

FORM 8-K

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

Date of Report (Date of Earliest Event Reported): May 1, 1996

COMSTOCK RESOURCES, INC.
(Exact name of registrant as specified in its charter)

NEVADA (State or other jurisdiction of incorporation)	0-16741 (Commission File Number)	94-1667468 (I.R.S. Employer Identification Number)
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5005 LBJ Freeway, Suite 1000, Dallas, Texas 75244
(Address of principal executive offices)

(214) 701 - 2000
(Registrant's Telephone No.)

Item 2. Acquisition or Disposition of Assets

On May 1 and May 2, 1996, Comstock Resources, Inc. (the "Company") acquired 100% of the capital stock of Black Stone Oil Company and additional interests held by other working interest owners in certain producing oil and gas properties as well as interests in undeveloped oil and gas leases located in East Texas for total cash consideration of approximately \$104 million. Black Stone Oil Company is the operator of the producing oil and gas properties which are located in the Double A Wells field in Polk County, Texas. The estimated net proved oil and gas reserves acquired are estimated at 98.5 billion cubic feet of natural gas and 5.3 million barrels of oil as of January 1, 1996, the effective date of the acquisition. Such reserves have estimated pretax future net cash flows of \$249 million and estimated pretax discounted future net cash flows of \$149 million.

The acquisition was financed under a new \$176 million bank credit facility provided by The First National Bank of Chicago and Bank One Texas, N.A., consisting of a \$166 million revolving credit facility and a \$10 million bridge loan. The Company financed the \$104 million acquisition and refinanced \$58.7 million outstanding under its existing revolving credit facility and an existing \$10 million bridge loan which was to mature on July 31, 1996 with borrowings under the new bank credit facility. Amounts outstanding under the new revolving credit facility presently bear interest at the agent bank's base rate plus 1/2% and are subject to a borrowing base determined semiannually by the banks. Upon repayment of the new \$10 million bridge loan, the Company may elect to have borrowings bear interest at LIBOR plus up to 2%. The new revolving credit facility converts to a two year term loan on May 1, 1999. Amounts outstanding under the new bridge loan bear interest at the agent bank's base rate plus 3% and are payable in full on December 31, 1996.

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2(a) Agreement For Purchase and Sale - Black Stone Holdings Partnership et. al. as Seller and Comstock Oil & Gas, Inc. as Buyer and Comstock Resources, Inc. as Guarantor.

99(c) Credit Agreement dated as of May 1, 1996 between Comstock Resources, Inc., Comstock Oil & Gas, Inc., Comstock Oil & Gas -- Louisiana, Inc., Comstock Offshore Energy, Inc., the Banks and The First National Bank of Chicago, as Agent and Bank One, Texas N.A., as Co-agent.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Comstock Resources, Inc.:

We have audited the accompanying statements of revenues and direct operating expenses of the Black Stone Acquisition (see Note 1) for the years ended December 31, 1993, 1994 and 1995. These financial statements are the responsibility of the management of Comstock Resources, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such statements present fairly, in all material respects, the revenues and direct operating expenses of the Black Stone Acquisition described in Note 1 for the years ended December 31, 1993, 1994 and 1995 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Dallas, Texas,
May 3, 1996

BLACK STONE ACQUISITION

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

For the Years Ended December 31, 1993, 1994 and 1995
and for the Three Months Ended March 31, 1995 and 1996

	Year Ended December 31,			Three Months Ended March 31,	
	1993	1994	1995	1995	1996
				(Unaudited)	
REVENUES					
Oil and gas sales	\$ 2,909,854	\$ 6,738,087	\$17,991,527	\$ 2,923,944	\$7,825,741
DIRECT OPERATING EXPENSES					
Oil and gas operating	474,757	990,723	2,453,204	375,231	863,461
EXCESS OF REVENUES OVER					
DIRECT OPERATING EXPENSES	\$ 2,435,097	\$ 5,747,364	\$15,538,323	\$ 2,548,713	\$6,962,280

See Notes to Statements of Revenues and Direct Operating Expenses.

BLACK STONE ACQUISITION

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

(1) BASIS OF PRESENTATION -

On May 1, 1996, the Company acquired 100% of the capital stock of Black Stone Oil Company and additional interests held by other working interest owners in the Double A Wells field in East Texas as well as interests in certain undeveloped oil and gas leases (the "Black Stone Acquisition") for total cash consideration of approximately \$104 million. The acquisition includes interests in 19 producing wells (7.74 net wells).

The Company financed the \$104 million acquisition and refinanced \$58.7 million outstanding under its existing revolving credit facility and an existing \$10 million bridge loan which was to mature on July 31, 1996 with borrowings under the new bank credit facility consisting of a \$166 million revolving credit facility and a \$10 million bridge loan. Amounts outstanding under the new revolving credit facility bear interest at the agent bank's base rate plus 1/2% and are subject to a borrowing base determined semiannually by the banks. The new revolving credit facility converts to a two year term loan on May 1, 1999. Amounts outstanding under the new bridge loan bear interest at the agent bank's base rate plus 3% and are payable in full on December 31, 1996.

The accompanying statements of revenues and direct operating expenses do not include general and administrative expense, interest income or expense, a provision for depreciation, depletion and amortization or any provision for income taxes because the property interests acquired represent only a portion of a business and the costs incurred by the sellers of the properties are not necessarily indicative of the costs to be incurred by the Company.

Historical financial information reflecting financial position, results of operations and cash flows of the Black Stone Acquisition is not presented because all of the acquisition cost was assigned to the oil and gas property interests. Accordingly, the historical statements of revenues and direct operating expenses have been presented in lieu of the financial statements required under Rule 3-05 of Securities and Exchange Commission Regulation S-X.

(2) SUPPLEMENTAL OIL AND GAS RESERVE INFORMATION (UNAUDITED) -

Estimated Quantities of Proved Oil and Gas Reserves

The estimates of proved oil and gas reserves utilized in the preparation of the financial statements were estimated by independent petroleum engineers in accordance with guidelines established by the Securities and Exchange Commission and the Financial Accounting Standards Board, which require that reserve reports be prepared under existing economic and operating conditions. The Company emphasizes that reserve estimates of new discoveries or undeveloped properties are more imprecise than those of producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available.

BLACK STONE ACQUISITION

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES (Continued)

PROVED OIL AND GAS RESERVES AS OF DECEMBER 31, 1995:

	Oil (Bbls) -----	Gas (Mcf) -----
Proved Reserves	5,302,000 =====	98,549,000 =====
Proved Developed Reserves	3,794,000 =====	70,831,000 =====

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows (the "Standardized Measure") is prepared using assumptions required by the Financial Accounting Standards Board. Such assumptions include the use of December 31, 1995 oil and gas prices and current costs for estimated future production and development expenditures with no provision for escalation except as provided for by contractual agreements. Discounted future net cash flows are calculated using a 10% discount rate.

The Standardized Measure does not represent the Company's estimate of future net cash flows or the value of proved oil and gas reserves. Probable and possible reserves, which may become proved in the future, are excluded from the calculations. Furthermore, the December 31, 1995 prices, used to determine the standardized measure of discounted cash flows, are influenced by seasonal demand and other factors and may not be the most representative in estimating future revenues or reserve data.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS BEFORE INCOME TAXES AT DECEMBER 31, 1995:

Future Cash Inflows	\$ 292,795,000
Future Costs:	
Production	(40,582,000)
Development	(3,601,000)
Future Net Cash Flows	248,612,000
10% Discount Factor	(100,024,000)

Standardized Measure of Discounted Future Net Cash Flows before Income Taxes	\$ 148,588,000 =====

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

The accompanying Pro Forma Consolidated Financial Statements have been prepared by recording pro forma adjustments to the historical consolidated financial statements of Comstock Resources, Inc. and subsidiaries (the "Company"). The Pro Forma Consolidated Balance Sheet as of March 31, 1996 has been prepared as if the Black Stone Acquisition was consummated on March 31, 1996. The Pro Forma Consolidated Statements of Operations for the year ended December 31, 1995 and for the three months ended March 31, 1996 have been prepared as if the Black Stone Acquisition and the 1995 Acquisitions, as described in Note 1, were consummated immediately prior to January 1, 1995 and January 1, 1996, respectively.

The Pro Forma Consolidated Financial Statements are not necessarily indicative of the financial position or results of operations that would have occurred had the transactions been effected on the assumed dates. Additionally, future results may vary significantly from the results reflected in the Pro Forma Consolidated Statements of Operations due to normal production declines, changes in oil and gas prices, future transactions and other factors. These statements should be read in conjunction with the Company's audited consolidated financial statements and the related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995 and the Company's consolidated financial statements and the related notes included in the Company's quarterly report on Form 10-Q for the three months ended March 31, 1996.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET (Unaudited)
MARCH 31, 1996

ASSETS

	Historical	Pro Forma Adjustments (Note 2) Black Stone Acquisition(a)	Pro Forma
Cash and Cash Equivalents	\$ 657,816	\$ 5,206,600	\$ 5,864,416
Accounts Receivable:			
Oil and gas sales	6,780,000	-	6,780,000
Gas marketing sales	11,325,600	-	11,325,600
Joint interest operations	1,448,177	-	1,448,177
Prepaid Expenses and Other	615,980	-	615,980
Inventory	91,005	-	91,005
Total current assets	20,918,578	5,206,600	26,125,178
Property and Equipment:			
Oil and gas properties	156,918,688	100,300,000	257,218,688
Other	2,776,143	-	2,776,143
Accumulated depreciation, depletion and amortization	(58,025,109)	-	(58,025,109)
Net property and equipment	101,669,722	100,300,000	201,969,722
Other Assets	933,768	(240,579)	693,189
	\$123,522,068	\$105,266,021	\$228,788,089

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Portion of Long-term Debt	\$ 10,260,566	\$ -	\$ 10,260,566
Accounts Payable and Accrued Expenses	18,958,008	1,966,021	20,924,029
Total current liabilities	29,218,574	1,966,021	31,184,595
Long-term Debt, less Current Portion	59,505,625	103,300,000	162,805,625
Deferred Revenue	322,501	-	322,501
Other Noncurrent Liabilities	1,185,071	-	1,185,071
Stockholders' Equity:			
Preferred stock -			
\$10.00 par, 3,100,000 shares outstanding	31,000,000	-	31,000,000
Common stock -			
\$.50 par, 13,120,242 shares outstanding	6,560,122	-	6,560,122
Additional paid-in capital	38,861,759	-	38,861,759
Retained deficit	(43,067,990)	-	(43,067,990)
Less: Deferred compensation - restricted stock	(63,594)	-	(63,594)
Total stockholders' equity	33,290,297	-	33,290,297
	\$123,522,068	\$105,266,021	\$228,788,089

See Notes to Pro Forma Consolidated Financial Statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

For the Year Ended December 31, 1995

	Pro Forma Adjustments (Note 2)				Pro Forma
	Historical	Black Stone Acquisition	The 1995 (b)Acquisitions	Other	
Revenues:					
Oil and gas sales	\$ 22,090,894	\$ 17,991,527	\$ 8,041,986	\$ -	\$ 48,124,407
Gas marketing sales	50,078,366	-	506,957	-	50,585,323
Gas gathering and processing	600,212	-	62,418	-	662,630
Gain on sales of property	2,608,088	-	-	-	2,608,088
Other income	290,115	-	70,219	-	360,334
Total revenues	75,667,675	17,991,527	8,681,580	-	102,340,782
Expenses:					
Oil and gas operating	7,426,626	2,453,204	3,214,250	-	13,094,080
Natural gas purchases	48,908,969	-	478,288	-	49,387,257
Gas gathering and processing	209,535	-	39,599	-	249,134
Depreciation, depletion and amortization	8,613,042	-	-	9,560,945	18,173,987
General and administrative, net	1,979,283	-	-	(561,850)	1,417,433
Interest	5,541,680	-	-	13,081,463	18,623,143
Impairment of oil and gas properties	29,150,000	-	-	-	29,150,000
Total expenses	101,829,135	2,453,204	3,732,137	22,080,558	130,095,034
Income (loss) before income taxes	(26,161,460)	15,538,323	4,949,443	(22,080,558)	(27,754,252)
Provision for income taxes	-	-	-	-	-
Income (loss)	(26,161,460)	15,538,323	4,949,443	(22,080,558)	(27,754,252)
Preferred stock dividends	(1,907,500)	-	-	-	(1,907,500)
Net income (loss) attributable to common stock	\$(28,068,960)	\$ 15,538,323	\$ 4,949,443	\$(22,080,558)	\$(29,661,752)
Net income (loss) per	\$ (2.24)				\$ (2.36)
Weighted average common shares outstanding	12,545,752				12,545,752

See Notes to Pro Forma Consolidated Financial Statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

For the Three Months Ended March 31, 1996

	Historical	Pro Forma Adjustments (Note 2)		
		Black Stone Acquisition (b)	Other	Pro Forma
Revenues:				
Oil and gas sales	\$ 9,555,141	\$ 7,825,741	\$ -	\$17,380,882
Gas marketing sales	25,425,901	-	-	25,425,901
Gas gathering and processing	153,611	-	-	153,611
Other income	129,945	-	-	129,945
Total revenues	35,264,598	7,825,741	-	43,090,339
Expenses:				
Oil and gas operating	2,523,187	863,461	-	3,386,648
Natural gas purchases	24,793,593	-	-	24,793,593
Gas gathering and processing	56,946	-	-	56,946
Depreciation, depletion and amortization	2,621,358	-	2,453,244 (d)	5,074,602
General and administrative, net	411,833	-	(42,799) (f)	369,034
Interest	1,848,470	-	2,143,475 (g)	3,991,945
Total expenses	32,255,387	863,461	4,553,920	37,672,768
Income before income taxes	3,009,211	6,962,280	(4,553,920)	5,417,571
Provision for income taxes	-	-	-	-
Income	3,009,211	6,962,280	(4,553,920)	5,417,571
Preferred stock dividends	(633,146)	-	-	(633,146)
Net income attributable to common stock	\$ 2,376,065	\$ 6,962,280	\$(4,553,920)	\$ 4,784,425
Net income attributable to common stock per share -				
Primary	\$ 0.18			\$ 0.35
Fully diluted	\$ 0.15			\$ 0.27
Weighted average number of common and common stock equivalent shares outstanding -				
Primary	13,522,330			13,522,330
Fully diluted	19,928,710			19,928,710

See Notes to Pro Forma Consolidated Financial Statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) BASIS OF PRESENTATION -

On May 1 and May 2, 1996, the Company acquired 100% of the capital stock of Black Stone Oil Company and additional interests held by other working interest owners in the Double A Wells field in East Texas as well as interests in certain undeveloped oil and gas leases (the "Black Stone Acquisition") for total cash consideration of approximately \$104 million. Black Stone Oil Company is the operator of the oil and gas properties which were acquired. The acquisition includes interests in 19 producing wells (7.74 net wells).

The Company financed the \$104 million acquisition and refinanced \$58.7 million outstanding under its existing revolving credit facility and an existing \$10 million bridge loan which was to mature on July 31, 1996 with borrowings under the new bank credit facility consisting of a \$166 million revolving credit facility and a \$10 million bridge loan. Amounts outstanding under the new revolving credit facility bear interest at the agent bank's base rate plus 1/2% and are subject to a borrowing base determined semiannually by the banks. The new revolving credit facility converts to a two year term loan on May 1, 1999. Amounts outstanding under the new bridge loan bear interest at the agent bank's base rate plus 3% and are payable in full on December 31, 1996.

On July 31, 1995, the Company closed an acquisition of producing oil and gas properties and natural gas gathering systems located in East Texas and North Louisiana from Sonat Exploration Company, a wholly owned subsidiary of Sonat Inc. ("Sonat") for total cash consideration of \$50.6 million. The Company acquired interests in 319 (188 net) oil and gas wells from Sonat for \$49.1 million. The interests were acquired with an effective date of March 1, 1995. In addition, the Company acquired the managing general partner interest of and a 20.31% limited partner interest in Crosstex Pipeline Partners, Ltd. ("Crosstex"), as well as certain other gas gathering systems primarily located in Harrison County, Texas from Sonat for cash consideration of \$1.5 million. On May 15, 1995, the Company closed an acquisition of producing offshore oil and gas properties located in Louisiana State waters in the Gulf of Mexico. The Company acquired interests in 14 oil and gas wells (3.5 net wells) for \$8,199,000. The effective date of the acquisition was November 1, 1994. During 1995, the Company acquired interests in the Lake LaRose field in South Louisiana for approximately \$1 million. The three acquisitions closed in 1995 are hereafter referred to as the "1995 Acquisitions."

The accompanying Pro Forma Consolidated Balance Sheet at March 31, 1996 and the Pro Forma Consolidated Statements of Operations for the year ended December 31, 1995 and the three months ended March 31, 1996, have been prepared assuming the Company consummated, immediately prior to each of the periods presented, the Black Stone Acquisition and the 1995 Acquisitions, funded by borrowings under the Company's bank credit facility (see Note 2).

No adjustment has been made to reflect income taxes related to the Black Stone Acquisition or the 1995 Acquisitions due to the Company's net operating loss carryforwards which would offset any current or deferred tax liabilities.

The Pro Forma Consolidated Statements of Operations are not necessarily indicative of the results of operations had the above described transactions occurred on the assumed dates.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)

(2) PRO FORMA ADJUSTMENTS -

Pro forma adjustments necessary to adjust the Consolidated Balance Sheet and Statements of Operations are as follows:

- (a) To record the Black Stone Acquisition funded by borrowings under the Company's new bank credit facility.
- (b) To record revenue and direct operating expenses of the Black Stone Acquisition, based on the statements of revenue and direct operating expenses for the year ended December 31, 1995 and for the three months ended March 31, 1996.
- (c) To record revenue and direct operating expenses of the 1995 Acquisitions.
- (d) To record estimated depreciation and depletion expense attributable to the Black Stone Acquisition and 1995 Acquisitions using the unit-of-production method applied to the net cost of the properties acquired.
- (e) To record the increase in general and administrative expense of \$164,025 less the operating fee income of \$725,875 attributable to Black Stone and the 1995 Acquisitions for the year ended December 31, 1995.
- (f) To record operating fee income of \$42,799 attributable to the Black Stone Acquisition for the three months ended March 31, 1996.
- (g) To record interest expense attributable to the increase in debt to finance the purchase of the Black Stone Acquisition and the 1995 Acquisitions. Interest expense is based upon the weighted average interest rate incurred by the Company under its new bank credit facility in the case of the Black Stone Acquisition or under the existing credit facility in the case of the 1995 Acquisitions, assuming the entire cost of the acquisitions had been funded with bank borrowings at January 1 of each period.

SIGNATURES

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

COMSTOCK RESOURCES, INC.

Dated: May 7, 1996

By: /s/ROLAND O. BURNS

Roland O. Burns
Senior Vice President, Chief Financial Officer,
Secretary, and Treasurer (Principal Financial
and Accounting Officer)

AGREEMENT FOR PURCHASE AND SALE
BLACK STONE HOLDINGS PARTNERSHIP ET AL

AS SELLER
BLACK STONE OIL COMPANY
AS OPERATOR
AND
COMSTOCK OIL & GAS, INC.
AS BUYER
AND
COMSTOCK RESOURCES, INC.
AS GUARANTOR

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Schedule 5.3(d) -- Financial Statements	
Schedule 5.3(n) -- Insurance	

AGREEMENT FOR PURCHASE AND SALE

This Agreement for Purchase and Sale (the "Agreement") is made and entered into as of the 31st day of January, 1996, by and among those parties identified on Schedule I attached hereto (individually, a "Working Interest Owner" and collectively, the "Working Interest Owners"), those parties identified on Schedule II attached hereto (individually, a "Selling Stockholder" and collectively, the "Selling Stockholders"), Black Stone Oil Company, a Texas corporation ("Operator") and Comstock Oil & Gas, Inc., a Nevada corporation ("Buyer") and a wholly owned subsidiary of Comstock Resources, Inc., a Nevada corporation ("Guarantor").

W I T N E S S E T H:

WHEREAS, the Working Interest Owners own the Purchased Subject Assets (as hereinafter defined) and the Selling Stockholders own the Purchased Shares (as hereinafter defined);

WHEREAS, the Working Interest Owners are willing to sell to Buyer, and Buyer is willing to purchase from the Working Interest Owners, the Purchased Subject Assets, and the Selling Stockholders are willing to sell to Buyer, and Buyer is willing to purchase from the Selling Stockholders, the Purchased Shares, all upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, Buyer is a wholly owned subsidiary of Guarantor and the execution, delivery and performance by Buyer of its obligations hereunder will benefit Guarantor, directly or indirectly, and the guarantee by Guarantor of the obligations of Buyer hereunder is in the best interest of Guarantor.

NOW, THEREFORE, in consideration of the mutual benefits derived and to be derived from this Agreement, and upon the representations, warranties, covenants and agreements contained herein, the Parties hereby agree as follows:

ARTICLE I

Construction and Definitions

Section 1.1 Separate Agreement With Each Seller. This Agreement shall be construed as a separate agreement between Buyer and each Seller with respect to each Seller's interest in the Purchased Subject Assets and Purchased Shares as set forth in

Schedule 2.3. Except as provided in the last sentence of Section 12.2(f), the obligations of each Seller hereunder and under each instrument executed and delivered in connection herewith shall be several and not joint or collective. This Agreement shall be binding upon each Seller that executes this Agreement regardless of whether this Agreement is executed by all of the parties named as Seller herein. In the event that any of the parties named as a Seller herein owning interests in the Purchased Subject Assets or Purchased Shares fail to execute this Agreement on or before 5:00 p.m. (central standard time) on January 30, 1996, Buyer, without any liability to Sellers whatsoever, may terminate this Agreement by notice in writing to Seller given not later than 5:00 p.m. (central standard time) on January 31, 1996.

Section 1.2 Defined Terms. Capitalized terms used in this Agreement and not otherwise defined herein or in the recitals to this Agreement shall have the meanings ascribed to them in this Section 1.2.

"Additional Contracts" is defined in Section 5.3(g).

"Adjusted Purchase Price" shall mean the Purchase Price as adjusted pursuant to the provisions of Article X.

"Agencies" is defined in Section 5.3(i).

"Aggregate Environmental Defect Value" means the Aggregate Environmental Defect Values for all Disqualifying Environmental Conditions established pursuant to Section 4.8 in a manner consistent with a reasonably prudent operator and in compliance with Environmental Laws.

"Allocated Values" is defined in Section 2.3.

"Arbitrator" is defined in Section 10.6(b).

"Assessment Period" is defined in Section 4.7(a).

"Assignment" is defined in Section 4.5.

"BSHP" shall mean Black Stone Holdings Partnership, a Texas general partnership.

"BTU" is defined in Section 10.4(c).

"Buyer Indemnitees" is defined in Section 12.2(b).

"C-2 Notice Period" is defined in Section 14.18(a).

"C Year" is defined in Section 7.7.

"Camden Tram JOA" shall mean that certain joint operating agreement described in Exhibit "B".

"Camden Tram Leases" shall mean the oil, gas and mineral leases described in Exhibit "B", insofar as such Leases cover the lands described in Exhibit "B".

"Camden Tram Interest" shall mean an undivided 30% of the Working Interest Owners' and Operator's right, title and interest as of the Effective Time in and to the Camden Tram Leases, together with a like interest in all contracts and other agreements applicable to said Leases insofar as they cover such lands.

"Casualty Loss" is defined in Section 13.3(b).

"Center Grove JOA" shall mean a joint operating agreement to be executed by Working Interest Owners, Buyer and Operator, as operator, covering the Center Grove Area outlined on Exhibit H and in the substantially the form of the Camden Tram JOA.

"Center Grove Leases" shall mean the oil, gas and mineral leases described in Exhibit "C", insofar as such Leases cover the lands described in Exhibit "C".

"Center Grove Interest" shall mean an undivided 30% of the Working Interest Owners' and Operator's right, title and interest as of the Effective Time in and to the Center Grove Leases, together with a like interest in all contracts and other agreements applicable to said Leases insofar as they cover such lands.

"Claim Notice" is defined in Section 12.2(f)(i)(A).

"Closing" shall mean the consummation of the purchase and sale of the Purchased Subject Assets and Purchased Shares pursuant to this Agreement as provided in Article X.

"Closing Date" shall mean May 1, 1996, unless another date for Closing is mutually agreed to in writing by the Parties.

"Closing Working Capital" shall mean an amount of Working Capital equal to the following determined in accordance with GAAP:

(i) all revenues from the Operator Subject Assets attributable to the period from the Effective Time until the Closing Date, less

(ii) all costs and expenses (including rentals, royalties, production and severance taxes, capital expenditures (other than the Excluded Capital Costs), lease operating expenses authorized under joint operating agreements applicable to the Operator Subject Assets) that are attributable to the Operator Subject Assets and attributable to the period of time from the Effective Time until the Closing Date, less

(iii) an amount equal to all operating fees which would be authorized under the joint operating agreements applicable to the Operator Subject Assets if Operator were not the operator thereunder attributable to the period from the Effective Time to the Closing Date, plus

(iv) the amount of any suspense accounts held by Operator as of the Closing Date.

In determining Closing Working Capital there shall not be included in revenues any operating fees and drilling fees earned by Operator under any operating agreement or drilling contract or any interest earned by Operator on any accounts.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Confidentiality Agreement" is defined in Section 10.12.

"Contracts" shall mean all contracts, agreements, leases and other arrangements used or useful in connection with the Producing Leases, insofar and only insofar as they apply to the Producing Leases.

"Defensible Title" is defined in Section 4.2.

"Disqualifying Environmental Condition" shall mean the presence, as determined by the Environmental Assessment, of (i) a material violation of Environmental Laws in connection with the operation of the Subject Assets or (ii) a material amount of Regulated Substances in the soil, groundwater, or surface water in, on, at, or under a Subject Asset in a manner or quantity: (A) which is required by Environmental Laws or by any applicable action or guidance levels or other standards published by any Governmental Authority to be remediated; or (B) for which a permit or closure plan that is required under Environmental Laws has not been obtained. Well plugging and abandonment and drill site restoration obligations customarily taken at the time of well plugging and abandonment, shall not constitute a "Disqualifying Environmental Condition for wells on Exhibit A.

"Documents" is defined in Section 14.4.

"DTPA" is defined in Section 13.2(a).

"Double A Interest" shall mean all of the Working Interest Owners' and Operator's right, title and interest in and to the Double A Leases, together with a like interest in all contracts and other agreements applicable to said Leases insofar as they cover such lands.

"Double A Leases" shall mean the oil, gas and mineral leases described in Exhibit "E", insofar as such Leases cover the lands described in Exhibit "E".

"Easements" shall mean all easements, rights-of-way, servitudes, permits, licenses, franchises and other estates or similar rights and privileges to the extent related to or used in connection with the Producing Leases.

"Escobeda Title Matter" shall mean the alleged overlapping of the Bartolo Escobeda League, A-30 with the Thomas Colville League, A-16, the Andrew Wyllie One-Quarter League, A-84 and the Cyrus Thompson One-Quarter League, A-563, Polk County, Texas.

"Effective Time" shall mean 7:00 a.m. Central Standard Time on January 1, 1996.

"Environmental Assessment" is defined in Section 4.7(a).

"Environmental Consultant" is defined in Section 4.7(a).

"Environmental Deductible Balance" shall mean the amount, if any, by which \$250,000 exceeds the Aggregate Environmental Defect Value of all Disqualifying Environmental Conditions on Producing Properties not treated as Excluded Assets pursuant to Section 4.9(a)(i).

"Environmental Defect Notice" is defined in Section 4.8(a).

"Environmental Defect Value" means the net present value (determined based on a 10% discount rate compounded annually) of the cost to correct in the most cost effective manner reasonably available any Disqualifying Environmental Condition established pursuant to Section 4.8.

"Environmental Laws" shall mean all laws, ordinances, statutes, codes, rules, regulations, agreements, judgments, orders, and decrees, now in effect, promulgated, or amended, of any Governmental Authority, relating to pollution, the protection or regulation of human health, natural resources, or the environment, or the emission, discharge, release or threatened release of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or waste or Regulated Substances into the environment (including, without limitation, ambient air, surface water, ground water or land or soil).

"Environmental Matters" is defined in Section 12.2(a).

"Equipment" shall mean all personal property, wells, equipment, materials, fixtures and improvements located on and used in connection with the Producing Leases or the production, treatment, sale, or disposal of hydrocarbons or waste produced therefrom or attributable thereto.

"ERISA" is defined in Section 5.3(m).

"Excluded Assets" shall mean the following: (a) any and all corporate, financial, tax, interpretative geological, interpretative geophysical and legal records of Seller, (b) any and all financial, tax, interpretative geological, interpretative geophysical and legal records of Operator, except those that relate to the Subject Assets, (c) any and all geophysical data of Seller or of Operator, except for Operator's interest in certain geophysical data described in Section 7.4, (d) any and all refunds of costs, taxes or expenses borne by Seller or Operator attributable to the period prior to the Effective Time, (e) any and all proceeds from the settlements of contract disputes with purchasers of oil, gas or other hydrocarbons from the Producing Leases, including without limitation settlements of take-or-pay disputes, insofar as said proceeds are attributable to periods of time prior to the Effective Time, (f) any and all fee, mineral, royalty, overriding royalty, and other similar interests owned by Seller or Operator; (g) any and all interests in the Livingston gas processing plant, (h) any and all interests in the Camp Ruby gas gathering system including all pipelines, rights of way, easements and road use agreements used in connection with gathering gas from the Subject Assets, (i) an undivided 50% of Seller's and Operator's right, title and interest in and to the Black Stone Champion International C No. 1, Black Stone - Carter E No. 11, and Black Stone - Alabama Coushatta No. 6 Lease Units (as designated on Exhibit A), insofar as such right, title and interest are attributable to depths above 4,000 feet, (j) subject to the provisions of Section 14.18, the Champion C-2 Assets, (k) any interest in the Subject Assets which becomes an Excluded Asset pursuant to Sections 4.9 or 13.3, and (l) any and all assets (real or personal) related to the foregoing items (a) through (k) including any and all rights to use the Easements insofar as they are useful in connection therewith or with the leases described in Exhibits B, C and D.

"Excluded Capital Costs" shall mean all capital costs incurred to drill, complete, and equip to the point of delivery the Champion International C No. 1, Carter E No. 11, Alabama Coushatta No. 5 and Alabama Coushatta No. 6 wells.

"Existing Encumbrances" is defined in Section 4.5.

"Final Settlement Date" is defined in Section 10.6(a).

"Final Statement" is defined in Section 10.6(b).

"Financial Statements" is defined in Section 5.3(d).

"GAAP" shall mean generally accepted accounting principles consistently applied.

"Governmental Authority" shall mean the United States, the states, the counties, the cities, or any other political subdivisions in which the Subject Assets are located, and any other political subdivision, agency or instrumentality (including the Texas Natural Resource Conservation Commission and the Texas Railroad Commission) exercising jurisdiction over Seller, Operator, the Subject Assets, or the operation of the Subject Assets.

"HSR Act" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Hydrocarbons" is defined in Section 4.5(b).

"Indemnified Party" is defined in Section 12.2(g).

"Indemnifying Party" is defined in Section 12.2(g).

"Information" is defined in Section 4.7(d).

"Intellectual Property" is defined in Section 5.3(k).

"Losses" is defined in Section 12.2(d).

"Lease Unit" shall mean, for each well comprising the Subject Assets, the corresponding lease unit described in Exhibit A; provided, that the Lease Unit for the Alabama Coushatta No. 7 well shall be the same as for the Alabama Coushatta No. 4 well, and the Lease Unit for the Alabama Coushatta No. 8 well shall be the same as for the Alabama Coushatta No. 6 well.

"Net Revenue Interest" is defined in Section 4.2(a).

"North Double A Portion/Camden Tram Interest" shall mean an undivided 30% of the Working Interest Owners' and Operator's right, title and interest as of the Effective Time in and to the North Double A Portion/Camden Tram Leases, insofar as such Leases cover the lands described in Exhibit "D", together with a like interest in all contracts and other agreements applicable to said Leases insofar as they cover such lands.

"North Double A JOA" shall mean a joint operating agreement to be executed by Working Interest Owners, Buyer and Operator, as operator, covering the North Double A Area outlined on Exhibit H and in the substantially the form of the Camden Tram JOA.

"North Double A Portion/Camden Tram Leases" shall mean the oil, gas and mineral leases described in Exhibit "D".

"Notice of Disagreement" is defined in Section 10.6(a).

"Notice Period" is defined in Section 12.2(g).

"Operator" shall mean Black Stone Oil Company, a Texas corporation.

"Operator Subject Assets" shall mean those Subject Assets owned by Operator only.

"Producing Leases" shall mean the oil, gas and mineral leases described in Exhibit "A", insofar and only insofar as such leases cover the lands described in Exhibit "A".

"Producing Properties" shall mean all of the right title and interest of the Sellers and Operator in and to the Producing Leases, Easements, Equipment, Contracts and Records.

"Purchase Price" shall mean \$71,500,000.

"Purchase Price Adjustments" is defined in Section 10.4(e).

"Purchased Subject Assets" shall mean the Subject Assets, other than the Operator Subject Assets.

"Purchased Shares" shall mean all of the issued and outstanding shares of common stock, \$.10 par value, of Operator owned by Selling Stockholders.

"Records" shall mean all books, records, files, muniments of title, reports and similar documents and materials that relate to Operator or the Producing Properties, Easements, Equipment or Contracts except those that relate to the Excluded Assets.

"Regulated Substances" shall mean: (i) any hazardous substance defined as such under Section 9601(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. ss.9601, et. seq.; and (ii) any oil and gas exploration and production waste, hydrocarbon-contaminated soil or groundwater, or naturally occurring radioactive material ("NORM") in soil or equipment that is required to be remediated under applicable Environmental Laws at the time of discovery.

"S Year" is defined in Section 7.7.

"Seller" shall mean an individual Selling Stockholder or Working Interest Owner.

"Sellers" shall mean all Selling Stockholders and Working Interest Owners.

"Seller's Response" is defined in Section 4.4(a).

"Selling Stockholder" shall mean an individual party identified on Schedule II attached hereto.

"Selling Stockholder Indemnitees" is defined in Section 12.2(a).

"Statement" is defined in Section 10.5.

"Stockholder Indemnitors" is defined in Section 12.2(c).

"Subject Assets" shall mean the following: (i) the Producing Properties, (ii) the Camden Tram Interest, (iii) the Center Grove Interest, (iv) the North Double A Portion/Camden Tram Interest, and (v) the Double A Interest, but shall not include any of the Excluded Assets.

"Tax Losses" means any Losses arising from the breach of the representations, warranties and covenants contained in Sections 5.2(f), 5.3(j) and 7.7 or Taxes of Operator resulting from the creation and distribution of the stock of any subsidiary of Operator pursuant to Section 7.4(b).

"Taxes" shall mean all taxes, charges, fees, levies or other assessments including, without limitation, income, excise, severance, property, withholding, sales and franchise taxes, imposed by the United States, or any state, county, local or foreign government or subdivision or agency thereof, and including any interest, penalties or additions attributable thereto.

"Title Benefit" shall mean that a Working Interest Owner or Operator owns a Net Revenue Interest in any Producing Property in excess of the interest shown in Schedule 2.3 for such Producing Property.

"Title Consultant" is defined in Section 4.4(a).

"Title Defect" is defined in Section 4.2.

"Title Defect Notice" is defined in Section 4.3.

"Title Examination Period" is defined in Section 4.1.

"Total Defect Adjustment" shall mean the aggregate of (i) the Aggregate Environmental Defect Value, (ii) the value of all Title Defects asserted in accordance with Article IV and (iii) the Allocated Value of all Producing Properties that have become Excluded Assets pursuant to Sections 4.9 or 13.3.

"TRPA" is defined in Section 13.5.

"Working Capital" shall mean all cash, accounts receivable, accounts payable and other items of working capital as determined pursuant to GAAP.

"Working Interest" is defined in Section 4.2(a).

"Working Interest Owner" shall mean an individual party identified on Schedule I attached hereto.

"Working Interest Owner Indemnitees" is defined in Section 12.2(a).

ARTICLE II

Purchase and Sale

Section 2.1 Agreement to Sell and Purchase. Subject to and in accordance with the terms and conditions of this Agreement, Buyer agrees to purchase from (i) the Selling Stockholders the Purchased Shares and (ii) the Working Interest Owners the Purchased Subject Assets, for the total Purchase Price as adjusted pursuant to the provisions of Article X, and (x) each Selling Stockholder, severally and not jointly, agrees to sell to Buyer the number of Purchased Shares indicated on Schedule II, and (y) each Working Interest Owner, severally and not jointly, agrees to sell to Buyer the Purchased Subject Assets owned by such Working Interest Owner as indicated on Schedule I, all for the aggregate payment to the Sellers equal to the Purchase Price as adjusted as provided in Article X.

Section 2.2 Purchase Price. The total consideration for the sale and transfer of the Purchased Subject Assets and the Purchased Shares to Buyer shall be Buyer's payment to Sellers of the Purchase Price, as adjusted pursuant to the provisions of Article X. The Adjusted Purchase Price shall be paid by Buyer to Sellers at Closing by means of a completed Federal Funds transfer to the account of BSHP designated by BSHP to Buyer in writing at least two days prior to the Closing Date for the further account of Sellers.

Section 2.3 Allocated Values. Attached hereto as Schedule 2.3 is a schedule which shows the following items (the "Allocated Values"): (i) the portion of the Purchase Price allocated to the Purchased Shares and the Purchased Subject Assets, (ii) an allocation of the portion of the Purchase Price for the Purchased Subject Assets among the properties

which comprise the Purchased Subject Assets and each Working Interest Owner's interests therein and (iii) an allocation of the Purchase Price for the Purchased Shares among the properties which comprise the Operator Subject Assets. Each Seller and Buyer agree that the Allocated Values shall be used to compute any adjustments to the Purchase Price pursuant to the provisions of this Agreement, but shall not be required to use such Allocated Values for any other purpose.

ARTICLE III

Effective Time

Section 3.1 Revenues and Expenses.

(a) If the transactions contemplated hereby are consummated in accordance with the terms and provisions hereof, the ownership of the Purchased Subject Assets shall be transferred from each Working Interest Owner to Buyer at the Closing Date but effective as of the Effective Time. Subject to the other provisions of this Agreement, each Working Interest Owner shall (i) be entitled to all revenues (and related accounts receivable) attributable to the Purchased Subject Assets owned by such Working Interest Owner (including, without limitation, the right to all production, proceeds of production and other proceeds), and (ii) responsible for the payment of all expenses (and related accounts payable) attributable to the Purchased Subject Assets owned by such Working Interest Owner in each case to the extent the same relate to the period of time prior to the Effective Time. Subject to the other provisions of this Agreement, Buyer shall be entitled to all revenues (and related accounts receivable) attributable to the Purchased Subject Assets (including, without limitation, the right to all production, proceeds of production and other proceeds), and shall be responsible for the payment of all expenses (and related accounts payable) attributable to the Purchased Subject Assets, in each case to the extent the same relate to the period of time from and after the Effective Time.

(b) If the transactions contemplated hereby are consummated in accordance with the terms and provisions hereof, the ownership of the Purchased Shares shall be transferred from the Selling Stockholders to Buyer as of the Closing Date, but the Purchase Price of the Purchased Shares shall be adjusted as provided in Article X.

ARTICLE IV

Title and Environmental Matters

Section 4.1 Title Examination Period. Following the execution date of this Agreement until 5:00 p.m., local time in Houston, Texas on April 12, 1996 (the "Title Examination Period"), each Working Interest Owner and Operator shall permit Buyer and

its representatives and agents to examine, at all reasonable times in Operator's offices, all abstracts of title, title opinions, title files, ownership maps, lease files, assignments, division orders, operating records and agreements pertaining to the Subject Assets insofar as same may now be in existence and in the possession of Working Interest Owner or Operator.

Section 4.2 Title Defects. The term "Title Defect", as used in this Agreement, shall mean (i) any encumbrance, reversion, encroachment, irregularity, defect in or objection to the title of any Working Interest Owner to the interest in any Producing Property set forth opposite such Working Interest Owner's name on Schedule 2.3 or to the title of Operator to the interest in any Producing Property set forth opposite its name on Schedule 2.3 which causes such title, as of the Closing Date, to be less than Defensible Title, and (ii) any failure of any Selling Stockholder to own as of the Closing Date the Purchased Shares set forth opposite such Selling Stockholder's name on Schedule II free and clear of all liens, pledges, security interests and other similar encumbrances. For purposes of this Agreement, the term "Defensible Title" means that, subject to and except for the Existing Encumbrances:

(a) Each Working Interest Owner and Operator by virtue of its interest in the Producing Properties is (i) entitled to receive not less than the percentage set forth in Schedule 2.3 hereto as the "Net Revenue Interest" of all Hydrocarbons produced, saved and marketed from the Lease Unit for each well listed on Schedule 2.3 without reduction, suspension or termination of such interest throughout the productive life of such well, except as specifically set forth in Schedule 2.3, and (ii) obligated to bear the percentage of the costs and expenses relating to the maintenance, development and operation of the Lease Unit for each well not greater than the "Working Interest" shown in Schedule 2.3, without increase throughout the productive life of such well, except as specifically set forth in Schedule 2.3; and

(b) The title of each Working Interest Owner and Operator is free and clear of all liens, pledges, security interests, and other similar encumbrances.

Section 4.3 Notice of Title Defects. If Buyer discovers any Title Defect, Buyer shall notify BSHP of such alleged Title Defect setting forth a summary of the alleged Title Defect, the asserted value thereof determined by Buyer in accordance with the terms of this Agreement, and including copies of relevant portions of any title opinions or other title information on which the alleged Title Defect is based (a "Title Defect Notice"). Each Title Defect Notice shall be delivered by Buyer to BSHP as soon as practicable after the alleged Title Defect is discovered, but in no event later than 12:00 noon on April 12, 1996 ; provided that Buyer shall notify BSHP on or before 12:00 noon on March 1, 1996 of any alleged Title Defect directly related to the Escobeda Title Matter. Any matters that may otherwise constitute Title Defects but that are not specifically raised in a Title Defect Notice delivered prior to 12:00 noon on April 12, 1996 shall be deemed to have been waived by Buyer, except to the extent that any Title Defect constitutes a breach of the special warranty of title contained

in the Assignment delivered by Working Interest Owners at Closing and the warranty of title made by Operator pursuant to Section 5.3(e)(vii). Notwithstanding the foregoing, any title defect or irregularity directly related to the Escobeda Title Matter that is not specifically raised in a Title Defect Notice delivered by Buyer to BSHP on or before 12:00 noon on March 1, 1996 shall be deemed waived by Buyer. Operator or any Working Interest Owner shall have the option, but not the obligation, to attempt to cure any Title Defect.

Section 4.4 Determination of and Remedies for Title Defects.

(a) Determination of Title Defects and Defect Values. Not later than 12:00 noon on April 26, 1996, BSHP shall notify Buyer whether it agrees with Buyer's claimed Title Defects and/or the proposed defect values therefor ("Seller's Response"). If BSHP does not agree with any claimed Title Defect and/or proposed defect value therefor, then the parties shall enter into good faith negotiations and shall attempt to agree on such matters. The parties hereby agree that there is no defect value with respect to Title Defects on Subject Assets other than the Producing Properties. If the parties cannot reach agreement concerning either the existence of a Title Defect or a defect value within ten (10) days after Buyer's receipt of Seller's Response, upon either party's request, the parties shall mutually agree on and employ an attorney experienced in title examination ("Title Consultant") to resolve all points of disagreement relating to Title Defects and defect values; provided, however, that if at any time any Title Consultant so chosen fails or refuses to perform hereunder, a new Title Consultant shall be chosen by the parties. The cost of any such Title Consultant shall be borne 50% by Sellers and 50% by Buyer. Each party shall present a written statement of its position on the Title Defect and/or defect value in question to the Title Consultant within five (5) days after the Title Consultant is selected, and the Title Consultant shall make a determination of all points of disagreement in accordance with the terms and conditions of this Agreement within ten (10) business days of receipt of such position statements. The determination by the Title Consultant shall be conclusive and binding on the parties, and shall be enforceable against any party in any court of competent jurisdiction. If necessary, the Closing Date shall be deferred until the Title Consultant has made a determination of the disputed issues, and all subsequent dates and required activities having reference to the Closing Date shall be correspondingly deferred; provided, however, that, unless each Seller and Buyer mutually agree to the contrary, the Closing Date shall not be deferred in any event for more than thirty (30) days beyond the original Closing Date.

(b) Remedies for Title Defect. With respect to any Title Defect that a Seller elects not to cure or that a Seller fails to cure at or prior to the Closing, such Seller and Buyer shall reduce the Purchase Price by the agreed upon defect value of such Title Defect, taking into consideration the Allocated Value of the Producing Property subject to such Title Defect, the portion of such Producing Property subject to such Title Defect and the legal effect of such Title Defect on the Producing Property affected thereby; provided, however, that if such Title Defect is the result of a discovery by Buyer that Working Interest Owner

or Operator owned, as of the Effective Time, a Net Revenue Interest in a Producing Property that is less than the Net Revenue Interest set forth on Schedule 2.3, then Buyer and Seller agree that the proportion of reduction to the Purchase Price shall be equal to the product of the Allocated Value of such Producing Property and the percentage reduction in such Net Revenue Interest as a result of such Title Defect, and provided, further, that if the defect value has been determined in accordance with Section 4.4(a), the Title Consultant's determination will control. Notwithstanding anything to the contrary contained herein, there shall be no reduction to the Purchase Price for Title Defects with respect to any well on a Lease Unit pursuant to the terms of Section 4.4(b) unless and until, and then only to the extent that, the aggregate value of all adjustments for Title Defects with respect to such well on a Lease Unit, on well-by-well basis, exceeds one-half of one percent (1/2%) of the Allocated Value of such well on such Lease Unit.

Section 4.5 Special Warranty of Title. The documents to be executed and delivered by each Working Interest Owner to Buyer, transferring title to the Purchased Subject Assets as required hereby, including the Assignment and Bill of Sale attached hereto as Exhibit "E" (the "Assignment"), shall be subject to the Existing Encumbrances and without warranty of title of any kind whatsoever, express, implied or statutory, except for matters arising by, through or under Working Interest Owner. The term "Existing Encumbrances" shall mean any of the following matters to the extent the same are valid and subsisting and affect the Subject Assets:

(a) the contracts, agreements, instruments and other matters set forth in Exhibit A;

(b) any (i) undetermined or inchoate liens or charges constituting or securing the payment of expenses that were incurred incidental to maintenance, development, production or operation of the Subject Assets or for the purpose of developing, producing or processing oil, gas or other hydrocarbons (collectively, "Hydrocarbons") therefrom or therein, and (ii) materialman's, mechanics', repairman's, employees', contractors', operators' or other similar liens or charges for liquidated amounts arising in the ordinary course of business (x) that are not delinquent or that will be paid and discharged by a Seller at or before Closing, (y) which Buyer has agreed to assume or pay pursuant to the terms hereof, or (z) if delinquent, that are being contested in good faith by appropriate action, of which Buyer will be notified in writing before Closing;

(c) any liens for taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the ordinary course of business and for which a Seller has agreed to pay pursuant to the terms hereof or which have been prorated pursuant to the terms hereof;

(d) any liens or security interests created by law or reserved in oil and gas leases for royalty, bonus or rental, or created to secure compliance with the terms of the agreements, instruments and documents of record or contained in the Records that create or reserve to Working Interest Owner or Operator its interests in the Subject Assets;

(e) any obligations or duties affecting the Subject Assets to any municipality or public authority with respect to any franchise, grant, license or permit of record or contained in the Records, and all applicable laws, rules, regulations and orders of any Governmental Authority;

(f) any (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, lodging, canals, ditches, reservoirs or the like of record or contained in the Records, and (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way of record or contained in the Records, on, over or in respect of property owned or leased by Working Interest Owner or Operator or over which Working Interest Owner or Operator owns rights-of-way, easements, permits or licenses which do not operate to interfere materially with operations as currently conducted on the Subject Assets;

(g) all lessors' royalties, overriding royalties, net profits interests, carried interests, production payments, reversionary interests and other burdens on or deductions from the proceeds of production created or in existence as of the Effective Time that do not operate to reduce the Net Revenue Interests of Working Interest Owner or Operator or increase the Working Interests of Working Interest Owner or Operator without a corresponding increase in the Net Revenue Interests;

(h) preferential rights to purchase or similar agreements with respect to which (i) waivers or consents are obtained from the appropriate parties for the transaction contemplated hereby, or (ii) required notices have been given for the transaction contemplated hereby to the holders of such rights and the appropriate period for asserting such rights has expired without an exercise of such rights;

(i) required third party consents to assignments or similar agreements with respect to which (i) waivers or consents are obtained from the appropriate parties for the transaction contemplated hereby, or (ii) required notices have been given for the transaction contemplated hereby to the holders of such rights and the appropriate period for asserting such rights has expired without an exercise of such rights;

(j) 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 that are customarily obtained subsequent to such sale or conveyance;

(k) production sales contracts; division orders; contracts for sale, purchase, exchange, refining or processing of hydrocarbons; unitization and pooling designations, declarations, orders and agreements; operating agreements; agreements of development; area of mutual interest agreements; gas balancing or deferred production agreements; processing agreements; plant agreements; pipeline, gathering and transportation agreements; injection, repressuring and recycling agreements; carbon dioxide purchase or sale agreements; salt water or other disposal agreements; seismic or geophysical permits or agreements to the extent the same are ordinary and customary to the oil, gas, sulphur and other mineral exploration, development, processing or extraction business which are of record or contained in the Records;

(l) record title to Purchased Subject Assets of any Working Interest Owner being held in the name of Operator; or

(m) defects or irregularities affecting the Subject Assets that individually or in the aggregate do not materially interfere with the ownership or operation of the Subject Assets or impair the value of the Subject Assets.

Section 4.6 Remedies for Title Benefits. The Purchase Price shall be increased pursuant to Sections 10.4(a)(iii) and 10.4(d) with respect to all Title Benefits, in an amount equal to the value of any Title Benefit. Buyer and Working Interest Owners agree that the value of any Title Benefit shall be equal to the product of the Allocated Value of the affected Lease Unit and the percentage increase in such Net Revenue Interest as a result of such Title Benefit; provided, however, that Buyer shall have no duty or obligation to advise a Seller of any higher Net Revenue Interest discovered in Buyer's due diligence or otherwise coming to Buyer's attention, except where Buyer is claiming a Title Defect based upon an increase in Working Interest, and in such case Buyer shall disclose the existence of any corresponding increase in Net Revenue Interest.

Section 4.7 Environmental Procedure.

(a) Each Working Interest Owner and Operator consent to the performance of, and Buyer shall cause to be performed on or before April 12, 1996, an environmental assessment ("Environmental Assessment") on all or a part of the Producing Properties and agree to allow Buyer or Sound Environmental, Inc. or other environmental consultant or technical representatives that have been approved by BSHP (which approval shall not be unreasonably withheld) (the "Environmental Consultant") to have access to the Producing Properties for this purpose at any reasonable time or times prior to April 12, 1996 (the "Assessment Period").

(b) The scope of work for the Environmental Assessment shall be mutually agreed upon by Buyer and BSHP and the agreement of BSHP will not be unreasonably withheld.

(c) Buyer shall bear all costs associated with the Environmental Assessment. Working Interest Owner and Operator understand and acknowledge that the Environmental Assessment may involve subsurface testing of soil, groundwater, and any surface water at the Producing Properties and may involve soil borings and the collection of groundwater samples by hydropunch, geoprobe, or similar means, but Buyer shall not install groundwater monitoring wells without the prior consent of BSHP, which consent shall not be unreasonably withheld. Buyer shall be responsible for disposing of any soil cuttings or other waste generated by this testing and shall restore the Producing Properties at the end of the Assessment Period to its condition prior to the performance of the Environmental Assessment. Buyer agrees to indemnify and hold each Working Interest Owner and Operator harmless from any liability arising from the acts or omissions of Buyer, its representatives or the Environmental Consultant during the performance of the Environmental Assessment WITHOUT REGARD TO THE SOLE, PARTIAL OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, OR OTHER FAULT OF ANY WORKING INTEREST OWNER INDEMNITEE OR OPERATOR, but in no event for the gross negligence or willful misconduct of any Working Interest Owner Indemnatee or Operator. No invasive testing or excavation other than soil borings, the installation of groundwater wells, and grab samples of surface soil, surface water, or sediment approved by BSHP pursuant to Section 4.7(b) shall be undertaken without the prior consent of BSHP.

(d) Unless otherwise required by law, Buyer agrees to treat confidentially all reports prepared for Buyer by its Environmental Consultant in connection with the performance of the Environmental Assessment, and the information contained in such reports (collectively, referred to herein as the "Information"). The Information may only be used by Buyer or Sellers in connection with the transactions contemplated by this Agreement. In the event that Buyer or its representatives become legally compelled to disclose any of the Information, Buyer shall provide Working Interest Owner and Operator with prompt notice prior to any such disclosure so that Working Interest Owner or Operator, if it disagrees with this obligation to disclose, may seek a protective order or other appropriate remedy and/or waive compliance with any applicable provisions of this Section 4.7(d).

(e) Buyer shall make the Information available to Working Interest Owner and Operator and provide Working Interest Owner and Operator copies of the Information without charge.

(f) Working Interest Owner and Operator shall have the right to have a representative or representatives accompany the Environmental Consultant at all times during the Environmental Assessment and Buyer agrees to give Working Interest Owner and Operator verbal notice not more than 72 hours and not less than 48 hours before any visits by the Environmental Consultant to the Producing Properties. Buyer agrees to take and provide to Operator identical split samples of all sampling done on the Producing Properties.

Section 4.8 Determination of Disqualifying Environmental Condition.

(a) Notice of Environmental Defects. To establish the existence of a Disqualifying Environmental Condition on a Subject Asset, Buyer shall deliver to BSHP a notice (an "Environmental Defect Notice") as soon as practicable after discovery of such Disqualifying Environmental Condition and in any event prior to 12:00 noon on April 12, 1996 asserting the existence of a Disqualifying Environmental Condition and including (i) the Environmental Assessment which must contain a conclusion that a Disqualifying Environmental Condition exists, and which conclusion must be reasonably substantiated by the results of the investigation conducted by the Environmental Consultant and (ii) a bid from the Environmental Consultant and another qualified environmental consulting firm for the correction of the Disqualifying Environmental Condition in the most cost effective manner reasonably available. As a minimum standard for acceptance by Working Interest Owner and Operator, such Environmental Assessment must reflect that the Environmental Consultant performed sufficient invasive testing and analytical work to delineate reasonably the nature and extent of the Disqualifying Environmental Condition and is further required to contain a site plan showing the location of all sampling events, boring logs and other field notes describing the sampling methods utilized and the field conditions observed, chain-of-custody documentation, laboratory reports, and copies of two bids for corrective work.

(b) Seller's Reply to Defect Notice. On or before 12:00 noon on April 26, 1996, the affected Working Interest Owner and/or Operator shall provide Buyer with written notice as to whether it acknowledges the existence of each Disqualifying Environmental Condition asserted by Buyer in an Environmental Defect Notice delivered pursuant to the terms hereof. If such Working Interest Owner or Operator does not provide Buyer on or before said time with a written notice that Working Interest Owner or Operator rejects the conclusion in the Environmental Assessment as to the existence of a Disqualifying Environmental Condition, such Working Interest Owner or Operator shall be deemed to have acknowledged the existence of a Disqualifying Environmental Condition.

(c) Buyer's Rights of Acceptance or Appeal. If a Working Interest Owner or Operator timely rejects the conclusions in the Environmental Assessment, then Buyer shall have five (5) days after the receipt of this rejection to appeal the rejection by providing such Working Interest Owner or Operator within this five day period with a written notice of its appeal. If Buyer does not timely and properly appeal within this time period, Buyer shall be deemed to have acknowledged that no Disqualifying Environmental Condition exists. If Buyer accepts or is deemed to accept that no Disqualifying Environmental Condition exists, then the parties will proceed to Closing. If Buyer timely appeals, then, at the sole cost of the unsuccessful party in the appeal process, Buyer and such Working Interest Owner or Operator shall each select a consulting firm and then the two consulting firms shall mutually agree upon a third firm. The third firm shall make a determination whether the conclusion in the Environmental Assessment that a Disqualifying Environmental Condition exists is

correct and is supported by an investigation conducted in accordance with industry-accepted standards. The determination of the third consulting firm shall be final and binding upon Buyer and a Working Interest Owner or Operator as to the existence of a Disqualifying Environmental Condition. The third consulting firm shall also estimate the cost of correcting the Disqualifying Environmental Condition in the most cost effective manner reasonably available. Buyer and the applicable Working Interest Owner or Operator shall reasonably cooperate in the appeal process which shall be completed within thirty (30) days after Buyer gives Working Interest Owner or Operator written notice of its appeal. If any party fails to cooperate in the appeal process or the two appointed consultants cannot agree upon a third consultant, then either party may petition the United States District Judge for the Southern District of Texas then senior in service to designate a qualified and experienced consulting firm.

Section 4.9 Remedies for a Disqualifying Environmental Condition.

(a) With respect to all Disqualifying Environmental Conditions established pursuant to Section 4.8, the following provisions shall apply.

(i) If the Environmental Defect Value of all Disqualifying Environmental Conditions associated with a Producing Property exceeds the Allocated Value of such Producing Property, Buyer may elect to exclude such Producing Property from this transaction and treat such Producing Property as an Excluded Asset in which event the Purchase Price shall be adjusted downward by the Allocated Value of such Producing Property.

(ii) If the Environmental Defect Value of all Disqualifying Environmental Conditions associated with a Producing Property exceeds 30% of the Allocated Value of such Producing Property, Working Interest Owner or Operator may elect to exclude such Producing Property from this transaction and treat such Producing Property as an Excluded Asset in which event the Purchase Price shall be adjusted downward by the Allocated Value of such Producing Property.

(iii) If the Aggregate Environmental Defect Value of all Disqualifying Environmental Conditions on Producing Properties not treated as Excluded Assets pursuant to Section 4.9(a)(i) and (ii) does not exceed \$250,000, Buyer alone shall pay and be responsible for the costs of correcting such Disqualifying Environmental Conditions.

(iv) If the Aggregate Environmental Defect Value of all Disqualifying Environmental Conditions on Producing Properties not treated as Excluded Assets pursuant to Section 4.9(a)(i) and (ii) exceeds \$250,000, Buyer shall pay and be responsible for the first \$250,000 of the Aggregate Environmental Defect Value and Working Interest Owner and

Operator shall pay and be responsible for the balance of such amount (but such payments shall not be included as a part of the Closing Working Capital).

(b) Operator shall have the right, but not the obligation, on behalf of itself and any affected Working Interest Owner to cure any Disqualifying Environmental Condition prior to Closing. The Environmental Defect Value of any Disqualifying Environmental Condition cured by Operator in accordance with Section 4.10 prior to Closing shall be applied against the amount for which Working Interest Owner and Operator are responsible under Section 4.9(a)(iv).

(c) If the Operator does not correct any Disqualifying Environmental Defect prior to the Closing, then Buyer shall proceed with due diligence in accordance with industry accepted practices after the Closing to correct any Disqualifying Environmental Conditions in accordance with Section 4.10 for which it is responsible under Sections 4.9(a)(iii) and (iv). At the Closing, the Purchase Price shall be adjusted downward by the amount of the Environmental Defect Value for which Working Interest Owner and Operator are responsible under Section 4.9(a)(iii), less any credit to which they are entitled under 4.9(b).

Section 4.10 Correction of a Disqualifying Environmental Condition. To correct a Disqualifying Environmental Condition involving a violation of Environmental Laws, the party responsible for correcting the Disqualifying Environmental Condition under the provisions of Sections 4.9(b) and (c) shall cure the violation and provide reasonable evidence to the other party substantiating that the violation has been cured. To correct a Disqualifying Environmental Condition involving Regulated Substances, the responsible party shall perform the type of remediation that a prudent operator would perform and shall provide the other party with written assurance from the appropriate Governmental Authority that no further action is required in connection with the Regulated Substances, or if no such written assurance is customarily obtained under normal procedures observed by prudent operators, a certification from a qualified consultant that the appropriate remediation has been performed and that no further response is required under applicable Environmental Laws.

ARTICLE V

Representations and Warranties of Sellers and Operator

Section 5.1 Representations and Warranties of Working Interest Owners. Each Working Interest Owner (severally and not jointly) represents and warrants with respect to itself only and its interest in the Purchased Subject Assets on the date hereof and on the Closing Date as follows:

(a) Existence. If Working Interest Owner is a corporation, it is duly organized, validly existing and in good standing under the laws of the state of its incorporation. If Working Interest Owner is a partnership, it is duly organized and validly existing under the laws of the state of its formation. Working Interest Owner has full legal power, right and authority to own, lease and operate its properties and to carry on its business as such is now being conducted and as contemplated to be conducted.

(b) Legal Power. Working Interest Owner has the legal power and right to enter into and perform this Agreement and the transactions contemplated hereby and, in the case of any Working Interest Owner who is an individual, no joinder by or consent of Working Interest Owner's spouse is required hereunder. The execution and delivery of this Agreement and the documents contemplated hereby, and the consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with:

(i) any provision of Working Interest Owner's articles or certificate of incorporation, by-laws or partnership agreement, as applicable; or

(ii) any judgment, order, ruling or decree applicable to Working Interest Owner or the Purchased Subject Assets or any law, rule or regulation applicable to Working Interest Owner or the Purchased Subject Assets.

(c) Execution. The execution and delivery of this Agreement and the other documents contemplated hereby and the performance by Working Interest Owner of the transactions contemplated hereby and thereby have been duly and validly authorized by all requisite corporate or partnership action, as applicable, on the part of each Working Interest Owner that is a corporation or partnership. This Agreement constitutes the legal, valid and binding obligation of Working Interest Owner, enforceable in accordance with its terms, except that (i) enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting creditors' rights generally, (ii) the remedies of specific performance and injunctive relief are subject to certain equitable defenses and to the discretion of the court before which any proceedings may be brought, and (iii) rights to indemnification hereunder may be limited under applicable securities laws.

(d) Brokers. No broker or finder has acted for or on behalf of Working Interest Owner in connection with this Agreement or the transactions contemplated by this Agreement. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Working Interest Owner for which Buyer has or will have any liabilities or obligations (contingent or otherwise).

(e) Bankruptcy. There are no bankruptcy, reorganization, arrangement or similar proceedings pending, or, to the knowledge of Working Interest Owner, threatened against Working Interest Owner.

(f) Suits. Except for Black Stone Oil Company v. C.C. Lilley, Inc., there is no suit, action, claim, investigation or inquiry by any person or entity or by any administrative agency or governmental body and no legal, administrative or arbitration proceeding pending or, to the knowledge of Working Interest Owner, threatened against Working Interest Owner or the Purchased Subject Assets which, if decided adversely to the interest of Working Interest Owner, would reasonably be expected to have a material adverse affect on the use or value of the Purchased Subject Assets.

(g) No Defaults. Working Interest Owner has no knowledge of any default with respect to the Producing Properties that has not been remedied or waived and that would have a material adverse effect, and to the best of BSHP's knowledge, the Producing Properties are being held, developed, operated and produced substantially in compliance with the terms and conditions of the Contracts and all other applicable agreements.

(h) Royalties. All rentals, royalties and other payments due with respect to the Producing Properties have been properly and timely paid, except those amounts in suspense, and, to the best of Working Interest Owner's knowledge, all conditions necessary to keep the Producing Properties in effect have been duly performed.

(i) Taxes. All ad valorem, property, production, severance, excise and similar taxes and assessments based on or measured by the ownership of the Purchased Subject Assets or the production of Hydrocarbons or the receipt of proceeds therefrom on the Purchased Subject Assets that have become due and payable have been properly and timely paid.

(j) Non-Resident Status. Working Interest Owner is not a nonresident alien of the United States.

(k) Investment. Prior to entering into this Agreement, Working Interest Owner was advised by and relied on its own legal, tax and other professional counsel concerning this Agreement, the Purchased Subject Assets and the value thereof. Working Interest Owner acknowledges that Buyer is entering into other purchase agreements with other owners of interests in certain of the properties which are covered by this Agreement, and that the terms and conditions of such agreements may differ from those contained herein and from those contained among the various other agreements.

(l) Laws and Regulations. Except as set forth on Schedule 5.1(l), to the best of Working Interest Owner's knowledge, the Producing Properties have been and currently are

being operated in compliance, with all laws, regulations and orders of all Governmental Authorities, except where the failure to so comply would not have a material adverse affect on the business operations, financial condition, or results of operations of Working Interest Owner or of the Producing Properties.

(m) Prepayments and Gas Balancing. To the best of Working Interest Owner's knowledge, it is receiving on a current basis the payments required under gas contracts or other contractual arrangements for the delivery, transportation or sale of natural gas from the Producing Properties. Working Interest Owner is not obligated under any prepayment arrangement, "take-or-pay" contract, production payment agreement, well head or plant balancing agreement or other arrangement to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor, and as of the Effective Time there are no material "pipeline" or other imbalances with respect to any contract or agreement which would require settlement by cash from Working Interest Owner sometime in the future.

(n) Calls on Production. Except as provided in the Contracts listed in Exhibit A and lessors' rights to take production in kind, no person has any call upon, option to purchase, right of refusal or similar unexecuted right with respect to the purchase of Working Interest Owner's portion of Hydrocarbon production from the Producing Properties.

(o) Wells and Units. To the best of Working Interest Owner's knowledge, every well comprising a part of the Producing Properties has been drilled and completed within the applicable lease or within the limits otherwise permitted by contract, pooling or unit agreement and by law. To the best of Working Interest Owner's knowledge, no well comprising a part of the Producing Properties is subject to penalties on allowables because of any overproduction permitted by applicable laws, rules, regulations or permits, orders or decrees of any Governmental Authority, which would prevent such well from being entitled to its full, legal and regular allowable, from and after the Effective Time.

(p) Consents. Except as provided in the instruments described on Schedule 5.1(p), no consent, authorization or approval of any third party is required under any material agreement to which Working Interest Owner is a party or to which its interest in the Subject Assets is bound for the execution and delivery of this Agreement by Working Interest Owner or the performance of its obligations hereunder.

(q) Governmental Approvals. Neither the execution and delivery of this Agreement by Working Interest Owner nor the performance by Working Interest Owner of its obligations hereunder will require any consent, authorization or approval of, or waiver or exemption by, or filing with or notice to, any governmental agency, instrumentality or authority under any provision of law applicable to Working Interest Owner, except for (i)

applicable filings under the HSR Act, (ii) those required under the instruments described in Schedule 5.1(p) and (iii) those that are customarily obtained after the Closing.

(r) Accuracy of Information Furnished. To the best of Working Interest Owner's knowledge, all Contracts with respect to the Producing Properties can be found either of record in Polk County, Texas or in, or referenced in, Operator's or BSHP's files. To the best of Working Interest Owner's knowledge, all Contracts located in Operator's or BSHP's files are true, accurate and complete copies.

Section 5.2 Representations and Warranties of Selling Stockholders. Each Selling Stockholder represents and warrants with respect to itself and its Purchased Shares on the date hereof and on the Closing Date as follows:

(a) Legal Power. Selling Stockholder has the legal power and right to enter into and perform this Agreement and the transactions contemplated hereby and, to the extent such Selling Stockholder's spouse does not execute this Agreement, no joinder by or consent of Selling Stockholder's spouse is required hereunder.

(b) Valid and Binding Agreement. This Agreement constitutes the valid and binding agreement of Selling Stockholder, enforceable in accordance with its terms except that (i) such enforcement may be subject to bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally, (ii) the remedy of specific performance and injunctive relief and other forms of equitable relief are subject to certain equitable defenses and to the discretion of the court before which any proceedings therefor may be brought, and (iii) rights to indemnification hereunder may be limited under applicable securities laws.

(c) Title to Purchased Shares. Selling Stockholder (i) owns of record and beneficially, and has good and marketable title to the number of Purchased Shares set forth opposite his name on Schedule II, free and clear of any and all liens, security interests, encumbrances, charges, adverse claims, options, rights, contracts, calls or commitments of any character whatsoever, and (ii) has the right to vote such shares on any matters as to which any shares of common stock of Operator are entitled to vote under the laws of the State of Texas and Operator's articles of incorporation and bylaws, free of any right in any other person.

(d) No Conflicts. To the best of Selling Stockholder's knowledge, the execution and delivery of this Agreement by Selling Stockholder does not, and the performance of its obligations hereunder will not, constitute a violation of, conflict with, or result in a default under, any agreement or instrument to which Selling Stockholder is a party or by which Selling Stockholder is bound, or any judgment, decree or order applicable to Selling Stockholder which would have a material adverse effect on Selling Stockholder or its Purchased Shares.

(e) Approvals. To the best of Selling Stockholder's knowledge, except for filings under the HSR Act, neither the execution and delivery of this Agreement by Selling Stockholder nor the performance by Selling Stockholder of its obligations hereunder will require any consent, authorization or approval of, or waiver or exemption by, or filing with or notice to, any governmental agency, instrumentality or authority under any provision of law applicable to Selling Stockholder or other third party.

(f) S Corporation Status. Selling Stockholder is not a nonresident alien of the United States and Selling Stockholder is either an individual or a "qualified subchapter S trust" within the meaning of sections 1361(c)(2) and 1361(d) of the Code.

(g) Brokers. No broker or finder has acted for or on behalf of Selling Stockholder in connection with this Agreement or the transactions contemplated by this Agreement. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Selling Stockholder for which Buyer has or will have any liabilities or obligations (contingent or otherwise).

(h) Investment. Prior to entering into this Agreement, Selling Stockholder was advised by and relied on its own legal, tax and other professional counsel concerning this Agreement, the Subject Assets and the value thereof. Selling Stockholder acknowledges that Buyer is entering into other purchase agreements with other owners of interests in certain of the properties which are covered by this Agreement, and that the terms and conditions of such agreements may differ from those contained herein and from those contained among the various other agreements.

Section 5.3 Representations and Warranties of Operator. Operator represents and warrants on the date hereof and (except as expressly provided herein) on the Closing Date as follows:

(a) Existence and Good Standing; Power and Authority. Operator is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas, with all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Operator does not have any subsidiaries. Operator is duly qualified or licensed as a foreign corporation and in good standing in each jurisdiction in which the character or location of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so duly qualified or licensed would not have a material adverse effect on its business, prospects, financial condition or results of operations. Operator is qualified or licensed to transact business as a foreign corporation in Texas and Louisiana.

(b) Due Authorization; Enforceability. Operator has full corporate power, capacity and authority to execute this Agreement and all other agreements and documents contemplated hereby. The execution and delivery of this Agreement and such other agreements and documents by Operator and the consummation by Operator of the transactions contemplated hereby have been duly authorized by Operator and no other corporate action on the part of Operator is necessary to authorize the transactions contemplated hereby. This Agreement has been duly executed and delivered by Operator and constitutes the legal, valid and binding obligation of Operator, enforceable in accordance with its terms, except that (i) enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting creditors' rights generally, (ii) the remedies of specific performance and injunctive relief are subject to certain equitable defenses and to the discretion of the court before which any proceedings may be brought, and (iii) rights to indemnification hereunder may be limited under applicable securities laws.

(c) Capital Stock. Operator's authorized capital stock consists of 1,000,000 shares of common stock, \$.10 par value, of which 68,440 shares are issued and outstanding. All of the Purchased Shares, which constitute all of the issued and outstanding shares of capital stock of Operator, have been validly issued and fully paid and are nonassessable and no holder thereof is entitled to any preemptive rights. There are no outstanding conversion or exchange rights, subscriptions, options, warrants, or other arrangements or commitments obligating Operator to issue any shares of capital stock or any other securities. Other than the articles of incorporation and bylaws, there are no agreements or instruments among, or otherwise governing the relations of, the shareholders of Operator.

(d) Financial Statements. Set forth on Schedule 5.3(d) is a true and complete copy of the compiled balance sheet of Operator at December 31, 1994 and the related income statement and statement of retained earnings for the period then ended and the unaudited balance sheet at October 31, 1995 and the related income statement and statement of retained earnings for the period then ended (collectively, the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP, and present fairly the financial condition of Operator at and as of such dates.

(e) Operator Subject Assets.

(i) No Defaults. Operator has no knowledge of any default with respect to any Producing Properties, the Contracts or any other material agreement, which has not been remedied or waived and which would have a material adverse effect on such Producing Properties, and to the best of Operator's knowledge, the Producing Properties are being held, developed, operated and produced substantially in compliance with the terms and conditions of the Contracts and all other applicable agreements.

(ii) Royalties. To the best of Operator's knowledge, all rentals, royalties and other payments due with respect to the Producing Properties have been properly and timely paid, except those amounts in suspense, and, all conditions necessary to keep the Producing Properties in effect have been duly performed.

(iii) Prepayments and Gas Balancing. Operator is receiving on a current basis the payments required under gas contracts or other contractual arrangements for the delivery, transportation or sale of natural gas from its interest in the Producing Properties. There are no "take-or-pay" prepayments for which an obligation exists to deliver gas after the Effective Time. Operator is not obligated under any material prepayment arrangement, "take-or-pay" contract, production payment agreement, well head or plant balancing agreement or other arrangement to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor, and as of the Effective Time there are no material "pipeline" or other imbalances with respect to any contract or agreement which would require settlement by cash from Operator at sometime in the future.

(iv) Calls on Production. Except as provided in the Contracts listed in Exhibit A and lessors' rights to take production in kind, no person has any call upon, option to purchase, right of refusal or similar unexecuted right with respect to the purchase of Hydrocarbon production from the Producing Properties.

(v) Wells and Units. To the best of Operator's knowledge, every well comprising a part of the Producing Properties has been drilled and completed within the applicable lease or within the limits otherwise permitted by contract, pooling or unit agreement and by law. To the best of Operator's knowledge, no well comprising a part of the Producing Properties is subject to penalties on allowables after the date hereof because of any overproduction permitted by applicable laws, rules, regulations or permits, orders or decrees of any governmental body or agency, which would prevent such well from being entitled to its full, legal and regular allowable, from and after the date hereof, as prescribed by any court or governmental body or agency.

(vi) Taxes. All ad valorem, property, production, severance, excise and similar taxes and assessments based on or measured by the ownership of the Operator Subject Assets or the production of Hydrocarbons or the receipt of proceeds therefrom on the Operator Subject Assets that have become due and payable have been properly and timely paid.

(vii) Title. At the Closing, Operator's interest in the Operator Subject Assets is free and clear of all claims, liens and encumbrances created by, through or under Operator, except for the Existing Encumbrances.

(f) Non-Resident Status. Operator is not a nonresident alien of the United States.

(g) Additional Contracts. Except with respect to the Excluded Assets, the Contracts listed on Exhibit A and those having a term of 90 days or less (or terminable on notice of 90 days or less), there are no material contracts, arrangements and commitments (whether oral or written) to which Operator is a party or by which any of Operator's assets or business are bound including, without limitation, contracts, arrangements or commitments which relate to (1) the sale, lease or other disposition by Operator of all or any substantial part of the business or assets of Operator (otherwise than in the ordinary course of business), (2) the purchase or lease by Operator of a substantial amount of assets (otherwise than in the ordinary course of business), (3) the supply by Operator of any customer's requirements for any oil, gas or other goods or services or the purchase by Operator of its requirements for any item or of a vendor's output of any item, in each case in which the aggregate annual payments to Operator by such customers or by Operator to such vendor exceed \$25,000, (4) lending or advancing funds by Operator, (5) borrowing of funds or guarantying the borrowing of funds by any other person, whether under an indenture, note, loan agreement or otherwise, (6) any transaction or matter with any affiliate of Operator, (7) noncompetition or employment, or (8) any other matter which is material to the business, assets or operations of Operator (other than any Contracts) ("Additional Contracts").

(h) No Violations. The execution and delivery of this Agreement by Operator and the consummation of the transactions contemplated hereby will not (a) violate any provision of its articles of incorporation or bylaws or (b) violate any statute, rule, regulation, judgment, order or decree of any public body or authority by which Operator or its properties or assets are bound.

(i) Litigation and Related Matters. Except for Black Stone Oil Company v. C.C. Lilley, Inc., there are no actions, suits, proceedings or investigations pending against Operator or, to the knowledge of Operator, threatened against Operator, Operator's business or any property or rights of Operator, at law or in equity, before or by any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign ("Agencies"). Operator is not subject to any continuing court or Agency order, writ, injunction or decree applicable specifically to the business, operations or assets of Operator or employees of Operator, nor in default with respect to any order, writ, injunction or decree of any court or Agency with respect to its assets, business, operations or employees. There are no worker's compensation claims outstanding against Operator as of the date hereof.

(j) Taxes.

(i) Operator and the Selling Stockholders have made a valid election for Operator to be taxed under subchapter S of the Code, effective as of January 1, 1992. Such election has been and will continue to be in effect for Operator for all taxable years of Operator ending on or before the Closing Date.

(ii) Operator has filed all income tax returns or tax information returns required to be filed by it and all returns of other Taxes required to be filed by it and has paid or provided for all Taxes shown to be due by Operator on such returns except where the failure to file such returns or pay such Taxes would not have a material adverse effect on the Operator or its business. No action or proceeding for the assessment or collection of any Taxes is pending against Operator, no deficiency, assessment or other formal claim for any Taxes has been asserted or made against Operator that has not been fully paid or finally settled, and no issue, including the status of Operator as an S Corporation, has been formally raised by any taxing authority in connection with an audit or examination of any return of Taxes. No federal or state income tax or tax information returns of Operator have been examined, and there are no outstanding agreements or waivers extending the applicable statutory periods of limitation for such Taxes for any period. All Taxes which Operator has been required to collect or withhold have been duly withheld or collected and, to the extent required, have been paid to the proper taxing authority except where the failure to file such returns or pay such Taxes would not have a material adverse effect on the Operator or its business. No federal income Taxes will be assessed on or after the Closing Date against Operator for any tax period ending on or prior to the Closing Date.

(k) Patents, Trademarks. Except for geophysical and software licences, Operator does not own or use in the operation of its business any patents, patent licenses, software licenses, trade names, trademarks, service marks or copyrights (collectively, "Intellectual Property").

(l) Compliance with Laws. Except as set forth on Schedule 5.1(l), to the best of Operator's knowledge, Operator (a) is in compliance with all applicable laws, regulations (including federal, state and local procurement regulations), orders, judgments and decrees except where the failure to so comply would not have a material adverse effect on the business, operations, financial condition, results of operations of Operator or the Subject Assets, and (b) possesses all necessary licenses, franchises, permits and governmental authorizations to conduct its business in the manner in which and in the jurisdictions and places where such business is now conducted, except where the failure to possess the same would not have a material adverse effect on the business, operations, financial condition, results of operations of Operator or the Subject Assets.

(m) Employee Benefit Plans. Operator does not maintain, nor has it ever maintained any employee benefit plan within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Operator has not incurred any liability or taken any action, nor has any knowledge of any action or event, that could cause it to incur any liability (i) under Section 412 of the Code or Title IV of ERISA with respect to any "single employer plan" (within the meaning of Section 4001(a)(15) of ERISA), (ii) on account of a partial or complete withdrawal (within the meaning of Section 4205 and 4203 of ERISA, respectively) with respect to any "multiemployer plan" (within the meaning of Section 3(37) of ERISA), (iii) on account of unpaid contributions to any such multiemployer plan, or (iv) to provide health benefits or other non-pension benefits to retired or former employees, except as specifically required by Section 4980B(f) of the Code. Neither the execution and delivery of this Agreement by Operator nor the consummation of the transactions contemplated thereby will (i) entitle any current or former employee of Operator to severance pay, unemployment compensation or any similar payment, (ii) accelerate the time of payment or vesting, or increase the amount of, any compensation due to any such employee or former employee, or (iii) directly or indirectly result in any payment made or to be made to or on behalf of any person to constitute a "parachute payment" (within the meaning of Section 280G of the Code).

(n) Insurance. Schedule 5.3(n) contains a list of the policies and contracts for fire, casualty, liability, well control and other forms of insurance maintained by Operator. All such policies are in full force and effect and are adequate for the business in which Operator engages. Operator has not received any notice of cancellation or non-renewal or of significant premium increases with respect to any such policy. Except as disclosed on Schedule 5.3(n), no pending claims made by or on behalf of Operator under such policies have been denied or are being defended against third parties under a reservation of rights by an insurer of Operator. All premiums due prior to the date hereof for periods prior to the date hereof with respect to such policies have been timely paid, and all premiums due before the Closing Date for periods between the date hereof and the Closing Date will be timely paid.

(o) Consents. To the best of Operator's knowledge and except as set forth on Schedule 5.1(p) or as required pursuant to the HSR Act, no consent, approval or other authorization of any governmental authority or under any Contract, Additional Contract or other material license, franchise, permit of Operator to which Operator is a party or by which its assets are bound is required as a result of or in connection with the execution or delivery of this Agreement by Operator or the consummation by Operator of the transactions contemplated thereby, other than those that the failure to obtain would not have a material adverse effect on Operator.

(p) Employees. As of Closing:

(i) All employees of Operator shall have been transferred to BSHP or an entity designated by BSHP and Operator shall have no employees.

(ii) There shall be no outstanding loans or advances owed to Operator by any director, officer or employee.

(iii) Operator shall not be a party to, nor bound by, the terms of any collective bargaining agreement, and Operator has not experienced any material labor difficulties. There shall be no labor disputes existing, or to the best knowledge of Operator, threatened involving, by way of example, strikes, work stoppages, slowdowns, picketing, or any other interference with work or production, or any other concerted action by employees. No grievance or other legal action arising out of any collective bargaining agreement or relationship exists, or to the best knowledge of Operator, is threatened. No charges or proceedings before the National Labor Relations Board, or similar agency, exist, or to the best knowledge of Operator, are threatened.

(iv) Except for arrangements with field personnel which Buyer has agreed to retain by notice delivered in writing to Operator at least 30 days prior to the Closing Date, Operator shall not be a party to any employment contract with any individual or employee, either express or implied. No legal proceedings, charges, complaints, or similar actions exist under any federal, state or local laws affecting the employment relationship; and no proceedings, charges, or complaints are threatened under any such laws or regulations and no facts or circumstances exist which would give rise to any such proceedings, charges, complaints, or claims. Operator shall not be subject to any settlement or consent decree with any present or former employee, employee representative or any government or Agency relating to claims of discrimination or other claims in respect to employment practices and policies; no government or Agency has issued a judgment, order, decree or finding with respect to the labor and employment practices (including practices relating to discrimination) of Operator.

(q) Brokers. No broker or finder has acted for or on behalf of Operator in connection with this Agreement or the transactions contemplated by this Agreement. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Operator for which Buyer has or will have any liabilities or obligations (contingent or otherwise).

(r) Accuracy of Information Furnished. To the best of Operator's knowledge, all Contracts with respect to the Producing Properties can be found either of record in Polk County, Texas or in, or referenced in, Operator's files. To the best of Operator's knowledge, all Contracts located in Operator's files are true, accurate and complete copies.

ARTICLE VI

Representations and Warranties of Buyer and Guarantor

Section 6.1 Representations and Warranties of Buyer. Buyer represents and warrants to Sellers as follows:

(a) Existence. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Buyer has full legal power, right and authority to carry on its business as such is now being conducted and as contemplated to be conducted. Buyer's headquarters and principal offices are all located in the State of Texas.

(b) Legal Power. Buyer has the legal power and right to enter into and perform this Agreement and the transactions contemplated hereby. The consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with:

(i) any provision of Buyer's articles of incorporation or by-laws;

(ii) any material agreement or instrument to which Buyer is a party or by which Buyer is bound; or

(iii) any judgment, order, ruling or decree applicable to Buyer as a party in interest or any law, rule or regulation applicable to Buyer.

(c) Execution. The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of Buyer. This Agreement constitutes the legal, valid and binding obligation of Buyer enforceable in accordance with its terms, except that (i) enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting creditors' rights generally, (ii) the remedies of specific performance and injunctive relief are subject to certain equitable defenses and to the discretion of the court before which any proceedings may be brought, and (iii) rights to indemnification hereunder may be limited under applicable securities laws.

(d) Brokers. No broker or finder has acted for or on behalf of Buyer or any affiliate of Buyer in connection with this Agreement or the transactions contemplated by this Agreement. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Buyer or any affiliate of Buyer for which Sellers have or will have any liabilities or obligations (contingent or otherwise).

(e) Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings pending, or to the knowledge of Buyer, threatened against Buyer.

(f) Suits. There is no suit, action, claim, investigation or inquiry by any person or entity or by any administrative agency or governmental body and no legal, administrative or arbitration proceeding pending or, to Buyer's knowledge, threatened against Buyer or any affiliate of Buyer which has or will materially affect Buyer's ability to consummate the transactions contemplated herein.

(g) Qualifications. Buyer is now, and at Closing shall continue to be, qualified with all applicable governmental entities to own the Purchased Subject Assets.

(h) Investment. Prior to entering into this Agreement, Buyer was advised by and has relied solely on its own legal, tax and other professional counsel concerning this Agreement, the Purchased Subject Assets, Purchased Shares and the value thereof. Buyer is acquiring the Purchased Subject Assets and Purchased Shares for its own account and not for distribution or resale in any manner that would violate any state or federal securities law, rule, regulation or order.

(i) Funds. Buyer has arranged to have available by the Closing Date sufficient funds to enable Buyer to pay in full the Adjusted Purchase Price as herein provided and otherwise to perform its obligations under this Agreement.

Section 6.2 Representations and Warranties of Guarantor. Guarantor represents and warrants to Sellers as follows:

(a) Existence. Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. Guarantor has full legal power, right and authority to carry on its business as such is now being conducted and as contemplated to be conducted. Guarantor's headquarters and principal offices are all located in the State of Texas.

(b) Legal Power. Guarantor has the legal power and right to enter into and perform this Agreement and the transactions contemplated hereby. The consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with:

(i) any provision of Guarantor's articles of incorporation or by-laws;

(ii) any material agreement or instrument to which Guarantor is a party or by which Guarantor is bound; or

(iii) any judgment, order, ruling or decree applicable to Guarantor as a party in interest or any law, rule or regulation applicable to Guarantor.

(c) Execution. The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of Guarantor. This Agreement constitutes the legal, valid and binding obligation of Guarantor enforceable in accordance with its terms, except that (i) enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws affecting creditors' rights generally, (ii) the remedies of specific performance and injunctive relief are subject to certain equitable defenses and to the discretion of the court before which any proceedings may be brought, and (iii) rights to indemnification hereunder may be limited under applicable securities laws.

(d) Brokers. No broker or finder has acted for or on behalf of Guarantor or any affiliate of Guarantor in connection with this Agreement or the transactions contemplated by this Agreement. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Guarantor or any affiliate of Guarantor for which Sellers have or will have any liabilities or obligations (contingent or otherwise).

(e) Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings pending, or to the knowledge of Guarantor, threatened against Guarantor.

(f) Suits. There is no suit, action, claim, investigation or inquiry by any person or entity or by any administrative agency or governmental body and no legal, administrative or arbitration proceeding pending or, to Guarantor's knowledge, threatened against Guarantor or any affiliate of Guarantor which has or will materially affect Guarantor's ability to consummate the transactions contemplated herein.

(g) Investment. Prior to entering into this Agreement, Guarantor was advised by and has relied solely on its own legal, tax and other professional counsel concerning this Agreement, the Purchased Subject Assets, Purchased Shares and the value thereof. Guarantor is acquiring the Purchased Subject Assets and Purchased Shares for its own account and not for distribution or resale in any manner that would violate any state or federal securities law, rule, regulation or order.

ARTICLE VII

Operation of the Subject Assets and Other Covenants

Section 7.1 Operation of the Subject Assets Prior to Closing.

(a) From and after the date of execution of this Agreement, and subject to the provisions of applicable operating and other agreements, Operator shall operate and administer the Subject Assets in a good and workmanlike manner consistent with its past

practices, and Operator and Working Interest Owners shall carry on their businesses with respect to the Producing Properties in substantially the same manner as before execution of this Agreement. Operator and Working Interest Owners shall use their reasonable efforts to preserve in full force and effect all oil and gas leases, operating agreements, easements, rights-of-way, permits, licenses and agreements that relate to the Producing Properties. Without the prior written consent of Buyer (which shall not be unreasonably withheld), Operator and Working Interest Owner shall not modify, terminate or settle any dispute arising out of any of the agreements relating to the Producing Properties and will not encumber, sell, transfer, assign, convey, farmout or otherwise dispose of any of the Producing Properties other than personal property which is replaced by equivalent property or consumed in the operation of the Producing Properties.

(b) Except for (i) emergency action taken in the face of risk to life, property or the environment, (ii) capital costs in connection with drilling, completing or equipping operations with respect to the Champion International C No. 1, Champion International C No. 2, Carter E No. 11, Alabama Coushatta No. 5, Alabama Coushatta No. 6 or Alabama Coushatta No. 7 wells and (iii) the Camden Tram Leases, the North Double A Leases and the Center Grove Leases (for which Operator shall notify Buyer of any proposed expenditures), Operator and Working Interest Owner shall submit to Buyer for prior written approval, all requests for operating or capital expenditures and all proposed contracts and agreements relating to the Producing Properties that involve individual commitments of more than \$50,000. If Buyer does not respond to any such request in writing within forty-eight (48) hours of the time the request is submitted, such matter will be deemed approved. Buyer acknowledges that Operator and Working Interest Owners own undivided interests in the Subject Assets, and Buyer agrees that the acts or omissions of the other working interests owners shall not constitute a violation of the provisions of this Article VII, nor shall any action required by a vote of working interest owners constitute such a violation so long as Operator and Working Interest Owners have voted their interests in a manner that complies with the provisions of this Article VII. The obligations of Working Interest Owners and Operator under this Article VII with respect to any portion of the Subject Assets not operated by either the Working Interest Owners or Operator shall be construed to require that Working Interest Owners and Operator use reasonable efforts (without being obligated to incur any expense or institute any cause of action) to cause the operator of the Subject Assets to take such actions or render such performance within the constraints of the applicable operating agreements and other applicable agreements.

Section 7.2 Operation of Certain Areas After the Closing. Operator is the operator of the Subject Assets under the terms of existing operating agreements which have been furnished to Buyer. The parties hereby agree that BSHP or its designee may, at any time before or after the Closing elect to become the operator under the operating agreements covering the lands covered by the Camden Tram Leases, Center Grove Leases, or North Double A Portion/Camden Tram Leases, or any of them, and at the request of

BSHP, Buyer shall (i) cause Operator to resign as operator of any such lands and (ii) vote its interests, including the interests of Operator, to support BSHP or its designee as operator of such areas; provided, however, that any such resignation shall not result in the Operator's right to continue to operate any of the Producing Properties. If Operator does not resign at BSHP's request, Buyer shall cause Operator to fully cooperate with BSHP to implement a mutually acceptable plan to permit BSHP or its designee to become Operator of such Leases and will cause Operator to conduct such operations in such areas as BSHP may direct. Each Working Interest Seller agrees to vote its interest under the operating agreement for such Leases to support BSHP or its designee as operator of any such Leases that BSHP elects to operate.

Section 7.3 Operator's Geophysical Data. Operator owns interests in all geophysical data now held by Operator and/or BSHP. Operator shall have access to and the right to use all tapes and records thereof for all purposes, subject only to BSHP's continuing right, as custodian, to hold, access and protect such data and the terms of any licenses or other agreements applicable thereto. BSHP shall calculate the Operator's actual level of ownership of such data and inform Buyer thereof on or before Closing.

Section 7.4 Course of Conduct by Operator. From the date hereof through and until the Closing Date, Operator shall comply with the following covenants:

(a) Articles of Incorporation; Bylaws. Operator shall not make any change to its articles of incorporation or bylaws.

(b) Stock Issuance; Redemptions; Reorganizations. Operator shall not (i) issue, grant, or dispose of, or make any agreement, arrangement, or commitment obligating Operator to issue, grant, or dispose of any capital shares or other securities of Operator, (ii) redeem or acquire, or make any agreement, arrangement, or commitment obligating Operator to redeem or acquire, any shares of capital stock or other securities of Operator, or (iii) authorize or effect or make any agreement, arrangement or commitment obligating Operator to effect, any reorganization, recapitalization, or split-up of such capital stock of Operator; provided, that Operator may create one or more subsidiaries to hold the Excluded Assets and other properties and interests described in Section 10.3, and distribute the stock of such subsidiaries to the Selling Stockholders prior to Closing. Operator shall advise Buyer of any plans to create and distribute the stock of any subsidiaries pursuant hereto.

(c) Employee Matters. Operator shall not make, amend, or enter into any employment contract or any bonus, incentive, stock option, profit sharing, pension, retirement, stock purchase, hospitalization, medical reimbursement, insurance, severance benefit, or other similar plan or arrangement or make any voluntary contribution to any such plan or arrangement.

(d) Insurance Coverage. Operator shall maintain, or have maintained on its behalf, insurance coverage for the benefit of Operator and the Subject Assets on the same basis as, or on a substantially equivalent basis to, the current insurance coverage described in Schedule 5.3(n). Effective as of the Closing Date Operator shall transfer the insurance policies maintained pursuant to Schedule 5.3(n) with the assets distributed pursuant to Section 10.3. Operator shall be allowed to maintain copies of said policies.

(e) Business Organization. Operator shall use reasonable efforts to preserve intact its business organization and to keep available until the Closing the services of its present officers and employees.

(f) Incurrence of Debt. Except as otherwise provided herein, Operator shall not voluntarily incur or assume, whether directly or by way of guaranty or otherwise, any material obligation or liability, except obligations and liabilities incurred in the ordinary course of business, consistent with past practice.

(g) Liens. Operator will not mortgage, pledge, encumber, create or allow any Liens not existing on the date hereof upon any properties or assets, tangible or intangible, except Liens created in the ordinary course of business, consistent with past practice or, Liens constituting Existing Encumbrances.

(h) Accounting Practices. Operator will not make any material changes in its accounting methods, principles or practices, except as required by GAAP.

(i) Changes in Business Practice. Operator will not take any action, the purpose or effect of which is to shift income from post-closing periods to the pre-closing period or to defer expenses from the pre-closing period to post-closing periods which action is not in the ordinary course of business, consistent with past practice.

Section 7.5 Approvals and Consents. Each Working Interest Owner and Operator shall use their respective reasonable efforts (i) to cause all conditions to the obligations of Buyer under this Agreement over which each is able to exercise influence or control to be satisfied prior to the Closing Date and (ii) to obtain promptly and to comply with all requisite statutory, regulatory or court approvals, third party releases and consents, and other requirements necessary for the valid and legal consummation of the transactions contemplated hereby.

Section 7.6 Investigations. Subject to Buyer's obligations under the Confidentiality Agreement, each Working Interest Owner and Operator shall provide Buyer and its representatives and agents (including, without limitation, any financing sources) such access to the books and records of Operator, including without limitation the articles of incorporation, bylaws, corporate minute books and stock records, and those relating to the

Subject Assets and furnish to Buyer and such representatives and agents such financial and operating data and other information with respect to the businesses and property of Operator and the Subject Assets as they may reasonably request from time to time and as may be in the Working Interest Owner's or Operator's possession, and permit Buyer and its representatives and agents to make such inspections of the Subject Assets as they may reasonably request.

Section 7.7 Final S Corporation Federal Income Tax Return. Buyer and the Selling Stockholders agree that Operator's books will be closed as of the end of the Closing Date and that the Selling Stockholders will assign Operator's items of income, loss, deduction and credit for the 1996 taxable year between the Operator's short taxable year ending on the Closing Date (the "S Year") and Operator's short taxable year beginning on the day after Closing Date and ending on December 31, 1996 (the "C Year") on the basis of Operator's normal method of accounting. Buyer shall fully cooperate with the Selling Stockholders and will make available to them at reasonable times and places Operator's business and tax records and any appropriate employees to enable the Selling Stockholders to make the assignment of income, loss, deduction and credit between Operator's S Year and C Year and to prepare Operator's federal income tax return for the S Year within ninety (90) days after the Closing Date.

Section 7.8 Compiled Financials. On or before April 1, 1996, Operator shall have delivered to Buyer compiled financial statements of Operator for the fiscal year ended December 31, 1995.

Section 7.9 Distributions. Except for the transactions described in Sections 7.4(b) and 10.3, Operator shall not make any dividend or distribution to the Selling Stockholders prior to the Closing.

ARTICLE VIII

Conditions to Obligations of Sellers

The obligations of each Seller to consummate the transactions provided for herein are subject, at the option of Sellers, to the fulfillment on or prior to the Closing Date of each of the following conditions:

Section 8.1 Representations. The representations and warranties of Buyer herein contained shall have been true and correct when made and shall be true and correct in all material respects on the Closing Date as though made on and as of such date.

Section 8.2 Performance. Buyer shall have performed in all material respects all obligations, covenants and agreements contained in this Agreement to be performed or complied with by it at or prior to the Closing.

Section 8.3 Pending Matters. No suit, action or other proceeding shall be pending or threatened that seeks to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement.

Section 8.4 Hart-Scott-Rodino. Any applicable waiting period under the HSR Act relating to the transactions contemplated hereby shall have expired or been terminated.

Section 8.5 Adjusted Purchase Price. Buyer shall have delivered to Sellers the Adjusted Purchase Price as estimated pursuant to the terms hereof.

Section 8.6 Execution and Delivery of Closing Documents. Buyer shall have executed, acknowledged and delivered, as appropriate, to Sellers all closing documents described in Section 10.10.

Section 8.7 Certificates. Buyer shall have delivered to Sellers (i) certificates of the appropriate governmental authorities, dated as of a date not more than ten (10) days prior to the Closing Date, attesting to the existence and good standing of Buyer in the States of Nevada and Texas; (ii) a copy, certified by the Secretary of State of Nevada as of a date not more than ten (10) days prior to the Closing Date, of the articles of incorporation and all amendments thereto of Buyer; (iii) a copy certified by the Secretary of Buyer, dated the Closing Date, of the bylaws of Buyer; and (iv) a certificate, dated the Closing Date, of the Secretary of Buyer relating to the incumbency and corporate proceedings in connection with the consummation of the transactions contemplated hereby.

Section 8.8 Opinion. Locke Purnell Rain Harrell shall have delivered to Sellers an opinion in the form of Exhibit I.

ARTICLE IX

Conditions to Obligations of Buyer

The obligations of Buyer to consummate the transactions provided for herein are subject, at the option of Buyer, to the fulfillment on or prior to the Closing Date of each of the following conditions:

Section 9.1 Representations. The representations and warranties of each Seller and Operator herein contained and in any Schedule hereto shall be true and correct in all material respects on the Closing Date as though made on and as of such date.

Section 9.2 Performance. Operator and each Seller shall have performed in all material respects all obligations, covenants and agreements contained in this Agreement to be performed or complied with by it at or prior to the Closing.

Section 9.3 Pending Matters. No suit, action or other proceeding shall be pending or threatened that seeks to restrain, enjoin, or otherwise prohibit the consummation of the transactions contemplated by this Agreement.

Section 9.4 Hart-Scott-Rodino. Any applicable waiting period under the HSR Act relating to the transactions as contemplated hereby shall have expired or been terminated.

Section 9.5 Execution and Delivery of Closing Documents. Each Seller shall have executed, acknowledged and delivered, as appropriate, to Buyer all closing documents described in Section 10.9.

Section 9.6 Certificates. Operator shall have delivered to Buyer (i) certificates of the appropriate governmental authorities, dated as of a date not more than ten (10) days prior to the Closing Date, attesting to the existence and good standing of Operator in the States of Texas and Louisiana; (ii) a copy, certified by the Secretary of State of Texas as of a date not more than ten (10) days prior to the Closing Date, of the articles of incorporation and all amendments thereto of Operator; (iii) a copy certified by the Secretary of Operator, dated the Closing Date, of the bylaws of Operator; and (iv) a certificate, dated the Closing Date, of the Secretary of Operator relating to the incumbency and corporate proceedings in connection with the consummation of the transactions contemplated hereby.

Section 9.7 Consents and Approvals. All material authorizations, consents, approvals, waivers and releases, if any, necessary for Operator to consummate the transactions contemplated hereby shall have been obtained and copies thereof shall be delivered to Buyer.

Section 9.8 All Sellers to Close. Each Selling Stockholder shall have tendered its certificate(s) representing its Purchased Shares and each Working Interest Owner shall have delivered an Assignment assigning its interest in the Purchased Subject Assets.

Section 9.9 Nonforeign Affidavit. Each Selling Stockholder and Working Interest Owner shall have furnished Buyer an affidavit stating under penalties of perjury the United States taxpayer identification number of such Selling Stockholder or Working Interest Owner and that such Selling Stockholder or Working Interest Owner, as applicable, is not a foreign person, pursuant to Section 1445(b)(2) of the Code.

Section 9.10 Operator. Operator shall be the Operator of the Producing Properties and not of any other oil and gas properties.

Section 9.11 Opinion. Vinson & Elkins L.L.P. shall have delivered to Buyer an opinion in the form of Exhibit J.

ARTICLE X

Closing

Section 10.1 Time and Place of Closing. If the conditions referred to in Articles VIII and IX of this Agreement have been satisfied or waived in writing, the Closing shall take place at the offices of Operator at 1001 Fannin, Suite 4750, Houston, Texas 77002, at 10:00 a.m. on the Closing Date.

Section 10.2 Extension. The Closing Date may be extended by mutual written agreement of the parties.

Section 10.3 Actions to be Taken Prior to Closing. Prior to the Closing, Operator shall dividend to its shareholders or, spin off to its shareholders in a reorganization or otherwise dispose of for nominal consideration the following: (a) Operator's interest in the Excluded Assets; (b) an undivided 70% of Operator's interest as of the Effective Time in the Camden Tram Leases, the Center Grove Leases, and the North Double A Portion/Camden Tram Leases; (c) all Working Capital of Operator, in excess of the Closing Working Capital; and (d) all other assets of the Operator, except for its interest in the Subject Assets.

Section 10.4 Adjustments to Purchase Price at Closing.

(a) At Closing, the Purchase Price of the Purchased Subject Assets shall be increased by the following amounts:

(i) the amount as of the Effective Time of all prepaid ad valorem, property or similar taxes and assessments based upon or measured by ownership of the Purchased Subject Assets, insofar as such prepaid taxes relate to periods of time after the Effective Time;

(ii) all costs and expenses (including rentals, royalties, production and severance taxes, capital expenditures (other than the Excluded Capital Costs), lease operating expenses authorized under joint operating agreements applicable to the Purchased Subject Assets) paid by Working Interest Owners or Operator that are attributable to the Purchased Subject Assets and attributable to the period of time from and after the Effective Time;

(iii) any amount required pursuant to Section 4.6 as the value of any Title Benefit; and

(iv) any other amount provided for in this Agreement or agreed upon by Buyer and Working Interest Owners.

(b) At Closing, the Purchase Price of the Purchased Subject Assets shall be decreased by the following amounts:

(i) an amount equal to all unpaid ad valorem, property, production, severance and similar taxes and assessments based upon or measured by the ownership of the Purchased Subject Assets that are attributable to periods of time prior to the Effective Time, which amounts shall, to the extent not actually assessed, be computed based on such taxes and assessments for the preceding tax year (such amount to be prorated for the period of Working Interest Owners' and Buyer's ownership before and after the Effective Time);

(ii) an amount equal to all revenues collected by Working Interest Owners with respect to the Purchased Subject Assets and attributable to the period of time after the Effective Time;

(iii) any amount required pursuant to Section 4.4 in connection with Title Defects;

(iv) any amount required pursuant to Section 4.9 in connection with Disqualifying Environmental Conditions;

(v) any amount required pursuant to Section 13.3 in connection with casualty losses;

(vi) any other amount provided for in this Agreement or agreed upon by Buyer and Working Interest Owners.

(c) If an aggregate net gas imbalance relative to Working Interest Owners' interests in the Producing Properties exists as of the Effective Time, the Purchase Price shall be increased, if such interests in the Producing Properties are underproduced, or decreased, if such interests in the Producing Properties are overproduced, by the product of (i) the amount (measured in British thermal units ("BTU") of such aggregate net gas imbalance, and (ii) \$1.75 per million BTU.

(d) The Purchase Price of the Purchased Shares shall be increased by the value of any Title Benefit determined in accordance with Section 4.6 attributable to the Operator

Subject Assets. The Purchase Price of the Purchased Shares shall be decreased by the sum of the following: (i) the value of any Title Defect adjustment determined in accordance with Section 4.4 attributable to the Operator Subject Assets, (ii) any amount determined pursuant to Section 4.9(a)(iv) attributable to the Operator Subject Assets, (iii) any amount determined pursuant to Section 13.3 attributable to the Operator Subject Assets, and (iv) any amount by which the Working Capital of Operator as of the Closing Date is less than the Closing Working Capital.

(e) The adjustments described in Section 10.4(a), (b), (c) and (d) are hereinafter referred to as the "Purchase Price Adjustments".

Section 10.5 Statement. Not later than three business days prior to the Closing Date, Seller shall prepare and deliver to Buyer a statement of the estimated Purchase Price Adjustments (the "Statement"). At Closing, Buyer shall pay the Purchase Price, as adjusted by the estimated amounts reflected on the Statement.

Section 10.6 Post-Closing Adjustments to Purchase Price.

(a) On or before 90 days after the Closing Date, BSHP shall prepare a revised Statement setting forth the actual Purchase Price Adjustments. The parties shall provide each other such data and information as any party may reasonably request supporting the amounts reflected on the revised Statement in order to permit such party to perform or cause to be performed an audit. The revised Statement shall become final and binding upon the parties on the 60th day following receipt thereof by Buyer (the "Final Settlement Date") unless Buyer gives written notice of its disagreement (a "Notice of Disagreement") to Seller prior to such date. Any Notice of Disagreement shall specify in detail the dollar amount, nature and basis of any disagreement so asserted. If a Notice of Disagreement is received by Seller in a timely manner, then the Statement (as revised in accordance with clause (i) or (ii) below) shall become final and binding on the Parties and the Final Settlement Date shall be the earlier of (i) the date Seller and Buyer agree in writing with respect to all matters specified in the Notice of Disagreement or (ii) the date on which the Final Statement (as hereinafter defined) is issued by the Arbitrator (as hereinafter defined).

(b) During the 30 days following the date of receipt by Seller of the Notice of Disagreement, Seller and Buyer shall attempt to resolve in writing any differences that they may have with respect to all matters specified in the Notice of Disagreement. If, at the end of such 30 day period, Buyer and Seller have not reached agreement on such matters, the matters that remain in dispute shall be submitted to an arbitrator (the "Arbitrator") for review and resolution. The Arbitrator shall be Arthur Andersen & Co., or if such firm is unable or unwilling to act, such other nationally recognized independent public accounting firm as shall be agreed upon by Buyer and Seller in writing. The Arbitrator shall render a decision resolving the matters in dispute within 60 days following their submission to the

Arbitrator. The cost of any arbitration (including the fees and expenses of the Arbitrator) pursuant to this Section 10.6 shall be borne equally by Buyer and Seller. The fees and disbursements of Seller's independent auditors incurred in connection with the procedures performed with respect to the Statement, as requested by Seller shall be borne by Seller, and the fees and disbursements of Buyer's independent auditors incurred in connection with their preparation of the Notice of Disagreement shall be borne by Buyer. As used in this Agreement the term "Final Statement" shall mean the revised Statement described in Section 10.6(a), as prepared by Seller and as may be subsequently adjusted to reflect any subsequent written agreement between the parties with respect thereto, or if submitted to the Arbitrator, the revised Statement issued by the Arbitrator.

(c) If the amount of the Adjusted Purchase Price as set forth on the Final Statement exceeds the amount of the estimated Adjusted Purchase Price paid at Closing, then Buyer shall pay to Seller the amount by which the Adjusted Purchase Price as set forth on the Final Statement exceeds the amount of the estimated Adjusted Purchase Price paid at Closing within five business days after the Final Settlement Date. If the amount of the Adjusted Purchase Price as set forth on the Final Statement is less than the amount of the estimated Adjusted Purchase Price paid at Closing, then Seller shall pay to Buyer the amount by which the Adjusted Purchase Price as set forth on the Final Statement is less than the amount of the estimated Adjusted Purchase Price paid at Closing within five business days after the Final Settlement Date.

Section 10.7 Transfer Taxes. All sales, use or other taxes (other than taxes on gross income, net income or gross receipts) and duties, levies or other governmental charges incurred by or imposed with respect to the property transfers undertaken pursuant to this Agreement shall be the responsibility of, and shall be paid by, Buyer.

Section 10.8 Ad Valorem and Similar Taxes. Ad valorem, property and similar taxes and assessments based upon or measured by the value of the Subject Assets shall be divided or prorated between Seller and Buyer as of the Effective Time. Seller shall assume responsibility for such taxes attributable to the period of time prior to the Effective Time and Buyer shall assume responsibility for the periods of time from the Effective Time and thereafter.

Section 10.9 Actions of Sellers at Closing. At the Closing, Seller shall:

(a) Execute, acknowledge and deliver to Buyer the Assignment and/or such other conveyances, assignments, transfers, bills of sale, stock powers, stock certificates and other instruments (in form and substance mutually agreed upon by Buyer and Seller) as may be necessary or desirable for Seller to transfer its interest in the Purchased Subject Assets and Purchased Shares to Buyer; and

(b) Execute, acknowledge and deliver any other agreements provided for herein or necessary or desirable to effectuate the transactions contemplated hereby.

Section 10.10 Actions of Buyer at Closing. At the Closing, Buyer shall:

(a) Deliver to Seller the Adjusted Purchase Price, as estimated pursuant to the provisions hereof by wire transfer as set forth in Section 2.2; and

(b) Execute, acknowledge and deliver any other agreements provided for herein or necessary or desirable to effectuate the transactions contemplated hereby.

Section 10.11 Further Cooperation.

(a) At Closing, the Records shall be delivered to Buyer at the offices of Operator. Seller shall have the right to copy, at Seller's expense, each of the Records, but Buyer shall retain the originals thereof. For a period of six (6) years after Closing, Buyer will retain or cause Operator to retain the Records delivered to it pursuant hereto and will make such Records available to BSHP upon reasonable notice at Buyer's headquarters at reasonable times and during office hours. Notwithstanding the foregoing, (i) BSHP shall retain the original Records relating to the Camden Tram Interest and the Center Grove Interest and (ii) Seller shall retain all Records of Operator that pertain to the Excluded Assets for a period of 6 years after Closing and Buyer shall have access thereto and the right to make copies thereof.

(b) After the Closing Date, each party at the request of the other and without additional consideration, shall execute and deliver, or shall cause to be executed and delivered from time to time such further instruments of conveyance and transfer and shall take such other action as the other party may reasonably request to convey and deliver the Purchased Subject Assets and Purchased Shares to Buyer. After the Closing, the Parties will cooperate to have all proceeds received attributable to the Subject Assets to be paid to the proper party hereunder and to have all expenditures to be made with respect to the Subject Assets to be made by the proper party hereunder.

Section 10.12 Confidentiality Agreement. If the Closing occurs, the confidentiality agreement dated November 16, 1995 between Black Stone Oil Company and Black Stone Holdings Partnership and Guarantor (the "Confidentiality Agreement") shall terminate and be of no further force or effect.

Section 10.13 Letter of Intent. This Agreement shall supersede in its entirety, and there is hereby terminated, that certain letter agreement dated January 9, 1996 between Buyer and BSHP.

ARTICLE XI

Termination

Section 11.1 Right of Termination.

This Agreement may be terminated at any time at or prior to the Closing:

(a) by mutual written consent of the Parties;

(b) by Seller on the Closing Date if the conditions set forth in Article VIII have not been satisfied in all respects by Buyer or waived by Seller in writing by the Closing Date;

(c) by Buyer on the Closing Date if the conditions set forth in Article IX have not been satisfied in all respects by Seller or waived by Buyer in writing by the Closing Date;

(d) by any party if the Closing shall not have occurred on or before May 8, 1996; provided, however, that no party hereto can so terminate this Agreement if such party is at such time in material breach of any provision of this Agreement;

(e) by any party if any Governmental Authority shall have issued an order, judgment or decree or taken any other action challenging, delaying, restraining, enjoining, prohibiting or invalidating the consummation of any of the transactions contemplated herein;

(f) by Seller if (i) the Total Defect Adjustment exceeds 14% of the Purchase Price; or (ii) the aggregate amount of Title Defects asserted by Buyer pursuant to Section 4.3 exceeds 5.6% of the Purchase Price, (iii) the Aggregate Environmental Defect Value and the aggregate Allocated Value of Excluded Assets pursuant to Section 4.9(a)(i) exceeds 5.6% of the Purchase Price; or (iv) the total adjustments to the Purchase Price under Section 13.3 (Casualty Losses) exceeds 10% of the Purchase Price;

(g) by Buyer if (i) the Total Defect Adjustment exceeds 14% of the Purchase Price, (ii) the aggregate amount of all adjustments to the Purchase Price for Title Defects exceeds 5.6% of the Purchase Price; (iii) the Aggregate Environmental Defect Value of Disqualifying Environmental Conditions not cured prior to Closing and the aggregate Allocated Value of Excluded Assets pursuant to Section 4.9(a)(ii) exceeds 5.6% of the Purchase Price; (iv) the total adjustments to the Purchase Price under Section 13.3 (Casualty Losses) exceeds 10% of the Purchase Price;

(h) by Seller if Buyer submits a Title Defect Notice directly related to the Escobeda Title Matter; or

(i) as otherwise provided in the Agreement.

Section 11.2 Effect of Termination. In the event that Closing does not occur as a result of any party exercising its right to terminate pursuant to Section 11.1, then this Agreement shall be null and void and no party shall have any rights or obligations under this Agreement, except that nothing herein shall relieve any party from any liability for any breach hereof.

Section 11.3 Attorney's Fees, Etc. If any party to this Agreement resorts to legal proceedings to enforce this Agreement, the prevailing party in such proceedings shall be entitled to recover all costs incurred by such party including reasonable attorney's fees, in addition to any other relief to which such party may be entitled; provided, however, and notwithstanding anything to the contrary in this Agreement, in no event shall any party be entitled to receive any punitive, indirect or consequential damages.

ARTICLE XII

Assumption and Indemnification

Section 12.1 Assumption. By the consummation of the transactions contemplated hereby and subject to each Working Interest Owner's indemnification obligation set forth in Section 12.2, Buyer shall assume all duties and obligations of every kind whatsoever of each Working Interest Owner relative to its ownership or operation of the Producing Properties to be performed after the Effective Time, including, without limitation, (a) all gas imbalances to the extent that appropriate adjustments have been made pursuant to Section 10.4(c) above, (b) all obligations relative to all suspense accounts of Working Interest Owner relative to the Producing Properties, to the extent that such suspense accounts are held by Operator, (c) all obligations relative to all ad valorem, property or similar taxes or assessments based upon or measured by ownership of the Producing Properties due and payable after the Effective Time; (d) all obligations to plug and abandon all wells and facilities located on or used in connection with the Producing Properties in accordance with the requirements of all applicable Governmental Authorities and the terms of all applicable leases and agreements; and (e) all obligations under all Environmental Laws applicable to the Producing Properties; provided, however, that Buyer shall not assume any duties or obligations and shall have no liability (contingent or otherwise) whatsoever with respect to the Excluded Assets.

Section 12.2 Indemnification.

(a) Buyer shall indemnify, defend and hold harmless each Working Interest Owner and its respective officers, directors, partners, spouse, employees, agents, representatives and successors (collectively, the "Working Interest Owner Indemnitees") from and against any

and all claims, liabilities, losses, causes of actions, costs and expenses (including, without limitation, involving theories of negligence or strict liability and including court costs and reasonable attorneys' fees) ("Losses") asserted against, imposed upon or incurred by any Working Interest Owner Indemnitee which result from, or arise out of (i) the material breach of any of the representations, warranties, covenants or agreements of Buyer contained in this Agreement, the Assignment or any other instrument executed in connection herewith, (ii) events, conditions or matters (other than Environmental Matters (as defined below)) occurring from and after the Closing Date in connection with the ownership or operation of Working Interest Owner's interest in the Producing Properties; (iii) events, conditions or matters (other than Environmental Matters) occurring prior to the Closing Date in connection with the ownership or operation of Working Interest Owner's interest in the Producing Properties, to the extent a claim is asserted on or after the third anniversary of the Closing Date; (iv) any event, condition or matter relating to Environmental Laws or the release of materials into the environment or protection of the environment or health ("Environmental Matters") occurring in connection with Working Interest Owner's interest in the Producing Properties and arising for the first time after the Closing Date, (v) any Environmental Matters occurring prior to the Closing Date, with respect to Working Interest Owner's interest in the Producing Properties, to the extent the claim is asserted on or after January 1, 1997, or (vi) any matter which Buyer is responsible for correcting under Section 4.9(c), regardless in each case whether known or unknown, and WITHOUT REGARD TO THE SOLE, PARTIAL OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF ANY WORKING INTEREST OWNER INDEMNITEE, but in no event shall Buyer indemnify any Working Interest Owner Indemnitee for Losses resulting from such Working Interest Owner Indemnitee's own gross negligence or willful misconduct. Buyer shall indemnify, defend and hold harmless each Selling Stockholder and its respective officers, directors, spouse, employees, agents, representatives and successors (collectively, the "Selling Stockholder Indemnitees") from and against any and all Losses asserted against, imposed upon or incurred by any Selling Stockholder Indemnitee which result from, or arising out of, material breach of any of the representations, warranties, covenants or agreements of Buyer contained in this Agreement or any other instrument executed by Buyer in connection herewith; regardless in each case whether known or unknown, and WITHOUT REGARD TO THE SOLE, PARTIAL OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF ANY SELLING STOCKHOLDER INDEMNITEE; but in no event shall Buyer indemnify any Selling Stockholder Indemnitee for Losses resulting from such Selling Stockholder Indemnitee's own gross negligence or willful misconduct.

(b) Subject to Section 12.2(e) and (f), each Working Interest Owner severally and not jointly shall indemnify, defend and hold harmless Buyer and its officers, directors, employees, agents, representatives and successors (collectively, the "Buyer Indemnitees") from and against any and all Losses asserted against, imposed upon or incurred by any Buyer Indemnitee which result from or arise out of (i) the material breach of any of the representations, warranties, covenants or agreements of such Working Interest Owner

contained in this Agreement, the Assignment or any other instrument executed by such Working Interest Owner in connection herewith; (ii) events, conditions or matters (other than Environmental Matters and title matters, title matters being solely covered by the indemnity in Section 12.2(b)(i)) occurring or in existence prior to the Closing Date in connection with the ownership or operation of Working Interest Owner's interest in the Producing Properties, to the extent a claim is asserted prior to the third anniversary of the Closing Date; or (iii) any Environmental Matters occurring or in existence prior to the Closing Date (except those matters which Buyer is responsible for correcting under Section 4.9(c)) with respect to Working Interest Owner's interest in the Producing Properties, to the extent a claim is asserted on or prior to December 31, 1996, regardless in each case whether known or unknown, and WITHOUT REGARD TO THE SOLE, PARTIAL OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF ANY BUYER INDEMNITEE, but in no event shall Working Interest Owners indemnify any Buyer Indemnitees for Losses resulting from such Buyer Indemnitee's own gross negligence or willful misconduct.

(c) Subject to Sections 12.2 (e) and (f), Thomas L. Carter, Jr. and Alexander D. Stuart (the "Stockholder Indemnitors") shall severally and not jointly, in proportion to their respective interests in the Purchased Shares, indemnify, defend and hold harmless Buyer Indemnitees from and against any and all Losses asserted against, imposed upon or incurred by any Buyer Indemnitee which result from or arise out of (i) the material breach of any of the representations and warranties of Operator contained in this Agreement or any other instrument executed by Operator in connection herewith; (ii) the material breach by Operator of any of the covenants and agreements of Operator contained in this Agreement or any other instrument executed by Operator in connection herewith which covenant or agreement was to be performed by Operator prior to the Closing, (iii) any obligations, liabilities or duties of Operator not relating to the Subject Assets; (iv) any Environmental Matters occurring or in existence prior to the Closing Date with respect to Operator's interest in the Producing Properties to the extent the claim is asserted on or prior to December 31, 1996 (except those matters which Buyer is responsible for correcting under Section 4.9(c)); (v) Operator's ownership or operation of the Producing Properties prior to the Closing Date (other than Environmental Matters and title matters, title matters being solely covered by the indemnity in Section 12.2(c)(i)), to the extent the Claim is asserted prior to the third anniversary of the Closing Date; (vi) Black Stone Oil Company v. C.C. Lilley, Inc.; or (vii) Tax Losses; regardless in each case whether known or unknown, and WITHOUT REGARD TO THE SOLE, PARTIAL OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF ANY BUYER INDEMNITEE, but in no event shall Stockholder Indemnitors indemnify any Buyer Indemnitee for Losses resulting from such Buyer Indemnitee's own gross negligence or willful misconduct.

(d) Subject to Sections 12.2(e) and (f), each Selling Stockholder severally and not jointly shall indemnify, defend and hold harmless Buyer Indemnitees from and against any and all Losses asserted against, imposed upon or incurred by any Buyer Indemnitee which

result from or arise out of the material breach of any of the representations, warranties, covenants or agreements of such Selling Stockholder contained in this Agreement, or any other instrument executed by such Selling Stockholder in connection herewith; regardless in each case whether known or unknown, and WITHOUT REGARD TO THE SOLE, PARTIAL OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY OF ANY BUYER INDEMNITEE, but in no event shall Selling Stockholders indemnify any Buyer Indemnitees for losses resulting from such Buyer Indemnitee's own gross negligence or willful misconduct.

(e) Notwithstanding anything to the contrary in this Agreement, in no event shall Buyer or any Seller be liable hereunder for any exemplary, punitive, special, indirect, consequential, remote or speculative damages.

(f) Notwithstanding anything to the contrary in this Agreement, the liability of the Sellers and the Stockholder Indemnitors under this Agreement and any documents delivered in connection herewith or contemplated hereby shall be several and not joint or collective, and further limited as follows:

(i) In no event shall any amounts be recovered from a Working Interest Owner

(A) under Sections 12.2(b)(i) and (ii) for any matter for which a written notice of claim specifying in reasonable detail the specific nature of and specific basis of the Losses and the estimated amount of such Losses ("Claim Notice") is not delivered to the indemnifying party prior to the close of business on the day three years following the Closing Date, and the indemnities granted by the Working Interest Owners in Sections 12.2(b)(i) and (ii) shall terminate on such date;

(B) under Section 12.2(b)(iii) for any matter for which a Claim Notice is not delivered to the indemnifying party prior to the close of business on December 31, 1996, and the indemnities granted by the Working Interest Owners in Sections 12.2(b)(iii) shall terminate on such date;

(C) for any Losses (other than matters described in Section 12.2(b)(iii)) until the Buyer Indemnitees have suffered Losses attributable to such Working Interest Owner in the aggregate amount in excess of a deductible of 0.6% of the Adjusted Purchase Price attributable to such Working Interest Owner, after which point such Working Interest Owner will be obligated only to indemnify the Buyer

Indemnites from and against further such Losses in excess of such deductible;

(D) for any Losses described in Section 12.2(b)(iii), until the Buyer Indemnites have suffered Losses attributable to such Working Interest Owner in the aggregate amount in excess of a deductible equal to the sum of (x) 0.6% of the Adjusted Purchase Price, plus (y) the Environmental Deductible Balance, in each case attributable to such Working Interest Owner, after which point such Working Interest Owner will be obligated only to indemnify the Buyer Indemnites from and against further Losses in excess of such deductible; or

(E) for any Losses suffered by Buyer Indemnites in an aggregate amount in excess of 50% of the Adjusted Purchase Price attributable to such Working Interest Owner.

(ii) In no event shall any amounts be recovered from a Stockholder Indemnitor

(A) under Sections 12.2(c)(i), (ii) or (v) for any matter for which a Claim Notice is not delivered to the indemnifying party prior to the close of business on the date three years following the Closing Date, and the indemnities granted by the Stockholder Indemnitors in Sections 12.2(c)(i), (ii) and (v) shall terminate on such date;

(B) under Section 12.2(c)(iii), (vi) or (vii) for any matter for which a Claim Notice is not delivered to the indemnifying party prior to the expiration of the applicable statute of limitations;

(C) under Section 12.2(c)(iv) for any matter for which a Claim Notice is not delivered to the indemnifying party prior to the close of business on the December 31, 1996, and the indemnities granted by the Stockholder Indemnitors in Section 12.2(c)(iv) shall terminate on such date;

(D) for any Losses (other than matters described in Section 12.2(c)(iv), (vi) and (vii)) until the Buyer Indemnites have suffered Losses attributable to such Stockholder Indemnitor in the aggregate amount in excess of a deductible of .6% of the Adjusted Purchase Price attributable to the Purchased Shares of such Stockholder Indemnitor, after which point the Stockholder Indemnitor will be

obligated only to indemnify the Buyer Indemnitees from and against further Losses in excess of such deductible;

(E) for any Losses for matters under Section 12.2(c)(iv) until the Buyer Indemnitees have suffered Losses attributable to such Stockholder Indemnitor in the aggregate amount in excess of a deductible equal to the sum of (x) .6% of the Adjusted Purchase Price, and (y) the Environmental Deductible Balance, in each case as attributable to the Purchased Shares of such Stockholder Indemnitor, after which point the Stockholder Indemnitor will be obligated only to indemnify the Buyer Indemnitees from and against further Losses in excess of such deductible; or

(F) for any Losses resulting from matters described in Sections 12.2(c)(i), (ii), (iii), (iv) or (v) or 12.2(d) after Buyer Indemnitees have suffered Losses in the aggregate amount in excess of 50% of the Adjusted Purchase Price attributable to the Purchased Shares of such Stockholder Indemnitor.

(iii) In no event shall any amounts be recovered from a Selling Stockholder (other than pursuant to Section 12.2(f)(ii))

(A) under this Agreement for any matter for which a Claim Notice is not delivered to the indemnifying party prior to the close of business on the date three years following the Closing Date, and the indemnities granted by the Selling Stockholders in this Agreement shall terminate on such date;

(B) for any Losses until the Buyer Indemnitees have suffered Losses resulting from matters described in Section 12.2(d) for any Selling Stockholder in the aggregate amount in excess of a deductible of .6% of the Adjusted Purchase Price attributable to the Purchased Shares of such Selling Stockholder, after which point such Selling Stockholder will be obligated only to indemnify the Buyer Indemnitees from and against further Losses in excess of such deductible; or

(C) for any Losses after Buyer Indemnitees have suffered Losses resulting from matters described in Section 12.2(d) in the aggregate amount in excess of 50% of the Adjusted Purchase Price attributable to the Purchased Shares of such Selling Shareholder.

provided, however, that such indemnities shall survive (subject to any applicable deductible or cap) with respect only to the specific matter that is the subject of any Claim Notice delivered in good faith in compliance with the requirements of this Section 12.2(f) until the earlier to occur of (x) the date on which a final nonappealable resolution of the matter described in such Claim Notice has been reached or (y) the date on which the matter described in such Claim Notice has otherwise reached final resolution. Notwithstanding the foregoing, the Stockholder Indemnitors shall be jointly and severally liable for the indemnity granted in Section 12.2(c)(vii) with respect to Tax Losses and Section 12.2(c)(vi) with regard to Black Stone Oil Company v. C.C. Lilley, Inc.

(g) All claims for indemnification under this Section 12.2 shall be asserted and resolved pursuant to this Section 12.2(g). Any person claiming indemnification hereunder is hereinafter referred to as the "Indemnified Party" and any person against whom such claims are asserted hereunder is hereinafter referred to as the "Indemnifying Party." In the event that any Losses are asserted against or sought to be collected from an Indemnified Party by a third party, said Indemnified Party shall with reasonable promptness provide to the Indemnifying Party a Claim Notice. Notwithstanding the preceding sentence, failure of the Indemnified Party to give notice hereunder shall not release the Indemnifying Party from its obligations under this Article XII, except to the extent the Indemnifying Party is actually prejudiced by such failure to give notice. The Indemnifying Party shall have 30 days from the personal delivery or receipt of the Claim Notice (the "Notice Period") to notify the Indemnified Party (i) whether or not it disputes the liability of the Indemnifying Party to the Indemnified Party hereunder with respect to such Losses and/or (ii) whether or not it desires, at the sole cost and expense of the Indemnifying Party, to defend the Indemnified Party against such Losses; provided, however, that any Indemnified Party is hereby authorized prior to and during the Notice Period to file any motion, answer or other pleading that it shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party (and of which it shall have given notice and opportunity to comment to the Indemnifying Party) and not prejudicial to the Indemnifying Party. In the event that the Indemnifying Party notifies the Indemnified Party within the Notice Period that it desires to defend the Indemnified Party against such Losses, the Indemnifying Party shall have the right to defend all appropriate proceedings, and with counsel of its own choosing, which proceedings shall be promptly settled or prosecuted by them to a final conclusion. If the Indemnified Party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in contesting any Losses that the Indemnifying Party elects to contest or, if appropriate and related to the claim in question, in making any counterclaim against the person asserting the third party Losses, or any cross-complaint against any person. No claim may be settled or otherwise compromised without the prior written consent of the Indemnifying Party.

(h) Notwithstanding anything to the contrary contained herein, the amount of any Losses for which indemnification is provided under this Section 12.2 shall be net of any amounts actually recovered by the Indemnified Party under insurance policies in effect at or prior to the Closing Date. The Indemnified Party shall use its reasonable efforts to enforce any such insurance policies and shall give such notices under such policies as the Indemnifying Party reasonably may request by notice in writing. The Indemnified Party and the Indemnifying Party shall cooperate in connection with any claim under any such insurance policies covered by this Section 12.2(h).

(i) THE TERM "LOSSES" SHALL SPECIFICALLY INCLUDE STRICT LIABILITY IMPOSED ON AN INDEMNIFIED PARTY WHETHER UNDER ENVIRONMENTAL LAWS OR OTHERWISE AND IT IS THE INTENT OF THE PARTIES THAT THE INDEMNIFICATION OBLIGATIONS SET FORTH IN THIS ARTICLE XII SHALL INCLUDE AN OBLIGATION ON THE PART OF THE INDEMNIFYING PARTY TO INDEMNIFY THE INDEMNIFIED PARTY AGAINST STRICT LIABILITY ARISING IN CONNECTION WITH A MATTER FOR WHICH SUCH PARTY IS ENTITLED TO INDEMNIFICATION UNDER THIS ARTICLE.

ARTICLE XIII

Limitations on Representations and Warranties

Section 13.1 Disclaimers of Representations and Warranties.

The express representations and warranties of Seller contained in this Agreement are exclusive and are in lieu of all other representations and warranties, express, implied or statutory. BUYER ACKNOWLEDGES THAT SELLER HAS NOT MADE, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY EXPRESSLY WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE RELATING TO (a) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE SUBJECT ASSETS, (b) EXCEPT AS OTHERWISE PROVIDED HEREIN, THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLER, AND (c) THE ENVIRONMENTAL CONDITION OF THE SUBJECT ASSETS. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, SELLER EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY WAIVES, AS TO PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES CONSTI-

TUTING A PART OF THE SUBJECT ASSETS (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (iv) ANY RIGHTS OF PURCHASERS UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (v) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM VICES OR DEFECTS, WHETHER KNOWN OR UNKNOWN, (vi) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW, AND (vii) ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF THE ENVIRONMENT OR HEALTH, IT BEING THE EXPRESS INTENTION OF BUYER AND SELLER THAT (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN HEREIN) THE REAL AND PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, AND FIXTURES CONSTITUTING PART OF THE ASSETS SHALL BE CONVEYED TO BUYER AS IS AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR AND BUYER REPRESENTS TO SELLER THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS WITH RESPECT TO THE REAL AND PERSONAL PROPERTY, EQUIPMENT, MACHINERY, INVENTORY AND FIXTURES AS BUYER DEEMS APPROPRIATE AND BUYER WILL ACCEPT SAME AS IS, WHERE IS, WITH ALL FAULTS, IN THEIR PRESENT CONDITION AND STATE OF REPAIR. Seller and Buyer agree that, to the extent required by applicable law to be effective, the disclaimers of certain warranties contained in this section are "conspicuous" disclaimers for the purposes of any applicable law, rule or order.

Section 13.2 Waiver of Texas DTPA.

(a) It is the intent of the Parties that Buyer's rights and remedies with respect to this Agreement and the transactions contemplated hereby and with respect to all acts or practices of Seller, past, present or future, in connection with this Agreement and the transactions contemplated hereby shall be governed by legal principles other than the Texas Deceptive Trade Practices Consumer Protection Act, Tex. Bus. & Com. Code Ann. ss. 17.41 et seq. (Vernon 1987 and Supp. 1994) (the "DTPA"). As such, Buyer hereby waives the applicability of the DTPA to this Agreement and the transactions contemplated hereby and any and all duties, rights or remedies that might be imposed by the DTPA, whether such duties, rights or remedies are applied directly by the DTPA itself or indirectly in connection with other statutes; provided, however, Buyer does not waive Section 17.555 of the DTPA. Buyer acknowledges, represents and warrants that it is purchasing the Purchased Subject Assets and Purchased Shares for commercial or business use; that Buyer has assets of Five Million Dollars (\$5,000,000) or more according to its most recent financial statement prepared in accordance with generally accepted accounting principles; that Buyer has knowledge and experience in financial and business matters that enable it to evaluate the

merits and risks of a transaction such as this; and that it is not in a significantly disparate bargaining position with Seller.

(b) Buyer expressly recognizes that the price for which Seller has agreed to perform its obligations under this Agreement has been predicated upon the inapplicability of the DTPA and this waiver of the DTPA. Buyer further recognizes that Seller, in determining to proceed with the entering into of this Agreement, has expressly relied on this waiver and the inapplicability of the DTPA.

Section 13.3 Casualty Loss.

(a) Buyer shall assume all risk of loss with respect to, and any change in the condition of, the Subject Assets from the Effective Time until Closing for production of oil, gas and/or other hydrocarbons through depletion (including the watering-out of any well, collapsed casing or sand infiltration of any well) or otherwise.

(b) If after the Effective Time and prior to the Closing any part of the Subject Assets shall be damaged or destroyed by fire or other casualty or if any part of the Subject Assets shall be taken in condemnation or under the right of eminent domain or if proceedings for such purposes shall be pending or threatened ("Casualty Loss"), Buyer may elect to (i) cause the Subject Assets affected by the Casualty Loss to be treated as Excluded Assets and reduce the Purchase Price by the Allocated Value of the Subject Asset affected, in which case Seller shall retain all insurance proceeds, condemnation proceeds, claims, awards and other payments arising out of such Casualty Loss, or (ii) require Working Interest Owner to (y) transfer to Buyer the Purchased Subject Asset affected notwithstanding such Casualty Loss and (z) transfer to Buyer Working Interest Owner's share of any insurance proceeds and condemnation proceeds, claims, awards and other payments arising out of such Casualty Loss and require Operator to retain and not distribute to the Selling Stockholders Operator's share of any such insurance proceeds, condemnation proceeds, claims, awards or payments. Working Interest Owner and Operator shall not voluntarily compromise, settle or adjust any amounts payable by reason of a Casualty Loss without first obtaining the consent of Buyer. Notwithstanding the foregoing, if following any Casualty Loss, Working Interest Owner or Operator repairs or replaces the damaged or destroyed property to substantially its original condition, Buyer shall be required to purchase the Subject Assets affected without any reduction in the Purchase Price and Seller shall retain all insurance proceeds and other amounts arising out of such Casualty Loss.

Section 13.4 Exclusive Remedies. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE REMEDIES SET FORTH IN THIS AGREEMENT, INCLUDING THE DEDUCTIBLES, LIABILITY LIMITS, SURVIVAL PERIODS, DISCLAIMERS AND LIMITATIONS ON REMEDIES, ARE INTENDED TO BE, AND SHALL BE, THE EXCLUSIVE REMEDIES WITH RESPECT TO ANY ASPECT OF THE TRANSACTIONS

CONTEMPLATED BY THIS AGREEMENT. EACH PARTY HEREBY RELEASES, WAIVES AND DISCHARGES, AND COVENANTS NOT TO SUE WITH RESPECT TO, ANY CAUSE OF ACTION OR CLAIM NOT EXPRESSLY PROVIDED FOR IN THIS AGREEMENT INCLUDING, WITHOUT LIMITATION, CLAIMS UNDER STATE OR FEDERAL SECURITIES LAWS, AVAILABLE AT COMMON LAW OR BY STATUTE (INCLUDING FRAUD CLAIMS UNDER CHAPTER 27 OF THE TEXAS BUSINESS AND COMMERCE CODE).

Section 13.5 Texas Revised Partnership Act. Buyer agrees that if any Seller which is a Texas general partnership adopts the Texas Revised Partnership Act ("TRPA") prior to the Closing Date, TRPA shall have the same effect on any claim of Buyer arising under this Agreement against such partnership and the partners thereof as if TRPA had been adopted by such partnership prior to the date of execution of this Agreement.

ARTICLE XIV

Miscellaneous

Section 14.1 HSR Act. Within 10 days after the execution hereof, each party will file or cause its ultimate parent entity (within the meaning of the HSR Act) to file all materials required to be filed by it under the HSR Act and will promptly file any supplemental materials required and will comply in all material respects with the requirements of the HSR Act. Each of the parties shall request early termination of the HSR Act waiting period and any filings to be made. None of the parties shall take any action that is reasonably likely to have the effect of delaying, impairing or impeding the receipt of any required approvals and will use their commercially reasonable efforts to secure such approvals as promptly as possible.

Section 14.2 Expenses. Each party shall be solely responsible for all expenses, including due diligence expenses, incurred by it in connection with this transaction, and no party shall be entitled to any reimbursement for such expenses from the other party hereto.

Section 14.3 Independent Investigation. Buyer represents and acknowledges that (i) it is knowledgeable of the oil and gas business and of the usual and customary practices of producers such as Seller, (ii) it has had access to the Subject Assets, the officers and employees of Seller and Operator, and the books, records and files of Seller and Operator relating to the Purchased Subject Assets and Operator, and (iii) in making the decision to enter into this Agreement, Buyer has relied solely on the basis of its own independent due diligence investigation and upon the representations and warranties made herein. Accordingly, Buyer acknowledges that Sellers have not made, and Sellers hereby expressly disclaim and negate, any representation or warranty (other than those express representations and warranties contained herein), express, implied, at common law, by statute or otherwise, relating to the Purchased Subject Assets or the Purchased Shares.

Section 14.4 Document Retention. As used in this Section 14.4, the term "Documents" shall mean all files, documents, books, records and other data of Operator (other than those that Seller has retained a copy of), including, but not limited to: financial and tax accounting records; land, title and division of interest files; contracts; engineering and well files; and books and records related to the business of Operator or the operation of the Subject Assets prior to the Closing Date. Buyer agrees that, to the extent the Documents are in Buyer's or Operator's possession, the Documents shall be open for inspection by representatives of Seller at reasonable times and upon reasonable notice during regular business hours for a period of 6 years following the Closing Date (or for such longer period as may be required by law or governmental regulation), and that Seller may during such period at its expense make such copies thereof as it may reasonably request.

Section 14.5 Entire Agreement. This Agreement, the documents to be executed hereunder, and the exhibits attached hereto constitute the entire agreement between the Parties hereto pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof. No supplement, amendment, alteration, modification or waiver of this Agreement shall be binding unless executed in writing by the Parties hereto and expressly referencing this Agreement.

Section 14.6 Waiver. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 14.7 No Solicitation. Sellers shall, prior to the Closing Date, neither solicit bids for the Subject Assets or Purchased Shares nor negotiate the sale of the Subject Assets or Purchased Shares with any party other than Buyer or Guarantor.

Section 14.8 Publicity. Sellers and Buyer shall consult with each other with regard to all publicity and other releases concerning this Agreement and the transactions contemplated hereby and, except as required by applicable law or the applicable rules or regulations of any governmental body or stock exchange, no party shall issue any such publicity or other release without the prior written consent of the other party hereto.

Section 14.9 Captions. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

Section 14.10 No Third Party Beneficiaries. Nothing in this Agreement shall provide any benefit to any third party or entitle any third party to any claim, cause of action, remedy or right of any kind, it being the intent of the Parties that this Agreement shall not be construed as a third party beneficiary contract.

Section 14.11 Assignment. Except as provided in the following sentence, no party may assign or delegate any of its rights or duties hereunder, without the prior written consent of the other parties, and any assignment or delegation made without such consent shall be void. Buyer shall have the right to assign its rights hereunder to an affiliate and may effect the acquisition of the Purchased Shares pursuant to a merger of Operator with and into an affiliate of Buyer, provided in each instance that Guarantor guarantees all of such assignee's obligations hereunder pursuant to a form of guaranty agreement substantially the same as that attached as Exhibit G to be executed and delivered by Guarantor to Seller prior to such assignment or merger. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors, assigns and legal representatives.

Section 14.12 Governing Law. This Agreement, other documents delivered pursuant hereto and the legal relations between the Parties shall be governed and construed in accordance with the laws of the State of Texas, without giving effect to principles of conflicts of laws that would result in the selection of an alternate jurisdiction.

Section 14.13 Notices. Any notice, communication, request, instruction or other document required or permitted hereunder shall be given in writing and delivered in person or sent by U.S. Mail postage prepaid, return receipt requested, or by telex, facsimile or telecopy to the addresses of Seller and Buyer set forth below. Any such notice shall be effective only upon receipt.

Seller: Black Stone Holdings Partnership
1001 Fannin, Suite 4750
Houston, Texas 77002
Attention: Mr. Thomas L. Carter, Jr.
Telecopy No.: (713) 658-0943

Buyer: Comstock Oil & Gas, Inc.
5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: Mr. M. Jay Allison
Telecopy No.: (214) 701-2111

with copies to: Locke Purnell Rain Harrell
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201
Attention: Guy Kerr, Esq.
Telecopy No.: (214) 740-8800

Either party may, by written notice so delivered, change its address for notice purposes hereunder.

Section 14.14 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any adverse manner to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 14.15 Counterpart Execution. This Agreement may be executed in any number of counterparts, and each counterpart hereof shall be effective as to each party which executes the same whether or not all of the Parties execute the same counterpart. If counterparts of this Agreement are executed, the signature pages from various counterparts may be combined into one composite instrument for all purposes. All counterparts together shall constitute only one Agreement, but each counterpart shall be considered an original.

Section 14.16 Authority of BSHP. Each Seller hereby authorizes BSHP to make and receive payments hereunder on behalf of such Seller, to give and receive notices on behalf of such Seller hereunder (and promptly send copies of any notices to each affected

Seller), to agree upon any adjustments to the Purchase Price hereunder consistent with the terms of this Agreement on behalf of such Seller, to agree on any extensions to the Closing Date on behalf of such Seller and to select title and environmental consultants on behalf of such Seller. BSHP's authority does not include the ability to modify or amend this Agreement in any manner without each Seller's consent. Buyer may rely upon any instrument executed or other action taken by BSHP on behalf of Seller pursuant to this Section 14.16 to the same extent as if such instrument had been executed or action had been taken by each Seller.

Section 14.17 W.T. Carter & Bro. Buyer acknowledges that W.T. Carter & Bro. is the lessor with respect to certain of the Properties. Buyer hereby acknowledges and agrees that the terms of the relevant leases permit W.T. Carter & Bro. to take in kind and separately dispose of its royalty share of the production therefrom or attributable thereto free and clear of any costs and expenses of gathering, handling, treating or transporting such production to the final point of sale by lessee and/or lessee's assigns, and that W.T. Carter & Bro. will have the right, but not the obligation, to market its royalty share of production on the same terms as Buyer's production from such leases is marketed free and clear of said costs and expenses of gathering, handling, treating and transportation.

Section 14.18 Champion C-2.

(a) Operator has commenced the drilling of the Champion International C No. 2 well. Promptly after such well reaches its total depth (as defined in the existing drilling contract for such well), the current operator of such well (Operator, BSHP or its designee, as applicable) shall run or cause to be run in such well an induction log and porosity log as a reasonably prudent operator (provided that conditions permit such logs to be run) and promptly deliver copies of such logs to Buyer. Buyer shall have forty-eight hours after receipt of such logs (the "C-2 Notice Period") to notify Sellers whether it elects to reject the Champion C-2 Assets.

(b) If Buyer elects to reject the Champion C-2 Assets, and such notice of rejection is received by Sellers prior to Closing, the Purchase Price shall not be adjusted upward by the costs and expenses thereof. If Buyer elects to reject the Champion C-2 Assets, and such notice of rejection is received by Sellers after Closing, Sellers shall pay Buyer an amount equal to the actual costs and expenses incurred by Sellers after the Effective Time to drill such well to total depth.

(c) BSHP or its designee shall have the sole right to operate the well after Closing until the end of the C-2 Notice Period. If Buyer elects to reject the Champion C-2 Assets, BSHP or its designee shall have the sole right to continue to operate said well.

(d) In the event that Sellers receive notice, within the C-2 Notice Period, of Buyer's election to reject the Champion C-2 Assets, and Sellers complete the Champion International C No. 2 well as a producer, then (i) if such completion occurs prior to Closing, the Champion C-2 Assets shall be treated as Excluded Assets, and (ii) if such completion occurs after Closing, Buyer shall convey to Sellers, the Champion C-2 Assets promptly after such completion.

Section 14.19 Guaranty Agreement. Pursuant to the terms of the Guaranty Agreement of even date herewith executed by Guarantor, Guarantor has guaranteed all of the obligations of Buyer hereunder.

Section 14.20 Joint Operating Agreement/AMI. Buyer, Operator and Working Interest Owners shall execute the Center Grove JOA and the North Double A JOA. Buyer's interest under the Center Grove JOA shall be 30% (being 30% of Operator's and Working Interest Owner's interests in said area as of the Effective Time). Buyer's interest under the North Double A JOA shall be 12.825% (being 30% of Working Interest Owners' and Operator's interests in said area as of the Effective Time). Buyer's interest in the Camden Tram JOA shall be 18.6% (being 30% of Working Interest Owners' and Operator's interest thereunder as of the Effective Time). The area of mutual interest with respect to each of the foregoing joint operating agreements shall be as shown on Exhibit "H". Operator shall be designated as operator thereunder, subject to the provisions of Section 7.2 hereof.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Sellers, Buyer and Guarantor have executed and delivered this Agreement as of the date first set forth above.

WORKING INTEREST OWNERS:

BLACK STONE HOLDINGS PARTNERSHIP

By C & S Holdings, Managing Partner

By: /s/THOMAS L. CARTER, JR.

Thomas L. Carter, Jr.
Managing Partner

By North Star Oil & Gas, General Partner

By: /s/ALEXANDER D. STUART

Alexander D. Stuart
Managing General Partner

C & S HOLDINGS

By: /s/THOMAS L. CARTER, JR.

Name: Thomas L. Carter, Jr.
Title: Managing Partner

By North Star Oil & Gas, General Partner

By: /s/ALEXANDER D. STUART

Alexander D. Stuart
Managing General Partner

C. D. LANGHORNE, JR., INC.

By: /s/C. D. LANGHORNE, JR.

Name: C. D. Langhorne, Jr.
Title: President

/s/ALAN DALBY

Alan Dalby

/s/PAMELA BURNEY

Pamela Burney

ETOCO, INC.

By: /s/JAMES E. THORP

James E. Thorp
President

HENNIG PRODUCTION COMPANY

By: /s/Don E. Hennig

Don E. Hennig
President

/s/Hugh J. Idstein

HUGH J. IDSTEIN

/s/MARGARET A. S. IDSTEIN

Margaret A. S. Idstein

KERRCO INC.

By: /s/J. ROBINSON KERR

J. Robinson Kerr
President

WOOLLY BUGGER PARTNERS, LTD.

By CASTLETON ENERGY CORPORATION, GENERAL PARTNER

By: /s/ROBERT SINCLAIR

Robert Sinclair
President

W. T. CARTER & BRO.

By: /s/THOMAS L. CARTER

Thomas L. Carter
Managing Partner

SELLING STOCKHOLDERS:

/s/THOMAS L. CARTER, JR.

Thomas L. Carter

/s/ALEXANDER D. STUART

Alexander D. Stuart

/s/ROBERT D. STUART, JR.

Robert D. Stuart, Jr.

/s/DONALDSON C. PILLSBURY

Donaldson C. Pillsbury

/s/JAMES M. STUART

James M. Stuart

/s/PHIL BROXSON

Phil Broxson

/s/JOHN MARTIN

John Martin

/s/NENETTE G. CARTER

Nenette G. Carter

/s/AUBREY CARTER

Aubrey Carter

/s/SARA C. WALNE

Sara C. Walne

/s/GEORGIA C. HERZOG

Georgia C. Herzog

/s/MAUDE C. TRIONE

Maude C. Trione

/s/MARJORIE C. CAIN

Marjorie C. Cain

OPERATOR:

BLACK STONE OIL COMPANY

By: /s/THOMAS L. CARTER, JR.

Thomas L. Carter, Jr.
President

BUYER:

COMSTOCK OIL & GAS, INC.

By: /s/M. JAY ALLISON

M. Jay Allison
President

GUARANTOR:

COMSTOCK RESOURCES, INC.

By: /s/M. JAY ALLISON

M. Jay Allison
President

-66-

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SCHEDULE I

WORKING INTEREST OWNERS

Black Stone Holdings Partnership, a Texas general partnership C&S Holdings, a Texas general partnership C. D. Langhorne, Jr., Inc., a Texas corporation Alan Dalby and wife Pamela Burney ETOCO, Inc., a Texas corporation Hennig Production Company, a sole proprietorship Hugh J. Idstein and wife Margaret A.S. Idstein Kerrco, Inc., a Delaware corporation Woolly Bugger Partners, Ltd., a Texas limited partnership W.T. Carter & Bro., a Texas general partnership

SCHEDULE II
SELLING STOCKHOLDERS

Stockholder	Number of Shares
Thomas L. Carter, Jr.	34,534
Robert D. Stuart, Jr.	6,063
Alexander D. Stuart	18,313
Donaldson C. Pillsbury	1,637
James M. Stuart	1,275
Phil Broxson	1,190
John Martin	1,190
Nenette G. Carter	707
Aubrey Carter	707
Sara C. Walne	706
Georgia C. Herzog	706
Maude C. Trione	706
Marjorie C. Cain	706
	68,440

CREDIT AGREEMENT

dated as of May 1, 1996

COMSTOCK RESOURCES, INC.,

COMSTOCK OIL & GAS, INC.,

COMSTOCK OIL & GAS - LOUISIANA, INC.

COMSTOCK OFFSHORE ENERGY, INC.,

THE BANKS PARTY HERETO

BANK ONE, TEXAS, N.A., CO-AGENT

AND

THE FIRST NATIONAL BANK OF CHICAGO, AS AGENT

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EXHIBIT

A.....	Bridge Note
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F.....	Assignment and Acceptance
G.....	Assumption Agreement

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6.4.....	Subsidiaries
7.2(d).....	Permitted Indebtedness
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CREDIT AGREEMENT

CREDIT AGREEMENT

THIS AGREEMENT, dated as of May 1, 1996, is among COMSTOCK RESOURCES, INC. a Nevada corporation ("CRI"), COMSTOCK OIL & GAS, INC., a Nevada corporation ("COG"), COMSTOCK OIL & GAS - LOUISIANA, INC., a Nevada corporation ("COGL"), COMSTOCK OFFSHORE ENERGY, INC., a Delaware corporation ("COE") (CRI, COG, COGL and COE may hereinafter collectively be referred to as the "Borrowers"), the lenders party hereto from time to time (collectively, the "Banks" and individually, a "Bank"), BANK ONE, TEXAS, N.A., as co-agent for the Banks (in such capacity, the "co-agent") and THE FIRST NATIONAL BANK OF CHICAGO, as agent for the Banks (in such capacity, the "Agent").

RECITALS

A. The Borrowers, Bank One, Texas, N.A., NBD Bank and NBD Bank, as agent for Bank One, Texas, N.A. and itself executed a Credit Agreement dated July 31, 1995, as amended (the "Existing Credit Agreement"), which amended and restated a Credit Agreement dated as of September 30, 1994, as amended, which in turn amended and restated a Credit Agreement dated as of November 15, 1993, as amended. The First National Bank of Chicago is the assignee of all rights and interests of NBD Bank under the Existing Credit Agreement, both in NBD Bank's capacity as a bank and as agent thereunder and under all agreements and documents executed in connection therewith.

B. The Borrowers have requested that the Banks amend and restate the Existing Credit Agreement as herein provided, replacing and refinancing the indebtedness thereunder with a three year secured revolving credit facility providing for revolving credit loans in the aggregate principal amount of \$166,000,000 converting to a two year term loan, and a bridge loan in the aggregate principal amount of \$10,000,000 in order to provide bridge financing for the Borrowers' acquisition of properties from Black Stone Oil Company, and the Banks are willing to establish such a credit facility and loans in favor of the Borrowers and amend and restate the Existing Credit Agreement on the terms and conditions herein set forth.

AGREEMENT

In consideration of the premises and of the mutual agreements herein contained, the parties hereto agree that the Existing Credit Agreement shall be amended and restated as follows:

SECTION 1. Definitions

1.1 Certain Definitions. As used herein, the following terms shall have the following respective meanings:

"Advances" shall mean the Loans and the Letter of Credit Advances.

"Advance Date" shall mean each date for the making, continuation or conversion of an Advance as specified in the notice delivered by the Borrowers, or any of them, permitted by this Agreement.

"Affiliate", when used with respect to any person shall mean any other person which, directly or indirectly, controls or is controlled by or is under common control with such person or any other person which is owned 5% or more by such person or any Subsidiary or other Affiliate of such person. For purposes of this definition "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), with respect to any person, shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or otherwise.

"Applicable Margin" shall mean, with respect to any Eurodollar Loan, Floating Rate Loan and Commitment Fee, as the case may be, the applicable percentage set forth in the table below based upon a fraction, expressed as a percentage, determined as of the last day of each fiscal quarter of CRI, the numerator of which is the daily average of the Advances outstanding during such fiscal quarter and the denominator of which is the daily average of the Borrowing Base during such fiscal quarter (the "Utilization Percentage"):

Utilization Percentage "UP"	Eurodollar Rate Loan	Floating Rate Loan	Commitment Fee under Section 4.3(a)(i)
UP>90%	2.00%	0.50%	.50%
UP 75% to 90%	1.75%	0.50%	.375%
UP 55% to 75%	1.50%	0.25%	.375%
UP Less than 55%	1.25%	0%	.25%

The Utilization Percentage shall be determined by the Agent at the end of each fiscal quarter and shall remain in effect for the following fiscal quarter of CRI, provided that the Agent shall also determine the Utilization Percentage promptly after the initial issuance of any Subordinated Debt

and adjust the Applicable Margin upon such determination, and the Applicable Margin in effect on the first day of any Interest Period of any Eurodollar Loan shall remain in effect for the entire Interest Period. Notwithstanding the above or anything else in this Agreement, (a) upon and during the continuance of any Event of Default, the Applicable Margin shall be based on the highest possible Applicable Margin described in the table above, regardless of the Utilization Percentage and (b) at any time any amount is outstanding under the Bridge Loan, the Applicable Margin with respect to Floating Rate Loans and Commitment Fees shall be 0.50% and the Borrowers shall not be entitled to obtain Eurodollar Loans.

"Bank Obligations" shall mean all indebtedness, obligations and liabilities, whether now or hereafter arising, of the Borrowers to the Agent or any Bank pursuant to any of the Loan Documents.

"Black Stone" shall mean Black Stone Oil Company, a Texas corporation.

"Borrowing Base" shall mean an amount equal to the value of the Collateral determined by the Agent and the Co-Agent (or by each of the Banks as described in Section 9.14) in their sole discretion, based on the Agent's, the Co-Agent's or each Bank's, as the case may be, customary and standard practices in lending to oil and gas companies generally, including without limitation their standard engineering criteria and oil and gas lending criteria (and it is acknowledged and agreed that such customary and standard practices, including without limitation such engineering criteria and oil and gas lending criteria, shall be determined by the Agent, the Co-Agent and each Bank, as the case may be, in their sole discretion, and such determination shall be conclusive and binding).

"Bridge Loan" means any borrowing under Section 3.1 evidenced by the Bridge Note and made pursuant to Section 2.1(c).

"Bridge Note" means any promissory note of the Borrowers evidencing the Bridge Loan, in substantially the form annexed hereto as Exhibit A, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement therefor. "Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities 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 a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of substantially all of their commercial lending activities.

"Change in Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities

and Exchange Commission under the Securities Exchange Act of 1934) of more than 50% of the outstanding shares of voting stock of CRI.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations thereunder.

"CMC" shall mean Comstock Management Corporation, a Nevada corporation.

"CNG" shall mean Comstock Natural Gas, Inc., a Nevada corporation.

"CNG/CRI Guaranty Formula" shall mean, as of any date, the sum of (a) an amount equal to 70% of the amount of Eligible CNG Accounts Receivable (other than those described in clause (b)) plus (b) an amount equal to 90% of the amount of Eligible CNG Accounts Receivable supported by letters of credit confirmed by a financial institution acceptable to the Agent in its reasonable discretion; provided, that, the amount of Eligible CNG Accounts Receivable described in this clause (b) included in the CNG Borrowing Base may not exceed 50% of the aggregate amount of Eligible CNG Accounts Receivable.

"Collateral" shall have the meaning ascribed thereto in Section 5.1(a) hereof.

"Commitments" shall mean, with respect to each Bank, the commitment of each such Bank to make Revolving Credit Advances and the Term Loan pursuant to Sections 2.1(a) and (b), in amounts not exceeding in aggregate principal amount outstanding at any time the respective commitment amount for each Bank set forth next to the name of each such Bank on the signature pages hereof or established pursuant to Section 10.6, as the case may be, as such amount may be reduced from time to time pursuant to Sections 2.1(a) or (b).

"Consent and Amendment of Security Documents" shall mean the consent and amendment of security documents entered into by the Borrowers, the Guarantors and the Agent pursuant to this Agreement in substantially the form of Exhibit B, as amended or modified from time to time.

"Consolidated" or "consolidated" shall mean, when used with reference to any financial term in this Agreement, the aggregate for two or more Persons of the amount signified by such term for all such Persons determined on a consolidated basis and in accordance with GAAP.

"Consolidated Adjusted Cash Flow" shall mean, for any period, the Consolidated Net Income for such period taken as a single accounting period, plus, to the extent deducted in determining such Consolidated Net Income, all depreciation, amortization and depletion expense, and other non cash charges, provided that in determining Consolidated Net Income as used in this definition the following shall be excluded, without duplication: (a) the income of any Person accrued prior to the date such Person is merged into or consolidated with a Borrower or such

Person's assets are acquired by a Borrower, (b) the proceeds of any insurance policy, (c) gains or losses from the sale, exchange, transfer or other disposition of property or assets of any Borrower and related tax effects in accordance with GAAP and (d) any extraordinary or non-recurring gains of any Borrower, and related tax effects in accordance with GAAP.

"Consolidated Interest Expense" shall mean, for any period, total interest and related expense (including, without limitation, that portion of any capitalized lease obligation attributable to interest expense in conformity with GAAP, amortization of debt discount, all capitalized interest, the interest portion of any deferred payment obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit (other than letters of credit for CNG utilized for purchasing natural gas in aggregate amount not exceeding \$1,000,000) and bankers acceptance financing, the net costs and net payments under any interest rate hedging, cap or similar agreement or arrangement, prepayment charges, agency fees, administrative fees, commitment fees and capitalized transaction costs allocated to interest expense) paid, payable or accrued during such period, without duplication for any period, with respect to all outstanding Indebtedness of CRI and its Subsidiaries, all as determined for CRI and its Subsidiaries on a consolidated basis for such period in accordance with GAAP.

"Consolidated Net Income" shall mean, for any period, the net income of CRI and its Subsidiaries for such period, determined in accordance with GAAP, minus, to the extent not deducted from such net income, the amount of allowable cash dividends paid during such period on the 1994 Preferred Stock and on the 1995 Preferred Stock.

"Contingent Liabilities" of any person shall mean, as of any date, all obligations of such person or of others for which such person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business and indemnifications typical and customary in the ordinary course of such person's oil and gas business in connection with operating agreements and other agreements executed in the ordinary course of such person's oil and gas business), including without limitation all reimbursement obligations of such person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such person to advance funds to, or to purchase assets, property or services from, any other person in order to maintain the financial condition of such other person.

"Continuing Directors" of any person shall mean the directors of such person on the Effective Date and each other director of such person if such other director's nomination for election to the Board of Directors of such person is recommended by a majority of the then Continuing Directors of such Board of Directors.

"CPI" shall mean Crosstex Pipeline, Inc., a Texas corporation.

"Current Assets" and "Current Liabilities" shall mean all assets or liabilities of CRI and its Subsidiaries, on a consolidated basis respectively, which should be classified as current assets and current liabilities in accordance with GAAP; provided that the calculation of Current Assets shall not include receivables of the Borrowers owing by any Affiliate in excess of 90 days or subject to any dispute or offset or otherwise unacceptable, advances by the Borrowers to any Affiliate or any asset classified as a Current Asset solely because it is held for sale, and Current Liabilities shall not include the current maturities of any Indebtedness or the Bridge Note.

"Default" shall mean any Event of Default or any event or condition which might become an Event of Default with notice or lapse of time or both.

"Dollars" and "\$" shall mean the lawful money of the United States of America.

"Effective Date" shall mean the effective date specified in the final paragraph of this Agreement.

"Eligible CNG Accounts Receivable" shall mean, as of any date, those trade accounts receivable owned by CNG which are payable in Dollars, valued at the face amount thereof less sales, excise or similar taxes and less returns, discounts, claims, credits and allowances of any nature at any time issued, including without limitation rebates and advertising allowances receivable, owing, granted, outstanding, available or claimed, but shall not include any such account receivable (a) that is not a bona fide existing obligation created by the sale and actual delivery of inventory, goods or other property or the furnishing of services or other good and sufficient consideration to customers of CNG in the ordinary course of business, (b) that is more than 60 days past due, (c) that is subject to any known dispute, contra-account, defense, offset or counterclaim or any lien, encumbrance or security interest, (d) that is payable by any person located outside the United States (which shall not be deemed to include any territories of the United States) and is not supported by a letter of credit issued by banks acceptable to the Agent in its reasonable discretion, (e) that is payable by the United States or any of its departments, agencies or instrumentalities, (f) that is payable by any person that is the subject of any proceeding seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up or reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, or that is not generally paying its debts as they become due or has admitted in writing its inability to pay its debts generally or has made a general assignment for the benefit of creditors, (g) which is evidenced by a promissory note or other instrument, (h) that is payable by any person, the aggregate accounts owing to CNG aggregate, are in excess of 10% of all Eligible CNG Accounts Receivable (but only to the extent of the amount in excess of 10%), unless such receivable is secured by a letter of credit, or (i) for which the prospect of payment or performance is or will be impaired as determined by the Agent in its reasonable discretion.

"Environmental Laws" at any date shall mean all provisions of law, statute, ordinances, rules, regulations, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by the government of the United States of America or any foreign government or by any state, province, municipality or other political subdivision thereof or therein or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning the protection of, or regulating the discharge of substances into, the environment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, together with any successor statute thereto and the regulations thereunder.

"ERISA Affiliate" shall mean any trade or business (whether or not incorporated) which (i) together with the Borrowers or any Subsidiary, would be treated as a single employer under Section 414(b) or (c) of the Code or (ii) for purposes of liability under Section 412(C)(11) of the Code, the lien created under Section 412(n) of the Code or for a tax imposed for failure to meet minimum funding standards under Section 4971 of the Code, a member of the same affiliated service group (within the meaning of Section 401(m) of the Code) as the Borrowers or any Subsidiary, or any other trade or business described in clause (i) above.

"Eurodollar Base Rate" shall mean, with respect to a Eurodollar Loan for the relevant Eurodollar Interest Period, the rate determined by the Agent to be the rate at which First Chicago offers to place deposits in Dollars with first-class banks in the London interbank market at approximately 11 a.m. (London time) two Business Days prior to the first day of such Eurodollar Interest Period, in the approximate amount of First Chicago's relevant Eurodollar Loan and having a maturity approximately equal to such Eurodollar Interest Period.

"Eurodollar Interest Period" or "Interest Period" shall mean, with respect to a Eurodollar Loan, a period of one, two, three or six months commencing on a Business Day selected by the Borrowers pursuant to this Agreement. Such Eurodollar Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter, provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Eurodollar Interest Period shall end on the immediately preceding Business Day.

"Eurodollar Loan" shall mean a Loan which bears interest at a Eurodollar Rate.

"Eurodollar Rate" shall mean, with respect to a Eurodollar Loan for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable

to such Eurodollar Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Eurodollar Interest Period, plus (ii) the Applicable Margin.

"Event of Default" shall mean any of the events or conditions described in Section 8.1.

"Federal Funds 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 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Floating Rate" shall mean the per annum rate equal to the sum of (a) (i) with respect to Revolving Credit Loans, the Term Loan and any other amounts owing hereunder other than the Bridge Loan, the Applicable Margin, and (ii) with respect to the Bridge Loan, three percent (3.0%) per annum, plus (b) the greater of (i) the per annum rate announced by the Agent from time to time as its "corporate base rate", and (ii) the sum of one-half percent (1/2%) per annum plus the Federal Funds Rate, such Floating Rate to change simultaneously with any change in such "corporate base rate" or Federal Funds Rate, as the case may be;

all as conclusively determined in good faith by the Agent, such sum to be rounded up, if necessary, to the nearest whole multiple of 1/16 of 1%.

"Floating Rate Loan" shall mean any Loan bearing interest at the Floating Rate.

"GAAP" shall mean generally accepted accounting principles applied on a basis consistent with that reflected in the financial statements referred to in Section 6.7 hereof.

"Guarantor" shall mean each present and future Subsidiary of any of the Borrowers (other than any Borrower and Comstock DR-II Oil and Gas Acquisition Limited Partnership).

"Guaranty" shall mean each guaranty of each Guarantor delivered at any time pursuant to Section 5.2.

"Hydrocarbons" shall mean oil, gas casinghead, gas, drip gasoline, natural gas and condensates and all other liquid or gaseous hydrocarbons.

"Indebtedness" of any person shall mean, as of any date, (a) all obligations of such Person for borrowed money, (b) all obligations which are secured by any lien or

encumbrance existing on property owned by such Person whether or not the obligation secured thereby shall have been assumed by such Person, other than those obligations which are incurred in the ordinary course of business and are not required to be shown as a liability on a balance sheet in accordance with GAAP, (c) all obligations as lessee under any lease which, in accordance with GAAP, is or should be capitalized on the books of the lessee, (d) the deferred purchase price for goods, property or services acquired by such Person, and all obligations of such Person to purchase such goods, property or services where payment therefore is required regardless of whether or not delivery of such goods or property or the performance of such services is ever made or tendered, other than unsecured trade payables incurred in the ordinary course of business (e) all obligations of such Person to advance funds to, or to purchase property or services from, any other Person in order to maintain the financial condition of such Person, (f) all obligations of such person in respect of any interest rate or currency swap, rate cap or other similar transaction (valued in an amount equal to the highest termination payment, if any, that would be payable by such person upon termination for any reason on the date of termination), and (g) all obligations of such person or of others for which such person is contingently liable, as guarantor, surety or in any other similar capacity, or in respect of which obligations such person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business), including without limitation all reimbursement obligations of such person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such person to advance funds to, or to purchase assets, property or services from, any other person in order to maintain the condition, financial or otherwise, of such other person.

"Interest Payment Date" shall mean (a) with respect to each Eurodollar Loan, the last day of each Eurodollar Interest Period with respect to such Eurodollar Loan and, in the case of any Eurodollar Interest Period exceeding three months, those days that occurred during such Eurodollar Interest Period at intervals of three months after the first day of such Eurodollar Interest Period, (b) in all other cases, the last Business Day of each month, commencing with the first such day after the Effective Date, and (c) the Termination Date with respect to Revolving Credit Loans, Maturity Date - Bridge Loan with respect to the Bridge Loan and the Maturity Date - Term Loan with respect to the Term Loan.

"Lending Installation" shall mean, with respect to a Bank or the Agent, any office, branch, subsidiary or affiliate of such Bank or the Agent.

"Letter of Credit" shall mean a standby letter of credit having a stated expiry date not later than twelve months after the date of issuance and not later than the fifth Business Day before the Termination Date, issued by the Agent on behalf of the Banks for the account of the Borrowers under an application and related documentation acceptable to the Agent requiring, among other things, immediate reimbursement by the Borrowers to the Agent in respect of all drafts or other demand for payment honored thereunder and all expenses paid or incurred by the Agent relative thereto.

"Letter of Credit Advance" shall mean any issuance of a Letter of Credit pursuant to this Agreement, in which each Bank acquires a pro rata risk participation.

"Letter of Credit Documents" shall have the meaning ascribed thereto in Section 3.3(b)(i).

"Lien" shall mean any pledge, assignment, hypothecation, mortgage, security interest, deposit arrangement, option, conditional sale or title retaining contract, sale and leaseback transaction, financing statement filing, lessor's or lessee's interest under any lease, subordination of any claim or right, or any other type of lien, charge, encumbrance, preferential arrangement or other claim or right.

"Loan Documents" shall mean this Agreement, the Notes, the Security Documents, the environmental certificate and any other agreement, instrument or document executed at any time pursuant to, in connection with, or otherwise relating to this Agreement.

"Loans" mean the Revolving Credit Loans, the Term Loan and the Bridge Loan.

"Majority Banks" shall mean Banks holding not less than 66% of the aggregate principal amount of the Loans then outstanding (or 66% of the Commitments if no Loans are then outstanding).

"Material Adverse Effect" shall mean a material adverse effect on or change in (a) the business, property (including without limitation the Collateral and further including without limitation the Purchased Black Stone Assets), operations or condition, financial or otherwise, of the Borrowers and the Guarantors on a consolidated basis, (b) the ability of any Borrower or any Guarantor to perform its obligations under any Loan Document or (c) the validity or enforceability or the rights and remedies of the Agent or any Bank under any Loan Document.

"Maturity Date - Bridge Loan" shall mean, with respect to the Bridge Loan, the earlier to occur of (a) December 31, 1996 and (b) the date on which the Bridge Loan shall be accelerated pursuant to Section 8.2.

"Maturity Date - Term Loan" shall mean, with respect to the Term Loan, the earlier to occur of (a) the second anniversary of the date the Term Loan is made, which in any event shall be no later than the fifth anniversary of the Effective Date, and (b) the date on which the Term Loan shall be accelerated pursuant to Section 8.2.

"Mortgages" shall have the meaning ascribed thereto in Section 5.1.

"Multiemployer Plan" shall mean any "multiemployer plan" as defined in Section 4001(a)(3) of ERISA or Section 414(f) of the Code.

"1995 Preferred Stock" shall mean the 1,500,000 shares of Series 1995 Convertible Preferred Stock issued by CRI.

"1994 Preferred Stock" shall mean the 600,000 shares of Series 1994 Convertible Preferred Stock issued by CRI and the 1,000,000 shares of 1994 Series B Convertible Preferred Stock issued by CRI.

"Notes" means the Revolving Credit Notes and the Term Notes.

"Oil and Gas Interests" shall mean all leasehold interests, mineral fee interest, overriding royalty and royalty interests, net revenue and net working interest and all other rights and interests relating to Hydrocarbons, including without limitation any reserves thereof.

"Overdue Rate" shall mean (a) in respect of principal of Floating Rate Loans, a rate per annum that is equal to the sum of three percent (3%) per annum plus the Floating Rate, (b) in respect of principal of Eurodollar Loans, a rate per annum that is equal to the sum of three percent (3%) per annum plus the per annum rate in effect thereon until the end of the then current Eurodollar Interest Period for such Loan and, thereafter, a rate per annum that is equal to the sum of three percent (3%) per annum plus the Floating Rate, and (c) in respect of other amounts payable by the Company hereunder (other than interest), a per annum rate that is equal to the sum of three percent (3%) per annum plus the Floating Rate.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Permitted Liens" shall mean the Liens permitted by Section 7.2(e) hereof.

"Person" shall include an individual, a corporation, an association, a partnership, a trust or estate, a joint stock company, an unincorporated organization, a joint venture, a government (foreign or domestic), and any agency or political subdivision thereof, or any other entity.

"Plan" shall mean, with respect to any Person, any employee benefit or other plan (other than a Multiemployer Plan) maintained by such Person for its employees and covered by Title IV of ERISA or to which Section 412 of the Code applies.

"Pro Rata Share" shall mean, as to obligations of the Banks, the percentage set forth opposite its name on the signature pages hereof or otherwise established pursuant to Section 10.6. As to obligations owing to the Banks, shall mean: (a) in the case of payments of principal and interest on the Loans, in an amount with respect to each Bank equal to the product of such amount received times the ratio which the outstanding principal balance of its Note or Notes bears to the outstanding principal balance of all Notes, and (b) in the case of all other amounts payable hereunder (other than as otherwise noted with respect to fees) and other

amounts, in an amount with respect to each Bank equal to the product of such amount received times the ratio which the Commitment of such Bank bears to the Commitments of all Banks.

"Proved Developed Reserves" shall mean all Oil and Gas Interests which, to the satisfaction of the Agent, are estimated, with reasonable certainty, and as demonstrated by geological and engineering data acceptable to the Agent, to be economically recoverable from existing wells requiring no more than minor workover operations from existing completion intervals open for production and which are producing, and have proven reserves of, Hydrocarbons.

"Purchase Documents" shall mean all purchase agreements, purchase and sale agreements and other agreements and documents between CRI and Black Stone and certain working interest owners for the purchase by CRI of the properties described therein, together with all other agreements and documents delivered pursuant to Section 3.2(a)(xii).

"Purchased Black Stone Assets" shall mean all oil and gas interests, capital stock and other assets being purchased pursuant to the Purchase Documents.

"Reportable Event" shall mean a reportable event as described in Section 4043(b) of ERISA including those events as to which the thirty (30) day notice period is waived under Part 2615 of the regulations promulgated by the PBGC under ERISA.

"Reserve Requirement" means, with respect to a Eurodollar Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Revolving Credit Advance" shall mean any Revolving Credit Loan or any Letter of Credit Advance.

"Revolving Credit Loan" means any loan under Section 3.1 evidenced by the Revolving Credit Notes and made pursuant to Section 2.1(a).

"Revolving Credit Note" shall mean any promissory note of the Borrowers evidencing the Revolving Credit Loans, in substantially the form annexed hereto as Exhibit C, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement therefor.

"Security Agreements" shall have the meaning ascribed thereto in Section 5.1.

"Security Documents" shall have the meaning ascribed thereto in Section 5.1.

"Subsidiary" of any person shall mean any other person (whether now existing or hereafter organized or acquired) in which (other than directors qualifying shares required by

law) at least a majority of the securities or other ownership interests of each class having ordinary voting power or analogous right (other than securities or other ownership interests which have such power or right only by reason of the happening of a contingency), at the time as of which any determination is being made, are owned, beneficially and of record, by such person or by one or more of the other Subsidiaries of such person or by any combination thereof. Unless otherwise specified, reference to "Subsidiary" shall mean a Subsidiary of CRI.

"Subordinated Debt" shall mean Indebtedness of CRI which satisfies each of the following:

(a) the aggregate principal amount thereof does not exceed \$100,000,000;

(b) the final maturity thereof shall be no earlier than 10 years after its issuance, and there shall be no required payments, prepayments (other than required prepayments upon a change of control and upon a disposal of a substantial amount of assets, in each case on terms and conditions acceptable to the Majority Banks) or other defeasance thereof, directly or indirectly, prior to such final maturity; and

(c) such Indebtedness shall be subordinated to the Bank Obligations pursuant to written subordination provisions in form and substance satisfactory to the Majority Banks.

"Swap Agreement" shall mean any interest rate or oil and gas commodity swap agreement, interest cap or collar agreement or other financial agreement or arrangement designed to protect the Borrowers or CNG against fluctuations in interest rates or oil and gas prices.

"Tangible Net Worth" of any Person shall mean, as of any date, (a) the amount of any capital stock or similar ownership liability plus (or minus in the case of a deficit) the capital surplus and retained earnings of such Person and the amount of any foreign currency translation adjustment account shown as a capital account of such Person, less (b) the net book value of all items of the following character which are included in the assets of such Person: (i) goodwill, including without limitation, the excess of cost over book value of any asset, (ii) organization or experimental expenses, (iii) unamortized debt discount and expense, (iv) stock discount and expense, (v) patents, trademarks, trade names and copyrights, (vi) treasury stock, (vii) deferred taxes and deferred charges, (viii) franchises, licenses and permits, and (ix) all other assets which are deemed intangible assets under GAAP; provided, that such calculation of Tangible Net Worth under this definition shall not include receivables of such Person which are owing by any Affiliate or advances by such Person to any Affiliate.

"Term Loan" means any borrowing under Section 3.1 evidenced by the Term Note and made pursuant to Section 2.1(b).

"Term Note" means any promissory note of the Borrowers evidencing the Term Loan, in substantially the form annexed hereto as Exhibit D, as amended or modified from time to time and together with any promissory note or notes issued in exchange or replacement therefor.

"Termination Date" shall mean the earlier to occur of (a) the third anniversary of the Effective Date or such earlier date as the Borrowers may elect, with five Business Days prior written notice to the Banks, to convert the Revolving Credit Advances to the Term Loan under Section 2.1(b), and (b) the date on which the Commitments shall be terminated pursuant to Section 2.1(a) or 8.2.

"Total Liabilities" of any Person shall mean, as of any date, all obligations which, in accordance with GAAP, are or should be classified as liabilities on a balance sheet of such Person.

"Type" shall mean, with respect to any Advance, its nature as a Floating Rate Loan, Eurodollar Loan or Letter of Credit Advance.

1.2 Other Definitions; Rules of Construction. As used herein, the terms "Agent," "Banks," "CRI," "COG," "COGL," "COE," "Borrowers" and "this Agreement" shall have the respective meanings ascribed thereto in the introductory paragraph of this Agreement. Such terms, together with the other terms defined in Section 1.1, shall include both the singular and the plural forms thereof and shall be construed accordingly. All computations required hereunder and all financial terms used herein shall be made or construed in accordance with GAAP unless such principles are inconsistent with the express requirements of this Agreement.

SECTION 2. The Commitments.

2.1 Advances. (a) Each Bank agrees, for itself only, to advance and to readvance, subject to the terms and conditions herein set forth, to the Borrowers at any time and from time to time from the Effective Date hereof until the Termination Date amounts equal to such Bank's Pro Rata Share of such aggregate amounts as any Borrower may from time to time request, provided that no Revolving Credit Loans may be made if the aggregate outstanding amount of all Revolving Credit Loans to all Borrowers would exceed the lesser of the Commitments or the Borrowing Base, and the aggregate Letter of Credit Advances may not exceed the lesser of \$1,000,000 or the CNG/CRI Guaranty Formula. Each Loan made hereunder shall be evidenced by the Notes, which shall mature and bear interest as set forth in Section 4 hereof and in such Notes. On the Effective Date, the Borrowers shall issue and deliver to each Bank a Revolving Credit Note in the principal amount of such Banks' Commitment for the period beginning on the Effective Date. Each Revolving Credit Loan which is a Floating Rate Loan shall be in a minimum amount of \$500,000 and in integral multiples of \$100,000 and each Revolving Credit Loan which is a Eurodollar Loan shall be in a minimum

amount of \$3,000,000 and in integral multiples of \$1,000,000. Subject to the terms and conditions of this Agreement, the Borrowers may borrow, prepay pursuant to Section 4.1(b) and reborrow under this Section 2.1(a). The Borrowers shall have the right to terminate or reduce the Commitments at any time and from time to time, provided that (i) the Borrowers shall give notice of such termination or reduction to the Agent specifying the amount and effective date thereof, (ii) each partial reduction of the Commitments shall be in a minimum amount of \$1,000,000 and in integral multiples of \$1,000,000 and shall reduce the Commitments of all of the Banks proportionally in accordance with the respective Commitment amounts of each such Bank, (iii) no such termination or reduction, either in whole or part and including without limitation any termination, shall be permitted with respect to any portion of the Commitments as to which a request for a Revolving Credit Advances is then pending, and (iv) the Commitments may not be terminated if any Revolving Credit Advances are then outstanding and may not be reduced below the principal amount of Revolving Credit Advances then outstanding, for the benefit of Banks. Notwithstanding anything in this Agreement to the contrary, the Commitments shall be mandatorily and automatically reduced to an aggregate amount not to exceed \$110,000,000 or such other greater amount agreed to in writing by the Majority Banks, upon the issuance or other incurrence of any Subordinated Debt, and such reduction shall reduce the Commitments of all the Banks proportionally in accordance with the respected Commitment amounts of each such Bank. The Commitments or any portion thereof so terminated or reduced may not be reinstated. Any Borrower may request Revolving Credit Advances without the consent of any other Borrower, and each Borrower consents to and approves any Revolving Credit Advances requested by any other Borrower. The Revolving Credit Advances hereunder replace the revolving credit loans outstanding pursuant to Section 2.1(a) of the Existing Credit Agreement and provide additional credit as described above.

(b) Each Bank further agrees, for itself only, subject to the terms and conditions of this Agreement to make its Pro Rata Share of a single term loan to the Borrowers on the Termination Date, but not at any time thereafter, in an amount not to exceed the lesser of the amount of the Borrowing Base as of the Termination Date and the aggregate outstanding principal amount of the Revolving Credit Advances.

(c) Each Bank further agrees, for itself only, subject to the terms and conditions of this Agreement, to make its Pro Rata Share of a single bridge loan to the Borrowers on the Effective Date, but not at any time thereafter, in an aggregate amount not to exceed \$10,000,000. This term loan replaces the \$10,000,000 term loan outstanding under the Existing Credit Agreement and provides additional credit.

(d) Nothing in this Agreement shall be construed to require or authorize any Bank to issue any Letter of Credit, it being recognized that the Agent has the sole obligation under this Agreement to issue Letters of Credit on behalf of the Banks, and the Commitment of each Bank with respect to Letter of Credit Advances is expressly conditioned upon the Agent's performance of such obligations. Upon such issuance by the Agent, each Bank shall automatically acquire a pro rata risk participation interest in such Letter of Credit Advance based

on its respective Commitment. If the Agent shall honor a draft or other demand for payment presented or made under any Letter of Credit, the Agent shall provide notice thereof to each Bank on the date such draft or demand is honored unless the Borrowers shall have satisfied their reimbursement obligation under Section 3.3 by payment to the Agent on such date. Each Bank, not later than the Business Day after the Agent shall have given the notice specified in the previous sentence, shall make its pro rata share of the amount paid by the Agent available in immediately available funds at the principal office of the Agent for the account of the Agent. If and to the extent such Bank shall not have made any required pro rata portion available to the Agent or made its portion of Revolving Credit Loan available pursuant to Section 3.3(a)(i), such Bank and the Borrowers severally agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount was paid by the Agent until such amount is so made available to the Agent at (i) the rate per annum equal to the interest rate applicable to the related Loan disbursement under Section 3.3 for such day in the case of the Company and (ii) the rate per annum equal to the Federal Funds Rate for such day in the case of any Bank. If such Bank shall pay such amount to the Agent together with such interest, such amount so paid shall constitute a Revolving Credit Loan by such Bank as part of the Revolving Credit Loans disbursed in respect of the reimbursement obligation of the Company under Section 3.3 for purposes of this Agreement. The failure of any Bank to make its pro rata portion of any such amount paid by the Agent available to the Agent shall not relieve any other Bank of its obligation to make available its pro rata portion of such amount, but no Bank shall be responsible for failure of any other Bank to make such pro rata portion available to the Agent.

SECTION 3. The Advances.

3.1 Disbursement of Advances. (a) Borrowers shall give notice to the Agent of each requested Advance in substantially the form of Exhibit E hereto, which notice given shall be received by the Agent not later than 10:00 a.m. (Chicago time), (i) three Business Days prior to the date such Loan is requested to be made if such Loan is to be made as a Eurodollar Loan, (ii) one Business Day prior to the date such Loan is requested to be made if such Loan is to be made as a Floating Rate Loan, (iii) three Business Days prior to the date any Letter of Credit Advance is requested to be made, and (iv) five Business Days prior to the date the Term Loan is requested to be made. Each such notice given shall be irrevocable and binding on the Borrowers, any such notice must specify the Advance Date, which shall be a Business Day, the aggregate amount of such Advance, the Type of Advance selected, in the case of any Eurodollar Loan, the Eurodollar Interest Period applicable thereto, and in the case of any Letter of Credit Advance such other information with respect thereto as may be required by the Agent. The Agent shall provide notice of such requested Loan to each Bank on the same Business Day such notice is received from the Borrowers. Subject to the terms and conditions of this Agreement, the Agent shall, on the date any Letter of Credit Advance is requested to be made, issue the related Letter of Credit on behalf of the Banks for the account of the Borrowers, provided that in the case of each Letter of Credit Advance the Borrowers provide such information as may be

necessary for the issuance thereof by the Agent and execute any document in connection therewith as may be requested by the Agent. Notwithstanding anything herein to the contrary, the Agent may decline to issue any requested Letter of Credit on the basis that the beneficiary, the purpose of issuance or the terms or conditions of drawing are illegal or contrary to a policy of the Agent.

(b) Floating Rate Loans shall continue as Floating Rate Loans unless and until such Floating Rate Loans are converted into Eurodollar Loans. Each Eurodollar Loan of any Type shall continue as a Eurodollar Loan of such Type until the end of the then applicable Interest Period therefor, at which time such Eurodollar Loan shall be automatically converted into a Floating Rate Loan unless the Borrower shall have given the Agent a Conversion/Continuation Notice requesting that, at the end of such Interest Period, such Eurodollar Loan either continue as a Eurodollar Loan of such Type for the same or another Interest Period or be converted into a Loan of another Type. Subject to the terms of Section 2.1, the Borrower may elect from time to time to convert all or any part of a Loan of any Type into any other Type or Types of a Loan; provided that any conversion of any Eurodollar Loan shall be made on, and only on, the last day of the Interest Period applicable thereto. The Borrowers shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Loan or continuation of a Eurodollar Loan not later than 10:00 a.m. (Chicago time) at least one Business Day, in the case of a conversion into a Floating Rate Loan, or three Business Days, in the case of a conversion into or continuation of a Eurodollar Loan, prior to the date of the requested conversion or continuation, specifying:

- (i) the requested date which shall be a Business Day, of such conversion or continuation,
- (ii) the aggregate amount and Type of the Loan which is to be converted or continued, and
- (iii) the amount and Type(s) of Loan(s) into which such Loan is to be converted or continued and, in the case of a conversion into or continuation of a Eurodollar Loan, the duration of the Interest Period applicable thereto.

(c) Subject to the terms and conditions of this Agreement, the proceeds of such requested Loan shall be made available to the Borrowers by depositing the proceeds thereof, in immediately available funds, on the Advance Date for such Loan in an account maintained and designated by the Borrowers at the principal office of the Agent. Each Bank, on the Advance Date of each such Loan shall make its Pro Rata Share of such Loan available in immediately available funds at the principal office of the Agent for disbursement to the Borrowers. Unless the Agent shall have received notice from any Bank prior to the date of any requested Loan under this Section 3.1 that such Bank will not make available to the Agent such Bank's Pro Rata Share, the Agent may assume that such Bank has made such share available to

the Agent on the Advance Date of such Loan in accordance with this Section 3.1(b). If and to the extent such Bank shall not have so made such Pro Rata Share available to the Agent, the Agent may (but shall not be obligated to) make such amount available to the Borrowers on the relevant Advance Date, and such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount is made available to the Borrowers by the Agent until the date such amount is paid to the Agent, at the Federal Funds Rate. If such Bank shall pay to the Agent such amount, such amount so paid shall constitute a Loan by such Bank as a part of such borrowing for purposes of this Agreement. The failure of any Bank to make its Pro Rata Share of any such Loan available to the Agent shall not relieve any other Bank of its obligations to make available its Pro Rata Share of such Loan on the Advance Date of such Loan, but no Bank shall be responsible for failure of any other Bank to make such Pro Rata Share available to the Agent on the Advance Date of any such Loan.

(d) Notwithstanding anything in this Agreement to the contrary, the Borrowers may not obtain a Eurodollar Loan or convert any Floating Rate Loan to a Eurodollar Loan if there is any amount outstanding under the Bridge Loan.

(e) Each Bank may book its Loans at any Lending Installation selected by such Bank and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Notes shall be deemed held by each Bank for the benefit of such Lending Installation. Each Bank may, by written or telex notice to the Agent and the Borrowers, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made.

3.2 Conditions of Advances. The Banks and the Agent shall not be obligated to make any Advance hereunder at any time unless:

(a) Prior to or simultaneously with the first Advance hereunder, there shall have been delivered to each Bank the following documents, in form and substance satisfactory to the Agent:

(i) The favorable opinion of such counsel for the Borrowers and each Guarantor, as shall be approved by the Banks, with respect to the matters as requested by the Banks, including down-dated title opinions on 80% of the value of the assets acquired by the Borrowers from Black Stone and opinions as to such other matters as the Banks shall reasonably request, all in form and substance satisfactory to the Majority Banks;

(ii) certified copies of such corporate documents of each Borrower and each Guarantor, including each Borrower's and each Guarantor's articles of incorporation, by-laws and a good standing certificate, and such documents evidencing necessary corporate action with respect to this Agreement, the Loans, the Notes and the Security Documents, and certifying to the incumbency of, and attesting to the genuineness of the

signatures of, those officers authorized to act on behalf of each Borrower and each Guarantor, as the Banks shall request;

(iii) the Security Documents required as of the Effective Date under Section 5.1 duly executed on behalf of the Borrowers and each Guarantor, together with evidence of the recordation, filing and other action in such jurisdictions as the Banks may deem necessary or appropriate with respect to the Security Documents and evidence of the first-priority of the Banks' liens and security interests under the Security Documents, subject only to Permitted Liens, including without limitation such additional mortgages, security agreements, pledge agreements, other documents and opinions of counsel required by the Banks and original stock certificates and assignments separate from certificate of each person whose stock is required to be pledged;

(iv) the Notes duly executed on behalf of the Borrowers, and it is acknowledged and agreed that the Notes: (A) are issued in exchange and replacement for the promissory notes issued pursuant to the Existing Credit Agreement, (B) shall not be deemed a novation or to have satisfied such promissory notes and (C) evidence the same indebtedness evidenced by such promissory notes plus additional indebtedness;

(v) the Consent and Amendment of Security Documents duly executed by the Borrowers and the Guarantors;

(vi) Payment of such fees agreed to among the Borrowers and the Agent;

(vii) the execution by the Borrowers and each Guarantor of the Agent's standard environmental certificate;

(viii) the Banks shall have determined that the Loans to be made are equal to or less than the Borrowing Base, and such determination shall be made by the Banks in their sole discretion and based upon their evaluation of the Borrowing Base;

(ix) copies of all agreements relating to any material Indebtedness for borrowed money, any preferred stock, any joint ventures or partnerships or any other material documents requested by the Banks;

(x) the originals of all promissory notes payable to any Borrower or any Guarantor, other than promissory notes in an aggregate amount less than \$50,000;

(xi) such other agreements, documents, conditions and certificates as reasonably requested by the Banks, including without limitation, releases and terminations of all other Liens which are not permitted hereunder, assignment of the Purchase

Documents, amendments of existing Security Documents, the establishment of all primary bank accounts of each Borrower and each Guarantor at a Bank (and each agrees to maintain such accounts at a Bank), all in form and substance satisfaction to the Banks;

(xii) certified copies of all purchase agreements, purchase and sale agreements and all other agreements and documents executed or to be executed and delivered in connection with the acquisition by CRI of certain oil and gas properties and other assets from Black Stone and certain working interest owners; and

(xiii) evidence satisfactory to the Majority Banks that, but for the payment of a portion of the purchase price to be paid by the initial Loans under this Agreement, the representations and warranties in the last sentence of Section 6.12 are accurate.

(b) The aggregate outstanding principal amount of all Revolving Credit Loans or the Term Loan, whichever is outstanding, after giving effect to the proposed Loan, does not exceed the lesser of the Commitments or the Borrowing Base, and the aggregate outstanding principal amount of all Letter of Credit Advances, after giving effect to the proposed Letter of Credit Advance, does not exceed the lesser of \$1,000,000 or the CNG/CRI Guaranteed Formula.

(c) On and as of the date of each such Advance, the representations and warranties contained in Section 6 hereof shall be true and correct in all material respects as if made on such date; provided, however, that for purposes of this Section 3.2(c) the representations and warranties contained in Section 6.7 hereof shall be deemed made with respect to both the financial statements referred to therein and the most recent financial statements delivered pursuant to Section 7.1(d)(ii) and (iii).

(d) No Default or event or condition which could cause a Material Adverse Effect has occurred and is continuing or will exist upon the disbursement of such Advance.

Acceptance of the proceeds of any Advance hereunder by the Borrowers shall be deemed to be a certification by the Borrowers at such time with respect to the matters set forth in subparagraphs (b), (c) and (d) of this Section 3.2.

3.3 Letter of Credit Reimbursement Payments. (a)(i) The Borrowers agree to pay to the Agent, on the day on which the Agent shall honor a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by the Agent in respect of such draft or other demand under such Letter of Credit and all expenses paid or incurred by the Agent relative thereto. Unless the Borrowers shall have made such payment to the Agent on such day, upon each such payment by the Agent, the Agent shall be deemed to have disbursed to the Borrowers, and the Borrowers shall be deemed to have elected to satisfy its reimbursement obligation by borrowing, a Revolving Credit Loan for the account

of the Banks in an amount equal to the amount so paid by the Agent in respect of such draft or other demand under such Letter of Credit. Such Revolving Credit Loan shall be disbursed, and each Bank shall advance its Pro Rata Share thereof, notwithstanding any failure to satisfy any conditions for disbursement of any Loan set forth in Section 3.2 or any other condition and, to the extent of the Revolving Credit Loan so disbursed, the reimbursement obligation of the Borrowers under this Section 3.3 shall be deemed satisfied; provided, however, that such disbursement shall not be deemed to be a waiver of any Event of Default or Default, if any.

(ii) If for any reason (including without limitation as a result of the occurrence of an Event of Default with respect to the Borrowers or any of its Subsidiaries pursuant to Section 8.1(g), Revolving Credit Loans may not be made by the Banks as described in Section 3.3(a)(i), then (A) the Borrowers agree that each reimbursement amount not paid pursuant to the first sentence of Section 3.3(a)(i) shall bear interest, payable on demand by the Agent, at the interest rate then applicable to Revolving Credit Loans, and (B) effective on the date each such Revolving Credit Loan would otherwise have been made, each Bank severally agrees that it shall unconditionally and irrevocably, without regard to the occurrence of any Default or Event of Default, in lieu of a deemed disbursement of Revolving Credit Loans, to the extent of such Bank's Pro Rata Share, purchase a participating interest in each reimbursement amount. Each Bank will immediately transfer to the Agent, in same day funds, the amount of its participation. Each Bank shall share on a pro rata basis (calculated by reference to the Bank Commitments) in any interest which accrues thereon and in all repayments thereof. If and to the extent that any Bank shall not have so made the amount of such participating interest available to the Agent, such Bank and the Borrowers agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Agent until the date such amount is paid to the Agent, at (x) in the case of the Borrowers, the interest rate then applicable to Loans and (y) in the case of such Bank, the Federal Funds Rate.

(b) The reimbursement obligations of the Borrowers under this Section 3.3 shall be absolute, unconditional and irrevocable and shall remain in full force and effect until all obligations of the Borrowers to the Agent and the Banks hereunder shall have been satisfied, and such obligations of the Borrowers shall not be affected, modified or impaired upon the happening of any event, including without limitation, any of the following, whether or not with notice to, or the consent of, the Borrowers:

(i) Any lack of validity or enforceability of any Letter of Credit or any documentation relating to any Letter of Credit or to any transaction related in any way to such Letter of Credit (the "Letter of Credit Documents");

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

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

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

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

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

(vii) Any other event or circumstance that would, in the absence of this clause, result in the release or discharge by operation of law or otherwise of the Borrowers from the performance or observance of any obligation, covenant or agreement contained in this Section 3.3.

No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which the Borrowers has or may have against the beneficiary of any Letter of Credit shall be available hereunder to the Borrowers against the Agent or any Bank. Nothing in this Section 3.3 shall limit the liability, if any, of the Banks to the Borrowers pursuant to Section 10.5(c).

(c) For purposes of this Agreement, a Letter of Credit Advance (i) shall be deemed outstanding in an amount equal to the sum of the maximum amount available to be drawn under the related Letter of Credit on or after the date of determination and on or before the stated expiry date thereof plus the amount of any draws under such Letter of Credit that have not been reimbursed as provided in this Section 3.3 and (ii) shall be deemed outstanding at all times on and before such stated expiry date or such earlier date on which all amounts available to be drawn under such Letter of Credit have been fully drawn, and thereafter until all related reimbursement obligations have been paid pursuant to Section 3.3. As provided in this Section 3.3, upon each payment made by the Agent in respect of any draft or other demand for payment under any Letter of Credit, the amount of any Letter of Credit Advance

outstanding immediately prior to such payment shall be automatically reduced by the amount of each Revolving Credit Loan deemed advanced in respect of the related reimbursement obligation of the Borrowers.

(d) Each Bank's obligation to purchase participating interests pursuant to Section 2.1(c) and this Section 3.3, and to comply with the terms of Section 2.1(c) and this Section 3.3, shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank or the Borrowers may have against the Agent, the Borrowers or anyone else for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default; (iii) any adverse change in the condition (financial or otherwise) of the Borrowers; (iv) any breach of this Agreement by the Borrowers or any other Bank; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

3.4. Withholding Tax Exemption. At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Bank, each Bank that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to each of the Borrowers and the Agent two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Bank which so delivers a Form 1001 or 4224 further undertakes to deliver to each of the Borrowers and the Agent two additional copies of such form (or a successor form) on or before the date that such form expires (currently, three successive calendar years for Form 1001 and one calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrowers or the Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form with respect to it and such Bank advises the Borrowers and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

SECTION 4. Payment and Prepayment; Fees; Change in Circumstances.

4.1 Principal Payments.

(a) Unless earlier payment is required under this Agreement, the Borrowers shall pay (i) the entire outstanding principal amount of the Revolving Credit Advances on the Termination Date, (ii) the Term Loan in consecutive quarterly installments each in an amount equal to 5% of the original outstanding principal amount of the Term Loan, commencing with the date three months after the Termination Date and each three months thereafter until the Maturity Date of the Term Loan and shall pay the entire remaining outstanding principal amount of the Term Loan on the Maturity Date - Term Loan and (iii) the entire outstanding principal amount of the Bridge Loan on the Maturity Date - Bridge Loan.

(b) The Borrowers may from time to time prepay all or a portion of the Advances without premium or penalty, provided, however, that (i) the Borrowers shall have given not less than one Business Day's prior written notice thereof to the Agent, (ii) other than mandatory payments, each such prepayment, in the case of prepayment of Floating Rate Loans, shall be in the minimum amount of \$500,000 and in integral multiples of \$100,000 and, in the case of prepayment of Eurodollar Loans, shall be in the minimum amount of \$1,000,000 and in increment integral multiples thereof, (iii) any prepayment of any Eurodollar Loan shall be accompanied by any amount required pursuant to Section 4.10.

(c) If it should be determined by the Agent at any time and from time to time that the principal amount of the Revolving Credit Advances or the Term Loan, whichever is outstanding, exceeds the lesser of the then Borrowing Base or the Commitments, the Borrowers shall promptly do one of the following:

(i) In addition to all other payments of principal and interest required to be paid on the Revolving Credit Advances and the Term Loan, whichever is outstanding, prepay, upon demand and without premium or penalty, the Revolving Credit Notes or the Term Notes, whichever are outstanding, in an amount by which, in the determination of the Agent, such aggregate principal amount outstanding exceeds the lesser of the then Borrowing Base or the Commitments; or

(ii) Grant a lien and security interest to the Agent, for the benefit of the Banks, in form and substance satisfactory to the Majority Banks, additional interests in Proved Developed Reserves of the Borrowers which, in the determination of the Majority Banks, will increase the Borrowing Base by an amount such that the then aggregate principal amount of the Revolving Credit Advances does not exceed the lesser of the then Borrowing Base or the Commitments; or

(iii) Any combination of the foregoing acceptable to the Majority Banks.

(d) In addition to all other payments required hereunder, if CRI shall at any time issue or otherwise incur any Subordinated Debt, the Borrowers shall prepay the Advances by an amount equal to 100% of the net proceeds (net only of reasonable and customary fees and costs of the issuance of such Subordinated Debt) of such Subordinated Debt, payable upon receipt of such proceeds, provided that the amount of such proceeds shall be first applied to the Bridge Loan until paid in full, and thereafter applied to the other outstanding Advances.

(e) In addition to all other payments of the Bridge Loan required hereunder, upon any sale or other disposition of any assets the Borrowers shall prepay the Bridge Loan by an amount equal to 100% of the net proceeds (net only of reasonable and customary costs of such sale or other disposition) of such sale or disposition which prepayment is due upon receipt of such net proceeds.

All determinations made pursuant to this Section 4.1 shall be made by the Agent or the Majority Banks, as the case may be, and shall be conclusively binding on the parties absent manifest error.

4.2 Interest Payment. (a) The Borrowers shall pay interest to the Banks on the unpaid principal amount of each Revolving Credit Loan and the Term Loan for the period commencing on the date such Loan is made until such Loan is paid in full, on each Interest Payment Date and at maturity (whether at stated maturity, by acceleration or otherwise), and thereafter on demand, at the following rates per annum: (i) during such periods that such Loan is a Floating Rate Loan, the Floating Rate, and (ii) during such periods that such Loan is a Eurodollar Loan, the Eurodollar Rate applicable to such Loan for each related Eurodollar Interest Period.

(b) The Borrowers shall pay interest to the Banks on the unpaid principal amount of the Bridge Loan, for the period commencing on the date such Bridge Loan is made until the Bridge Loan is paid in full, and at maturity (whether at stated maturity, by acceleration or otherwise), and thereafter on demand, at the Floating Rate.

(c) Notwithstanding the foregoing paragraphs (a) and (b), the Borrowers hereby agree, if requested by the Majority Banks, to pay interest on demand at the Overdue Rate on the outstanding principal amount of any Loan and any other amount payable by the Borrowers hereunder (other than interest) upon and during the continuance of any Default.

4.3 Fees. (a) The Borrowers agree to pay to the Agent, for the pro rata account of the Banks, a commitment fee computed at the per annum rate equal to the Applicable Margin on the amount by which the Commitments exceed the aggregate outstanding principal amount of the Revolving Credit Loans, for the period from the Effective Date until the Termination Date, which fees shall be paid quarterly, on the last day of each March, June,

September and December commencing on the first such date after the Effective Date, and on the Termination Date.

(b) The Borrowers agree (i) to pay to the Agent, for the benefit of the Banks, a fee equal to 1-1/2% per annum of the maximum amount available to be drawn under each Letter of Credit at the time such fee is to be paid for the period from and including the date of issuance of such Letter of Credit to and including the stated expiry date of such Letter of Credit, provided that the amount payable for any quarter under this clause (i) shall be not less than \$500, and (ii) to pay an additional fee to the Agent for its own account computed at the rate of one-quarter of one percent (1/4 of 1%) per annum of such maximum amount for such period. Such fees shall be payable quarterly in advance, payable on the date of the issuance of any Letter of Credit and each three month interval thereafter. Such fees are nonrefundable and the Borrowers shall not be entitled to any rebate of any portion thereof if such Letter of Credit does not remain outstanding through the date for which such fees have been paid. The Borrowers further agree to pay to the Agent, on demand, such other customary administrative fees, charges and expenses of the Agent in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of each Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(c) The Borrowers agree to pay to the Agent agency and servicing fees for its services under this Agreement in such amounts as it may from time to time be agreed upon between the Borrowers and the Agent, which fee shall be retained solely by the Agent.

4.4 Payment Method. All payments to be made by the Borrowers hereunder will be made in Dollars and in immediately available funds to the Agent at its address set forth in Section 10.2 not later than 11:00 a.m. Chicago time on the date on which such payment shall become due. Payments received after 11:00 a.m. Chicago time shall be deemed to be payments made prior to 11:00 a.m. Chicago time on the next succeeding Business Day. At the time of making each such payment, the Borrowers shall specify to the Agent that obligation of the Borrowers hereunder to which such payment is to be applied, or, in the event that the Borrowers fails to so specify or if an Event of Default shall have occurred and be continuing, the Agent may apply such payments as it may determine in its sole discretion. On the day such payments are received, the Agent shall remit to the Banks their respective Pro Rata Shares of such payments, in immediately available funds.

4.5 No Setoff or Deduction. All payments of principal of and interest on the Advances and other amounts payable by the Borrowers hereunder shall be made by the Borrowers without setoff or counterclaim, and free and clear of, and without deduction or withholding for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments, or other charges of whatever nature, imposed by any governmental authority, or by any department, agency or other political subdivision or taxing authority.

4.6 Payment on Non-Business Day; Payment Computations. Except as otherwise provided in this Agreement to the contrary, whenever any installment of principal of, or interest on, any Advances outstanding hereunder or any other amount due hereunder, becomes due and payable on a day which is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, in the case of any installment of principal, interest shall be payable thereon at the rate per annum determined in accordance with this Agreement during such extension. Computations of interest and other amounts due under this Agreement shall be made on the basis of a year of 360 days for the actual number of days elapsed, including the first day but excluding the last day of the relevant period.

4.7. Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or the compliance of any Bank therewith,

- (i) subjects any Bank or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from the Borrowers (excluding federal taxation of the overall net income of any Bank or applicable Lending Installation), or changes the basis of taxation of payments to any Bank in respect of its Loans or other amounts due it hereunder, or
- (ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Loans), or
- (iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Installation of making, funding or maintaining loans or reduces any amount receivable by any Bank or any applicable Lending Installation in connection with loans, or requires any Bank or any applicable Lending Installation to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Bank,

then, within 30 days of demand by such Bank, the Borrowers shall pay such Bank that portion of such increased expense incurred or reduction in an amount received which such Bank determines is attributable to making, funding and maintaining its Loans and its Commitment.

4.8. Changes in Capital Adequacy Regulations. If a Bank determines the amount of capital required or expected to be maintained by such Bank, any Lending Installation of such Bank or any corporation controlling such Bank is increased as a result of a Change,

then, within 15 days of demand by such Bank, the Borrowers shall pay such Bank the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Bank determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Bank's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Bank or any Lending Installation or any corporation controlling any Bank. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

4.9. Availability of Types of Advances. If any Bank determines that maintenance of its Eurodollar Loans at a suitable Lending Installation would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Majority Banks determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Loans are not available or (ii) the interest rate applicable to a Type of Advance does not accurately reflect the cost of making or maintaining such Advance, then the Agent shall suspend the availability of the affected Type of Advance and require any Eurodollar Loans of the affected Type to be repaid.

4.10. Funding Indemnification. If any payment of a Eurodollar Loan occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a Eurodollar Loan is not made on the date specified by the Borrowers for any reason other than default by the Banks, the Borrowers will indemnify each Bank for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Eurodollar Loan.

4.11. Bank Statements; Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrowers to such Bank under Sections 4.7 and 4.8 or to avoid the unavailability of a Type of Advance under Section 3.3, so long as such designation is not disadvantageous to such Bank. Each Bank shall deliver a written statement of such Bank to the Borrowers (with a copy to the Agent) as to the amount due, if any, under Sections 4.7, 4.8 or 4.10. Such written statement shall set forth in reasonable detail the calculations upon which such Bank determined such amount and shall be final, conclusive and binding on the Borrowers in the absence of manifest error. Determination of amounts payable under such Sections in

connection with a Eurodollar Loan shall be calculated as though each Bank funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Bank shall be payable on demand after receipt by the Borrowers of such written statement. The obligations of the Borrowers under Sections 4.7, 4.8 and 4.10 shall survive payment of the Bank Obligations and termination of this Agreement.

SECTION 5. Security.

5.1 Security Documents. To secure amounts due under this Agreement, the Notes, and to secure all other Indebtedness and obligations of the Borrowers to the Agent and the Banks, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, the Borrowers shall, and shall cause each Guarantor to:

(a) Execute and deliver to the Agent, on or before the Effective Date, such indentures of mortgage, deeds of trust, security agreements, financing statements and assignment of production and other agreements, including without limitation any amendments to any such documents previously executed and delivered in favor of the Agent or any Bank (as amended or modified from time to time, the "Mortgages" and together with the Security Agreements, the Guaranties and all agreements and documents described in this Section 5.1(a) and in 5.1(b), 5.2 and 5.3 and all other agreements and documents securing or guaranteeing any of the Bank obligations at any time or otherwise executed by any Borrower or Guarantor with or in favor of the Agent and the Banks, and including without limitation the Letter of Credit Documents, as amended or modified from time to time, the "Security Documents"), in form and substance satisfactory to the Majority Banks, granting the Agent, for the benefit of the Banks, a first-priority, perfected and enforceable lien and security interest, subject only to the Permitted Liens, in the following (collectively, with all other assets described in Section 5.1(b), the "Collateral"): all oil, gas and mineral properties and all other assets of the Borrowers and each Guarantor, including without limitation all leasehold and royalty interests and all other rights in connection therewith, and all interests in machinery, equipment, materials, improvements, hereditaments, appurtenances and other property, real, personal and/or mixed, now or hereafter a part of or obtained in or used in connection with such properties and all interests in and to any and all oil, gas and other minerals now in storage or now or hereafter located in, under, on or produced from, such properties and an assignment of production from such properties to the Agent;

(b) Execute and deliver to the Agent, on or before the Effective Date, such security agreements, pledge agreement, financing statements and other agreements, including without limitation the Consent and Amendment of Security Documents confirming the continuing effectiveness of previously executed and delivered to the Agent or any Bank (as amended or modified from time to time, the "Security Agreements"), in form and substance

satisfactory to the Majority Banks, granting to the Agent, for the benefit of the Banks, a first- priority, perfected and enforceable lien and security interest, subject only to the Permitted Liens, in all other assets, whether real, personal or mixed, and whether now owned or hereafter existing and wherever located, of the Borrowers and each Guarantor; provided, however, that the Borrowers and the Guarantors shall not be required to grant a lien on, or security interest in, the assets described on Schedule 5.1 for so long as they are contractually prohibited from doing so, and each of the Borrowers and each of the Guarantors represent that they are contractually prohibited from granting liens on, or security interest in, the assets described on Schedule 5.1 and agree not to enter into any further restrictions with respect thereto.

5.2 Guaranty. To confirm its guarantee of all indebtedness, obligations and liabilities of the Borrowers owing to the Banks, whether under this Agreement or otherwise, the Borrowers shall cause each Guarantor to deliver the Consent and Amendment of Security Documents confirming the continuing effectiveness of the guaranty agreements previously executed by each Guarantor (the "Guaranties") in favor of the Agent or Banks, in form and substance satisfactory to the Majority Banks.

5.3 Additional Security Documents. If at any time requested by the Agent or the Majority Banks, the Borrowers shall, and shall cause each Guarantor to, execute and deliver such additional documents, and shall take such other action, as the Agent or the Majority Banks may reasonably consider necessary or proper to evidence or perfect the liens and security interests described in Section 5.1 hereof and grant the guaranties described in Section 5.2. Immediately after the acquisition is completed pursuant to the Purchase Documents, the Borrowers agree that they shall cause Black Stone to execute a Guaranty and all Security Documents in order to grant a lien and security interest in all assets of Black Stone, and COG shall execute such documents to grant a first lien and security interest on all capital stock of Black Stone, together with delivery to the Agent of the original of all stock certificates pledged thereby and other documents in connection therewith requested by the Agent, including without limitation all board resolutions, officer certificates and legal opinions.

SECTION 6. Representations and Warranties.

Each of the Borrowers and each of the Guarantors represent and warrant that:

6.1 Corporate Existence and Power. It is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, and is duly qualified to do business and in good standing in each additional jurisdiction where failure to so qualify would have a Material Adverse Effect. It has all requisite corporate power to own its properties and to carry on its business as now being conducted and as proposed to be conducted, and to execute and deliver this Agreement, the Notes and the Security Documents and to engage in the transactions contemplated by this Agreement, the Notes and the Security Documents.

6.2 Corporate Authority. The execution, delivery and performance by it of this Agreement, the Notes and the Security Documents are within its corporate powers, have been duly authorized by all necessary corporate action and are not in contravention of any law, rule or regulation, or any judgment, decree, writ, injunction, order or award of any arbitrator, court or governmental authority, or of the terms of its charter or by-laws, or of any contract or undertaking to which it is a party or by which it or its property may be bound or affected.

6.3 Binding Effect. This Agreement is, and the Notes and the Security Documents to which it is a party when delivered hereunder will be, legal, valid and binding obligations of each Borrower and each Guarantor, enforceable against each in accordance with their respective terms.

6.4 Subsidiaries. All Subsidiaries of CRI are duly organized, validly existing and in good standing under the laws of their jurisdictions of incorporation and are duly qualified to do business in each jurisdiction where failure to so qualify would have a Material Adverse Effect. All outstanding shares of capital stock of each class of each Subsidiary of CRI have been and will be validly issued and are and will be fully paid and nonassessable and are and will be owned, beneficially and of record, by CRI, free and clear of any Liens. Schedule 6.4 is a complete list of all Subsidiaries of CRI. Each of COG, COE, CMC (provided that notwithstanding anything herein to the contrary it is acknowledged and agreed that CMC may be dissolved or liquidated if all of its assets are transferred to a Borrower) and CNG is and will remain a wholly-owned Subsidiary of CRI, COGL is and will remain a wholly-owned Subsidiary of COG, after completion of the acquisition of the Purchase Documents, Black Stone will be wholly-owned subsidiary of COG and will remain a wholly-owned subsidiary of COG, and CPI is and, without the prior written consent of the Agent, will remain a wholly-owned Subsidiary of CNG.

6.5 Liens. The properties of each Borrower and each Guarantor (including without limitation the Collateral) are not subject to any Lien except Permitted Liens.

6.6 Litigation. There is no action, suit or proceeding pending or, to the best of its knowledge, threatened against or affecting it before or by any court, governmental authority, or arbitrator which would be reasonably likely to result in, either individually or collectively, a Material Adverse Effect and, to the best of the Borrowers' knowledge, there is no basis for any such action, suit or proceeding.

6.7 Financial Condition. The consolidated balance sheet of CRI and its Subsidiaries and the consolidated statements of income and cash flow of CRI and its Subsidiaries for the fiscal year ended December 31, 1995 and reported on by Arthur Andersen, LLP, copies of which have been furnished to the Bank, fairly present, and the financial statements of CRI and its Subsidiaries to be delivered pursuant to Section 7.1(d) will fairly present, the consolidated financial position of CRI and its Subsidiaries and is at their respective dates thereof, and the consolidated results of operations of CRI and its Subsidiaries for their respective periods

indicated, all in accordance with generally accepted accounting principles consistently applied. There has been no event or development which has had or would be reasonably likely to have a Material Adverse Effect since December 31, 1995. There is no material Contingent Liability of CRI or any of its Subsidiaries that is not reflected in such financial statements or in the notes thereto.

6.8 Use of Advance. Neither any Borrower nor any Guarantor extends or maintains, in the ordinary course of business, credit for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of each Advance will be used for the purpose, whether immediate, incidental, or ultimate, of buying or carrying any such margin stock or maintaining or extending credit to others for such purpose. After applying the proceeds of the Advances, such margin stock will not constitute more than 25% of the value of the assets that are subject to any provisions of this Agreement or any Security Document that may cause the Advances to be secured, directly or indirectly by margin stock.

6.9 Security Documents. The Security Documents create a valid and enforceable first-priority lien on and perfected security interest in all right, title and interest of each Borrower and each Guarantor in and to the Collateral described therein, securing all amounts intended to be secured thereby (including without limitation all principal of and interest on the Notes) subject only to the Permitted Liens. The respective net revenue interests of each Borrower in and to the Oil and Gas Interests as set forth in the Security Documents are true and correct and accurately reflect the interests to which each Borrower is legally entitled, subject only to the Permitted Liens.

6.10 Consents, Etc. No consent, approval or authorization of or declaration, registration or filing with any governmental authority or any nongovernmental person or entity, including without limitation any creditor or stockholder of it, is required on the part of it in connection with the execution, delivery and performance of this Agreement, the Notes, the Security Documents or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of this Agreement, the Notes or any of the Security Documents.

6.11 Taxes. It has filed all tax returns (federal, state and local) required to be filed and has paid all taxes shown thereon to be due, including interest and penalties, or has established adequate financial reserves on their respective books and records for payment thereof, except where the failure to do so would not have a Material Adverse Effect.

6.12 Title to Properties. It has good and defensible title to, and a valid indefeasible ownership interest in, all of its properties and assets (including, without limitation, the Collateral subject to the Security Documents) free and clear of any Lien except the Permitted Liens, and it is the owner of all the Collateral described in the Security Documents to which it is a party. All wells on any of the mortgaged premises have been drilled, operated, shut-in,

abandoned or suspended in accordance with good oil and gas field practices and in compliance with all applicable laws, permits, statutes, orders, licenses, rules and regulations. All leases with respect to any Oil and Gas Interests owned by the Borrowers or any Guarantor are in good standing and are in full force and effect, all royalties, rents, taxes, assessments and other payments thereunder or with respect thereto have been properly and timely paid and all conditions necessary to keep such leases in full force have been fully performed, including without limitation any condition to maintain continuous production or other activity with respect thereto. All transactions contemplated pursuant to the Purchase Documents have been completed, including without limitation the acquisition by COG of the Purchased Black Stone Assets and have been completed in accordance with all applicable laws and regulations and COG owns the Purchased Black Stone Assets free and clear of all Liens other than the first priority, perfected and enforceable lien and security interest in favor of the Agent for the benefit of the Banks.

6.13 ERISA. CRI and its Subsidiaries and their Plans are in compliance in all material respects with those provisions of ERISA and of the Code which are applicable with respect to any Plan. No prohibited transaction (as defined in Section 406 of ERISA and Section 9975 of the Code) and no reportable event (as defined in ERISA) has occurred with respect to any Plan. Neither CRI, any of its Subsidiaries nor any of its ERISA Affiliates is an employer with respect to any multiemployer plan (as defined in Section 4001(a)(3) of ERISA). CRI, its Subsidiaries and the ERISA Affiliates have met the minimum funding requirements under ERISA and the Code with respect to each of the respective Plans, if any, and have not incurred any liability to the PBGC or any Plan. There is no unfunded benefit liability with respect to any Plan.

6.14 Environmental and Safety Matters. It is in compliance in all material respects with all federal, state and local laws, ordinances and regulations relating to safety and industrial hygiene or to the environmental condition, including without limitation all Environmental Laws in jurisdictions in which it owns any interest in or operates, a well, a facility or site, or arranges for disposal or treatment of hazardous substances, solid waste, or other wastes, accepts for transporting any hazardous substances, solid waste, or other wastes, or holds any interest in real property or otherwise, except where any such noncompliance would not have a Material Adverse Effect. No demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by any governmental authority, private person or entity or otherwise, arising under, relating to or in connection with any Environmental Laws is pending or its best of any Borrower's knowledge threatened against it, any real property in which it holds or has held an interest or any past or present operation of it. It (a) does not know of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic substances, radioactive materials, hazardous wastes or related materials into the environment, (b) has not received any notice of any toxic substances, radioactive materials, hazardous waste or related materials in, or upon any of its properties in violation of any Environmental Laws, and (c) does not know of any basis for any such investigation, notice or violation. No material release, threatened release or disposal of

hazardous waste, solid waste or other wastes is occurring or has occurred on, under or to any real property in which it holds any interest or performs any of its operations, in violation of any Environmental Law which would have a Material Adverse Effect.

6.15 Direct Benefit. The initial Advances hereunder and all additional Advances are for the direct benefit of each of the Borrowers and the Guarantors, and the initial Advances hereunder are used to acquire the Purchased Black Stone Assets and to refinance and replace indebtedness owing, directly or indirectly, by the Borrowers and the Guarantor to the Banks under the Existing Credit Agreement. The Borrowers and the Guarantors are engaged as an integrated group in the business of oil and gas exploration and related fields, and any benefits to any Borrower or any Guarantor is a benefit to all of them, both directly or indirectly, inasmuch as the successful operation and condition of the Borrowers and the Guarantors is dependent upon the continued successful performance of the functions of the integrated group as a whole.

6.16 Solvency. Each of the following is true for each Borrower and each Guarantor and the Borrowers and the Guarantors on a consolidated basis: (a) the fair saleable value of its property is (i) greater than the total amount of its liabilities (including contingent liabilities), and (ii) greater than the amount that would be required to pay its probable aggregate liability on its then existing debts as they become absolute and matured; (b) its property is not unreasonable in relation to its business or any contemplated or undertaken transaction; and (c) it does not intend to incur, or believe that it will incur, debts beyond its ability to pay such debts as they become due.

6.17 Disclosure. This Agreement and all other documents, certificates, reports or statements or other information furnished to any Bank or the Agent in writing by or on behalf of any Borrower in connection with the negotiation or administration of this Agreement or any transactions contemplated hereby when read together do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact known to any Borrower which has caused, or which likely would in the future in the reasonable judgment of the Borrowers, cause a Material Adverse Effect (except for any economic conditions which affect generally the industry in which the Borrowers and their Subsidiaries conduct business), which has not been set forth in this Agreement or in the other documents, certificates, statements, reports and other information furnished in writing to the Banks by or on behalf of any Borrower in connection with the transactions contemplated hereby.

SECTION 7. Covenants.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that, until the Termination Date and expiration of all Letters of Credit and thereafter until the payment in full of the principal of and accrued interest on the Notes and the performance of all other

obligations of the Borrowers under this Agreement, the Notes and the Security Documents, unless the Majority Banks shall otherwise consent in writing, each of the Borrowers and each of the Guarantors shall:

(a) Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence, rights and privileges and its material licenses, franchises and permits, and qualify and remain qualified as a validly existing corporation in good standing in each jurisdiction in which such qualification is necessary under applicable law.

(b) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, whether federal, state, local or foreign (including without limitation ERISA, the Code and Environmental Laws), in effect from time to time; and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income, revenues or property, before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, might give rise to Liens upon such properties or any portion thereof, except to the extent that payment of any of the foregoing is then being contested in good faith by appropriate legal proceedings and with respect to which adequate financial reserves have been established on its books and records.

(c) Maintenance of Properties; Insurance. Maintain, preserve and protect all property that is material to the conduct of its business and keep such property in good repair, working order and condition and from time to time make, or cause to be made all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times in accordance with customary and prudent business practices for similar businesses; comply with all applicable permits, statutes, laws, orders, licenses, rules and regulations relating to the Oil and Gas Interests owned by it, unless any non compliance would not cause a Material Adverse Effect, and ensure that all wells and other properties operated by it, either in its own name or as a partner, are operated in accordance with good oil and gas field practices; comply with all of its duties and obligations under, and take all actions to maintain, consistent with prudent oil and gas practices, all leases and other rights in full force and effect; and, in addition to that insurance required under the Security Documents, maintain in full force and effect insurance with responsible and reputable insurance companies or associations in such amounts, on such terms and covering such risks, including fire and other risks insured against by extended coverage, as is usually carried by companies engaged in similar businesses and owning similar properties similarly situated and maintain in full force and effect public liability insurance, insurance against claims for personal injury or death or property damage occurring in connection with any of its activities or any of any properties owned, occupied or controlled by it, in such amount as it shall reasonably deem necessary, and maintain such other insurance as may be required by law or as may be reasonably requested by the Banks for purposes of assuring compliance with this Section 7.1(c).

(d) Reporting Requirements. Furnish to each Bank, in form and substance satisfactory to the Majority Banks, the following:

- (i) Promptly and in any event within three calendar days after becoming aware of the occurrence of (A) any Default, (B) the commencement of any material litigation against, by or affecting the Borrowers and, upon request by any Bank, any material developments therein, or (C) any development in the business or affairs of the Borrowers which has resulted in, or which is likely in the reasonable judgment of the Borrowers to result in (including without limitation the entering into of any material contract and/or undertaking by the Borrowers) a Material Adverse Effect or (D) any "reportable event" (as defined in ERISA) under, or the institution of steps by the Borrowers or any Subsidiary to withdraw from, or the institution of any steps to terminate, any Plan, a statement of the chief financial officer of the Borrowers setting forth details of such Default or such event or condition or such litigation and the action which CRI or any Subsidiary has taken and proposes to take with respect thereto;
- (ii) As soon as available and in any event within 45 days after the end of each fiscal quarter of CRI, the consolidated balance sheets of CRI and its Subsidiaries as of the end of such quarter, and the related consolidated statements of income and cash flow for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by an appropriate officer of the Borrowers as having been prepared in accordance with generally accepted accounting principles, together with a certificate of an appropriate officer of the Borrowers with a computation in reasonable detail calculating the covenants contained in Sections 7.2(a), (b), (c), (i), (j) and (l) hereof;
- (iii) As soon as available and in any event within 120 days after the end of each fiscal year, a copy of the consolidated balance sheet of CRI and its Subsidiaries for the fiscal year and related statements of income and cash flow with a customary audit report thereon by Arthur Andersen LLP or other independent certified public accountants selected by CRI and acceptable to the Banks, without qualifications unacceptable to the Banks together with a certificate of such accountants stating that they have reviewed this Agreement and stating further that in making their review in accordance with generally accepted accounting principles nothing came to their attention that made them believe that any Default exists, or if their examination has disclosed the existence of any Default, specifying the nature, period of existence and status thereof, together with a certificate of an appropriate officer of the Borrowers with a computation

in reasonable detail calculating the covenants contained in Sections 7.2(a), (b), (c), (i), (j) and (l) hereof;

- (iv) Upon the request of the Majority Banks or the Agent, a schedule of all oil, gas, and other mineral production attributable to all material Oil and Gas Interest of the Borrowers and each Guarantor, and in any event all such Oil and Gas Interests included in the Borrowing Base;
- (v) Promptly, all title or other information received after the Effective Date by the Borrowers or any Guarantor which discloses any material defect in the title to any material asset included in the Borrowing Base;
- (vi) As soon as practicable and in any event within 30 days after the sending or filing thereof, copies of all such financial statements and reports as it shall send to its security holders and of all final prospectuses under the Securities Act of 1933 (other than Form S-8), reports on Forms 10-Q, 10-K and 8-K and all similar regular and periodic reports filed by it (i) with any federal department, bureau, commission or agency from time to time having jurisdiction with respect to the sale of securities or (ii) with any securities exchange;
- (vii) As soon as available and in any event within 105 days after the end of each calendar year, an annual reserve report with respect to all Hydrocarbon reserves of the Borrowers and the Guarantors prepared by an independent engineering firm of recognized standing acceptable to the Majority Banks in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Majority Banks, and including without limitation all assets included in the Borrowing Base;
- (viii) Upon the request of the Banks, an updated reserve report with respect to all Hydrocarbon reserves of the Borrowers and the Guarantors prepared by the Borrowers in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Majority Banks, and including without limitation all assets included in the Borrowing Base;
- (ix) Promptly, any management letter from the auditors for any Borrower and all other information respecting the business, properties or the condition or operations, financial or otherwise, including, without limitation, geological and engineering data of any Borrower or any Guarantor and any title work with respect to any Oil and Gas Interests of any Borrowers or any Guarantor as any Bank may from time to time reasonably request;
- (x) At all times after the date ninety (90) days after the Effective Date, if requested by the Majority Banks, provide title opinions and

other opinions of counsel, in each case in form and substance acceptable to the Majority Banks, with respect to at least eighty (80%) percent of the value of the assets included in the Borrowing Base; and

- (xi) As soon as available and in any event within 45 days after the end of each month, (A) the balance sheet of CNG as of the end of each month, and the related statements of income for the period commencing at the end of the previous fiscal year and ending with the end of such month, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by an appropriate officer of CNG as having been prepared in accordance with generally accepted accounting principles, (B) a schedule of accounts receivable of CNG, certified by an appropriate officer of CNG, as of the end of such month, indicating the totals of accounts receivable by type, and by age, describing any returns, defenses, setoffs or other pertinent information in connection therewith, together with evidence of letters of credit supporting Eligible CNG Accounts Receivable, and (C) a computation, certified by an appropriate officer of CNG, of the CNG/CRI Guaranty Formula as of the end of such month.

(e) Access to Records, Books, Etc. At any reasonable time and from time to time, permit any Bank or any agents or representatives thereof, at the Borrowers' own expense, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrowers and the Guarantors, and to discuss the affairs, finances and accounts of the Borrowers and the Guarantors with their respective officers and employees. Without limiting the foregoing, the Borrowers and the Guarantors agree that any reasonable time and from time to time, the Borrowers will permit any Bank or any agents or representatives thereof to inspect, at the office of the Borrowers and the Guarantors listed on its signature page hereto, all opinions with respect to title and other material work received by the Borrowers or the Guarantors with respect to any asset included in the Borrowing Base.

7.2 Negative Covenants. Until payment in full of the principal of and accrued interest on the Notes, the expiration of this Agreement and all Letters of Credit and the payment and performance of all other obligations of the Borrowers and each Guarantor under this Agreement, the Notes and the Security Documents, each Borrower and each Guarantor agree that, unless the Majority Banks shall otherwise consent in writing, none of them shall:

(a) Current Ratio. Permit or suffer the ratio of (i) the sum of Current Assets plus the unused availability under the revolving credit facility established by Section 2.1(a), to (ii) Current Liabilities at any time to be less than 1.0 to 1.0.

(b) Tangible Net Worth. Permit or suffer Consolidated Tangible Net Worth of CRI and its Subsidiaries to be less than, at any time, the sum of (i) \$25,000,000, plus

(ii) 50% of Consolidated Net Income of CRI and its Subsidiaries for any fiscal year, commencing with the fiscal year ending December 31, 1996, and to be added as of the last day of each such fiscal year, provided that if such Consolidated Net Income is negative in any fiscal year the amount added pursuant to this clause (ii) shall be zero and shall not reduce the amount added pursuant to this clause (ii) for any other fiscal year, plus (iv) 75% of the net cash proceeds of any equity offering or other sale of equity of CRI or any of its Subsidiaries.

(c) Interest Coverage Ratio. Permit or suffer, as of the last day of any fiscal quarter of CRI, the ratio of (i) Consolidated Adjusted Cash Flow plus, to the extent deducted in determining such Consolidated Adjusted Cash Flow, Consolidated Interest Expense and income taxes, as calculated for the four fiscal quarters then ending, to (ii) Consolidated Interest Expense, as calculated for the four fiscal quarters then ending, to be less than (A) 2.5 to 1.0 as of the last day of any fiscal quarter ending prior to the initial issuance of any Subordinated Debt of at least \$75,000,000 in principal amount and (B) 2.0 to 1.0 as of the last day of any fiscal quarter thereafter.

(d) Indebtedness. Create, incur, assume, guaranty or in any manner become liable in respect of, or suffer to exist, any Indebtedness other than:

(i) The Advances;

(ii) The Indebtedness described in Schedule 7.2(d) hereto, including any refinancing or extension thereof but no increase in the amount thereof shall be permitted;

(iii) Other Indebtedness in aggregate outstanding amount not to exceed \$1,000,000;

(iv) Unsecured insurance premium financing incurred in the ordinary course of business;

(v) Indebtedness pursuant to any Swap Agreement with any Bank, any person with an investment grade debt rating acceptable to the Agent and any other person acceptable to the Agent;

(vi) Indebtedness permitted pursuant to Section 7.2(i); and

(vii) Subordinated Debt in aggregate outstanding principal amount not to exceed \$100,000,000.

(e) Liens. Create, incur or suffer to exist, any Lien to exist on any assets, rights, revenues or property, real, personal or mixed, tangible or intangible, other than:

(i) Liens for taxes not delinquent or for taxes being contested in good faith by appropriate proceedings and as to which adequate financial reserves have been established on its books and records;

(ii) Liens (other than any Lien imposed by ERISA) created and maintained in the ordinary course of business which are not material in the aggregate, and which would not have a Material Adverse Effect and which constitute (A) pledges or deposits under worker's compensation laws, unemployment insurance laws or similar legislation, (B) good faith deposits in connection with bids, tenders, contracts or leases to which any Borrower or any Guarantor is a party for a purpose other than borrowing money or obtaining credit, including rent security deposits, (C) liens imposed by law, such as those of carriers, warehousemen, operators and mechanics, if payment of the obligation secured thereby is not yet due, (D) Liens securing taxes, assessments or other governmental charges or levies not yet subject to penalties for nonpayment, and (E) pledges or deposits to secure public or statutory obligations of any Borrower or any Guarantor, or surety, customs or appeal bonds to which such Borrower or such Guarantor is a party;

(iii) Liens created pursuant to the Security Documents and Liens expressly permitted by the Security Documents;

(iv) Each Lien described on Schedule 7.2(e) hereto may be suffered to exist upon the same terms as those existing on the date hereof, but no increase in the amount of Indebtedness secured thereby; and

(v) Liens securing Indebtedness permitted pursuant to Section 7.2(d)(iii) created to secure payment of a portion of the purchase price of, or existing at the time of acquisition of, any tangible fixed asset acquired by any Borrower or any Guarantor if the outstanding principal amount of the Indebtedness secured by such Lien does not at any time exceed the purchase price paid by such Borrower or such Guarantor for such assets, provided that such Lien does not encumber any other asset at any time owned by such Borrower or such Guarantor.

(f) Merger; Acquisitions; Etc. Purchase or otherwise acquire, whether in one or a series of transactions, unless the Majority Banks shall otherwise consent in writing, all or any substantial portion of the business assets, rights, revenues or property, real, personal or mixed, tangible or intangible, of any person, or all or any substantial portion of the capital stock of or other ownership interest in any other person, provided that Borrowers may make such purchases or other acquisitions provided that the Bridge Loan has been fully paid and the aggregate amount paid or payable or otherwise transferred for all such purchases or other acquisitions after the Effective Date shall not exceed \$20,000,000 (excluding the Purchased

Black Stone Assets) in aggregate amount in any fiscal year; nor merge or consolidate or amalgamate with any other person or take any other action having a similar effect, nor enter into any joint venture or similar arrangement with any other person, other than a joint venture or similar arrangement in connection with oil and gas drilling ventures, oil and gas leases, natural gas transportation or processing or otherwise in connection with oil and gas properties in the ordinary course of business. Each of the Banks acknowledges and agrees that it has previously provided consent to each acquisition by each Borrower and each Guarantor prior to the Effective Date pursuant to the terms of the Existing Credit Agreement.

(g) Disposition of Assets; Etc. Without the prior written consent of the Majority Banks, sell, lease, license, transfer, assign or otherwise dispose of any Collateral or any of its other business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one or a series of transactions, other than (i) inventory sold in the ordinary course of business upon customary credit terms, and (ii) if no Default has occurred and is continuing or would be caused thereby, other sales of assets in (A) aggregate amount not to exceed \$1,000,000 in any twelve month period and (B) aggregate amount exceeding \$1,000,000 in any twelve month period provided that in connection with any such sale all the proceeds thereof are used to prepay the Advances and reduce the Commitments by a like amount.

(h) Nature of Business. Make any substantial change in the nature of its business from that engaged in on the date of this Agreement or engage in any other businesses other than those in which it is engaged on the date of this Agreement.

(i) Investments, Advance and Advances, Contingent Liabilities. Purchase or otherwise acquire any capital stock of or other ownership interest in, or debt securities of or other evidences of Indebtedness of, any other person; nor make any loan or advance of any of its funds or property or make any other extension of credit to, or make any investment or acquire any interest whatsoever in, any other person, except (i) loans and advances to officers of the Borrowers, provided that the aggregate amount of all such loans and advances does not exceed \$5,000, (ii) loans and advances among the Borrowers only, (iii) other loans and advances, provided that the aggregate amount of all such loans and advances, together with Indebtedness allowed under Section 7.2(d)(iii), shall not exceed \$1,000,000 and (iv) loans and advances by CRI to CNG in an aggregate amount not to exceed \$5,000,000, the proceeds of which shall be used in connection with the purchase of pipeline and marketing operations and to provide ongoing working capital for such entity; nor incur any Contingent Liability except for any guaranty of the permitted Indebtedness described in Section 7.2(d)(i), guarantees by CRI of obligations of CNG to purchase natural gas in an aggregate amount outstanding at any time not to exceed the lesser of (A) \$2,000,000 minus the aggregate outstanding Letters of Credit or (B) the CNG/CRI Guaranty Formula minus the aggregate outstanding Letters of Credit and (v) the indebtedness described on Schedule 7.2(i), if any.

(j) Dividends. With respect to CRI only, make, pay, declare or authorize any dividend, payment or other distribution in respect of any class of its capital stock or any dividend, payment or distribution in connection with the redemption, repurchase, defeasance, conversion, retirement or other acquisition, directly or indirectly, of any shares of its capital stock, except (i) solely in shares of capital stock of CRI and (ii) cash dividends in respect of 1994 Preferred Stock only in aggregate amount not to exceed \$1,174,000 in any twelve month period and only if both before the payment of such cash dividend and after giving effect to the payment of such cash dividend no Default or Event of Default shall have occurred and be continuing and the Bridge Loan shall have been paid in full and (iii) cash dividends in respect to the 1995 Preferred Stock only in an aggregate amount not to exceed \$1,372,500 in any twelve month period and only if both before the payment of such dividend and after giving effect to the payment of such dividend to no Default or Event of Default shall have occurred and be continuing and the Bridge Loan shall have been paid in full. For purposes of this Section 7.2(j), "capital stock" shall include capital stock (preferred, common or other) and any securities exchangeable for or convertible into capital stock and any warrants, rights or other options to purchase or otherwise acquire capital stock or such securities.

(k) Transactions with Affiliates. Enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate), except in the ordinary course of and pursuant to the reasonable requirements of the Borrowers' or the Guarantors' business and upon fair and reasonable terms no less favorable to such Borrower or such Guarantor than would be obtained in a comparable arms-length transaction with a Person other than an Affiliate and except the loans and advances described in Section 7.2(i).

(l) Subordinated Debt. Make, or permit any Subsidiary to make any amendment or modification to the indenture, note or other agreement or instrument evidencing or governing any Subordinated Debt, other than amendments which do not affect any of the material terms of the Subordinated Debt as determined by the Agent and which require only the approval of the trustee under the indenture under which the Subordinated Debt was issued and do not require the approval of any holder of the Subordinated Debt, or directly or indirectly voluntarily prepay, defease or in substance defease, purchase, redeem, retire or otherwise acquire or make any other optional payment on, any Subordinated Debt, other than prepayments of Subordinated Debt which satisfy both of the following conditions: (i) both prior to and after giving effect to such prepayment no Default exists or would be caused thereby and (ii) such prepayment is solely from proceeds received by CRI from the issuance of common stock of CRI or from proceeds received by CRI from the issuance of Subordinated Debt permitted under this Agreement.

(m) Payments and Modification of Debt. Other than Indebtedness to the Banks and the Agent pursuant hereto and prepayments of Subordinated Debt to the extent permitted by Section 7.2(l), make, or permit any Subsidiary to make, any optional payment,

prepayment or redemption, directly or indirectly, of any of its Indebtedness or enter into any agreement or arrangement providing for the defeasance of any such Indebtedness, or amend or modify, or consent or agree to any amendment or modification of, any instrument or agreement under which any of its Indebtedness is issued or created or otherwise related thereto, provided that this Section 7.2(m) shall not prohibit the prepayment of such Indebtedness (other than Subordinated Debt which is governed by Section 7.2(1)) if no Default exists or would exist after giving effect to such prepayment and the aggregate amount of all such prepayments since the Effective Date does not exceed \$2,000,000 in aggregate amount.

(n) Additional Covenants. If at any time any Borrower shall enter into or be a party to any instrument or agreement, including all such instruments or agreements in existence as of the date hereof and all such instruments or agreements entered into after the date hereof, relating to or amending any terms or conditions applicable to any of its Indebtedness which includes covenants, terms, conditions or defaults not substantially provided for in this Agreement or more favorable to the lender or lenders thereunder than those provided for in this Agreement, then the Borrowers shall promptly so advise the Agent and the Banks. Thereupon, if the Agent shall request, upon notice to the Borrowers, the Agents and the Banks shall enter into an amendment to this Agreement or an additional agreement (as the Agent may request), providing for substantially the same covenants, terms, conditions and defaults as those provided for in such instrument or agreement to the extent required and as may be selected by the Agents. In addition to the foregoing, any covenants, terms, conditions or defaults in any existing agreements or other documents evidencing or relating to any Indebtedness of any Borrower not substantially provided for in this Agreement or more favorable to the holders of such Indebtedness, are hereby incorporated by reference into this Agreement to the same extent as if set forth fully herein, and no subsequent amendment, waiver or modification thereof shall effect any such covenants, terms, conditions or defaults as incorporated herein.

SECTION 8. Default.

8.1 Events of Default. The occurrence of any one of the following events or conditions shall be deemed an "Event of Default" hereunder unless waived by the Majority Banks pursuant to Section 10.1:

(a) Any Borrower shall fail to pay within 2 Business Days of when due any principal of or interest on the Notes (whether pursuant to Section 4.1(a), Section 4.1(c) or otherwise), any fees or any other amount payable hereunder or under any Security Document; or

(b) Any representation or warranty made by any Borrowers or any Guarantor in Section 6 hereof, in any Security Document or any other document or certificate furnished by or on behalf of any Borrower or any Guarantor in connection with this Agreement, shall prove to have been incorrect in any material respect when made; or

(c) (i) Any Borrower or any Guarantor shall fail to perform or observe any term, covenant or agreement contained in Sections 7.1(b), 7.1(c) (other than the agreement to maintain continuous insurance coverage), 7.1(d), 7.2(a), 7.2(b), 7.2(c) or 7.2(l) hereof or in any Security Document, any other Loan Document or any other agreement among the Borrowers, Guarantors, the Banks and the Agent, or any of them, and such failure shall remain unremedied for 30 calendar days after the earlier of the date notice thereof shall have been given to Borrowers by the Agent or any Bank or any Borrower knows of such failure, or (ii) any Borrower or any Guarantor shall fail to perform or observe any other term, covenant, or agreement contained in this Agreement; or

(d) Any Borrower or any Guarantor shall fail to pay any part of the principal of, the premium, if any, or the interest on, or any other payment of money due under any of its Indebtedness (other than Indebtedness hereunder), beyond any period of grace provided with respect thereto, which individually or together with other such Indebtedness as to which any such failure exists has an aggregate outstanding principal amount in excess of \$1,000,000; or if any Borrower or any Guarantor fails to perform or observe any other term, covenant or agreement contained in any agreement, document or instrument evidencing or securing any such Indebtedness, or under which any such Indebtedness was issued or created, beyond any period of grace, if any, provided with respect thereto if the effect of such failure is either (i) to cause, or permit the holders of such Indebtedness (or a trustee on behalf of such holders) to cause, any payment in respect of such Indebtedness to become due prior to its due date or (ii) to permit the holders of such Indebtedness (or a trustee on behalf of such holder) to elect a majority of the board of directors of any Borrower or any Guarantor; or

(e) A judgment or order for the payment of money, which together with other such judgments or orders exceeds the aggregate amount of \$1,000,000, shall be rendered against any Borrower or any Guarantor and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order and such judgment or order shall have remained unsatisfied and such proceedings shall have remained unstayed for a period of 30 consecutive days, or (ii) for a period of 30 consecutive days, such judgment or order shall have remained unsatisfied and a stay of enforcement thereof, by reason of pending appeal or otherwise, shall not have been in effect; or

(f) The occurrence or existence with respect to any Borrower or any Guarantor or any of their ERISA Affiliates of any of the following: (i) any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any Reportable event shall occur with respect to any Plan, (iii) the filing under ERISA of a notice of intent to terminate any Plan or the termination of any Plan, (iv) any event or circumstance exists which might constitute grounds entitling the PBGC to institute proceedings under ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the institution of the PBGC of any such proceedings, or (v) complete or partial withdrawal under ERISA from any Multiemployer Plan or the reorganization, insolvency, or termination of any Multiemployer Plan, and in each of the foregoing cases, such event or condition, together with

all other events or conditions, if any, could in the opinion of the Banks subject any Borrower or any Guarantor to any tax, penalty, or other liability to a Plan, the PBGC, or otherwise (or any combination thereof); or

(g) Any Borrower or any Guarantor shall generally not pay its debts as they become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors, or shall institute, or there shall be instituted against any Borrower or any Guarantor, any proceeding or case seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief or protection of debtors or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property, and, if such proceeding is instituted against any Borrower or any Guarantor and is being contested by such Borrower or such Guarantor, as the case may be, in good faith by appropriate proceedings, such proceedings shall remain undismissed or unstayed for a period of 30 days; or the any Borrower or any Guarantor shall take any action (corporate or other) to authorize or further any of the actions described above in this subsection; or

(h) Any event of default described in any Security Document shall have occurred and be continuing, or any material provision of any Security Document shall at any time for any reason cease to be valid and binding and enforceable against any obligor thereunder, or the validity, binding effect or enforceability thereof shall be contested by any person, or any obligor, shall deny that it has any or further liability or obligation thereunder, or any Security Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to the Bank the benefits purported to be created thereby; or

(i) (A) COG or COE shall fail to be a wholly-owned Subsidiary of CRI, (B) COGL shall fail to be a wholly-owned subsidiary of COG or, after the acquisition is completed pursuant to the Purchase Documents, Black Stone shall fail to be a wholly-owned subsidiary of COG, or (C) the Board of Directors of CRI shall not consist of a majority of the Continuing Directors of CRI; or

(j) Any Change in Control shall occur.

8.2 Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, the Agent may, and upon being directed to do so by the Majority Banks, shall, by notice to the Borrowers terminate the Commitments or declare the outstanding principal of, and accrued interest on, the Notes and all other amounts due under this Agreement and all other

Loan Documents, to be immediately due and payable, or demand immediate delivery of cash collateral, and the Borrowers agree to deliver such cash collateral upon such demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit, or all of the above, whereupon the Commitments shall terminate forthwith and all such amounts shall become immediately due and payable, or both, as the case may be, provided that in the case of any event or condition described in Section 8.1(g), the Commitments shall automatically terminate forthwith and all such amounts shall automatically become immediately due and payable without notice; in each case without demand, presentment, protest, diligence, notice of dishonor or other formality, all of which are hereby expressly waived.

(b) Upon the occurrence and during the continuance of such Event of Default, the Agent may, and upon being directed to do so by the Majority Banks, shall, in addition to the remedies provided in Section 8.2(a), enforce its rights either by suit in equity, or by action at law, or by other appropriate proceedings, whether for the specific performance (to the extent permitted by law) of any covenant or agreement contained in this Agreement or in any then outstanding Note or any Security Document or in aid of the exercise of any power granted in this Agreement, any then outstanding Notes or any Security Document, and may enforce the payment of any then outstanding Notes and any of the other rights of the Agent and the Banks in any other agreement or available at law or in equity.

(c) Upon the occurrence and during the continuance of any Event of Default hereunder, each Bank may at any time and from time to time, without notice to the Borrowers (any requirement for such notice being expressly waived by the Borrowers and Guarantors) set off and apply against any and all of the obligations of any Borrower or any Guarantor now or hereafter existing under this Agreement, any of the Notes or the Security Documents, 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 such Bank to or for the credit or the account of any Borrower or any Guarantor and any property of any Borrower or any Guarantor from time to time in possession of such Bank, irrespective of whether or not any Bank shall have made any demand hereunder and although such obligations may be contingent and unmatured. The rights of the Banks under this Section 8.2(c) are in addition to other rights and remedies (including, without limitation, other rights of setoff) which the Banks may have.

8.3 Distribution of Proceeds. All proceeds of any realization on the Collateral received by the Agent pursuant to the Security Documents or any payments on any of the liabilities secured by the Security Documents received by the Agent or any Bank upon and during the continuance of any Event of Default shall be allocated and distributed as follows:

(a) First, to the payment of all costs and expenses, including without limitation all attorneys' fees, of the Agent in connection with the enforcement of the Security Documents and otherwise administering this Agreement;

(b) Second, to the payment of all costs, expenses and fees, including without limitation, commitment fees and attorneys' fees, owing to the Banks pursuant to the Bank Obligations on a pro rata basis in accordance with the Bank Obligations consisting of fees, costs and expenses owing to the Banks under the Bank Obligations for application to payment of such liabilities;

(c) Third, to the Banks on a pro rata basis in accordance with the Bank Obligations consisting of interest and principal (including without limitation any cash collateral for any outstanding Letters of Credit) owing to the Banks under the Bank Obligations and to any Bank owing pursuant to any Swap Agreement to which it is a party (whether pursuant to a termination thereof or otherwise), for application to payment of such liabilities;

(d) Fourth, to the payment of any and all other amounts owing to the Banks on a pro rata basis in accordance with the total amount of such Indebtedness owing to each of the Banks, for application to payment of such liabilities; and

(e) Fifth, to the Borrowers or such other person as may be legally entitled thereto.

8.4 Letter of Credit Liabilities. For the purposes of payments and distributions under Section 8.3, the full amount of Bank Obligations on account of any Letter of Credit then outstanding but not drawn upon shall be deemed to be then due and owing. Amounts distributable to the Banks on account of such Bank Obligations under such Letter of Credit shall be deposited in a separate interest bearing collateral account in the name of and under the control of the Agent and held by the Agent first as security for such Letter of Credit Bank Obligations and then as security for all other Bank Obligations and the amount so deposited shall be applied to the Letter of Credit Bank Obligations at such times and to the extent that such Letter of Credit Bank Obligations become absolute liabilities and if and to the extent that the Letter of Credit Bank Obligations fail to become absolute Bank Obligations because of the expiration or termination of the underlying Letters of Credit without being drawn upon then such amounts shall be applied to the remaining Bank Obligations in the order provided in Section 8.3. Each Borrower hereby grants to the Agent, for the benefit of the Banks, a lien and security interest in all such funds deposited in such separate interest bearing collateral account, as security for all the Bank Obligations as set forth above.

SECTION 9. The Agent, the Co-Agent and the Banks.

9.1 Appointment; Nature of Relationship. The First National Bank of Chicago is hereby appointed by the Lenders as the Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Agent agrees to act as such contractual representative upon the express conditions contained in this Section 9. Notwithstanding the use of the defined term "Agent," it is expressly understood and agreed that the Agent shall have not have any fiduciary responsibilities to any Lender by reason of this Agreement or any other Loan Document and that the Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Agent (i) does not hereby assume any fiduciary duties to any of the Lenders, (ii) is a "representative" of the Lenders within the meaning of Section 9-105 of the Uniform Commercial Code and (iii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders hereby agrees to assert no claim against the Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender hereby waives.

9.2 Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

9.3 General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrowers, any Borrower, the Lenders or any Lender for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except for its or their own gross negligence or willful misconduct.

9.4 No Responsibility for Loans, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (iii) the satisfaction of any condition specified in Section 3.2 or otherwise hereunder; (iv) the validity, enforceability, effectiveness, sufficiency or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (v) the value, sufficiency, creation, perfection or priority of any interest in any collateral security. The Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrowers to the Agent at

such time, but is voluntarily furnished by the Borrowers to the Agent (either in its capacity as Agent or in its individual capacity).

9.5 Action on Instructions of Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Majority Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and on all holders of Notes. The Lenders hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Majority Lenders. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

9.6 Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder and under any other Loan Document.

9.7 Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

9.8 Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (or, if the Commitments have been terminated, in proportion to their Commitments immediately prior to such termination) (i) for any amounts not reimbursed by the Borrowers for which the Agent is entitled to reimbursement by the Borrowers under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence

or willful misconduct of the Agent. The obligations of the Lenders under this Section 9.8 shall survive payment of the Bank Obligations and termination of this Agreement.

9.9 Notice of Default. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Agent has received written notice from a Lender or a Borrower referring to this Agreement describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall give prompt notice thereof to the Lenders.

9.10 Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with any Borrower or any of their respective Subsidiaries in which any Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Lender.

9.11 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements prepared by the Borrowers and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

9.12 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrowers, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. Upon any such resignation, the Majority Lenders shall have the right to appoint, on behalf of the Borrowers and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Majority Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrowers, and the Lenders, a successor Agent. If the Agent has resigned and no successor Agent has been appointed, the Lenders may perform all the duties of the Agent hereunder and the Borrowers shall make all payments in respect of the Bank Obligations to the applicable Lender and for all other purposes shall deal directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least \$50,000,000. Upon the acceptance of any

appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the effectiveness of the resignation of the Agent, the resigning Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Agent, the provisions of this Section 9 shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents.

9.13 Pro Rata Sharing by Banks. Each Bank agrees with every other Bank that, in the event that it shall receive and retain any payment on account of the Borrowers's obligations under this Agreement, the Notes or the Security Documents in a greater proportion than that received by any other Bank, whether such payment be voluntary, involuntary or by operation of law, by application of set-off of any indebtedness or otherwise, then such Bank shall promptly purchase a participation interest from the other Banks, without recourse, for cash and at face value, ratably in accordance with its Pro Rata Share, in such an amount that each Bank shall have received payment in respect of such obligations in accordance with its Pro Rata Share; provided, that if any such purchase be made by any Bank and if any such excess payment relating thereto or any part thereof is thereafter recovered from such Bank, appropriate adjustment in the related purchase from the other Banks shall be made by rescission and restoration of the purchase price as to the portion of such excess payment so recovered. It is further agreed that, to the extent there is then owing by the Borrowers to any Bank indebtedness other than that evidenced by this Agreement, the Notes and the Security Documents to which such Bank may apply any involuntary payments of indebtedness by the Borrowers, including those resulting from exercise of rights of set-off or similar rights, such Bank shall apply all such involuntary payments first to obligations of the Borrowers to the Banks hereunder and under the Notes and the Security Documents and then to such other indebtedness owed to it by the Borrowers. In addition, it is further agreed that any and all proceeds resulting from a sale or other disposition of any collateral which may be hereafter granted for the benefit of the Banks to secure the obligations of the Borrowers hereunder, shall be applied first to obligations of the Borrowers to the Banks hereunder and under the Notes and the Security Documents, and then ratably to any other indebtedness owed by the Borrowers to the Banks which is secured by such collateral.

9.14 Determination of Borrowing Base, Etc. Any redetermination of the Borrowing Base shall be made mutually by the Agent and the Co-Agent (provided that if the Agent and the Co-Agent cannot so mutually agree, such redetermination of Borrowing Base shall be the lower of such redetermination made by the Agent or the Co-Agent individually) and submitted to the Banks. The redetermined Borrowing Base shall then be effective when approved by the Majority Banks. The Borrowing Base may be re-evaluated from time to time as determined by the Majority Banks, and will be re-evaluated upon the request of the Borrowers (provided that the Borrowers cannot request any re-evaluation of the Borrowing Base more than four times in any twelve month period), and, in addition, on or within 20 days prior to the date any Subordinated Debt is issued or otherwise incurred and at least twice annually as follows:

promptly upon receipt of the annual reserve report referred to in Section 7.1(d)(ix) hereof and each six months thereafter. Except for the scheduled re-evaluations of the Borrowing Base, each Bank requesting a re-evaluation of the Borrowing Base agrees to give notice to the Borrowers of such request.

9.15 Co-Agent. Bank One, Texas, N.A., as Co-Agent hereunder, shall have no duties or liabilities.

SECTION 10. Miscellaneous.

10.1 Amendments; Etc. (a) This Agreement and any term or provision hereof may be amended, waived or terminated by an instrument in writing executed by the Borrowers and the Majority Banks, provided, that, notwithstanding anything in this Agreement to the contrary, except by an instrument in writing executed by the Borrowers and all of the Banks, no such amendment, waiver or termination shall authorize or permit the extension of the time or times of payment of the principal of, or interest on, the Notes or the reduction in principal amount thereof or the rate of interest thereon, or any fees payable hereunder, or increase the respective Commitments of any Bank, or release any Guaranty or Borrower, or release any material amount of the Collateral from the Liens granted pursuant hereto, or amend this Section 10.1.

(a) Any such amendment, waiver or termination shall be effective only in the specific instance and for the specific purpose for which given.

(c) Notwithstanding anything herein to the contrary, any Bank that has failed to fund any Advance or other amount required to be funded by such Bank hereunder shall not be entitled to vote (whether to consent or to withhold its consent) with respect to any amendment, modification, termination or waiver of any provision of any Loan Document or a departure therefrom or any direction from the Banks to the Agent and, for purposes of determining the Majority Banks, the Commitments and Advances of such Bank shall be disregarded.

10.2 Notices. (a) Except as otherwise provided in Section 10.2(c) hereof, all notices, requests, consents and other communications hereunder shall be in writing and shall be delivered or sent to the Borrowers, the Banks and the Agent at the respective addresses for notices set forth on the signature pages hereof, or to such other address as may be designated by the Borrowers, the Agent or any Bank by notice to the other parties hereto. All notices shall be deemed to have been given at the time of actual delivery thereof to such address, or if sent by the Agent or any Bank to the Borrowers by certified or registered mail, postage prepaid, to such address, on the fifth day after the date of mailing.

(b) Notices by the Borrowers to the Agent with respect to requests for Advances pursuant to Section 3.1 and notices of prepayment pursuant to Section 4.1(c) shall be irrevocable and binding on the Borrowers.

(c) Any notice to be given by the Borrowers to the Agent pursuant to Section 4.1(c) or Section 3.1 and any notice to be given by the Agent or any Bank hereunder, may be given by telephone, by telex or by facsimile transmission and must be immediately confirmed in writing in the manner provided in Section 10.2(a). Any such notice given by telephone, telex or facsimile transmission shall be deemed effective upon receipt thereof by the party to whom such notice is given.

10.3 Conduct No Waiver; Remedies Cumulative. No course of dealing on the part of the Agent or the Banks, nor any delay or failure on the part of the Agent or any Bank in exercising any right, power or privilege hereunder shall operate as a waiver of such right, power or privilege or otherwise prejudice the Agent's or the Banks' rights and remedies hereunder; nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other right, power or privilege. No right or remedy conferred upon or reserved to the Agent or the Banks under this Agreement is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing under any applicable law. Every right and remedy given by this Agreement or by applicable law to the Agent or the Banks may be exercised from time to time and as often as may be deemed expedient by them.

10.4 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations and warranties of the Borrowers made herein or in any certificate or other document delivered pursuant hereto shall be deemed to be material and to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by any Bank or on any Bank's behalf, and those covenants and agreements of the Borrowers set forth in Section 10.5 hereof shall survive the repayment in full of the Advances and other obligations of the Borrowers hereunder and under Security Documents and the termination of the Commitments. 10.5 Expenses; Indemnification. (a) The Borrowers agree to pay and save the Agent harmless from liability for the payment of the reasonable fees and expenses of any counsel the Agent shall employ, in connection with the preparation, execution and delivery of this Agreement, the Notes and the Security Documents and the consummation of the transactions contemplated hereby and in connection with any amendments, waivers or consents and other matters in connection therewith, and all reasonable costs and expenses of the Agent and the Banks (including reasonable fees and expenses of counsel) in connection with any enforcement of this Agreement, the Notes or the Security Documents.

(b) Each of the Borrowers hereby indemnifies and agrees to hold harmless the Banks and the Agent, and their respective officers, directors, employees and agents, harmless from and against any and all claims, damages, losses, liabilities, costs or expenses of

any kind or nature whatsoever which the Banks or the Agent or any such person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit, and neither any Bank nor the Agent or any of their respective officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of any Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or (v) any other event or circumstance whatsoever arising in connection with any Letter of Credit; provided, however, that the Borrowers shall not be required to indemnify the Banks and the Agent and such other persons, and the Banks and the Agent shall be liable to the Borrowers to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by any Borrower which were caused by (A) the Agent's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit, or (B) the payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit to the extent, but only to the extent, that such payment constitutes gross negligence or wilful misconduct of the Agent. It is understood that in making any payment under a Letter of Credit the Agent will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary, and such reliance and payment against documents presented under a Letter of Credit substantially complying with the terms thereof shall not be deemed gross negligence or wilful misconduct of the Agent in connection with such payment. It is further acknowledged and agreed that a Borrower may have rights against the beneficiary or others in connection with any Letter of Credit with respect to which the Agent is alleged to be liable and it shall be a precondition of the assertion of any liability of the Agent under this Section that such Borrower shall first have taken reasonable steps to enforce remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such Letter of Credit and any related transactions.

(c) In consideration of the execution and delivery of this Agreement by each Bank and the extension of the Commitments, the Borrowers hereby indemnify, exonerate and hold the Agent, each Bank and each of their respective officers, directors, employees and agents (collectively, the "Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages, and expenses incurred in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), including reasonable

attorneys' fees and disbursements (collectively, the "Indemnified Liabilities"), incurred by the Indemnified Parties or any of them as a result of, or arising out of, or relating to:

(i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any Advance;

(ii) the entering into and performance of this Agreement and any other agreement or instrument executed in connection herewith by any of the Indemnified Parties (including any action brought by or on behalf of the Borrowers as the result of any determination by the Majority Banks not to fund any Advance in compliance with this Agreement);

(iii) any investigation, litigation or proceeding related to any acquisition or proposed acquisition by the Borrowers or any of their Subsidiaries of any portion of the stock or assets of any Person, whether or not the Agent or such Bank is party thereto;

(iv) any investigation, litigation or proceeding related to any environmental cleanup, audit, compliance or other matter relating to any release by the Borrowers or any of their Subsidiaries of any hazardous material or any violations of Environmental Laws; or

(v) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any real property owned or operated by the Borrowers or any Subsidiary thereof of any Hazardous Material (including any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any Environmental Law), regardless of whether caused by, or within the control of, the Borrowers or such Subsidiary, except for any such Indemnified Liabilities arising for the account of a particular Indemnified Party by reason of the activities of the Indemnified Party on the property of the Borrowers conducted subsequent to a foreclosure on such property by the Banks or by reason of the relevant Indemnified Party's gross negligence or wilful misconduct or breach of this Agreement, and if and to the extent that the foregoing undertaking may be unenforceable for any reason, the Borrowers hereby agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under applicable law. The Borrowers shall be obligated to indemnify the Indemnified Parties for all Indemnified Liabilities subject to and pursuant to the foregoing provisions, regardless of whether the Borrowers or any of its Subsidiaries had knowledge of the facts and circumstances giving rise to such Indemnified Liability.

10.6 Successors and Assigns. (a) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that the Borrowers may not, without the prior consent of the Majority Banks, assign their rights or obligations hereunder or under the Notes and the Banks shall not be obligated to make any Advance hereunder to any entity other than the Borrowers.

(b) Any Bank may sell a participation interest to any financial institution or institutions, and such financial institution or institutions may further sell, a participation interest (undivided or divided) in, the Advances and such Bank's rights and benefits under this Agreement, the Notes and the Security Documents and to the extent of that participation, such participant or participants shall have the same rights and benefits against the Borrowers under Section 6.2(c) as it or they would have had if participation of such participant or participants were the Bank making the Advances to the Borrowers hereunder, provided, however, that (i) such Bank's obligations under this Agreement shall remain unmodified and fully effective and enforceable against such Bank, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of its Note for all purposes of this Agreement, (iv) the Borrowers, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) such Bank shall not grant to its participant any rights to consent or withhold consent to any action taken by such Bank or the Agent under this Agreement other than action requiring the consent of all of the Banks hereunder. The Agent from time to time in its sole discretion may appoint agents for the purpose of servicing and administering this Agreement and the transactions contemplated hereby and enforcing or exercising any rights or remedies of the Agent provided under this Agreement, the Notes, or otherwise. In furtherance of such agency, the Agent may from time to time direct that the Borrowers provide notices, reports and other documents contemplated by this Agreement (or duplicates thereof) to such agent. The Borrowers hereby consents to the appointment of such agent and agrees to provide all such notices, reports and other documents and to otherwise deal with such agent acting on behalf of the Agent in the same manner as would be required if dealing with the Agent itself.

(c) Each Bank may, with the prior consent of the Borrowers (which consent shall not be unreasonably withheld) and the Agent, assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes and the Security Documents held by it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, (A) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$1,000,000, and in integral multiples of \$500,000 thereafter, or such lesser amount as the Borrowers and the Agent may consent to and (B) after giving effect to each such assignment, the amount of the Commitment of the assigning Bank shall in no event be less than \$1,000,000, and (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance in the form of Exhibit F hereto (an "Assignment and Acceptance"), together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party

hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(d) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrowers or the performance or observance by the Borrowers of any of its obligations under this Agreement or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 6.7 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance under the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement as are delegated to the Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Bank.

(e) The Agent shall maintain at its address designated on the signature pages hereof a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and principal amount of the Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrowers, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrowers or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee, together with any Note or Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrowers. Within five Business Days after its receipt of such notice, the Borrowers, at its own expense, shall execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note to the order of such assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit F hereto.

(g) The Banks may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.6, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrowers provided that such proposed assignee or participant has agreed to hold such information confidential under the terms described in Section 10.19.

(h) Additional lenders may also become Banks hereunder, with the prior written consent of the Borrowers and the Agent, by executing an Assumption Agreement substantially in the form of Exhibit G hereto, provided that without the prior written consent of the Majority Banks, the aggregate Commitments of all Banks may not exceed \$200,000,000. Any Bank, subject to the prior written approval of the Majority Banks, the Agent and the Borrowers and subject to being paid in full for all outstanding liabilities owing to such Bank, may be terminated as a Bank hereunder and upon such termination the Borrowers shall have the option to select a bank to replace such terminating bank and to assume the rights and obligations of such terminated Bank hereunder, provided that such replacement bank is acceptable to the Agent and executes an Assumption Agreement substantially in the form of Exhibit G hereto. Upon any Bank being added hereto or terminated, a new schedule will be distributed by the Agent to all Banks and the Borrowers showing the Commitment amount, the Bridge Loan amount and the Pro Rata Share of each Bank.

10.7 CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

10.8 Table of Contents and Headings. The table of contents and the headings of the various subdivisions hereof are for the convenience of reference only and shall in no way modify any of the terms or provisions hereof.

10.9 Construction of Certain Provisions. All computations required hereunder and all financial terms used herein shall be made or construed in accordance with GAAP unless such principles are inconsistent with the express requirements of this Agreement. If any provision of this Agreement refers to any action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, whether or not expressly specified in such provision.

10.10 Integration and Severability. This Agreement embodies the entire agreement and understanding between the Borrowers and the Banks, and supersedes all prior agreements and understandings, relating to the subject matter hereof. In case any one or more of the obligations of the Borrowers under this Agreement, the Notes or any Security Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Borrowers shall not in any way be affected or impaired thereby, and such invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Borrowers under this Agreement, the Notes or any Security Documents in any other jurisdiction.

10.11 Interest Rate Limitation. Notwithstanding any provisions of this Agreement, the Notes or any Security Documents, in no event shall the amount of interest paid or agreed to be paid by the Borrowers exceed an amount computed at the highest rate of interest permissible under applicable law. If, from any circumstances whatsoever, fulfillment of any provision of this Agreement, the Notes or any Security Documents at the time performance of such provision shall be due, shall involve exceeding the interest rate limitation validly prescribed by law which a court of competent jurisdiction may deem applicable hereto, then, ipso facto, the obligations to be fulfilled shall be reduced to an amount computed at the highest rate of interest permissible under applicable law, and if for any reason whatsoever the Banks shall ever receive as interest an amount which would be deemed unlawful under such applicable law such interest shall be automatically applied to the payment of principal of the Advances outstanding and other obligations of the Borrowers hereunder (whether or not then due and payable) and not to the payment of interest, or shall be refunded to the Borrowers if such principal has been paid in full. Anything herein to the contrary notwithstanding, the obligations of the Borrowers under this Agreement shall be subject to the limitation that payments of interest shall not be required to the extent that receipt of any such payment by the Banks would be contrary to provisions of law applicable to the Banks which limits the maximum rate of interest which may be charged or collected by the Banks.

10.12 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

10.13 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within

the limitations of, another covenant shall not avoid the occurrence of an Event of Default or any event or condition which with notice or lapse of time, or both, could become such an Event of Default if such action is taken or such condition exists.

10.14 Consent to Jurisdiction. Notwithstanding the place where any liability originates or arises, or is to be repaid, any suit, action or proceeding arising out of or relating to this Agreement, any Security Documents, or the Notes may be instituted in any court of competent jurisdiction in the State of Illinois, the Borrowers and each Guarantor hereby irrevocably waives any objection which it may have or hereafter has to the laying of such venue of any such suit, action or proceeding and any claim that any such suit, action or proceeding has been brought in an inconvenient forum, and the Borrowers and each Guarantor hereby irrevocably submits its person and property to the jurisdiction of any such court in any such suit, action or proceedings. Nothing in this Section 10.14 shall affect the right of the Bank to bring proceedings against the Borrowers and each Guarantor or any of their property in the courts of any other court of competent jurisdiction.

10.15 JURY TRIAL WAIVER. THE AGENT, THE BANKS, EACH BORROWER AND EACH GUARANTOR, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE NOTES, THE SECURITY DOCUMENTS, OR ANY RELATED INSTRUMENT OR AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, THE NOTES OR THE SECURITY DOCUMENTS OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY OF THEM. NEITHER THE AGENT, THE BANKS, ANY BORROWER NOR ANY GUARANTOR SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY EITHER THE AGENT AND THE BANKS OR THE BORROWERS AND THE GUARANTORS EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

10.16 Joint and Several Obligations; Contribution Rights; Savings Clause. (a) Notwithstanding anything to the contrary set forth herein or in any Note or in any other Loan Document, the obligations of the Borrowers hereunder and under the Notes and the other Loan Documents are joint and several.

(b) If any Borrower makes a payment in respect of the Bank Obligations it shall have the rights of contribution set forth below against the other Borrowers; provided that such Borrower shall not exercise its right of contribution until all the Bank Obligations shall have been finally paid in full in cash. If any Borrower makes a payment in

respect of the Bank Obligations that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower making such proportionately smaller payment shall, when permitted by the preceding sentence, pay to the other Borrowers an amount such that the net payments made by the Borrower in respect of the Bank Obligations shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. If any Borrower receives any payment that is greater in proportion to the amount of its Payment Shares than the payments received by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower receiving such proportionately greater payment shall, when permitted by the second preceding sentence, pay to the other Borrowers an amount such that the payments received by the Borrowers shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. Notwithstanding anything to the contrary contained in this paragraph or in this Agreement, no liability or obligation of any Borrower that shall accrue pursuant to this paragraph shall be paid nor shall it be deemed owed pursuant to this paragraph until all of the Bank Obligations shall be finally paid in full in cash.

For purposes hereof, the "Payment Share" of each Borrower shall be the sum of (a) the aggregate proceeds of the Bank Obligations received by such Borrower plus (b) the product of (i) the aggregate Bank Obligations remaining unpaid on the date such Bank Obligations become due and payable in full, whether by stated maturity, acceleration, or otherwise (the "Determination Date") reduced by the amount of such Bank Obligations attributed to all or such Borrowers pursuant to clause (a) above, times (ii) a fraction, the numerator of which is such Borrower's net worth on the effective date of this Agreement (determined as of the end of the immediately preceding fiscal reporting period of such Borrower), and the denominator of which is the aggregate net worth of all Borrowers on such effective date.

(c) It is the intent of each Borrower, the Agent and the Banks that each Borrower's maximum Bank Obligations shall be in, but not in excess of:

(i) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code on or within one year from the date on which any of the Bank Obligations are incurred, the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under (A) Section 548 of the Bankruptcy Code or (B) any state fraudulent transfer or fraudulent conveyance act or statute applied in such case or proceeding by virtue of Section 544 of the Bankruptcy Code; or

(ii) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code subsequent to one year from the date on which any of the Bank Obligations are incurred, the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under any state fraudulent transfer or

fraudulent conveyance act or statute applied in any such case or proceeding by virtue of Section 544 of the Bankruptcy Code;

(iii) in a case or proceeding commenced by or against such Borrower under any law, statute or regulation other than the Bankruptcy Code (including, without limitation, any other bankruptcy, reorganization, arrangement, moratorium, readjustment of debt, dissolution, liquidation or similar debtor relief laws), the maximum amount that would not otherwise cause the Bank Obligations (or any other obligations of such Borrower to the Agent and the Banks) to be avoidable or unenforceable against such Borrower under such law, statute or regulation including, without limitation, any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding.

(d) The Borrowers acknowledge and agree that they have requested that the Banks make credit available to the Borrowers with each Borrower expecting to derive benefit, directly and indirectly, from the Advances and other credit extended by the Banks to the Borrowers.

10.17 Consents to Renewals, Modifications and Other Actions and Events. This Agreement and all of the obligations of the Borrowers hereunder shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (a) any amendment, assignment, transfer, modification of or addition or supplement to the Bank Obligations, this Agreement, any Note or any other Loan Document; (b) any extension, indulgence, increase in the Bank Obligations or other action or inaction in respect of any of the Loan Documents or otherwise with respect to the Bank Obligations, or any acceptance of security for, or guaranties of, any of the Bank Obligations or Loan Documents, or any surrender, release, exchange, impairment or alteration of any such security or guaranties including without limitation the failing to perfect a security interest in any such security or abstaining from taking advantage or of realizing upon any guaranties or upon any security interest in any such security; (c) any default by any Borrower under, or any lack of due execution, invalidity or unenforceability of, or any irregularity or other defect in, any of the Loan Documents; (d) any waiver by the Banks or any other person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the Loan Documents, any guaranties or otherwise with respect to the Bank Obligations; (e) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement or any of the other Loan Documents; (f) any sale, lease, transfer or other disposition of the assets of any Borrower or any consolidation or merger of any Borrower with or into any other person, corporation, or entity, or any transfer or other disposition by any Borrower or any other holder of any shares of capital stock of any Borrower; (g) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting any Borrower; (h) the release or discharge of any Borrower from the performance or observance of any agreement, covenant, term or condition under any of the Bank Obligations or contained in any of the Loan Documents by operation of law; or (i) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the obligations, covenants, agreements and duties of any Borrower hereunder,

including without limitation any act or omission by the Agent, or the Bank or any other any person which increases the scope of such Borrower's risk; and in each case described in this paragraph whether or not any Borrower shall have notice or knowledge of any of the foregoing, each of which is specifically waived by each Borrower. Each Borrower warrants to the Agent and the Banks that it has adequate means to obtain from each other Borrower on a continuing basis information concerning the financial condition and other matters with respect to the Borrowers and that it is not relying on the Agent or the Banks to provide such information either now or in the future.

10.18 Waivers, Etc. Each Borrower unconditionally waives: (a) notice of any of the matters referred to in Section 10.17 above; (b) all notices which may be required by statute, rule or law or otherwise to preserve any rights of the Agent or the Banks including, without limitation, presentment to and demand of payment or performance from the other Borrowers and protect for non-payment or dishonor; (c) any right to the exercise by the Agent or the Banks of any right, remedy, power or privilege in connection with any of the Loan Documents; (d) any requirement that the Agent or the Banks in the event of any default by any Borrower, first make demand upon or seek to enforce remedies against, such Borrower or any other Borrower before demanding payment under or seeking to enforce this Agreement against any other Borrower; (f) any right to notice of the disposition of any security which the Agent or the Banks may hold from any Borrower or otherwise and any right to object to the commercial reasonableness of the disposition of any such security; and (g) all errors and omissions in connection with the Agent's or any Bank's administration of any of the Bank Obligations, any of the Loan Documents, or any other act or omission of the Agent or any Bank which changes the scope of the Borrower's risk, except as a result of the gross negligence or willful misconduct of the Agent or any Bank. The obligations of each Borrower hereunder shall be complete and binding forthwith upon the execution of this Agreement and subject to no condition whatsoever, precedent or otherwise, and notice of acceptance hereof or action in reliance hereon shall not be required.

10.19 Confidentiality. The Banks and the Agent shall hold all confidential information obtained pursuant to the requirements of this Agreement which has been identified as such by any Borrower or any Guarantor in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to its examiners, affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement or as reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Note or participation therein or as required or requested by any governmental agency or representative thereof or pursuant to legal process. Without limiting the foregoing, it is expressly understood that such confidential information shall not include information which, at the time of disclosure is in the public domain or, which after disclosure, becomes part of the public domain or information which is obtained by any Bank or the Agent had obtained prior to the time of disclosure and identification by any Borrowers or any Guarantor under this Section, or information received by any Bank or the Agent from a third party. Nothing in this

Section or otherwise shall prohibit any Bank or the Agent from disclosing any confidential information to the other Banks or the Agent or render any of them liable in connection with any such disclosure.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of this 1st day of May, 1996, which shall be the Effective Date of this Agreement.

Address for Notices:

COMSTOCK RESOURCES, INC.

By: /s/ M. JAY ALLISON

M. Jay Allison, its president and chief
executive officer

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (214) 701-2000
Telecopy: (214) 701-2111

Address for Notices:

COMSTOCK OIL & GAS, INC.

By: /s/ M. JAY ALLISON

M. Jay Allison, its president and chief
executive officer

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (214) 701-2000
Telecopy: (214) 701-2111

Address for Notices:

COMSTOCK OIL & GAS - LOUISIANA, INC.

By: /s/ M. JAY ALLISON

M. Jay Allison, its president and chief
executive officer

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (214) 701-2000
Telecopy: (214) 701-2111

COMSTOCK OFFSHORE ENERGY, INC.

5005 LBJ Freeway, Suite 1000
Dallas, Texas 75244
Attention: M. Jay Allison
Telephone: (214) 701-2000
Telecopy: (214) 701-2111

By: M. Jay Allison

M. Jay Allison, its president and chief
executive officer

One First National Plaza
Suite 0362
Chicago, Illinois 60670
Attention: Andrew Bateman
Telephone No: (312) 732-8011
Facsimile No: (312) 732-3055
Commitment Amount: \$85,829,545.46
Bridge Loan Amount: \$5,170,454.54
Pro Rata Share: 51.7045%

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank and as Agent

By: /s/CARL SKOOG

Its: Second vice president

1717 Main Street
Dallas, Texas 75201
Attention: Mark Cranmer
Telephone No: (214) 290-2212
Facsimile No: (214) 290-2627
Commitment Amount: \$80,170,454.54
Bridge Loan Amount: \$4,829,545.46
Pro Rata Share: 48.2955%

BANK ONE, TEXAS, NA,
as a Bank and as Co-Agent
By: /s/MARK CRANMER

CONSENT AND ACKNOWLEDGEMENT

Each of the undersigned Guarantors is hereby executing this Agreement for the purpose of agreeing to all of the terms and provisions hereof applicable to it, and making the representations and warranties applicable to it.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Agreement to be duly executed and delivered as of this 1st day of May, 1996.

COMSTOCK MANAGEMENT CORPORATION

By:/s/M. JAY ALLISON

M. Jay Allsion, its president and chief
executive officer

COMSTOCK NATURAL GAS, INC.

By:/s/ROLAND O. BURNS

Roland O. Burns, its senior vice-
president and chief financial officer