments equal to the level of Commitment required to be held by any Lender pursuant to Section 28 hereof.

(a) RESPONSIBILITY OF ADMINISTRATIVE AGENT. It is expressly understood and agreed that the obligations of Administrative Agent under the Loan Documents are only those expressly set forth in the Loan Documents as to each and that Administrative Agent, shall be entitled to assume that no Default or Event of Default has occurred and is continuing, unless Administrative Agent has actual knowledge of such fact or has received notice from a Lender or the Borrower that such Lender or the Borrower considers that a Default or an Event of Default has occurred and is continuing and specifying the nature thereof. Neither Administrative Agent nor any of its directors, officers, attorneys or employees shall be liable for any action taken or omitted to be taken by them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Administrative Agent shall not incur liability under or in respect of any of the Loan Documents by acting upon any notice, consent, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything which it may do or refrain from doing in the reasonable exercise of its judgment, or which may seem to it to be necessary or desirable.

Administrative Agent shall not be responsible to Lenders for any of the Borrower's recitals, statements, representations or warranties contained in any of the Loan Documents, or in any certificate or other document referred to or provided for in, or received by any Lender under, the Loan Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of or any of the Loan Documents or for any failure by the Borrower to perform any of its obligations hereunder or thereunder. Administrative Agent may employ agents and attorneys-in-fact and shall not be answerable, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

The relationship between Administrative Agent and each Lender is only that of Administrative Agent and principal and has no fiduciary aspects. Nothing in the Loan Documents or elsewhere shall be construed to impose on Administrative Agent any duties or responsibilities other than those for which express provision is therein made. In performing its duties and functions hereunder, Administrative Agent does not assume and shall not be deemed to have assumed, and hereby expressly disclaims, any obligation or responsibility toward or any relationship of agency or trust with or for the Borrower or any of its beneficiaries or other creditors. As to any matters not expressly provided for by the Loan Documents, Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of all Lenders and such instructions shall be binding upon all Lenders and all holders of the Notes; provided, however, that Administrative Agent shall not be required to take any action which is contrary to the Loan Documents or applicable law.

Administrative Agent shall have the right to exercise or refrain from exercising, without notice or liability to the Lenders, any and all rights afforded to Administrative Agent by the Loan Documents or which Administrative Agent may have as a matter of law; provided, however, Administrative Agent shall not (i) except as provided in Section 7(b) hereof, without the consent of Required Lenders designate the amount of the Borrowing Base (except for increase thereof) or (ii) without the consent of Majority Lenders, take any other action with regard to amending the Loan Documents, waiving any default under the Loan Documents or taking any other action with respect to the Loan Documents which requires consent of Majority Lenders. Provided further, however, that no amendment, waiver, or other action shall be effected pursuant to the preceding clause (ii) without the consent of all Lenders which: (i) would increase the Borrowing Base or decrease the Monthly Commitment Reduction, (ii) would reduce any fees hereunder, or the principal of, or the interest on, any Lender's Note or Notes, (iii) would postpone any date fixed for any payment of any fees hereunder, or any principal or interest of any Lender's Note or Notes, (iv) would materially increase any Lender's obligations hereunder or would materially alter Administrative Agent's obligations to any Lender hereunder, (v) would release Borrower from its obligation to pay any Lender's Note or Notes, (vi) would change the definition of Majority or Required Lenders, (vii) would amend, modify or

change any revision of this Agreement requiring the consent of all the Lenders, (viii) would waive any of the conditions precedent to the Effective Date or the making of any Loan or issuance of any Letter of Credit or (ix) would extend the Maturity Date or (x) would amend this sentence or the previous sentence. Administrative Agent shall not have liability to Lenders for failure or delay in exercising any right or power possessed by Administrative Agent pursuant to the Loan Documents or otherwise unless such failure or delay is caused by the gross negligence of the Administrative Agent, in which case only the Administrative Agent responsible for such gross negligence shall have liability therefor to the Lenders.

(a) INDEPENDENT INVESTIGATION. Each Lender severally represents and warrants to the Agents that it has made its own independent investigation and assessment of the financial condition and affairs of the Borrower in connection with the making and continuation of its participation hereunder and has not relied exclusively on any information provided to such Lender by the Agents in connection herewith, and each Lender represents, warrants and undertakes to Agents that it shall continue to make its own independent appraisal of the credit worthiness of the Borrower while the Notes are outstanding or its commitments hereunder are in force. The Agents shall not be required to keep themselves informed as to the performance or observance by the Borrower of this Agreement or any other document referred to or provided for herein or to inspect the properties or books of the Borrower. Other than as provided in this Agreement, the Agents shall not have any duty, responsibility or liability to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Borrower which may come into the possession of Administrative Agent.

(a) INDEMNIFICATION. Lenders agree to indemnify the Agents, ratably according to their respective Commitments on a Pro Rata basis, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any proper and reasonable kind or nature whatsoever which may be imposed on, incurred by or asserted against any of the Agents in any way relating to or arising out of the Loan Documents or any action taken or omitted by Administrative Agent under the Loan Documents, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from any of the Agent's gross negligence or willful misconduct. Each Lender shall be entitled to be reimbursed by the Agents for any amount such Lender paid to the Agents under this Section 15(h) to the extent the Agents have been reimbursed for such payments by the Borrower or any other Person. THE PARTIES INTEND FOR THE PROVISIONS OF THIS SECTION TO APPLY TO AND PROTECT THE AGENTS FROM THE CONSEQUENCES OF ANY LIABILITY INCLUDING STRICT LIABILITY IMPOSED OR THREATENED TO BE IMPOSED ON THE AGENTS AS WELL AS FROM THE CONSEQUENCES OF ITS OWN NEGLIGENCE, WHETHER OR NOT THAT NEGLIGENCE IS THE SOLE, CONTRIBUTING OR CONCURRING CAUSE OF ANY SUCH LIABILITY.

(a) BENEFIT OF SECTION 15. The agreements contained in this Section 15 are solely for the benefit of Administrative Agent and the Lenders and are not for the benefit of, or to be relied upon by, the Borrower, any affiliate of the Borrower or any other person.

(a) PRO RATA TREATMENT. Subject to the provisions of this Agreement, each payment (including each prepayment) by the Borrower and collection by Lenders (including offsets) on account of the principal of and interest on the Notes and fees provided for in this Agreement, payable by the Borrower shall be made Pro Rata; provided, however, in the event that any Defaulting Lender shall have failed to make an Advance as contemplated under Section 3 hereof and Administrative Agent or another Lender or Lenders shall have made such Advance, payment received by Administrative Agent for the account of such Defaulting Lender or Lenders shall not be distributed to such Defaulting Lender or Lenders until such Advance or Advances shall have been repaid in full to the Lender or Lenders who funded such Advance or Advances.

(a) ASSUMPTION AS TO PAYMENTS. Except as specifically provided herein, unless Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to Lenders hereunder that the Borrower will not make such payment in full, Administrative Agent may, but shall not be required to, assume that the Borrower has made such payment in full to Administrative Agent on such date and Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to Administrative Agent, each Lender shall repay to Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to Administrative Agent, at the interest rate applicable to such portion of the Loan.

(a) OTHER FINANCINGS. Without limiting the rights to which any Lender otherwise is or may become entitled, such Lender shall have no interest, by virtue of this Agreement or the Loan Documents, in (a) any present or future loans from, letters of credit issued by, or leasing or other financial transactions by, any other Lender to, on behalf of, or with the Borrower (collectively referred to herein as "Other Financings") other than the obligations hereunder; (b) any present or future guarantees by or for the account of the Borrower which are not contemplated by the Loan Documents; (c) any present or future property taken as security for any such Other Financings; or (d) any property now or hereafter in the possession or control of any other Lender which may be or become security for the obligations of the Borrower arising under any loan document by reason of the general description of indebtedness secured or property contained in any other agreements, documents or instruments relating to any such Other Financings.

(a) INTERESTS OF LENDERS. Nothing in this Agreement shall be construed to create a partnership or joint venture between Lenders for any purpose. The Agents, Lenders and the Borrower recognize that the respective obligations of Lenders under the Commitments shall be several and not joint and that neither the Agents nor any of Lenders shall be responsible or liable to perform any of the obligations of the other under this Agreement. Each Lender is deemed to be the owner of an undivided interest in and to all rights, titles, benefits and interests belonging and accruing to Administrative Agent under the Security Instruments, including, without limitation, liens and security interests in any collateral, fees and payments of principal and interest by the Borrower under the Commitments on a Pro Rata basis. Each Lender shall perform all

duties and obligations of Lenders under this Agreement in the same proportion as its ownership interest in the Loans outstanding at the date of determination thereof.

(a) INVESTMENTS. Whenever Administrative Agent in good faith determines that it is uncertain about how to distribute to Lenders any funds which it has received, or whenever Administrative Agent in good faith determines that there is any dispute among the Lenders 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 the Lenders, Administrative Agent may invest such funds pending distribution (at the risk of the Borrower). All interest on any such investment shall be distributed upon the distribution of such investment and in the same proportions and to the same Persons as such investment. All monies received by Administrative Agent for distribution to the Lenders (other than to the Person who is Administrative Agent in its separate capacity as a Lender) shall be held by the Administrative Agent pending such distribution solely as Administrative Agent for such Lenders, and Administrative Agent shall have no equitable title to any portion thereof.

1. EXERCISE OF RIGHTS. No failure to exercise, and no delay in exercising, on the part of the Administrative Agent or the Lenders, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights of the Administrative Agent and the Lenders hereunder shall be in addition to all other rights provided by law. No modification or waiver of any provision of the Loan Documents, including this Agreement, or the Notes nor consent to departure therefrom, shall be effective unless in writing, and no such consent or waiver shall extend beyond the particular case and purpose involved. No notice or demand given in any case shall constitute a waiver of the right to take other action in the same, similar or other circumstances without such notice or demand.

1. NOTICES. Any notices or other communications required or permitted to be given by this Agreement or any other documents and instruments referred to herein must be given in writing (which may be by facsimile transmission) and must be personally delivered or mailed by prepaid certified or registered mail to the party to whom such notice or communication is directed at the address of such party as follows: (a) BORROWER: GREAT LAKES ENERGY PARTNERS, L.L.C., 125 State Route 43, Hartsville, Ohio 44632, Attention: Thomas W. Stoelk, Chief Financial Officer, Facsimile No. (330) 877-4586; (b) Administrative Agent: BANK ONE, TEXAS, N.A., 1717 Main Street, Dallas, Texas 75201, Facsimile No. (214) 290-2332, Attention: Wm. Mark Cranmer, Vice President. Any such notice or other communication shall be deemed to have been given (whether actually received or not) on the day it is personally delivered or delivered by facsimile as aforesaid or, if mailed, on the third day after it is mailed as aforesaid. Any party may change its address for purposes of this Agreement by giving notice of such change to the other party pursuant to this Section 17. Any notice required to be given to the Lenders shall be given to the Administrative Agent and distributed to all Lenders by the Administrative Agent.

1. EXPENSES. The Borrower shall pay (i) all reasonable and necessary out-of-pocket expenses of the Administrative Agent, including reasonable fees and disbursements of special counsel for the Administrative Agent, in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any default or Event of Default or alleged default or Event of Default hereunder, (ii) all reasonable and necessary out-of-pocket expenses of the Administrative Agent, including reasonable fees and disbursements of special counsel for the Administrative Agent in connection with the preparation of any participation agreement for a participant or participants requested by the Borrower or any amendment thereof and (iii) if an Event of Default occurs and is continuing, all reasonable and necessary out-of-pocket expenses incurred by the Lenders, including fees and disbursements of counsel, in connection with such default and Event of Default and collection and other enforcement proceedings resulting therefrom. THE BORROWER HEREBY ACKNOWLEDGES THAT GARDERE & WYNNE, L.L.P. IS SPECIAL COUNSEL TO BANK ONE, AS ADMINISTRATIVE AGENT AND AS A LENDER, UNDER THIS AGREEMENT AND THAT IT IS NOT COUNSEL TO, NOR DOES IT REPRESENT THE BORROWER IN CONNECTION WITH THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT. The Borrower is relying on separate counsel in the transaction described herein. The Borrower shall indemnify the Lenders against any transfer taxes, document taxes, assessments or charges made by any governmental authority by reason of the execution, delivery and filing of the Loan Documents. The obligations of this Section 18 shall survive any termination of this Agreement, the expiration of the Loans and the payment of all indebtedness of the Borrower to the Lenders hereunder and under the Notes.

1. INDEMNITY. The Borrower agrees to indemnify and hold harmless the Agents and the Lenders and their respective officers, employees, agents, attorneys and representatives (singularly, an "Indemnified Party", and collectively, the "Indemnified Parties") from and against any loss, cost, liability, damage or expense (including the reasonable fees and out-of-pocket expenses of counsel to the Lenders, including all local counsel hired by such counsel) ("Claim") incurred by the Lenders in investigating or preparing for, defending against, or providing evidence, producing documents or taking any other action in respect of any commenced or threatened litigation, administrative proceeding or investigation under any federal securities law, federal or state environmental law, or any other statute of any jurisdiction, or any regulation, or at common law or otherwise, which is alleged to arise out of or is based upon any acts, practices or omissions or alleged acts, practices or omissions of the Borrower or its agents or arises in connection with the duties, obligations or performance of the Indemnified Parties in negotiating, preparing, executing, accepting, keeping, completing, countersigning, issuing, selling, delivering, releasing, assigning, handling, certifying, processing or receiving or taking any other action with respect to the Loan Documents and all documents, items and materials contemplated thereby even if any of the foregoing arises out of an Indemnified Party's ordinary negligence. The indemnity set forth herein shall be in addition to any other obligations or liabilities of the Borrower to the Agents and the Lenders hereunder or at common law or otherwise, and shall survive any termination of this Agreement, the expiration of the Loans and the payment of all indebtedness of the Borrower to the Lenders hereunder and under the Notes, provided that the Borrower shall have no obligation under this Section to the Lenders with respect to any of the foregoing arising out of the gross negligence or willful misconduct of the Lenders. If any Claim is asserted against any Indemnified Party, the Indemnified Party shall endeavor to notify the Borrower of such Claim (but failure to do so shall not affect the indemnification herein made except to the extent of the

actual harm caused by such failure). The Indemnified Party shall have the right to employ, at the Borrower's expense, counsel of the Indemnified Parties' choosing and to control the defense of the Claim. The Borrower may at its own expense also participate in the defense of any Claim. Each Indemnified Party may employ separate counsel in connection with any Claim to the extent such Indemnified Party believes it reasonably prudent to protect such Indemnified Party. THE PARTIES INTEND FOR THE PROVISIONS OF THIS SECTION TO APPLY TO AND PROTECT EACH INDEMNIFIED PARTY FROM THE CONSEQUENCES OF ANY LIABILITY INCLUDING STRICT LIABILITY IMPOSED OR THREATENED TO BE IMPOSED ON ADMINISTRATIVE AGENT AS WELL AS FROM THE CONSEQUENCES OF ITS OWN NEGLIGENCE, WHETHER OR NOT THAT NEGLIGENCE IS THE SOLE, CONTRIBUTING, OR CONCURRING CAUSE OF ANY CLAIM.

1. GOVERNING LAW. THIS AGREEMENT IS BEING EXECUTED AND DELIVERED, AND IS INTENDED TO BE PERFORMED, IN DALLAS, DALLAS COUNTY, TEXAS, AND THE SUBSTANTIVE LAWS OF TEXAS SHALL GOVERN THE VALIDITY, CONSTRUCTION, ENFORCEMENT AND INTERPRETATION OF THIS AGREEMENT AND ALL OTHER DOCUMENTS AND INSTRUMENTS REFERRED TO HEREIN, UNLESS OTHERWISE SPECIFIED THEREIN.

1. INVALID PROVISIONS. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term of this Agreement, such provisions shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of the Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement.

1. MAXIMUM INTEREST RATE. Regardless of any provisions contained in this Agreement or in any other documents and instruments referred to herein, the Lenders shall never be deemed to have contracted for or be entitled to receive, collect or apply as interest on the Notes any amount in excess of the Maximum Rate, and in the event any Lender ever receives, collects or applies as interest any such excess, or if an acceleration of the maturities of any Notes or if any prepayment by the Borrower results in the Borrower having paid any interest in excess of the Maximum Rate, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of the Notes for which such excess was received, collected or applied, and, if the principal balance of such Note is paid in full, any remaining excess shall forthwith be paid to the Borrower. All sums paid or agreed to be paid to the Lenders for the use, forbearance or detention of the indebtedness evidenced by the Notes and/or this Agreement 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 rate or amount of interest on account of such indebtedness does not exceed the Maximum Rate. In determining whether or not the interest paid or payable under any specific contingency exceeds the Maximum Rate of interest permitted by law, the Borrower and the Lenders shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium, rather than as interest; and (ii) exclude voluntary prepayments and the effect thereof; and (iii) compare the total amount of interest contracted for, charged or received with the total amount of interest which could be contracted for, charged or received throughout the entire contemplated term of the Note at the Maximum Rate.



1. AMENDMENTS. This Agreement may be amended only by an instrument in writing executed by an authorized officer of the party against whom such amendment is sought to be enforced.

1. MULTIPLE COUNTERPARTS. This Agreement may be executed in a number of identical separate counterparts, each of which for all purposes is to be deemed an original, but all of which shall constitute, collectively, one agreement. No party to this Agreement shall be bound hereby until a counterpart of this Agreement has been executed by all parties hereto.

1. CONFLICT. In the event any term or provision hereof is inconsistent with or conflicts with any provision of the Loan Documents, the terms or provisions contained in this Agreement shall be controlling.

1. SURVIVAL. All covenants, agreements, undertakings, representations and warranties made in the Loan Documents, including this Agreement, the Notes or other documents and instruments referred to herein shall survive all closings hereunder and shall not be affected by any investigation made by any party.

1. PARTIES BOUND. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, legal representatives and estates, provided, however, that the Borrower may not, without the prior written consent of all of the Lenders, assign any rights, powers, duties or obligations hereunder.

## 1. ASSIGNMENTS AND PARTICIPATIONS.

(a) ASSIGNMENTS. Each Lender shall have the right to sell, assign or transfer all or any part of its Note or Notes, its Commitment and its rights and obligations hereunder to one or more Affiliates, banks, financial institutions, pension plans, insurance companies, investment funds, or similar Persons who are Eligible Assignees or to a Federal Reserve Bank; PROVIDED, that in connection with each sale, assignment or transfer (other than to an Affiliate, a Lender or a Federal Reserve Bank), shall require the consent of Administrative Agent and the Borrower, which consents will not be unreasonably withheld; provided, however, that if an Event of Default has occurred and is continuing, the consent of the Borrower shall not be required. Any such assignee, transferee or recipient shall have, to the extent of such sale, assignment, or transfer, the same rights, benefits and obligations as it would if it were such Lender and a holder of such Note, Commitment and rights and obligations, including, without limitation, the right to vote on decisions requiring consent or approval of all Lenders, Required Lenders or Majority Lenders and the obligation to fund its Commitment; provided, that (1) each such sale, assignment, or transfer (other than to an Affiliate, a Lender or a Federal Reserve Bank) shall be in an aggregate principal amount not less than \$5,000,000, (2) each remaining Lender shall at all times maintain Commitment then outstanding in an aggregate principal amount at least equal to \$5,000,000; (3) each such sale, assignment or transfer shall be of a Pro Rata portion of such Lender's Commitment, (4) no Lender may offer to sell its Note or Notes, Commitment, rights and obligations or interests therein in violation of any securities laws; and (5) no such assignments (other than to a Federal Reserve Bank) shall become effective until the assigning Lender and its assignee delivers to Administrative Agent and Borrower an Assignment and Acceptance and the Note or Notes subject to such assignment and other documents evidencing any such assignment. An assignment fee in the amount of \$3,500 for each such assignment (other than to an Affiliate, a Lender or the Federal Reserve Bank) will be payable to Administrative Agent by assignor or assignee. Within five (5) Business Days after its receipt of copies of the Assignment and Acceptance and the other documents relating thereto and the Note or Notes, the Borrower shall execute and deliver to Administrative Agent (for delivery to the relevant assignee) a new Note or Notes evidencing such assignee's assigned Commitment and if the assignor Lender has retained a portion of its Commitment, a replacement Note in the principal amount of the Commitment retained by the assignor (except as provided in the last sentence of this paragraph (a) such Note or Notes to be in exchange for, but not in payment of, the Note or Notes held by such Lender). On and after the effective date of an assignment hereunder, the assignee shall for all purposes be a Lender, party to this Agreement and any other Loan Document executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party thereto (except that an Affiliate of Borrower shall not have the right to vote as a Lender on matters that other Lenders have the right to vote on under the provisions of the Agreement), and no further consent or action by Borrower, Lenders or the Administrative Agent shall be required to release the transferor Lender with respect to its Commitment assigned to such assignee and the transferor Lender shall henceforth be so released.

(a) PARTICIPATIONS. Each Lender shall have the right to grant participations in all or any part of such Lender's Notes and Commitment hereunder to one or more pension plans, investment funds, insurance companies, financial institutions or other Persons, provided, that:

(i) each Lender granting a participation shall retain the right to vote hereunder, and no participant shall be entitled to vote hereunder on decisions requiring consent or approval of Lenders, Required Lenders or Majority Lenders (except as set forth in (iii) below);

(i) in the event any Lender grants a participation hereunder, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the holder of any such Note or Notes for all purposes under the Loan Documents, and Administrative Agent, each Lender and Borrower shall be entitled to deal with the Lender granting a participation in the same manner as if no participation had been granted; and

(i) no participant shall ever have any right by reason of its participation to exercise any of the rights of Lenders hereunder, except that any Lender may agree with any participant that such Lender will not, without the consent of such participant (which consent may not be unreasonably withheld) consent to any amendment or waiver requiring approval of all Lenders.

(a) FINANCIAL INFORMATION. It is understood and agreed that any Lender may provide to assignees and participants and prospective assignees and participants financial information and reports and data concerning Borrower's properties and operations which was provided to such Lender pursuant to this Agreement.

(a) ASSIGNEES' AND PARTICIPANTS' INDEMNITY. Upon the reasonable request of either Administrative Agent or Borrower, each Lender will identify those to whom it has assigned or participated any part of its Notes and Commitment, and provide the amounts so assigned or participated.

1. CHOICE OF FORUM: CONSENT TO SERVICE OF PROCESS AND JURISDICTION. THE OBLIGATIONS OF BORROWER UNDER THE LOAN DOCUMENTS ARE PERFORMABLE IN DALLAS COUNTY, TEXAS. ANY SUIT, ACTION OR PROCEEDING AGAINST THE BORROWER WITH RESPECT TO THE LOAN DOCUMENTS OR ANY JUDGMENT ENTERED BY ANY COURT IN RESPECT THEREOF, MAY BE BROUGHT IN THE COURTS OF THE STATE OF TEXAS, COUNTY OF DALLAS, OR IN THE UNITED STATES COURTS LOCATED IN DALLAS COUNTY, TEXAS AND THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF SUCH COURTS FOR THE PURPOSE OF ANY SUCH SUIT, ACTION OR PROCEEDING. THE BORROWER HEREBY IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING IN SAID COURT BY THE MAILING THEREOF BY LENDER BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE BORROWER, AS APPLICABLE, AT THE ADDRESS FOR NOTICES AS PROVIDED IN SECTION 17. THE BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT BROUGHT IN THE COURTS LOCATED IN THE STATE OF TEXAS, COUNTY OF DALLAS, AND HEREBY FURTHER IRREVOCABLY WAIVES ANY CLAIM

THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

1. WAIVER OF JURY TRIAL. THE BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

1. OTHER AGREEMENTS. THIS WRITTEN CREDIT AGREEMENT REPRESENTS 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.

1. FINANCIAL TERMS. All accounting terms used in this Agreement which are not specifically defined herein shall be construed in accordance with GAAP.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER:

GREAT LAKES ENERGY PARTNERS, L.L.C.,  
a Delaware limited liability company

BY ITS MEMBERS:

MARBEL HOLDCO, INC.

By:  
Name:  
Title:

RANGE HOLDCO, INC.

By:  
Name: John H. Pinkerton  
Title: President

ADMINISTRATIVE AGENT:

BANK ONE, TEXAS, N.A.

By:  
Name: Wm. Mark Cranmer  
Title: Vice President

SYNDICATION AGENT:

CHASE BANK OF TEXAS, N.A.

By:  
Name:  
Title:

DOCUMENTATION AGENT:

BANKERS TRUST COMPANY

By:  
Name:  
Title:

MANAGING AGENTS:

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9-MOS

DEC-31-1999  
JAN-01-1999  
SEP-30-1999  
11,289  
3,219  
95,230  
0  
9,562  
80,904  
954,201  
(325,936)  
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(776)  
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0.00