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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

**Date of Report: September 26, 2007**

**Date of earliest event reported: September 21, 2007**

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**Constellation Energy Partners LLC**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-33147**  
(Commission File Number)

**11-3742489**  
(IRS Employer  
Identification No.)

**111 Market Place**  
**Baltimore, MD**  
(Address of principal executive offices)

**21202**  
(Zip Code)

**Registrant's telephone number, including area code: (410) 468-3500**

**Not applicable**  
(Former name or former address, if changed since last report.)

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

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

Constellation Energy Partners LLC (the “Company”) previously announced in its Form 8-K filed on August 3, 2007, that it had entered into a Common Unit Purchase Agreement (the “Unit Purchase Agreement”) with certain unaffiliated third-party investors (the “Purchasers”) to sell 2,470,592 common units representing Class B limited liability company interests (the “New Common Units”) in a private placement (the “Private Placement”) for an aggregate purchase price of approximately \$105 million. The Company issued and sold 2,470,592 New Common Units to the Purchasers pursuant to the Unit Purchase Agreement on September 21, 2007 (the “Closing Date”). The Company used the proceeds from the Private Placement, together with funds available under the Company’s revolving credit facility, to fund the purchase price of the acquisition of certain oil and gas properties and related assets in Oklahoma from Newfield Exploration Mid-Continent Inc. (the “Seller”). The description of the Unit Purchase Agreement and the terms of the New Common Units contained in the Company’s 8-K filed on August 3, 2007 are incorporated herein by reference. Furthermore, a copy of the Unit Purchase Agreement is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

In connection with the Unit Purchase Agreement, the Company entered into a registration rights agreement (the “Registration Rights Agreement”) with the Purchasers dated September 21, 2007. A copy of the Registration Rights Agreement is filed as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by reference. Pursuant to the Registration Rights Agreement, the Company is required to prepare and file a registration statement within 90 days of the Closing Date, and use its commercially reasonable efforts to cause the registration statement to become effective no later than 135 days following the Closing Date. In addition, the Registration Rights Agreement gives the Purchasers piggyback registration rights under certain circumstances. These registration rights are transferable to affiliates and, in certain circumstances, to third parties.

If the registration statement is not declared effective within 165 days after the Closing Date, then the Company must pay each Purchaser, as liquidated damages, 0.25% of the product of \$42.50 times the number of New Common Units purchased by such Purchaser (the “Liquidated Damages Multiplier”) per 30-day period for the first 90 days following the 165th day after the Closing Date, increasing by an additional 0.25% of the Liquidated Damages Multiplier per 30-day period for each subsequent 30 days, up to a maximum of 1.00% of the Liquidated Damages Multiplier per 30-day period. There is no limitation on the aggregate amount of the liquidated damages the Company must pay each Purchaser.

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

The Company previously announced in its Form 8-K filed on August 3, 2007, that it had entered into a definitive purchase agreement (the “Purchase Agreement”) with the Seller providing for the acquisition of certain oil and gas properties and related assets in Oklahoma for an aggregate purchase price of approximately \$128 million, subject to purchase price adjustments (the “Newfield Acquisition”). Prior to the Closing Date, the Company assigned its right, title and interest under the Purchase Agreement to CEP Mid-Continent LLC (“CEP Mid-Con”). As of the Closing Date, Seller had been unable to obtain third-party consents (the “Outstanding Consents”) with respect to certain oil and gas leases and related assets (the “Designated Properties”) which represent less than 14% of the aggregate purchase price of the Newfield Acquisition. As a result of the Outstanding Consents, the Seller and CEP Mid-Con entered into a Nominee Agreement, dated as of the Closing Date (the “Nominee Agreement”), pursuant to which Seller will hold legal title for the benefit of CEP Mid-Con of the Designated Properties. As required under the Nominee Agreement, during the 90 day period following the Closing Date (the “Cure Period”), Seller shall use diligent, commercially reasonable efforts to obtain the Outstanding Consents with respect to the Designated Properties, and shall deliver to CEP Mid-Con assignments of all of its right, title and interest in all of the Designated Properties as to which Outstanding Consents are obtained during the Cure Period. If the Seller fails to obtain Outstanding Consents for any of the Designated Properties within the Cure Period, CEP Mid-Con may reassign to Seller its beneficial interest in such property and shall be entitled to a refund from Seller of the purchase price paid with respect to such property, subject to certain adjustments. The description of the Newfield Acquisition and terms of the Purchase Agreement contained in the Company’s 8-K filed on August 3, 2007 are incorporated herein by reference. Copies of the Purchase Agreement and Nominee Agreement are filed as Exhibits 2.1 and 2.2 to this Current Report on Form 8-K, respectively, and are incorporated herein by reference.

**Item 3.02 Unregistered Sales of Equity Securities.**

The information set forth under Item 1.01 above is incorporated herein by reference.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On September 21, 2007, the Company amended its Second Amended and Restated Operating Agreement to provide clarification to certain definitions related to Common Units issued in private placement transactions. A copy of the amendment is filed as Exhibit 3.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Item 7.01 Regulation FD Disclosure**

On September 21, 2007, the Company issued a press release announcing the closing of the Newfield Acquisition. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The press release is being furnished pursuant to General Instruction B.2 of Form 8-K and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor is it subject to the liabilities of that section or deemed incorporated by reference in any filing by the Company under the Exchange Act and the Securities Act of 1933.

**Item 9.01 Financial Statements and Exhibits.**

**(a) Financial Statements of businesses acquired.**

The financial statements required in connection with the Newfield Acquisition are not included in this Current Report. The Company will file the required financial statements within 71 calendar days after the date this Current Report on Form 8-K was required to be filed with the Securities and Exchange Commission.

**(b) Pro Forma Financial Information.**

The financial statements required in connection with the Newfield Acquisition are not included in this Current Report. The Company will file the required financial statements within 71 calendar days after the date this Current Report on Form 8-K was required to be filed with the Securities and Exchange Commission.

**(c) Not applicable.**

**(d) Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
*2.1	Purchase and Sale Agreement, dated as of August 2, 2007, between Newfield Exploration Mid-Continent Inc. and Constellation Energy Partners LLC.
2.2	Nominee Agreement, dated as of September 21, 2007, by and between Newfield Exploration Mid-Continent Inc. and CEP Mid-Continent LLC.
3.1	Amendment No. 3 to Second Amended and Restated Operating Agreement of Constellation Energy Partners LLC dated September 21, 2007.
*10.1	Common Unit Purchase Agreement, dated August 2, 2007, by and between Constellation Energy Partners LLC and the purchasers named therein.
10.2	Registration Rights Agreement, dated September 21, 2007, by and between Constellation Energy Partners LLC and the purchasers named therein.
99.1	Press Release of Constellation Energy Partners LLC dated September 21, 2007.

\* The schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of such schedules to the Securities and Exchange Commission upon request.

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**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.

**CONSTELLATION ENERGY PARTNERS LLC**

Date: September 26, 2007

By: /s/ Angela A. Minas  
Angela A. Minas  
Chief Financial Officer

## EXHIBIT INDEX

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99.1	Press Release of Constellation Energy Partners LLC dated September 21, 2007.

\* The schedules to this agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of such schedules to the Securities and Exchange Commission upon request.

**PURCHASE AND SALE AGREEMENT**  
**BETWEEN**  
**NEWFIELD EXPLORATION MID-CONTINENT INC.**  
**(AS SELLER)**  
**AND**  
**CONSTELLATION ENERGY PARTNERS LLC**  
**(AS BUYER)**  
**DATED AUGUST 2, 2007**

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## PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement"), dated August 2, 2007, is by and between NEWFIELD EXPLORATION MID-CONTINENT INC., a Delaware corporation, whose address is 110 West 7th, Tulsa, Oklahoma 74119 ("Seller") and CONSTELLATION ENERGY PARTNERS LLC, a Delaware limited liability company, whose address is 500 Dallas Street, One Allen Center, Suite 3300, Houston, Texas 77002 ("Buyer").

### WITNESSETH:

That Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, on the terms set forth in this Agreement those certain oil and gas interests and associated assets described herein. Accordingly, in consideration of the mutual promises contained herein, the mutual benefits to be derived by each party hereunder and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller agree as follows:

#### 1. Sale and Purchase of Assets

##### 1.1 Assets to be Sold.

- (a) Subject to the terms and conditions herein, Seller shall sell, transfer and assign, and Buyer shall purchase, pay for and receive, all of Seller's right, title and interest in and to the following, save and except the Excluded Assets:
  - (i) the oil and gas leases, oil, gas and mineral leases, fee mineral interests, royalty interests, non-working and carried interests, operating rights and other interests in land described or referred to in Exhibit "A" (collectively, the "Leases"), together with all oil and gas pooling and unitization agreements, declarations, designations and orders relating to the Leases (such pooled or unitized areas being, collectively, the "Units");
  - (ii) any and all oil and gas wells, salt water disposal wells, injection wells and other wells and wellbores, whether abandoned, not abandoned, plugged or unplugged, located on the Leases or within the Units (collectively, the "Wells"), including, without limitation, those Wells identified on Exhibit "A";
  - (iii) all easements, rights-of-way, servitudes, fee lands, surface and subsurface lease agreements, surface use agreements and other rights or agreements related to the use of the surface and subsurface, in each case to the extent used in connection with the operation of the Leases, Wells and Units, including without limitation those rights and interests described or referred to in Exhibit "B" (the "Surface Interests");

- (iv) all structures, facilities, wellheads, tanks, pumps, compressors, separators, equipment, machinery, fixtures, flowlines, gathering lines, materials, improvements, vehicles and rolling stock, workover rigs, and any other personal property located on or used in the operation of the Leases, Units or Wells, including, without limitation, the personal property described on Exhibit "G" (collectively, the "Personal Property");
- (v) all natural gas, casinghead gas, drip gasoline, natural gasoline, natural gas liquids, condensate, products, crude oil and other hydrocarbons, whether gaseous or liquid (the "Hydrocarbons"), produced and saved from, or allocable to, the Leases and Wells from and after the Effective Time (the "Sale Hydrocarbons");
- (vi) to the extent transferable, all licenses, permits, contracts, pooling, unitization and communitization agreements, operating agreements, processing agreements, division orders, farm-in and farm-out agreements, rental agreements, equipment lease agreements and all other agreements of any kind or nature, whether recorded or unrecorded, including, without limitation, those agreements identified in Schedule 1.1(a)(vi), BUT IN SO FAR AND ONLY IN SO FAR as the foregoing directly relate to or are attributable to the Leases, Units, Wells, Surface Interests or Personal Property, the ownership or operation thereof, or the production, treatment, sale, transportation, gathering, storage, sale or disposal of Sale Hydrocarbons, water or other substances produced therefrom or associated therewith (the "Contracts");
- (vii) records directly relating to the Leases, Surface Interests, Wells, Sale Hydrocarbons, Contracts, and Personal Property in the possession of Seller (the "Records");
- (viii) all Imbalances as of the Effective Time, and all Hydrocarbons produced prior to the Effective Time from the Leases, Units and Wells, but in storage or upstream of the applicable sales meter at the Effective Time (the "Stock Hydrocarbons"), together with all accounts receivable with respect thereto; and
- (ix) all of Seller's membership interests in Cotton Valley Compression, L.L.C., a Delaware limited liability company.

All such Leases, Wells, Surface Interests, Personal Property, Sale Hydrocarbons, Contracts, Records and other assets described above are hereinafter collectively referred to as the "Assets" or, when used individually, an "Asset."

- (b) Transfer of Assets. The risk of loss and transfer of possession and control of the Assets shall occur and be made at Closing (as hereinafter defined in Section 10.2), but transfer of ownership and title to the Assets shall be made effective as of the Effective Time.

1.2 Exclusions and Reservations. Specifically excepted and reserved from this transaction are the following, hereinafter referred to as the “Excluded Assets”:

- (a) Seller’s corporate records, financial and tax records unrelated to the Assets, reserve estimates and reports, economic analyses, computer programs and applications, pricing forecasts, legal files, legal opinions, attorney-client communications, and attorney work product (except abstracts of title, title opinions, certificates of title, and title curative documents, which shall be furnished to Buyer), and all other records and documents subject to confidentiality provisions, or other restrictions on access or transfer; provided, however, that Seller will, upon Buyer’s request and at no cost or expense to Seller, request waivers of such restrictions;
- (b) All of Seller’s intellectual property rights, patents, copyrights, names, marks, logos, proprietary software and derivatives therefrom, geophysical data, data licensing agreements and seismic licenses between Seller and third parties, if any, and any and all geologic/geophysical interpretations and proprietary or licensed raw or processed geophysical data (including magnetic tapes, field notes, seismic lines, analyses and similar data or information) and interpretations therefrom, except to the extent that any such information is specifically licensed to Buyer pursuant to a separate license agreement;
- (c) Subject to the provisions of Section 3.3(f), all rights and claims arising, occurring, or existing in favor of Seller prior to the Effective Time, including, but not limited to, any and all contract rights, claims, penalties, receivables, revenues, recoupment rights, recovery rights, accounting adjustments, mispayments, erroneous payments, personal or corporate injury, property damages, royalty and other rights and claims of any nature in favor of Seller relating to any time period prior to the Effective Time;
- (d) All of Seller’s insurance contracts and rights, titles, claims and interests of Seller related to the Assets for all periods prior to the Effective Time (i) under any policy or agreement of insurance or indemnity, (ii) under any bond or letter of credit or other security device, or (iii) to any insurance or condemnation proceeds or awards, together with all amounts due or payable to Seller as adjustments to insurance premiums related to the Assets for all periods prior to the Effective Time;
- (e) Claims of Seller for any refund of or loss carry forwards with respect to (i) production, windfall profit, severance, ad valorem or any other taxes attributable to the Assets for any period prior to the Effective Time, and (ii) income, occupational or franchise taxes;

- (f) All monies, proceeds, benefits, receipts, credits, income or revenues (and any security or other deposits made) attributable to the Assets or the ownership or operation thereof prior to the Effective Time, including, without limitation, amounts recoverable from audits under operating agreements and any overpayments of royalties to the extent attributable to the period prior to the Effective Time;
- (g) All rights, obligations, benefits, awards, judgments, settlements, if any, applicable to any litigation pending in which Seller is a named claimant or plaintiff or holds beneficial rights or interests, to the extent related to periods prior to the Effective Time;
- (h) All telecommunication and communications equipment and services, WARS control stations and computers; and
- (i) Any other assets identified as excluded or retained on Schedule 1.2(i).

1.3 Conveyancing Instruments. The Assets to be conveyed by Seller to Buyer at Closing pursuant to Section 1.1(a) shall be conveyed "AS IS, WHERE IS", without warranty of title except against claims of title arising by, through or under Seller, but not otherwise, and subject to the express conditions and limitations contained in this Agreement. The Assets to be transferred to Buyer pursuant to Section 1.1(a) shall be transferred pursuant to an Assignment and Bill of Sale in the form of Exhibit "C" (the "Assignment") and such other necessary instruments as specified in Section 10.2.

1.4 Suspended Proceeds. Seller shall transfer and pay to Buyer at Closing, and Buyer agrees to accept from Seller, all monies representing the value or proceeds of production removed or sold from the Assets and held by Seller at the time of the Closing for accounts from which payment has been suspended, such monies being hereinafter called "Suspended Proceeds". Buyer shall be solely responsible for the proper distribution of such Suspended Proceeds to the party or parties which or who are entitled to receive payment of the same, and hereby agrees to indemnify, defend and hold Seller harmless from any Claims therefor; provided, however, and subject to Buyer's obligations in Section 3.3, that Buyer shall have no liability for claims arising from the Suspended Proceeds, and no obligation to indemnify, defend and hold Seller harmless from, any amount payable to third parties relating to the Suspended Proceeds with respect to periods prior to the Effective Time (including any penalties and interest thereon attributable to periods prior to the Effective Time) which exceeds the Suspended Proceeds.

## 2. Purchase Price and Effective Time

2.1 Purchase Price. As consideration for the sale of the Assets, Buyer shall pay to Seller one hundred and twenty eight million Dollars (\$128,000,000.00) (the "Purchase Price"), adjusted as set forth below. The Purchase Price as adjusted in accordance with Section 2.4 shall be referred to as the "Adjusted Purchase Price."

- (a) A performance deposit in the amount equal to ten percent (10%) of the Purchase Price (the "Deposit") shall be paid within two (2) business days after execution of this Agreement by Buyer and Seller to Wells Fargo

Bank, National Association (the “Escrow Agent”) for deposit into an interest bearing escrow account (the “Escrow Account”) to be governed by an agreement substantially in the form of the agreement attached hereto as Exhibit “D” (the “Escrow Agreement”), such Escrow Agreement to be executed by Buyer, Seller and the Escrow Agent on the date hereof. The Deposit, together with earnings on the Deposit while held in the Escrow Account, will be credited to the Purchase Price at Closing, and is not refundable except as provided in this Agreement. The earnings on the Deposit shall become part of the Deposit and shall be paid to the party entitled to the Deposit in accordance with the terms hereof.

- (b) The Adjusted Purchase Price shall be paid at Closing as provided herein.

**2.2 Delivery of Adjusted Purchase Price.** The balance of the Adjusted Purchase Price shall be paid by Buyer at Closing by wire transfer, in immediately available funds, to the account(s) designated in writing by Seller in the Closing Statement.

**2.3 Allocation of Purchase Price.** Buyer and Seller have agreed upon an allocation of the Purchase Price to individual Assets (each an “Allocated Value”) as set forth in Schedule 2.3. Buyer represents and warrants to Seller that it has made reasonable allocations, in good faith, and that Seller may rely on the allocations for the purposes of this Agreement, including, without limitation, (a) to notify holders of preferential rights of Buyer’s offer, (b) as a basis for adjustments to the Purchase Price for defect and casualty loss adjustments and (c) as otherwise provided in this Agreement.

**2.4 Adjustments to Purchase Price.** At Closing, the Purchase Price shall be adjusted (without duplication) in accordance with this Section 2.4.

- (a) The Purchase Price shall be increased by the following amounts:
- (i) the amount of all costs, expenses and charges relating to the Assets, or the ownership, use or operation of the Assets, which are paid by Seller and are attributable to the period of time from and after the Effective Time, including, without limitation, (a) all operating costs and expenses, (b) all capital expenditures, including, without limitation, all drilling, completion, reworking, deepening, side-tracking, plugging and abandoning costs and expenses; (c) all prepaid expenses and land related costs and expenses attributable to the Assets, including, without limitation, all bonus payments, royalty disbursements, delay rental payments, shut-in payments and other similar costs (provided, however, that the Purchase Price shall not be increased by land related expenses incurred by Seller in connection with Title Defect curative), (d) excise, severance and production tax payments, and any other tax payments based upon or measured by the production of Sale Hydrocarbons or the proceeds of sale therefrom, and (e) expenses paid by Seller to any third party under applicable joint operating agreements or other contracts or agreements included in the Assets;



- (ii) an amount equal to the value of all Stock Hydrocarbons (it being understood that such value shall be calculated based on the reference prices set forth in Schedule 2.4(a)(ii) determined as of the Effective Time, less transportation costs, quality adjustment, applicable taxes and royalty payments);
  - (iii) the adjustment amount, if any, due Seller as determined pursuant to Section 12.1 with respect to Imbalances;
  - (iv) if the aggregate Title Benefit Value is greater than the aggregate Title Defect Value, as provided in Section 6, an amount equal to such difference; and
  - (v) any other amount specified herein or otherwise agreed upon by Seller and Buyer in writing.
- (b) The Purchase Price shall be decreased by the following amounts:
- (i) an amount equal to the net proceeds (the price at which the Hydrocarbons are sold after the Effective Time, less transportation costs, quality adjustment, if any, applicable taxes and royalty payments) received by Seller from the sale of Sale Hydrocarbons and Stock Hydrocarbons;
  - (ii) the adjustment amount, if any, due Buyer as determined pursuant to Section 12.1 with respect to Imbalances;
  - (iii) if the aggregate Title Defect Value is greater than the aggregate Title Benefit Value, as provided in Section 6, an amount equal to such difference;
  - (iv) reductions due to Environmental Defects as provided in Section 7;
  - (v) reductions due to the exercise of Preferential Rights or failure to obtain required consents as provided for in Section 9.2;
  - (vi) reductions due to Casualty Loss as provided in Section 12.3;
  - (vii) Seller's pro rata share of taxes as determined pursuant to Section 4.1; and
  - (viii) any other amount specified herein or otherwise agreed upon by Seller and Buyer in writing.

- (c) Closing Statement. Seller shall prepare and deliver to Buyer an accounting statement (the “Closing Statement”) no later than three (3) Business Days prior to Closing that shall set forth the adjustments to the Purchase Price made in accordance with this Agreement, it being understood and agreed that the Closing Statement shall contain reasonable estimates, if actual amounts are not known at the time, and actual costs and revenues, if known. As used herein, the term “Business Day” means any day other than Saturday, Sunday, or any day on which the principal commercial banks located in the State of Texas or the State of New York are authorized or obligated to close under the laws of such states.

2.5 Effective Time of Sale. The effective time of the sale of the Assets shall be as of 7:00 a.m., local time where the Assets are located, on July 1, 2007 (the “Effective Time”).

3. Allocation of Revenues and Costs; Indemnification

3.1 Allocation of Revenues. Seller shall own and receive (or receive credit in the Closing Statement or the Final Settlement Statement, as applicable, for) all proceeds from the sale of Hydrocarbons physically produced from or allocable to the Assets prior to the Effective Time (excluding Stock Hydrocarbons), and shall also receive (or receive credit in the Closing Statement or the Final Settlement Statement, as applicable, for) and hold the right to receive all other revenues, proceeds and benefits attributable to the Assets relating to all periods before the Effective Time. Buyer shall receive (or receive credit in the Closing Statement or the Final Settlement Statement, as applicable, for) all proceeds from the sale of Sale Hydrocarbons and Stock Hydrocarbons and shall also receive (or receive credit in the Closing Statement or the Final Settlement Statement, as applicable, for) and hold the right to receive all other revenues, proceeds and benefits attributable to the Assets which relate to all periods after the Effective Time.

3.2 Allocation of Costs; Payment of Invoices. After the Closing, Seller shall be responsible for and required to pay only that portion of any charge or invoice received that is applicable to work performed or material received in the period prior to the Effective Time, and other charges and invoices shall be returned to the billing party for rebilling to Buyer. Similarly, after the Closing Buyer shall be responsible for and required to pay only that portion of any charge or invoice received that is applicable to work performed or material received in the period on or subsequent to the Effective Time, and other charges and invoices shall be returned to the billing party for rebilling to Seller.

3.3 Certain Indemnities.

- (a) Definition of Claims. The term “Claims” means any and all direct or indirect demands, claims, notices of violation, notices of probable violation, filings, investigations, administrative proceedings, actions, causes of action, suits, other legal proceedings, judgments, assessments, damages, deficiencies, taxes, penalties, fines, obligations, responsibilities, liabilities, payments, charges, costs and expenses (including without limitation costs and expenses of owning and operating the Assets) of any

kind or character (whether or not asserted prior to Closing, and whether known or unknown, fixed or unfixed, conditional or unconditional, based on theories, contract, tort, strict liability or otherwise, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or other legal theory), including, without limitation, penalties and interest on any amount payable as a result of any of the foregoing, any legal or other costs and expenses incurred in connection with investigating or defending any Claim, and all amounts paid in settlement of Claims. Without limiting the generality of the foregoing, the term “Claims” specifically includes any and all Claims arising from, attributable to or incurred in connection with any (a) breach of contract, (b) loss of or damage to property, injury to or death of persons, and other tortious injury and (c) violations of applicable laws, rules, regulations, orders or any other legal right or duty actionable at law or in equity.

- (b) Seller’s Indemnity. Subject to the further provisions hereof, Seller shall defend, indemnify and hold Buyer, its affiliates, and its/their directors, officers, employees, contractors, and representatives (which additional parties, together with Buyer, are hereinafter collectively referred to as the “Buyer Parties”) harmless from and against any and all Claims arising from, out of or in connection with, or otherwise relating to: (a) any inaccuracy of any representation or warranty of Seller set forth in this Agreement; (b) the Excluded Assets; (c) to the extent attributable to periods prior to the Effective Time, (i) the payment, underpayment or nonpayment of royalties by Seller on production from or attributable to Seller’s interest in the Leases, Units, and Wells, or the proper accounting or payment to parties for their interests therein, and (ii) the payment, underpayment or nonpayment by Seller of property, ad valorem or severance taxes relating to the Assets; (d) the ownership or operation of the Assets prior to the Effective Time (other than Claims with respect to royalties and taxes, which are addressed in clause (c) above), expressly excluding, however, matters assumed, indemnified against and waived by Buyer pursuant to Sections 7.7, 7.8 and 7.9 below; and (e) Seller’s breach of, or failure to perform or satisfy, any of its covenants and obligations hereunder.

Seller shall not be liable to the Buyer Parties under clause (a), (c)(i) or (d) of this Section 3.3(b) with respect to any Claim unless (i) the amount of the Claim resulting from any separate fact, condition or event that constitutes a Claim is in excess of \$25,000 (the “Individual Indemnification Threshold”) and (ii) the aggregate amount of all Claims under this Agreement meeting the Individual Indemnification Threshold exceeds one and one-half percent (1 1/2%) of the Purchase Price (the “Aggregate Indemnification Threshold”). Once the Aggregate Indemnification Threshold has been met, Seller shall then only be liable for those Claims exceeding the Aggregate Indemnification Threshold, excluding such Claims as were aggregated to reach the Aggregate Indemnification Threshold.

Notwithstanding anything herein to the contrary, the cumulative obligation of Seller to Buyer Parties under clause (a), (c)(i) and (d) of this Section 3.3(b) will be limited to five percent (5%) of the Purchase Price (the "Indemnity Amount"). Seller's obligation to indemnify the Buyer Parties pursuant to clauses (a), (b) and (d) of this Section 3.3(b) will expire with respect to any Claim for which a Buyer Party has not provided notice to Seller as provided in Section 3.3(d) on or prior to 5:00 p.m., Houston, Texas time, on the six (6) month anniversary of the Closing Date (the "Closing Period Termination Date"); provided, however, that Seller's obligation to indemnify Buyer with respect to breaches of Seller's representations and warranties in Sections 5.1(a) and 5.1(b) shall survive the Closing forever. Seller's obligation to indemnify Buyer pursuant to clauses (c) and (e) of this Section 3.3(b) shall survive for one (1) year following the Closing Date. The foregoing will not limit the rights of Buyer Parties to proceed against the Seller as provided herein after the Closing Period Termination Date with respect to Claims for which a Buyer Party has provided notice to Seller as provided in Section 3.3(d).

- (c) Buyer's General Indemnification. Subject to Section 3.3(b), Buyer shall defend, protect, indemnify and hold Seller, its affiliates, and its/their partners, members, managers, directors, officers, employees, contractors and representatives (which additional parties, together with Seller, are hereinafter collectively referred to as the "Seller Parties") harmless from and against any and all Claims in any way arising from, out of or in connection with, or otherwise relating to: (a) any inaccuracy of any representation or warranty of Buyer set forth in this Agreement; (b) Buyer's breach of, or failure to perform or satisfy, any of its covenants and obligations hereunder; and (c) the Assets, including, without limitation, the ownership or operation thereof and performance thereunder, to the extent such Claims accrue or are attributable to periods subsequent to the Effective Time or are attributable to environmental conditions whether or not such conditions existed prior to the Effective Time or arose subsequent to the Effective Time, or **THE SOLE, JOINT, CONCURRENT OR COMPARATIVE NEGLIGENCE (BUT NOT SELLER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), STRICT LIABILITY, LIABILITY WITHOUT FAULT, REGULATORY LIABILITY, STATUTORY LIABILITY, BREACH OF CONTRACT, BREACH OF WARRANTY, OR OTHER FAULT OR RESPONSIBILITY OF SELLER OR ANY OTHER PERSON OR PARTY**. Notwithstanding anything to the contrary contained herein, Buyer's general indemnification shall not cover, and there shall be excluded therefrom, any penalties or fines that may now be or may hereafter become due and owing by Seller with respect to the ownership or operation of the Assets prior to the Effective Time.

- (d) Claims Procedures. Promptly upon a party becoming aware of any Claim with respect to which it believes it is entitled to indemnification hereunder, whether under this Section 3.3, Section 7.7, or the other provisions hereof, such party (an “Indemnified Party”) shall notify the other party in writing of the existence and nature of such Claim, the identity of any third party claimants and a description of the damages and the amount thereof relating to such Claim (the “Claim Notice”). The Indemnified Party shall be responsible for the defense of any Claim unless the Indemnifying Party, upon reasonable notice, requests that the defense of a Claim be tendered to the Indemnifying Party. If:
- (i) the defense of a Claim is so tendered and within ten (10) Business Days thereafter such tender is accepted by the Indemnifying Party; or
  - (ii) within ten (10) Business Days after the date on which the Claim Notice has been given pursuant to this Section 3.3(d), the Indemnifying Party shall acknowledge in writing to the Indemnified Party its obligation to provide an indemnity as provided in this Section 3.3 and assume the defense of the Claim;

then, except as hereinafter provided, the Indemnified Party shall not, and the Indemnifying Party shall, have the right to contest, defend, litigate or settle such Claim. The Indemnified Party shall have the right to be represented by counsel at the Indemnified Party’s expense, subject to the limitations hereof, in any such contest, defense, litigation or settlement conducted by the Indemnifying Party. The Indemnifying Party shall lose its right to defend and settle the Claim if it shall fail to diligently contest and defend the Claim. So long as the Indemnifying Party has not lost its right and/or obligation to contest, defend, litigate and settle as herein provided, the Indemnifying Party shall have the exclusive right to contest, defend and litigate the Claim and shall have the exclusive right, in its discretion exercised in good faith, and upon the advice of counsel, to settle any such matter, either before or after the initiation of litigation, at such time and upon such terms as it deems fair and reasonable; provided, that at least five (5) Business Days prior to any such settlement, written notice of its intention to settle shall be given to the Indemnified Party and the Indemnified Party shall have consented thereto, which consent shall not be unreasonably withheld, conditioned or delayed. All expenses (including without limitation attorneys’ fees) incurred by the Indemnifying Party in connection with the foregoing shall be paid by the Indemnifying Party; provided, that if the Indemnifying Party is the Seller, the Seller will have no obligation hereunder in excess of the Indemnity Amount. Notwithstanding the foregoing, in connection with any settlement negotiated by an Indemnifying Party, no Indemnified Party shall be required by an Indemnifying Party to (x) enter into any settlement that does not include as an unconditional term thereof the delivery by the

claimant or plaintiff to the Indemnified Party of a release from all liability in respect of such claim or litigation, (y) enter into any settlement that attributes by its terms liability or wrongdoing to the Indemnified Party or (z) consent to the entry of any judgment that does not include as a term thereof a full dismissal of the litigation or Proceeding with prejudice. No failure by an Indemnifying Party to acknowledge in writing its indemnification obligations under this Section 3.3 shall relieve it of such obligations to the extent they exist. If the Indemnifying Party fails to accept a tender of, or assume, the defense of a Claim pursuant to this Section 3.3(d), or if, in accordance with the foregoing, the Indemnifying Party shall lose its right to contest, defend, litigate and settle such a Claim or if there is a legal conflict, the Indemnified Party shall have the right, without prejudice to its right of indemnification hereunder, in its discretion exercised in good faith and upon the advice of counsel, to contest, defend and litigate such Claim, and may settle such Claim, either before or after the initiation of litigation, at such time and upon such terms as the Indemnified Party deems fair and reasonable; provided, that, the Indemnified Party will not settle such Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed. If, pursuant to this Section 3.3, the Indemnified Party so contests, defends, litigates or settles a Claim for which it is entitled to indemnification hereunder as hereinabove provided, the Indemnified Party shall be reimbursed by the Indemnifying Party for the reasonable attorneys' fees and other expenses of defending, contesting, litigating and/or settling the Claim which are incurred from time to time, forthwith following the presentation to the Indemnifying Party of itemized bills for said attorneys' fees and other expenses; provided, that if the Indemnifying Party is the Seller and the matter relates to a matter subject to indemnity by Seller pursuant to clause (a) of Section 3.3(b) (other than a breach of Sections 5.1(a), 5.1(b), 5.1(c) or 5.1(d) hereof), such expenses shall be reimbursable solely to the extent of the Indemnity Amount and the Seller will have no obligation hereunder in excess of such amount.

- (e) Subrogation. Following full indemnification as provided for hereunder, the Indemnifying Party shall be subrogated to all rights of the Indemnified Party with respect to all parties relating to the matter for which indemnification has been made and the Indemnified Party agrees to fully cooperate with the Indemnifying Party in exercising such subrogation rights.
- (f) Insured Losses; Recoveries from Third Parties.
  - (i) The amount of any damages for which indemnification is provided under this Section 3.3, Section 7.7, or the other provisions hereof shall be net of any duplicative amounts recovered by the Indemnified Party under insurance policies or from unaffiliated

third parties with respect to such damages. If an Indemnified Party receives an amount under insurance coverage or from an unaffiliated third party with respect to damages at any time subsequent to any indemnification provided by an Indemnifying Party pursuant to this Section 3.3, Section 7.7, or the other provisions hereof, then such Indemnified Party shall promptly deliver such amount (up to the amount of the indemnification payment made to such Indemnified Party regarding such matter) to the Indemnifying Party; provided, however, that such Indemnified Party shall be entitled to retain the amount of any payments made or costs or expenses incurred in connection with obtaining such payment. The obligation created by this Section 3.3(f), Section 7.7, or the other provisions hereof is an obligation to make repayment in the event of a recovery from a third party and shall not delay an Indemnified Party's right to repayment from the Indemnifying Party under this Section 3.3, Section 7.7, or the other provisions hereof.

- (g) Characterization of Indemnification Payments. Buyer and Seller agree to treat any payment made under this Section 3.3, Section 7.7, or the other provisions hereof as an adjustment to the Purchase Price. Any indemnification hereunder will be determined on an after-tax basis (taking into account any actual tax benefits or detriments realized with respect to the damages for which the payment under this Section 3.3, Section 7.7, or the other provisions hereof is being made).

#### 4. Taxes and Payables

4.1 Payment of Taxes. All real estate, use, ad valorem and personal property taxes and charges upon any of the Assets shall be prorated as of the Effective Time; provided that Buyer shall pay all such taxes attributable to the calendar year in which the Closing Date occurs to the extent due and payable after Closing, and at Closing the Purchase Price will be decreased by Seller's pro rata share of such items for the period prior to the Effective Date. If the actual amount of such items is not known as of the Closing Date and the final reconciliation of the Final Settlement Statement under Section 10.4, then Seller's pro rata share of such items will be determined by using the rates and millages for the most recent year available and the assessed values for the calendar year immediately preceding the calendar year in which the Closing Date occurs, with appropriate adjustments for any known changes thereto. In no event shall the Final Settlement Statement be delayed pending determination of the proration of taxes pursuant to this Section 4.1.

4.2 Production Taxes. Seller shall be responsible for all oil and gas production taxes, windfall profits taxes, and any other similar taxes applicable to Hydrocarbons produced and saved from or attributable to its interest in the Leases, Wells and Units prior to the Effective Time (excluding Stock Hydrocarbons), and Buyer shall be responsible for all such taxes applicable to the Stock Hydrocarbons and all Hydrocarbons produced and saved from or attributable to the Leases, Wells and Units from and after the Effective Time.

4.3 **Sales Taxes.** Both parties believe that the sale of the Assets is an occasional sale exempt from sales or use taxes. If any such taxes are assessed against the transaction, both parties will cooperate and use their commercially reasonable efforts (at no cost to Seller) to attempt to eliminate or reduce such taxes. If unsuccessful, Buyer shall be responsible for any such taxes. In that event, Buyer shall pay Seller any such state and local sales or use taxes, and Seller shall remit such amount to the appropriate taxing authority in accordance with applicable law. Any reasonable legal expenses incurred by Seller at Buyer's request to reduce or avoid any of the aforementioned taxes attributable to Buyer, shall be paid or reimbursed by Buyer.

5. **Representations, Warranties, Acknowledgments, Disclaimers and Waivers**

5.1 **Seller's Representations and Warranties.** Seller represents and warrants to Buyer that, as of the date hereof and as of Closing, the following statements are accurate. (For purposes hereof, the term "Knowledge of Seller" (and any similar expression, including, the expression "Seller's Knowledge") shall refer to matters actually known by any officer of Seller.

- (a) **Formation.** Seller is a corporation duly organized and validly existing, in good standing, under the laws of the State of Delaware. Seller has the power and authority to own the Assets and to carry on its business as now conducted and to enter into and to carry out the terms of this Agreement.
- (b) **Authorization.** The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on behalf of Seller and Seller is not subject to any charter, by-law, lien, encumbrance, agreement, instrument, order, or decree of any court or governmental body (other than any governmental approval required) which would prevent consummation of the transactions contemplated by this Agreement.
- (c) **No Brokers.** Seller is not a party to any contract or agreement for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution or performance of this Agreement for which Buyer will have any liability.
- (d) **Bankruptcy.** There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or, to the Knowledge of Seller, threatened against Seller.
- (e) **Suits and Claims.** Except as set forth in Schedule 5.1(e), there is no suit or action by any person, entity or Governmental Authority pending in any legal, administrative or arbitration proceeding or, to Seller's Knowledge, threatened against Seller or the Assets that could reasonably be expected to materially affect Seller's ability to consummate the transactions contemplated herein or title to, use of or the value of any of the Assets.
- (f) **Taxes.** All ad valorem, property, production, severance, excise and similar taxes and assessments based on or measured by the ownership of the Assets, or the production of Hydrocarbons or the receipt of proceeds therefrom, that have become due and payable have been timely paid.



- (g) Compliance with Laws. To Seller's knowledge, the Assets are not in violation in any material respect of any laws, rules, regulations and orders applicable to the Assets, except as set forth in Schedule 5.1 (g).
- (h) Permits. To Seller's knowledge, Seller has obtained, and is not in default in any material respect under, all material regulatory or governmental permits, licenses, approvals and consents necessary for the operation of the Assets as currently operated, and there are no proceedings pending or, to Seller's Knowledge threatened, challenging or seeking revocation or limitation of any such permits, licenses, approvals and consents, except as set forth in Schedule 5.1(h).
- (i) Take-or-Pay Arrangements. To Seller's knowledge, it has not received any prepayments or buydowns, or entered into any take-or-pay or forward sale arrangements, such that Buyer will be obligated after the Closing to make deliveries of gas without receiving full payment therefor.
- (j) Rights to Production. Except with respect to Imbalances, or as set forth in Schedule 5.1(j), or to the extent arising under a Contract identified in Schedule 1.1(a)(vi), no person has any call upon, right to purchase, option to purchase or similar rights with respect to any portion of the Sale Hydrocarbons from and after the Closing that is not terminable on 30 days or less notice.
- (k) Imbalances. To Seller's Knowledge the Imbalances relating to the Assets are as reflected on Schedule 12.1 as of the date shown on such schedule.
- (l) Preferential Rights and Required Consents. Schedule 5.1(l) lists (a) all rights or agreements that may permit any person to purchase or acquire any of the material Assets arising in connection with the transactions contemplated hereby ("Preferential Rights"), and (b) all required consents, approvals or authorizations of, or notifications to, any person (excluding any of the foregoing consents, approvals or authorizations customarily obtained following Closing) arising in connection with the transactions contemplated hereby (the "Consents").
- (m) Contracts. Schedule 1.1(a)(vi) sets forth a list of all contracts and agreements material to the ownership and operation of the Assets (other than the Leases and agreements creating Surface Interests), including, without limitation, all partnership, joint venture, area of mutual interest, non-compete, purchase, sale, divestiture, acquisition and material confidentiality agreements of which any terms remain executory, gathering contracts, transportation contracts, disposal or injection contracts and all other material contracts relating to the Assets. All such

agreements are in full force and effect and no default or breach (or event that, with notice or lapse of time or both, would become a default or breach) of any such agreements has occurred or is continuing on the part of Seller or, to Seller's Knowledge, any other party thereto. Seller has delivered to Buyer or made available to Buyer true and correct copies of such instruments.

- (n) Compliance with Leases. Seller has not received any notice alleging that it is in non-compliance in any material respect with the terms and provisions of any of the Leases.
- (o) Non-Consent Operations. Except as set forth on Schedule 5.1(o), there are no operations or proposed operations with respect to the Assets as to which Seller has become a non-consenting party under the terms of the applicable operating agreement.
- (p) Well Locations and Operations. To Seller's Knowledge, each Well has been drilled and completed in a legal location within the boundaries of the appropriate Lease or Unit. No Well is subject to penalties or allowables after the date hereof because of any overproduction or violation of applicable laws, rules, regulations, permits, or judgments, orders or decrees of any court or governmental body or agency which prevents the Well from being entitled to its full legal and regular allowance or share of production from and after the date hereof as prescribed by any court or Governmental Body. To Seller's Knowledge, all of the Units have been validly formed.
- (q) Planned Future Commitments. Except for drilling operations necessary to maintain a Lease beyond the end of its primary term, Schedule 5.1(q) sets forth Seller's obligations to drill additional wells or conduct other material development operations relating to the Assets. As of the date hereof, except as set forth on Schedule 5.1(q), there are no outstanding authorities for expenditures (AFEs) or other commitments to make capital expenditures that are binding on any of the Assets which will require expenditures within ninety (90) days after the Effective Time in excess of \$25,000, individually (net to Seller's interest), or \$100,000 in the aggregate (net to Seller's interest). Schedule 5.1(q) lists, as of the date hereof, all outstanding AFEs relating to the Assets as to which Seller has not made (or been deemed to have made) an election.

5.2 Buyer's Representations and Warranties. Buyer represents and warrants to Seller that, as of the date hereof and as of Closing, the following statements are accurate:

- (a) Formation. Buyer is a limited liability company duly organized and validly existing and in good standing under the laws of the State of Delaware and is or will be prior to Closing, duly qualified to carry on its business in each of the states in which it is required to be qualified and has

the limited liability company power and authority to own its property and to carry on its business as now conducted and to enter into and to carry out the terms of this Agreement and the transactions contemplated by this Agreement.

- (b) Authorization. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary limited liability company action on behalf of Buyer and Buyer is not subject to any charter, by-law, lien, encumbrance, agreement, instrument, order or decree of any court or governmental body which would prevent consummation of the transactions contemplated by this Agreement.
- (c) No Brokers. Buyer is not a party to any contract or agreement for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution, or performance of this Agreement for which Seller will have any liability.
- (d) Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or to the actual and current knowledge of Buyer threatened against Buyer or any affiliate of Buyer.
- (e) Suits and Claims. There is no suit or action by any person, entity or Governmental Authority pending in any legal, administrative or arbitration proceeding or, to Buyer's knowledge, threatened against Buyer or its affiliates that will materially affect Buyer's ability to consummate the transactions contemplated herein.
- (f) Independent Evaluation. Buyer acknowledges that it is an experienced and knowledgeable investor in the oil and gas business, and the business of purchasing, owning, developing and operating oil and gas properties such as the Assets. In making the decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon (a) its own independent due diligence investigation of the Assets and (b) the express representations and warranties made by Seller in this Agreement, and the agreements, certificates and other documents to be delivered by Seller at or prior to the Closing, and has been advised by and has relied solely on its own expertise and its own legal, tax, operations, environmental, reservoir engineering and other professional counsel and advisors concerning this transaction, the Assets and the value thereof.
- (g) Qualification. As of the Closing Buyer shall be, and thereafter shall continue to be, qualified with all applicable Governmental Authorities to own and, if applicable, operate the Assets. Without limiting the foregoing, Buyer is, as of the Closing, and thereafter will continue to be, qualified to own and operate any federal or state oil, gas and mineral leases that

constitute part of the Assets, including, without limitation, meeting all bonding requirements. Consummating the transaction contemplated by this Agreement will not cause Buyer to be disqualified or to exceed any acreage limitation imposed by law, statute or regulation.

- (h) Securities Laws. Buyer is acquiring the Assets for its own account and not with a view to, or for offer of resale in connection with, a distribution thereof, within the meaning of the Securities Act of 1933, 15 U.S.C. § 77a et seq., and any other rules, regulations, and laws pertaining to the distribution of securities.
- (i) Funds. Buyer has arranged to have available by the Closing Date sufficient funds to enable Buyer to pay in full the Purchase Price as herein provided and to otherwise perform its duties and obligations under this Agreement.

5.3 Representations and Warranties Exclusive. All representations and warranties contained in this Agreement, the Assignment and the agreements, certificates and other documents to be delivered by Seller at or prior to the Closing, are exclusive, and are given in lieu of all other representations and warranties, express, implied or statutory.

5.4 Disclaimers, Waivers and Acknowledgments.

- (a) Disclaimer. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE ASSIGNMENT, AND THE AGREEMENTS, CERTIFICATES AND OTHER DOCUMENTS TO BE DELIVERED BY SELLER AT OR PRIOR TO THE CLOSING, THE ASSETS ARE TO BE SOLD AND ACCEPTED BY BUYER AT CLOSING "AS IS, WHERE IS AND WITH ALL FAULTS." SELLER MAKES NO WARRANTY OR REPRESENTATION OF ANY KIND OR NATURE, EXPRESS OR IMPLIED IN FACT OR BY LAW, WITH RESPECT TO THE ORIGIN, QUANTITY, QUALITY, CONDITION OR SAFETY OF ANY EQUIPMENT OR OTHER PERSONAL PROPERTY, TITLE TO PERSONAL OR MIXED PROPERTY, TITLE TO REAL PROPERTY, COMPLIANCE WITH GOVERNMENTAL REGULATIONS OR LAWS, MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSES, CONDITION, QUANTITY, VALUE OR EXISTENCE OF RESERVES OF OIL, GAS OR OTHER MINERALS PRODUCIBLE OR RECOVERABLE FROM THE LEASES, UNITS OR WELLS, OR OTHERWISE. ALL WELLS, PERSONAL OR MIXED PROPERTY, DATA, RECORDS, MACHINERY, EQUIPMENT AND FACILITIES COMPRISING THE ASSETS OR SITUATED THEREON OR APPURTENANT THERETO, ARE TO BE CONVEYED BY SELLER AND ACCEPTED BY BUYER PRECISELY AND ONLY "AS IS, WHERE IS" AND WITHOUT RECOURSE AGAINST SELLER.

- (b) Acknowledgment. Buyer acknowledges that the Assets have been used for oil and gas drilling and producing operations, transportation or gathering operations, related oil field operations and possibly the storage and disposal of waste materials incidental to or occurring in connection with such operations, and that physical changes in the land may have occurred as a result of such uses and that Buyer has entered into this Agreement on the basis of Buyer's own investigation or right to investigate, the physical condition of the Assets, including, without limitation, equipment, surface and subsurface conditions. Except as set forth in this Agreement, the Assignment, and the agreements, certificates and other documents to be delivered by Seller at or prior to the Closing, Buyer is acquiring the Assets precisely and only in an "as is and where is" condition and assumes the risk that adverse physical conditions including, but not limited to, the presence of unknown abandoned or unproductive oil wells, gas wells, equipment, pits, landfills, flowlines, pipelines, water wells, injection wells and sumps which may or may not have been revealed by Buyer's investigation, are located thereon or therein, and whether known or unknown to Buyer as of Closing. Subject to Section 3.3(b), Buyer hereby agrees to assume full responsibility for compliance with all obligations attributable in any way to the condition of the Assets, and all laws, orders, rules and regulations concerning all of such conditions, known or unknown.

6. **Title Matters**

6.1 Examination Period. Following the execution date of this Agreement until 5:00 p.m. CDT on September 7, 2007 (the "Examination Period"), Seller shall permit Buyer and its representatives to examine, during normal business hours and such other reasonable times and in Seller's offices, all files, records, information and data relating to the Assets (but expressly excluding information reserved to Seller as part of the Excluded Assets), including, without limitation, all abstracts of title, title opinions, title files, ownership maps, Lease, Unit, Well and division order files, assignments, operating and accounting records and all Contracts and other agreements pertaining to the Assets, insofar as same may now be in existence and in the possession or control of Seller, subject to such restrictions upon disclosure as may exist under confidentiality or other agreements binding upon Seller or such data; provided, however, that Seller shall, at Buyer's request and at no cost or expense to Seller, request waivers of such confidentiality restrictions. Seller makes no representations or warranties whatsoever as to the accuracy, completeness or reliability of such information, and Buyer relies and depends on and uses such information exclusively and entirely at its own risk and without recourse to Seller whatsoever. Seller shall not be required to perform any additional title work. No existing abstracts and title opinions will be updated and made current by Seller. Should Buyer prepare or update abstracts or title opinions, a copy of such will be made available to Seller, without cost and without warranty of any kind, for Seller's independent examination at least two (2) Business Days prior to Closing or upon the delivery of a notice of alleged Title Defect, whichever is the earlier. Buyer specifically agrees that any conclusions made from any examination done or caused to be done by Buyer from Seller furnished information regarding title have resulted and shall result from its own independent review, skill, knowledge and judgment only.

6.2 Title Defects. The term “*Title Defect*” means (a) any lien, burden, encumbrance, irregularity or other defect, excluding Permitted Encumbrances, that causes Seller not to have Marketable Title to any Asset. The term “*Marketable Title*” means such ownership by Seller in the Assets that, subject to and except for the Permitted Encumbrances:

- (a) entitles Seller to receive not less than the percentage set forth in Exhibit “A” as Seller’s Net Revenue Interest (as defined in the Preamble to Exhibits and Schedules attached hereto) of all Hydrocarbons produced, saved and marketed from a Lease, Well or Unit, without reduction, suspension or termination of such interest throughout the productive life of such Lease, Well or Unit, except as specifically set forth in such Exhibit;
- (b) obligates Seller to bear not greater than the percentage set forth in Exhibit “A” as Seller’s Working Interest of the costs and expenses relating to the maintenance, development and operation of a Lease, Well or Unit, all without increase throughout the productive life of such Lease, Well or Unit, except as specifically set forth in such Exhibit;
- (c) entitles Seller to an ownership interest in the Surface Interests, Personal Property and Contracts which is proportionate to Seller’s working interest in the related Lease, Well or Unit;
- (d) with respect to the gathering systems included in the Assets, entitles Seller to rights or interests in Surface Interests covering all of the lands on which such gathering systems are located sufficient to permit such gathering systems to be located on such lands; and
- (e) is free and clear of all liens, burdens and encumbrances on title.

6.3 Permitted Encumbrances. The term “*Permitted Encumbrances*” means:

- (a) lessor’s royalties, non-participating royalties, overriding royalties, division orders, sales, gathering, transportation and transportation-related services contracts containing customary terms and provisions, reversionary interests, and similar burdens; if the net cumulative effect of such burdens does not operate to reduce the Net Revenue Interest in any Well to an amount less than the Net Revenue Interest set forth on Exhibit “A”, or increase the Working Interest of any Well from that set forth in Exhibit “A” without a corresponding increase in the Net Revenue Interest;
- (b) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in (including, without limitation, 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 identified in, and all other matters described or referred to in, any of the Exhibits and Schedules hereto, or that otherwise create or reserve to Seller its interest in the Assets or any of them;

- (c) liens for taxes or assessments not yet due or delinquent or, if delinquent, are identified on Schedule 6.3(c) and are being contested in good faith in the normal course of business;
- (d) preferential rights to purchase and required non-governmental third party consents to assignments and similar agreements identified in Schedule 5.1(l); provided that, to the extent applicable to prior transactions relating to the Assets, such consents were obtained and such preferential rights were waived or the appropriate time period for asserting such rights expired without an exercise of such rights;
- (e) all rights to consent by, required notices to, filings with, or other actions by Governmental Authorities in connection with the sale or conveyance of the Assets or interests therein, if the same are customarily obtained subsequent to such sale or conveyance;
- (f) Title Defects or other deficiencies or irregularities (other than breaches of Seller's special warranty of title) waived by Buyer in writing or not asserted on or before the expiration of the Examination Period;
- (g) easements, rights-of way, servitudes, permits, surface leases, defects, irregularities, and other burdens, to the extent they do not materially interfere with the value of the Assets or the operation or use of the Assets as currently conducted by Seller;
- (h) all laws, rules, regulations and orders of Governmental Authority having jurisdiction over the Assets, including, without limitation, rules and regulations governing production rates and allowables;
- (i) vendors', carriers', warehousemen's, repairmen's, mechanics', workmen's, materialmen's, construction or other like liens which have expired as a matter of law or arising by operation of law in the ordinary course of business or incident to the construction or improvement of any property in respect of obligations which are not yet due; and
- (j) any other lien, claim, charge, encumbrance, contract, agreement, instrument, obligation, defect, or irregularity affecting the Assets relating to obligations not yet in default, which is of the nature customarily accepted by prudent purchasers of oil and gas properties and which, individually or in the aggregate does not interfere materially with the value or the use of the Assets, as currently used by Seller, does not prevent Buyer from receiving the proceeds of production from the Assets, does not reduce the Net Revenue Interest of any of the Wells to less than the Net Revenue Interest set forth on Exhibit "A" and does not obligate Buyer to bear costs and expenses relating to the maintenance, development and operation of any of the Wells in any amount greater than the Working Interest set forth on Exhibit "A" (unless the Net Revenue Interest for such Well is greater than the Net Revenue Interest set forth in Exhibit "A" in the same proportion as any increase in such Working Interest).

#### 6.4 Notice of Title Defects; Title Defect Valuation.

- (a) If Buyer discovers any Title Defect affecting an Asset, Buyer shall promptly notify Seller of such alleged Title Defect. To be effective, such notice (a "Title Defect Notice") must (i) be in writing, (ii) be received prior to the expiration of the Examination Period, (iii) describe the Title Defect in reasonable detail (including any alleged variance in the Net Revenue Interest or Working Interest), (iv) identify the specific Asset or Assets affected by such Title Defect, and (v) include the Title Defect Value, as reasonably determined by Buyer acting in good faith. Upon receipt of a timely Title Defect Notice, upon request by Seller, Buyer shall promptly deliver to Seller copies of all data, records, title reports, opinions and other information in Buyer's possession or control bearing upon or relating to the alleged Title Defect and its determination of the Title Defect Value.
- (b) The value attributable to each Title Defect (the "Title Defect Value") shall be determined based upon the criteria set forth below:
  - (i) If the Title Defect is a lien upon an Asset, the Title Defect Value is the amount necessary to be paid to remove the lien from the affected Asset.
  - (ii) If the Title Defect asserted is that the Net Revenue Interest attributable to a Well is less than that stated in Exhibit "A" (and there is a corresponding and proportionate decrease in Working Interest), then the Title Defect Value is the product of the Allocated Value attributed to such Asset, multiplied by a fraction, the numerator of which is the difference between the Net Revenue Interest applicable thereto set forth in Exhibit "A" and the actual Net Revenue Interest, and the denominator of which is the applicable Net Revenue Interest stated in Exhibit "A".
  - (iii) If the Title Defect represents an obligation, encumbrance, burden or charge upon the affected Asset (including any increase in Working Interest for which there is not a proportionate increase in Net Revenue Interest) and for which the economic detriment to Buyer is unliquidated, the amount of the Title Defect Value shall be determined by taking into account the Allocated Value of the affected Asset, the portion of the Asset affected by the Title Defect, the legal effect of the Title Defect, and the potential discounted economic effect of the Title Defect over the life of the affected Asset.



- (iv) If a Title Defect does not adversely affect an Asset throughout the entire productive life of such Asset, such fact shall be taken into account in determining the Title Defect Value.
- (v) The Title Defect Value of a Title Defect shall be determined without duplication of any costs or losses included in another Title Defect Value hereunder.
- (vi) Notwithstanding anything herein to the contrary, in no event shall a Title Defect Value exceed the Allocated Value of the Wells, Leases and other Assets affected thereby.
- (vii) Such other factors as are reasonably necessary to make a proper evaluation.

6.5 Remedies for Title Defects. Subject to Sections 6.7 and 6.8, the following shall be Buyer's sole and exclusive remedy with respect to Title Defects:

- (a) Upon the receipt of a Title Defect Notice from Buyer asserting an alleged Title Defect, Seller shall have the option, but not the obligation, to attempt to cure such Title Defect at any time prior to the Closing.
- (b) With respect to any alleged Title Defect that is not reasonably cured on or before the Closing, each Party shall have the option, but not the obligation, to exclude the affected Asset from the Assets delivered at Closing and the Purchase Price shall be reduced by the Allocated Value of such affected Asset. If the affected Asset is not excluded by either Buyer or Seller, then Seller shall, subject to the further provisions hereof, have up to ninety (90) days following the Closing Date to attempt to cure such Title Defect. If Seller does not reasonably cure the Title Defect within the allotted period, Seller shall pay Buyer an amount equal to the Title Defect Value, as finally determined, and the Purchase Price hereunder will be deemed to be reduced by the amount of the Title Defect Value.
- (c) If Buyer and Seller have not agreed (i) on or before Closing upon the validity of an asserted Title Defect, or have not agreed on the Title Defect Value attributable thereto, or (ii) upon whether a Title Defect has been reasonably cured, then either party shall have the right to elect by written notice, delivered before or after Closing, to have the validity of such Title Defect, such Title Defect Value or the sufficiency of Seller's cure determined by an Independent Expert pursuant to Section 8. To the extent the Independent Expert is determining the validity of a Title Defect, Seller shall have ninety (90) days from the date the Independent Expert determines that a Title Defect exists to cure such Title Defect.
- (d) Any Title Defect cured by Seller or for which Buyer receives a Purchase Price adjustment or payment pursuant to this Section 6.5, shall constitute a Permitted Encumbrance hereunder and under the Assignment.

#### 6.6 Title Benefits.

- (a) Subject to Section 6.7, Seller shall be entitled to an upward adjustment to the Purchase Price with respect to all Title Benefits of which Seller provides Buyer notice (a “Title Benefit Notice”) in writing prior to the expiration of the Examination Period in an amount (the “Title Benefit Value”) mutually agreed upon by the parties determined in accordance with the criteria set forth in the definition of the term Title Defect Value, net of the mutually agreed Title Defect Value. Notwithstanding the foregoing if the Title Defect Value is disputed, no upward adjustment to the Purchase Price shall be made for Title Benefits until the Title Defect Value has been determined in accordance with Section 6.5. A party identifying a Title Benefit affecting the Assets shall promptly deliver such a Title Benefit Notice to the other party. The term “Title Benefit” shall mean Seller’s Net Revenue Interest in any Well that is greater than the Net Revenue Interest set forth in Exhibit “A”, or Seller’s Working Interest in any Well is less than the Working Interest set forth in Exhibit “A” (without a proportionate decrease in the Net Revenue Interest).
- (b) If with respect to an asserted Title Benefit the parties have not agreed on the validity of the Title Benefit or the Title Benefit Value attributable thereto on or before Closing, Seller or Buyer shall have the right to elect by written notice to the other party to have the validity of the Title Benefit and/or the Title Benefit Value determined by an Independent Expert pursuant to Section 8. If the validity of the Title Benefit and/or the Title Benefit Value is not determined pursuant to this Agreement by the Closing, the Title Benefit Value determined by Seller, acting reasonably and in good faith, shall be offset by the aggregate Title Defect Value. Upon the final determination of the Title Benefit Value, Seller shall refund to Buyer the amount, if any, by which the amount so paid by Buyer at Closing exceeds such Title Benefit Value, net of the Title Defect Value.

6.7 Limitation of Remedies for Title Defects; Title Benefits. Notwithstanding anything to the contrary contained in this Agreement, if (a) the Title Defect Value for a given Title Defect, or the Title Benefit Value of a given Title Benefit, does not exceed \$25,000, then no claim or adjustment to the Purchase Price shall be made for such Title Defect or Title Benefit, (b) if the aggregate net value of all uncured Title Defects and Title Benefits does not exceed one and one-half percent (1 1/2%) of the Purchase Price (the “Aggregate Title Threshold”), then no adjustment of the Purchase Price shall be made therefor, and (c) if the aggregate net value of all uncured Title Defects and Title Benefits exceeds the Aggregate Title Threshold (prior to any adjustments thereto), then the Purchase Price shall only be adjusted by the amount of such excess.

6.8 Termination. Notwithstanding anything to the contrary herein, if on the Closing Date the aggregate Title Defect Values, as finally determined, for all uncured Title Defects (net of Title Benefits) exceeding \$25,000 and not waived by Buyer exceeds an amount equal to ten percent (10%) of the Purchase Price (prior to any adjustments thereto), then either Buyer or

Seller shall have the option to terminate this Agreement, without any liability, upon written notice to the other party. If either party exercises its option to terminate this Agreement pursuant to this Section 6.8, this Agreement shall become void and have no effect, the Deposit shall be returned to the Buyer as provided in Section 10.3 and neither party shall have any further right or duty to or claim against the other party under this Agreement.

7. **Environmental Matters**

7.1 Environmental Review.

- (a) Buyer shall have the right to conduct an environmental review of the Assets prior to the expiration of the Examination Period (“Buyer’s Environmental Review”). Seller shall provide Buyer such access as it may reasonably request to the Assets (if operated by Seller) and the environmental data in Seller’s files for the Assets. With respect to Assets not operated by Seller, Seller agrees, at no cost or expense to Seller, to request that the operator of such Assets grant Buyer such access. Seller makes no representations or warranties whatsoever as to the accuracy, completeness or reliability of any such environmental information, and Buyer relies and depends on and uses any and all such environmental information, review or inspection exclusively and entirely at its own risk and without any recourse to Seller whatsoever.
- (b) The cost and expense of Buyer’s Environmental Review shall be borne solely by Buyer. The scope of work comprising Buyer’s Environmental Review conducted at or upon the Leases, Units and Wells shall be limited to that mutually agreed in writing by Buyer and Seller (acting reasonably) prior to commencement thereof and shall not include any intrusive test or procedure without the prior written consent of Seller; provided, that Buyer may terminate this Agreement if Seller unreasonably withholds such consent. Buyer shall (i) consult with Seller before conducting any work comprising such Buyer’s Environmental Review, (ii) perform all such work in a safe and workmanlike manner and so as to not unreasonably interfere with Seller’s operations, and (iii) comply with all applicable laws, rules, and regulations of applicable Governmental Authority. Buyer shall be responsible for obtaining any third party consents that are required in order to perform any work comprising Buyer’s Environmental Review. Buyer shall consult with Seller prior to requesting each such third party consent and Seller shall reasonably cooperate with Buyer in connection with obtaining such consent. Seller shall have the right to have a representative or representatives accompany Buyer at all times during Buyer’s Environmental Review, and Buyer shall give Seller notice not more than seven (7) days and not less than 48 hours before any visits by Buyer to the Assets, and Buyer shall seek and obtain Seller’s prior consent (which shall not be unreasonably withheld) before it enters upon the Assets. With respect to any samples taken in connection with Buyer’s Environmental Review, Buyer shall take split samples, providing one of

each such sample, properly labeled and identified, to Seller. Buyer hereby agrees to release, defend, indemnify and hold harmless Seller Parties from and against all Claims arising from, out of or in connection with, or otherwise relating to, Buyer's Environmental Review, **REGARDLESS OF THE SOLE, JOINT, CONCURRENT OR COMPARATIVE NEGLIGENCE (BUT NOT ANY SELLER PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), STRICT LIABILITY, REGULATORY LIABILITY, STATUTORY LIABILITY, BREACH OF CONTRACT, BREACH OF WARRANTY, OR OTHER FAULT OR RESPONSIBILITY OF A SELLER PARTY OR ANY OTHER PERSON OR PARTY.** Notwithstanding the foregoing and assuming that Buyer complies with the notice requirements of this Section 7, prior to Closing, Buyer shall have no indemnity obligation to Seller with respect to Buyer's discovery of information that may lead to Claims arising from the condition of the Assets prior to Buyer's Environmental Review.

- (c) Unless otherwise required by applicable law, Buyer shall treat all matters revealed by Buyer's Environmental Review, including, without limitation, any analyses, compilations, studies, documents, reports or data prepared or generated from such review (the "Environmental Information"), as confidential, and Buyer shall not disclose any Environmental Information to any Governmental Authority or other third party without the prior written consent of Seller except as hereafter provided. Buyer may use the Environmental Information only in connection with the transactions contemplated by this Agreement. The Environmental Information shall be disclosed by Buyer to only those persons who need to know the Environmental Information for purposes of evaluating the transaction contemplated by this Agreement, and who agree to be bound by the terms of this Section 7.1(c). If Buyer or any third party to whom Buyer has provided any Environmental Information is requested, compelled or required to disclose any of the Environmental Information by a court or other Governmental Authority, or disclosure is otherwise required under applicable law, Buyer shall provide Seller with prompt notice sufficiently prior to any such disclosure so as to allow Seller to file for any protective order, or seek any other remedy, as it deems appropriate under the circumstances. If this Agreement is terminated prior to the Closing, upon Seller's request Buyer shall promptly deliver the Environmental Information, and all copies thereof and works based thereon, to Seller, which Environmental Information shall become the sole property of Seller; provided, however, that Buyer may retain copies thereof in the event of a dispute between Buyer and Seller arising from or relating to such termination. Upon request Buyer shall provide copies of the Environmental Information to Seller without charge. The terms and provisions of this Section 7.1(c) shall survive any such termination of this Agreement, notwithstanding anything to the contrary. In no event shall an Environmental Defect be the basis for adjusting the Purchase Price by an amount greater than the Allocated Value of the Asset(s) affected thereby.

## 7.2 Environmental Definitions.

- (a) The term “Environmental Defect” shall mean, with respect to any given Asset, a material violation of Environmental Laws in effect as of the Effective Time in the jurisdiction in which such Asset is located.
- (b) The term “Governmental Authority” shall mean any tribal authority, the United States and any state, county, city and political subdivisions that exercises jurisdiction, and any agency, department, board, commission or other instrumentality thereof.
- (c) The term “Environmental Laws” shall mean all laws, statutes, ordinances, court decisions, rules and regulations of any Governmental Authority pertaining to the environment as may be interpreted by applicable final, non-appealable court decisions or administrative orders.
- (d) The term “Environmental Defect Value” shall mean, with respect to an Environmental Defect, the estimated costs and expenses to correct such Environmental Defect in the most cost effective manner reasonably available, consistent with Environmental Laws, taking into account that non-permanent remedies (such as mechanisms to contain or stabilize hazardous materials, including without limitation monitoring site conditions, natural attenuation, risk-based corrective action, institutional controls or other appropriate restrictions on the use of property, caps, dikes, encapsulation, leachate collection systems, etc.) may be the most cost effective manner reasonably available, together with such other Claims as may reasonably be expected to arise from such Environmental Defect.

7.3 Notice of Environmental Defects. If Buyer discovers any alleged Environmental Defect affecting the Assets, Buyer shall promptly notify Seller of such alleged Environmental Defect. To be effective, such notice (an “Environmental Defect Notice”) must (a) be in writing, (b) be received by Seller prior to the expiration of the Examination Period, (c) describe the Environmental Defect in reasonable detail, including (i) the written conclusion of Buyer that an Environmental Defect exists, and (ii) a citation of the Environmental Laws alleged to be violated and a summary of the related facts that substantiate such violation, (d) identify the specific Assets affected by such Environmental Defect, (e) the procedures recommended to correct the Environmental Defect and (f) Buyer’s reasonable good faith estimate of the Environmental Defect Value, for which Buyer would agree to adjust the Purchase Price in order to accept such Environmental Defect if Seller elected Section 7.4(c) as the remedy therefor. Any matters that may otherwise constitute Environmental Defects, but of which Seller has not been specifically notified by Buyer in accordance with the foregoing, together with any environmental matter that does not constitute an Environmental Defect, shall, be deemed to have been waived by Buyer for all purposes and constitute an assumed obligation of Buyer at Closing. Upon receipt of a timely

Environmental Defect Notice, upon request by Seller, Buyer shall promptly deliver to Seller copies of all data, records, reports, opinions and other information in Buyer's possession or control bearing upon or relating to the alleged Environmental Defect and its determination of the Environmental Defect Value, including, without limitation, site plans showing the location of sampling events, boring logs and other field notes describing the sampling methods utilized and the field conditions observed, chain of custody documentation and laboratory reports.

7.4 Remedies for Environmental Defects. Subject to Sections 7.5 and 7.6, the following shall be Buyer's sole and exclusive remedy with respect to alleged Environmental Defects:

- (a) Upon the receipt of an Environmental Defect Notice from Buyer asserting an alleged Environmental Defect, Seller shall have the option, but not the obligation, to attempt to cure such Environmental Defect at any time prior to the Closing.
- (b) With respect to any alleged Environmental Defect that is not reasonably cured on or before the Closing, either Party may exclude the affected Asset from the Assets delivered at Closing and the Purchase Price shall be reduced by the Allocated Value of such affected Asset.
- (c) If an alleged Environmental Defect is not reasonably cured on or before the Closing and the affected Asset has not been excluded from the transaction, Seller may elect to attempt to cure the Environmental Defect within ninety (90) days after Closing. If Seller does not elect to cure the Environmental Defect, the Purchase Price shall be reduced at Closing by the Environmental Defect Value therefore. If Seller elects to cure the Environmental Defect within ninety (90) days following the Closing Date but fails to do so, Seller will pay Buyer the amount equal to the Environmental Defect Value and the Purchase Price hereunder will be deemed to be reduced by the amount of the Environmental Defect Value.
- (d) If Buyer and Seller have not agreed (i) on or before Closing upon the validity of any asserted Environmental Defect, or if the parties have not agreed on the Environmental Defect Value therefor, or (ii) upon whether an alleged Environmental Defect has been reasonably cured, then either party by written notice to the other party, delivered before or after Closing, shall have the right to elect to have the validity of the asserted Environmental Defect, the Environmental Defect Value for such Environmental Defect, or the sufficiency of Seller's cure determined by an Independent Expert pursuant to Section 8. To the extent the Independent Expert is determining the validity of an Environmental Defect, Seller shall have ninety (90) days from the date the Independent Expert determines that an Environmental Defect exists to cure such Environmental Defect.

7.5 Limitation of Remedies for Environmental Defects. Notwithstanding anything to the contrary contained in this Agreement, (a) if the Environmental Defect Value for a given

Environmental Defect does not exceed \$50,000, then no adjustment to the Purchase Price shall be made for such Environmental Defect, (b) if the aggregate of all Environmental Defect Values exceeding \$50,000 for uncured Environmental Defects not waived by Buyer does not exceed one and one-half percent (1 1/2%) of the Purchase Price (the “*Aggregate Environmental Defect Threshold*”), then no adjustment of the Purchase Price shall be made therefor, and (c) if the aggregate of all Environmental Defect Values exceeding \$50,000 for uncured Environmental Defects not waived by Buyer exceeds the Aggregate Environmental Defect Threshold, then the Purchase Price shall only be reduced by the amount of such excess.

7.6 Termination. Notwithstanding anything to the contrary herein, if on the Closing Date the aggregate of all Environmental Defect Values exceeding \$50,000 for all uncured Environmental Defects not waived by Buyer exceeds an amount equal to five percent (5%) of the Purchase Price (prior to any adjustments thereto), then either Seller or Buyer shall be entitled to terminate this Agreement, without any liability, upon written notice to the other party. If either party exercises its option to terminate this Agreement pursuant to this Section 7.6, the Agreement shall become void and have no effect, the Deposit shall be returned to Buyer as provided in Section 10.3, and neither party shall have any further right or duty to or claim against the other party under this Agreement.

7.7 Post-Closing Environmental Indemnification by Buyer. Buyer shall, with respect to the Assets and without regard to whether same arise or occur prior to or after the Effective Time (except as otherwise expressly provided below) assume and indemnify, defend and hold Seller Parties harmless from and against any and all Claims caused by, resulting from, or relating or incidental to all matters affecting health, safety and the environment (excluding, however, fines and penalties owed by Seller with respect to ownership or operation of the Assets prior to the Effective Time) including without limitation Claims relating to:

- (a) environmental pollution or contamination, including pollution or contamination of the soil, groundwater or air by Hydrocarbons, drilling fluid and other chemicals, brine, produced water, NORM or any other substance, and other violation of Environmental Laws;
- (b) underground injection activities;
- (c) clean-up responses, and the cost of remediation, control, assessment or compliance with respect to surface and subsurface pollution caused by spills, pits, ponds, lagoons or storage tanks;
- (d) failure to comply with applicable land use, surface disturbance, licensing or notification requirements;
- (e) disposal of any hazardous substances, wastes, materials and products generated by or used in connection with the ownership, development, operation or abandonment of any part of the Assets; provided, however, that in no event shall Buyer assume any Claims arising from off-site disposal of such substances occurring prior to the Effective Time; and

(f) non-compliance with environmental or land use rules, regulations, demands or orders of appropriate Governmental Authorities, **REGARDLESS OF THE SOLE, JOINT, CONCURRENT OR COMPARATIVE NEGLIGENCE (BUT NOT SELLER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), BREACH OF CONTRACT, BREACH OF WARRANTY, STRICT LIABILITY, REGULATORY LIABILITY, STATUTORY LIABILITY, OR OTHER FAULT OR RESPONSIBILITY OF SELLER OR ANY OTHER PERSON OR PARTY.**

7.8 **Condition of the Assets.** Buyer specifically assumes the risk of the condition of the Assets and shall inspect the Assets prior to Closing, or hereby expressly waives such right, if not exercised. Buyer stipulates that any such inspection, if made, shall cover but not be limited to the physical and environmental condition, both surface and subsurface, of the Assets. It is expressly recognized by Buyer that the lands, along with the facilities and equipment located thereon, having been used in connection with oil, gas and water production, treatment, storage and disposal activities, and may contain NORM, asbestos and other hazardous substances as a result of these operations. The generation, formation, or presence of NORM, asbestos or other hazardous substances in or on the Assets shall be the sole responsibility of Buyer, and Buyer and all future assignees and successors of Buyer shall defend, indemnify and hold Seller Parties harmless from and against any and all Claims in any way arising from, out of or in connection with, or otherwise relating to, the presence of NORM, asbestos or other hazardous substances, without regard to whether such NORM, asbestos or other hazardous substance was in place before or after the Effective Time, and **REGARDLESS OF THE SOLE, JOINT, CONCURRENT OR COMPARATIVE NEGLIGENCE (BUT NOT SELLER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), BREACH OF CONTRACT, BREACH OF WARRANTY, STRICT LIABILITY, REGULATORY LIABILITY, STATUTORY LIABILITY, OR OTHER FAULT OR RESPONSIBILITY OF SELLER OR ANY OTHER PERSON OR PARTY.**

7.9 **Waiver.** Buyer, with and upon Closing, waives for all purposes all objections associated with the environmental, physical and other condition of the Assets, unless raised by proper notice within the Examination Period, and Buyer (and on behalf of Buyer Parties and their successors and assigns) irrevocably waives any and all Claims they may have against the Seller Parties associated therewith.

## 8. **Independent Experts**

8.1 **Selection of Independent Experts.** Any disputes regarding Title Defects, Title Benefits, Title Defect Values, Title Benefit Values, Environmental Defects, Environmental Defect Values, the cure of Title Defects or Environmental Defects, any other matter for which Buyer or Seller is indemnified hereunder, and the calculation of the Final Settlement Statement, or revisions thereto, may, as herein provided, be submitted by a party, with written notice to the other party, to an independent expert (the "**Independent Expert**"), who shall serve as the sole and exclusive arbitrator of any such dispute. The Independent Expert, with regard to any disputes regarding Title Defect Values, Title Benefit Values, Environmental Defects, Environmental



Defect Values, the cure of Title Defects or Environmental Defects, shall be selected upon their field of expertise with the mutual agreement of Buyer and Seller and shall have both knowledge and experience involving properties in the regional area in which the properties are located. If the parties are unable to agree on an Independent Expert, Seller shall appoint an arbitrator of its choice and Buyer shall appoint an arbitrator of its choice (each, a "Party Appointed Arbitrator"). The two Party Appointed Arbitrators shall in turn appoint a third to be the presiding arbitrator. The arbitration proceedings shall be held in Houston, Texas and shall be conducted pursuant to the then current Commercial Arbitration Rules of the American Arbitration Association (the "AAA").

8.2 Procedures. Disputes to be resolved by an Independent Expert shall be resolved in accordance with mutually agreed procedures and rules and failing such agreement, in accordance with the rules and procedures for non-administered arbitration set forth in the commercial arbitration rules of the AAA. The Independent Expert shall be instructed by the parties to resolve such dispute as soon as reasonably practicable in light of the circumstances but in any event within ninety (90) days for Title Defects or Title Benefits and within ninety (90) days for Environmental Defects. The decision and award of the Independent Expert shall be binding upon the parties and final and nonappealable to the maximum extent permitted by law, and judgment thereon may be entered in a court of competent jurisdiction and enforced by any party as a final judgment of such court.

8.3 Location of Proceeding. All proceedings under this Section 8 shall be conducted in Houston, Texas.

9. **Additional Covenants**

9.1 Operations Prior to Closing. After the date of this Agreement and prior to the Closing, as to any of the Assets operated by Seller, Seller shall use, operate and maintain the Assets in substantially the same manner in which they have been used, operated and maintained prior to this Agreement. During the period from the Effective Time until Closing, Seller shall have no liability to Buyer for Claims sustained or liabilities incurred with respect to the Assets, **REGARDLESS OF THE SOLE, JOINT, CONCURRENT OR COMPARATIVE NEGLIGENCE (BUT NOT SELLER'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), STRICT LIABILITY, REGULATORY LIABILITY, STATUTORY LIABILITY, BREACH OF CONTRACT, BREACH OF WARRANTY, OR OTHER FAULT OR RESPONSIBILITY OF SELLER OR ANY OTHER PERSON OR PARTY**. After the date hereof and prior to Closing, Seller may (without Buyer's consent) enter into agreements or transactions in relation to the Assets which (a) individually involve a fair market value of less than \$25,000, and which are consistent with past practices of Seller during the preceding calendar year, and (b) are entered into in the ordinary course of business, consistent with past practices. With Closing, Seller is relieved of and shall not be obligated for any expenditures attributable to periods after the Effective Time, and shall recover any such charges and expenses as part of the Closing Statement and Final Settlement Statement adjustments, as appropriate. Except with respect to those matters described above, if any material expenditure, contract or agreement is proposed or contemplated, Seller shall submit such proposal to Buyer for concurrence with Seller's recommendation. Buyer will make any required election under its independent evaluation and shall assume the cost and risk of any consequences which arise as a

result of Buyer's election to participate or Buyer's failure to timely elect or election to not participate in or not approve an operation and not pay such expenditure, without regard to whether Closing occurs. Additionally, after the execution of this Agreement and prior to Closing, Seller shall have the right to make any changes, repairs or modifications to the Assets, and incur any related expenditure deemed necessary by Seller, to prevent or react to an emergency involving serious risk of loss of or damage to life, property, or the environment. With regard to the preceding sentence, Seller shall notify Buyer as soon as possible of the emergency and Seller's response thereto and shall have the right to cause or effect such expenditure or action with or without Buyer's approval, and recover such costs in the Closing Statement or Final Settlement Statement adjustments, as appropriate. Prior to Closing, Seller shall (i) consult with and advise Buyer regarding all material matters concerning the operation, management, and administration of the Assets; and (ii) obtain Buyer's written approval before voting under any operating, unit, joint venture, or similar agreement. Furthermore, Seller will not, without the prior written consent of Buyer, (x) enter into any agreement or arrangement transferring, selling, or encumbering any of the Assets; (y) grant any preferential or other similar right to purchase any of the Assets; or (z) enter into any new production sales contract extending beyond the Closing Date and not terminable on thirty (30) days' notice or less. Promptly after execution of this Agreement, Seller shall notify the holders of the Consents of the transactions contemplated herein and request their consent. Buyer shall have the right to review and approve the form of such notices, such approval not to be unreasonably withheld. Buyer and Seller each agree to reasonably cooperate with efforts to obtain such required consents.

#### 9.2 Preferential Rights to Purchase; Consents.

- (a) Notice. Promptly after execution of this Agreement, Seller shall use the Allocated Values set forth on Schedule 2.3 to provide each required Preferential Right notification.
- (b) Third Party Exercise. If a third party gives valid notice of its exercise of a Preferential Right to purchase any of the Assets, the affected Assets will not be sold to Buyer and the Purchase Price will be adjusted by the Allocated Value of the affected Assets. If Buyer has allocated a positive Allocated Value to the Preferential Right Asset, the Purchase Price will be reduced by the dollar amount of the positive allocation. If Buyer has allocated a negative Allocated Value to the Preferential Right Asset, the Purchase Price will be increased by the absolute value of the negative allocation. Buyer remains obligated to purchase the remainder of the Assets not affected by exercised Preferential Rights without reduction to the Purchase Price in accordance with the terms of this Agreement.
- (c) Third Party Failure to Purchase. If a third party gives notice of its intent to exercise a Preferential Right any of the Assets, but does not close the purchase for any reason either before or within a reasonable time after Closing, then there shall promptly be an additional Closing between Seller and Buyer for such portion of the Assets pursuant to the terms of this Agreement, by which Seller will transfer the affected portion of the Assets to Buyer and Buyer will pay Seller that portion of the Purchase Price

attributable thereto (or in the case of a negative allocation, Seller will refund the absolute value of the negative amount to Buyer) (in each case subject to adjustment in accordance with Section 2.4).

- (d) Consents. Promptly after execution of this Agreement, Seller shall request consents from each holder of a consent right applicable to the transactions contemplated herein. Seller and Buyer shall reasonably cooperate on the form of the consent request and on efforts to obtain such consent. If the holder of a required consent right withholds its consent to the transactions contemplated herein, then, unless waived by Buyer, the affected Asset(s) will not be sold to Buyer and the Purchase Price will be adjusted by the Allocated Value of the affected Assets. If Buyer has allocated a positive Allocated Value to the affected Asset, the Purchase Price will be reduced by the dollar amount of the positive allocation. If Buyer has allocated a negative Allocated Value to the affected Asset, the Purchase Price will be increased by the absolute value of the negative allocation.

9.3 Successor Operator. Buyer acknowledges and agrees that Seller cannot and does not covenant or warrant that Buyer shall become successor operator of the Assets or portions thereof which Seller may presently operate, since same may be subject to unit, pooling, communitization or operating agreements or other agreements which control the appointment of a successor operator. Seller agrees, however, that, where it will, in the opinion of Seller, facilitate the appointment of a successor operator, and will, in a prudent manner, resign as operator of the Assets it operates before or after Closing.

#### 9.4 Financial Information.

- (a) Prior to and following Closing, Seller shall use its reasonable best efforts to cause its accountants, counsel, agents and other third parties to cooperate with Buyer and its representatives in connection with the preparation by Buyer of financial statements and other financial data relating to the Assets (collectively, the "Financial Statements") that are required to be included in any filing by Buyer or its affiliates with the Securities and Exchange Commission.
- (b) Prior to and following Closing, Seller shall give Buyer and its representatives reasonable access during normal business hours to the Assets, Records, and other financial data necessary for the preparation of the Financial Statements. If requested, Seller shall execute and deliver to the external audit firm that audits the Financial Statements (the "Audit Firm") such representation letters, in form and substance customary for representation letters provided to external audit firms by management of the company whose financial statements are the subject of an audit or are the subject of a review pursuant to Statement of Accounting Standards 100 (Interim Financial Information), as may be reasonably requested by the Audit Firm, with respect to the Financial Statements, including, as requested, representations regarding internal accounting controls and

disclosure controls. As used in this Section 9.4, the term “Records” means all ledgers, books, records, data, files, and accounting and financial records, in each case to the extent related primarily to the Assets, or used or held for use primarily in connection with the maintenance or operation thereof.

9.5 Compliance. From and after Closing, Buyer shall comply with contracts, agreements, Leases and applicable laws, ordinances, rules and regulations and shall promptly obtain and maintain all permits required by public authorities in connection with the Assets purchased.

10. **Closing, Termination and Final Adjustments**

10.1 Conditions Precedent. Each party’s obligation to consummate the transactions contemplated by this Agreement is subject to the satisfaction of the following:

- (a) The obligations of Seller to consummate the transactions provided for herein are subject, at the option of Seller, to the fulfillment on or prior to the Closing Date of each of the following conditions:
  - (i) The representations and warranties of Buyer herein contained shall be true and correct in all material respects on the Closing Date (except that those representations and warranties of Buyer that are qualified by materiality shall be true and correct in all respects), as though made on and as of such date, except that representations which by their terms are made as of a specified date shall be true and correct as of the date so specified, and Buyer shall have delivered to Seller a certificate, dated as of the Closing Date, to that effect.
  - (ii) Buyer shall have performed and complied in all material respects with the duties, obligations and covenants under this Agreement required to be performed or complied with by it at or prior to Closing, and Buyer shall have delivered to Seller a certificate, dated as of the Closing Date, to that effect.
  - (iii) No suit, action or other proceeding shall be pending or threatened that seeks to, or could reasonably result in a judicial order, judgment or decree that would, restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement, other than an action or proceeding instituted or threatened by Seller or any of its affiliates.
  - (iv) Buyer shall have delivered to Seller either: (A) copies of any bonds covering the Assets required under any laws, rules or regulations of any federal, state or local Governmental Authority having jurisdiction over the Assets, to replace Seller’s existing bonds covering the Assets shown on Schedule 10.1(a)(vi); or (B) a commitment by a surety company, satisfactory to Seller, to issue such replacement bonds for Buyer upon Closing.

- (v) The aggregate of all adjustments to the Purchase Price for Environmental Defects, Title Defects, Preferential Rights exercised by third parties, unobtained consents, and Casualty Losses shall not exceed fifteen percent (15 %) of the Purchase Price.
- (b) 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:
  - (i) The representations and warranties of Seller herein contained shall be true and correct in all material respects on the Closing Date (except that those representations and warranties of Seller that are qualified by materiality shall be true and correct in all respects), as though made on and as of such date, except representations that by their terms are made as of a specified date shall be true and correct as of the date so specified and Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, to that effect.
  - (ii) Seller shall have performed and complied in all material respects with the duties, obligations and covenants under this Agreement required to be performed or complied with by it at or prior to Closing, and Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, to that effect.
  - (iii) No suit, action or other proceeding shall be pending or threatened that seeks to, or could reasonably result in a judicial order, judgment or decree that would, restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement, other than an action or proceeding instituted or threatened by Buyer or any of its affiliates.
  - (iv) The aggregate of all adjustments to the Purchase Price for Environmental Defects, Title Defects, Preferential Rights exercised by third parties, unobtained consents, and Casualty Losses shall not exceed fifteen percent (15%) of the Purchase Price.

10.2 Closing. The closing of the transactions contemplated herein and the transfer of the Assets ("Closing") shall occur on September 21, 2007 at the offices of Seller, 110 West 7th, Suite 1300, Tulsa, OK 74119, at 10:00 a.m., local time, or on such other date or time, or at such other place, as Seller and Buyer may agree in writing (the "Closing Date"). At Closing, the following shall occur:

- (a) Buyer and Seller shall execute and acknowledge an Assignment and Bill of Sale in substantially the form of Exhibit "C";

- (b) Buyer and Seller shall execute and acknowledge, if appropriate, any such other assignments, bills of sale, deeds, or other instruments as are reasonably necessary to effectuate the transfer, sale or conveyance of the Assets to Buyer, including without limitation and to the extent required, separate assignments of the Assets on officially approved forms in sufficient counterparts to satisfy applicable statutory and regulatory requirements for the transfer of the Assets;
- (c) To the extent permitted by law or contract, Seller and Buyer shall execute and deliver at Closing the requisite number of change of operator forms or other designation of operator forms and any other necessary forms as may be required by any Governmental Authority;
- (d) At the Closing, upon and against delivery of the Assignment and other instruments described in this Section 10.2, (i) Buyer and Seller shall direct the Escrow Agent to deliver the Deposit, together with any earnings thereon, to Seller; and (ii) Buyer shall pay the Adjusted Purchase Price, less the amounts paid by the Escrow Agent to Seller pursuant to Section 10.2(d)(i), above, to Seller by bank wire, as designated in advance by Seller under Section 2.2.
- (e) On or before Closing, Seller shall, where Buyer is to become operator, supply Buyer with an appropriate governmental form as required by the governmental agency, board or commission having jurisdiction and authority to change the name of operator from Seller to Buyer, for each Seller-operated Well (whether dry, inactive, injector or producing), Lease or any other well or facility or Personal Property, as may be required or defined by said agency, board or commission located on the premises that form a part of the subject matter of this Agreement. All such forms shall be executed by Buyer and/or Seller as may be required prior to or during Closing. Buyer shall be solely responsible for any fee as may be required by such governmental agency, board or commission and, at the parties' option, shall either deliver its check payable to the governmental agency, board or commission to Seller at Closing or credit this fee amount to Seller in the Final Settlement Statement. Seller shall mail the completed form and fee to the proper governmental agency, board or commission after Closing;
- (f) Buyer and Seller shall execute and deliver to Buyer letters-in-lieu or transfer orders, and immediately after Closing, Buyer shall notify all pertinent operators, non-operators, oil or gas purchasers, governmental agencies and royalty owners that it has purchased the Assets, and the Effective Time of such acquisition.
- (g) Seller shall deliver to Buyer a certificate pursuant to Internal Revenue Code Section 1445, in the form of Exhibit "F", certifying that Seller is not a foreign person.

- (h) Seller shall execute and deliver a clearance certificate or similar document reasonably requested by the Buyer which may be required by any state or local taxing authority in order to relieve the Buyer of any obligation to withhold any portion of the Adjusted Purchase Price.
- (i) Seller and Buyer shall execute and deliver a Transition Services Agreement substantially in the form of Exhibit "E" attached hereto.

10.3 Termination. This Agreement and the transactions contemplated hereby may be terminated in the following instances:

- (a) By Buyer or Seller in accordance with Section 6.8, Section 7.6 or Section 12.3;
- (b) By Seller if any condition set forth in Section 10.1(a) has not been satisfied or waived by Seller by the Closing Date; provided that Seller is not in material breach of this Agreement;
- (c) By Buyer if any condition set forth in Section 10.1(b) has not been satisfied or waived by Buyer by the Closing Date; provided that Buyer is not in material breach of this Agreement; or
- (d) By mutual written agreement of Buyer and Seller.

If Buyer, through no fault of Seller, fails, refuses, or is unable for any reason not permitted by this Agreement to close the sale pursuant hereto, the Deposit shall, except as otherwise provided herein, be disbursed from the Escrow Account to Seller and Seller may, at its option, either assert its right of specific performance or pursue any other rights or remedies to which it may be entitled, at law or in equity. If Seller, through no fault of Buyer, fails, refuses, or is unable for any reason not permitted by this Agreement to close the sale pursuant hereto, the Deposit shall, except as otherwise provided herein, be disbursed from the Escrow Account to Buyer and Buyer may, at its option, pursue any rights or remedies to which it may be entitled, at law or in equity. Notwithstanding the foregoing, if this Agreement is terminated by either Buyer or Seller under Section 10.3(a), by Seller under Section 10.3(b) due to the failure of a condition to Closing set out in Sections 10.1(a)(iii) or (v), by Buyer under Section 10.3(c) or by mutual agreement of Buyer and Seller under Section 10.3(d), the Deposit shall be disbursed from the Escrow Account to Buyer and neither party shall have any further liability whatsoever to the other party pursuant to this Agreement.

10.4 Final Adjustments. Within one hundred twenty (120) days after the date of Closing, Buyer shall prepare, in consultation with Seller, a Final Settlement Statement, acting reasonably and in good faith (the "Final Settlement Statement"), setting forth (i) the final adjustments to the Purchase Price provided in Section 2.4 and (ii) any other adjustments arising pursuant to this Agreement. Seller may set off any resulting amount due to Buyer against any amount or sum that Buyer may otherwise owe to Seller under the terms of this Agreement. Buyer shall submit the Final Settlement Statement to Seller, along with copies of third party vendor invoices in excess of \$10,000.00 each, or other evidence of expenses agreed to by Buyer and Seller. Seller shall respond in writing with objections and proposed corrections within thirty

(30) days of receiving the Final Settlement Statement. If Seller does not respond to the Final Settlement Statement by signing or objecting in writing within such thirty (30) day period, the statement will be deemed approved by Seller and final and binding between the parties. After approval of the Final Settlement Statement, Buyer or Seller will send a check or invoice to Seller or Buyer, as the case may be, for the net amount reflected therein as owed by such party. If Buyer and Seller are unable to agree to all adjustments within thirty (30) days after Seller's written objection to the Final Settlement Statement submitted by Buyer, adjustments which are not in dispute shall be paid by Buyer or Seller, as the case may be, at the expiration of such thirty day period and either party may submit such disagreement to an Independent Expert selected in the manner provided in Section 8 for resolution.

## 11. **Disputes**

11.1 **Arbitration**. In case of a dispute, controversy or Claim arising out of, relating to or in connection with this Agreement, including any dispute regarding its validity or termination, but excluding any matters as to which an Independent Expert has been selected, Seller and Buyer shall attempt in good faith to agree upon the rights of the respective parties with respect to each such Claim within forty-five (45) days of receipt of notice of such Claim. If the applicable parties should so agree, a memorandum setting forth such agreement shall be prepared and signed by such parties.

If no such agreement can be reached after good faith negotiation lasting not longer than forty-five (45) days after the receipt of notice of such claim, any of the applicable parties may demand binding arbitration of the matter unless the amount of the damage or loss is at issue in pending litigation with a third party, in which event arbitration shall not be commenced until such amount is ascertained or both parties agree to arbitration. If the amount in dispute is less than Five Million Dollars (\$5,000,000) the Arbitration shall be administered by AAA and shall be conducted by one neutral arbitrator. If the amount in dispute is equal to or greater than Five Million Dollars (\$5,000,000) the Arbitration shall be administered by AAA and shall be conducted by three neutral arbitrators. The arbitrators, whether one or three, shall be selected jointly by Seller and Buyer from a list of arbitrators provided by the AAA having experience in the area of oil and gas asset acquisitions. If the parties are unable or fail to agree upon an arbitrator or arbitrators, the arbitrator(s) shall be selected by the AAA. The arbitrator(s) shall set a limited time period and establish procedures designed to reduce the cost and time for discovery while allowing the parties an opportunity, adequate in the sole judgment of the arbitrator(s), to discover relevant information from the opposing parties about the subject matter of the dispute. Any dispute regarding discovery, or the relevance or scope thereof, shall be determined by arbitration and shall be governed by the Federal Rules of Civil Procedure. The decision of the arbitrator(s) as to the validity and amount of any claim shall be made in accordance with the terms of this Agreement and shall be binding and conclusive upon the parties to this Agreement. The award by the arbitrator(s) shall be in writing, shall be signed by the arbitrator(s) and shall include a statement of written findings of fact and conclusions regarding the reasons for the disposition of any claim. In no event shall the arbitration award exceed the maximum amount in dispute, plus Costs and fees.

Judgment upon any award rendered by the arbitrator may be entered in any court having jurisdiction. Any such arbitration shall be held in Houston, Texas under the Commercial



Arbitration Rules then in effect of the AAA. The arbitrator shall designate which party is the prevailing party in the dispute, taking into account, among other factors, the amount in dispute and the amount of the award. The non-prevailing party shall pay all costs and fees associated with the arbitration. In the event there is no prevailing party, then the parties shall share costs and fees equally. “Costs and fees” for purposes of this subsection mean all reasonable pre-award expenses of the arbitration, including the arbitrator’s fees, administrative fees, travel expenses, out of pocket expenses such as copying and telephone, witness fees and reasonable attorneys’ fees.

By agreeing to arbitration, the parties do not intend to deprive any court with jurisdiction of its ability to issue a preliminary injunction, attachment or other form of provisional remedy in aid of the arbitration and a request of such provisional remedies by a party to a court shall not be deemed a waiver of the agreement to arbitrate.

## 12. Miscellaneous

12.1 Oil, Gas and End Product Imbalances. Regardless of whether Seller is overproduced or underproduced as to its share of total oil, condensate, gas or end product production, any balancing obligation or credit arising from such over or underproduction, and any pipeline imbalance, in each case determined as of the Effective Time (an “Imbalance”) shall transfer to Buyer as of the Effective Time, and Seller shall have no further liability therefor nor benefit therefrom (whichever the case may be) as of the Effective Time. If Seller is a party to a gas balancing agreement(s) or other reconciliation obligations pursuant to any commingling authority covering all or a portion of the Assets, Buyer shall assume all rights and duties of Seller pursuant thereto. If any of the Assets are not covered by a gas balancing agreement or other reconciliation obligations pursuant to any commingling authority, Buyer shall fulfill its obligations under this provision in accordance with applicable law. Buyer agrees to indemnify, defend and hold Seller and Seller Parties harmless against any and all Claims arising directly or indirectly out of Buyer’s failure to fulfill its obligation under this provision. Buyer and Seller will settle all Imbalances as between themselves using a settlement price as set forth on Schedule 2.4(a)(ii).

12.2 Insurance. With regard to any Seller-operated properties:

- (a) Seller and Buyer acknowledge that insurance coverage for the Assets and the operations in which the Assets have been used has been provided, in part, under insurance programs arranged and maintained by Seller for itself and, if applicable, its subsidiaries and affiliates (such policies are herein called “Seller Policies”).
- (b) Seller agrees that during the period between the date of this Agreement and the Closing Date, Seller shall maintain insurance with respect to the Assets with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as are customarily carried by reasonable, prudent operators of similar properties.

- (c) Seller and Buyer agree that, as of the Closing Date, all of the Seller Policies shall cease to apply to the Assets and the operations in which the Assets are used and that Buyer shall make no claims under the Seller Policies with respect to any matter whatsoever, whether arising before or after the Closing Date.
- (d) In the event that any Claim is hereafter made under or with respect to any of the Seller Policies by Buyer or any of its affiliates, but not an unrelated third party, Buyer shall indemnify and defend Seller and Seller Parties against and shall hold them harmless from such Claim and all costs and expenses (including, without limitation, attorney's fees and court costs) related thereto.

12.3 Casualty Loss of Assets. If, prior to Closing, a portion of the Assets is damaged or destroyed by a Casualty Loss, Seller may at its sole option, prior to Closing, repair the damage at its cost or reduce the Purchase Price by the amount of the damage, or if Buyer agrees, withdraw the damaged Asset from the sale and reduce the Purchase Price by the Allocated Value thereof. Should Buyer and Seller not agree as to the amount of such price reduction such dispute shall be submitted to the Independent Expert for determination. If the amount of the damage exceeds ten percent (10%) of the Purchase Price, this Agreement may be terminated by either party. The term "Casualty Loss" shall mean physical damage to an Asset that (a) occurs between execution of this Agreement and Closing, (b) is not the result of normal wear and tear, mechanical failure or gradual structural deterioration of materials, equipment and infrastructure, reservoir changes, or downhole failure (including, without limitation, downhole failure arising or occurring during drilling or completing operations, junked or lost holes or sidetracking or deviating a well); and (c) exceeds Fifty Thousand Dollars (\$50,000) in value.

12.4 Books and Records. Seller shall deliver to Buyer at Closing or within a reasonable time thereafter the Records.

12.5 Publicity. Seller and Buyer shall consult with each other with regard to all press releases or other public or private announcements made concerning this Agreement or the transactions contemplated hereby, and except as may be required by applicable laws or the applicable rules and regulations of any governmental agency or stock exchange, neither Buyer nor Seller shall issue any such press release or other publicity without the prior written consent of the other party, which shall not be unreasonably withheld. Except as may be required by applicable laws or the applicable rules and regulations of any governmental agency or stock exchange, no such press release shall include any reserve estimates.

12.6 Assignment. Prior to Closing, Buyer may not assign any rights acquired hereunder or delegate any duties assumed hereunder without the prior written consent of Seller or its respective successors and assigns; provided, however, that Buyer may assign this Agreement to any wholly owned subsidiary; and any such transfer, assignment, sublease or delegation without Seller's consent shall be null and void, *ab initio*. Notwithstanding such assignment, Constellation Energy Partners LLC shall remain responsible to Seller for all obligations and liabilities of Buyer under this Agreement; provided, however, that if Buyer assigns this Agreement to CEP Mid-Continent LLC and CEP Mid-Continent LLC assumes all obligations hereunder, Constellation Energy Partners LLC shall remain responsible to Seller for all obligations and liabilities of Buyer under this Agreement only until Closing has occurred.

12.7 Entire Agreement. This Agreement constitutes the entire agreement between Seller and Buyer with respect to the transactions contemplated herein, and supersedes all prior oral or written agreements, commitments, and understandings between the parties. No amendment shall be binding unless in writing and signed by both parties. Headings used in this Agreement are only for convenience of reference and shall not be used to define the meaning of any provision. This Agreement is for the benefit of Seller and Buyer and their respective successors, representatives, and assigns and not for the benefit of third parties.

12.8 Notices. All notices and consents to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered either by personal delivery, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the parties hereto at the following addresses:

If to Seller:  
Newfield Exploration Mid-Continent Inc.  
110 West 7th, Suite 1300  
Tulsa, Oklahoma 74119  
Attention: Eric Hillerman  
Telephone No.: 918-732-1724  
Fax No.: 918-732-1783

If to Buyer:  
Constellation Energy Partners LLC  
One Allen Center  
500 Dallas Street, Suite 3300  
Houston, Texas 77002  
Attention: Lisa Mellencamp  
Telephone No.: 713-369-3900  
Fax No.: 713-344-2901

or at such other address and number as either party shall have previously designated by written notice given to the other party in the manner herein above set forth. Notices shall be deemed given when received, if sent by facsimile (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if either hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.

12.9 Governing Law. This Agreement shall be governed by the laws of the State of Texas, without giving effect to any principles of conflicts of law. The validity of the conveyances affecting the title to real property shall be governed by and construed in accordance with the laws of the jurisdiction in which such property is situated. The provisions contained in such conveyances and the remedies available because of a breach of such provisions shall be governed by and construed in accordance with the laws of the State of Texas, without giving effect to the principles of conflict of laws.

12.10 Confidentiality. Buyer agrees that all information furnished or disclosed by Seller or acquired by Buyer in connection with the sale of the Assets shall remain confidential prior to Closing. Buyer may disclose such information only to its subsidiaries or affiliates, agents, advisors, counsel or representatives (herein "Representatives") who have agreed, prior to being given access to such information, to maintain the confidentiality thereof. In the event that Closing of the transactions contemplated by this Agreement does not occur for any reason, Buyer

agrees that all information furnished or disclosed by Seller or acquired by Buyer in connection with the inspection, testing, inventory or sale of the Assets shall remain confidential, with Seller a third party beneficiary of any privilege held by Buyer. Buyer and its Representatives shall promptly return to Seller any and all materials and information furnished or disclosed by Seller relating in any way to the Assets, including any notes, summaries, compilations, analyses or other material derived from the inspection or evaluation of such material and information, without retaining copies thereof and destroy any information relating to the Assets and independently acquired by Buyer. In the event of any conflict between this Section 12.10 and any other confidentiality agreement affecting Buyer and Seller, this Section 12.10 shall control.

12.11 Survival of Certain Obligations. Except as expressly provided otherwise in this Agreement, waivers, disclaimers, releases, representations, warranties and continuing obligations of Buyer, and all obligations of either party for indemnity and defense contained in this Agreement shall survive the execution and delivery of the Assignment and the Closing.

12.12 Further Cooperation. After the Closing, each party shall execute, acknowledge, and deliver all documents, and take all such acts which from time to time may be reasonably requested by the other party in order to carry out the purposes and intent of this Agreement.

12.13 Counterparts. This Agreement may be executed in one or more counterparts with the same effect as if all signatures of the parties hereto were on the same document, but in such event each counterpart shall constitute an original, and all of such counterparts shall constitute one Agreement; but in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by each party.

12.14 Exhibits and Schedules. All of the Exhibits and Schedules referred to in this Agreement are hereby incorporated into this Agreement by reference and constitute a part of this Agreement. To the extent there is a conflict between the language in an Exhibit or Schedule and this Agreement, this Agreement shall control.

12.15 Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, all other conditions and provisions of the Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby are not affected in any materially adverse manner to the other party.

12.16 Expenses, Post-Closing Consents and Recording. Notwithstanding other provisions of this Agreement, Buyer shall be responsible for the filing and recording of the Assignment(s), conveyances or other instruments required to convey title to the Assets to Buyer in the appropriate federal, state and local records, and all required documentary, filing and recording fees and expenses incurred in connection therewith. Buyer shall supply Seller with a true and accurate photocopy of all the recorded and filed Assignment(s) within a reasonable period of time after such are available. Buyer shall be responsible for timely obtaining all consents and approvals of Governmental Authorities customarily obtained subsequent to transfer of title and all costs and fees associated therewith. Except as otherwise specifically provided, all fees, costs and expenses incurred by Buyer or Seller in negotiating this Agreement or in consummating the transactions contemplated by this Agreement shall be paid by the party incurring the same, including, without limitation, legal and accounting fees, costs and expenses.

12.17 Removal of Signs and Markers. Seller may either remove its name and signs from the Seller-operated Wells, facilities and Personal Property or require Buyer, at Buyer's cost, to do so for those Assets that Buyer will operate. If Seller's name or signs remain on the Assets after Seller ceases to be operator and Buyer has become operator, Buyer shall (a) remove any remaining signs and references to Seller within ninety (90) days after Seller ceases to be operator or such earlier time as may be required by applicable regulations, (b) install signs complying with applicable governmental regulations, including signs showing Buyer as operator of the Assets it operates, and (c) upon Seller's request after Closing, notify Seller of the removal and installation. Seller reserves a right of access to the Assets for a period of 120 days after it ceases to be operator to remove its signs and name from all Wells, facilities and Personal Property, or to confirm that Buyer has done so for the Assets operated by Buyer.

12.18 CONSPICUOUSNESS/EXPRESS NEGLIGENCE. THE DEFENSE, INDEMNIFICATION AND HOLD HARMLESS PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE DAMAGES, LOSSES, INJURIES, LIABILITIES, COSTS OR EXPENSES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE OR CONCURRENT NEGLIGENCE, STRICT LIABILITY, BREACH OF DUTY (STATUTORY OR OTHERWISE), OR OTHER FAULT OF ANY INDEMNIFIED PARTY, OR FROM ANY PRE-EXISTING DEFECT, EXCEPT TO THE EXTENT CAUSED BY THE INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT. BUYER AND SELLER ACKNOWLEDGE THAT THIS STATEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE RULE AND IS CONSPICUOUS.

12.19 Waiver of Certain Damages; Limitation on Seller's Indemnity. Each party irrevocably waives and agrees not to seek indirect, consequential, punitive or exemplary damages of any kind in connection with any dispute arising out of or related to this Agreement or the breach hereof. For the avoidance of doubt, this Section 12.19 does not diminish or otherwise affect the parties' rights and obligations to be indemnified against, and provide indemnity for, indirect, consequential, punitive or exemplary damages awarded to any third party for which indemnification is provided in this Agreement or Seller's right to receive liquidated damages, including the Deposit pursuant to the provisions of Section 10.3.

12.20 1031 Exchange.

- (a) Seller reserves the right, at or prior to Closing, to assign its rights under this Agreement with respect to all or a portion of the Purchase Price, and that portion of the Assets associated therewith ("1031 Interests"), to a Qualified Intermediary ("QI") (as that term is defined in Section 1.1031(k)-l(g)(4)(v) of the Treasury Regulations) designated by Seller to accomplish Closing, in whole or in part, in a manner that will comply with the requirements of a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code of 1986, as amended ("Like-Kind Exchange"). If Seller so elects, Seller may assign its rights under this Agreement to the

1031 Interests to the QI. Buyer hereby (i) consents to Seller's assignment of its rights in this Agreement with respect to the 1031 Interests and (ii) if such assignment is made, agrees to pay all or a portion of the Purchase Price into the qualified trust account at Closing as directed in writing by Seller. Seller and Buyer acknowledge and agree that a whole or partial assignment of this Agreement to a QI shall not release either of them from any of their respective liabilities and obligations to each other or expand any such respective liabilities or obligations under this Agreement. Neither party hereto represents to the other that any particular tax treatment will be given to either party hereto as a result of such Like-Kind Exchange. Buyer shall cooperate to the extent reasonably requested by Seller in connection with such Like-Kind Exchange but shall not be obligated to pay any additional costs or incur any additional obligations as a result thereof.

- (b) Buyer shall have the right to request that Seller assign all or any portion of the Assets to a QI designated by Buyer in order for such QI to effect a Like-Kind Exchange for Buyer with respect to such Assets and other interests. Such assignment of such Assets shall not release either party hereto from any of their respective liabilities and obligations to each other or expand any such respective liabilities or obligations under this Agreement. Neither party hereto represents to the other that any particular tax treatment will be given to either Party as a result of such Like-Kind Exchange. Seller shall cooperate to the extent reasonably requested by Buyer in connection with the assignment of such Assets to effect such Like-Kind Exchange but shall not be obligated to pay any additional costs or incur any additional obligations as a result thereof.

EXECUTED as of the date first above written.

**SELLER:**

Newfield Exploration Mid-Continent Inc.

By: /s/ Samuel E. Langford

Name: Samuel E. Langford

Title: Manager, Commercial Development

**BUYER:**

Constellation Energy Partners LLC

By: /s/ Angela A. Minas

Name: Angela A. Minas

Title: Chief Financial Officer

**NOMINEE AGREEMENT**

This Nominee Agreement ("**Agreement**"), dated as of the 21st day of September, 2007, is by and between Newfield Exploration Mid-Continent Inc., a Delaware corporation ("**Nominee**") and CEP Mid-Continent LLC, a Delaware limited liability company ("**Owner**"). Nominee and Owner are sometimes individually referred to herein as a "**Party**" and collectively as the "**Parties**". Capitalized terms used herein and not otherwise defined herein have the meanings provided in that certain Purchase and Sale Agreement, dated August 2, 2007, between Nominee, as Seller, and Constellation Energy Partners LLC ("**CEP**"), as Buyer (the "**Purchase and Sale Agreement**").

**WITNESSETH**

WHEREAS, pursuant to the Purchase and Sale Agreement, Nominee agreed to sell, and CEP agreed to purchase, certain oil and gas properties located in Oklahoma; and

WHEREAS, CEP assigned all of its right, title and interest in, to and under the Purchase and Sale Agreement to Owner; and

WHEREAS, Owner desires that, subject to the terms hereof, Nominee shall hold legal title for the benefit of Owner to the interests to be acquired by Owner pursuant to the Purchase and Sale Agreement in those certain oil and gas leases and related assets more particularly described in Exhibit A attached hereto (the "**Designated Properties**"); and

WHEREAS, Nominee is willing to hold record title to the Designated Properties for the benefit of Owner, subject to and in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the mutual covenants herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Nominee hereby agree as follows:

1. **Designation of Nominee**. Effective upon Closing under (and as defined in) the Purchase and Sale Agreement, Owner hereby designates and appoints Nominee as its agent and nominee for the purpose of holding title to the Designated Properties for the benefit of Owner and thereafter acting with respect to the Designated Properties solely pursuant to Owner's specific authorization, and Nominee hereby accepts such designation and appointment.

2. **Administration of Designated Properties**. The authority granted to Nominee in this Agreement does not permit Nominee to exercise any discretion whatsoever in the administration of the Designated Properties, but is intended to provide solely for the Nominee to hold title to the Designated Properties for the benefit of Owner. Owner hereby authorizes Nominee to execute in Nominee's own name only such division orders, operating agreements, unitization agreements, marketing contracts, releases, reassignments, consents, notices and other documents or instruments which shall from time to time have been approved in writing by Owner, it being agreed that Nominee is expressly authorized by Owner to perform such services as are authorized in that certain Transition Services Agreement between Nominee and Owner of even date herewith (the "**TSA**"). Nominee shall not pledge, hypothecate, encumber, transfer, assign,



or otherwise dispose of any Designated Property without specific written authorization of Owner. Nominee will act promptly upon any specific written authorization from Owner. Except as may be otherwise provided in the TSA, as between Nominee and Owner, Owner shall be responsible for the day to day operation of the Designated Properties and, to the extent that Nominee may be designated as an operator under an operating agreement covering any of the Designated Properties, Nominee shall designate Owner to conduct operations on Nominee's behalf, and Owner shall accept such designation.

3. Reliance by Third Parties. Nominee's execution of any instrument relating to a Designated Property shall bind Owner as fully and effectively as if Owner had executed, acknowledged and delivered any such instrument. Such execution by Nominee shall be deemed prima facie evidence of due authorization to execute and deliver such instrument on behalf of Owner, and all persons dealing with Nominee may fully rely on all statements, representations, or other acts taken by Nominee in connection with the Designated Properties as being fully and duly authorized to be made or taken on behalf of Owner.

4. Proceeds. Promptly upon Nominee's receipt of any proceeds from the sale or other disposition of oil, gas or other minerals produced and saved from the Designated Properties (which shall be sold solely under sale agreements or marketing arrangements that Owner shall have authorized) or any other proceeds otherwise attributable to the Designated Properties, Nominee will transmit such proceeds to Owner, without offset or deduction by Nominee of any kind, accompanied by such statements or other documentation received by Nominee from third parties with respect thereto.

5. Documentation. Nominee will promptly transmit to Owner all documents, instruments and correspondence received by Nominee from any party (other than Owner) relating to or in respect of the Designated Properties. Nominee will maintain accurate and complete files and records with respect to all correspondence, authorizations, notices, instructions, elections, consents, agreements and other actions taken by it with respect to the Designated Properties, including maintaining originals, where available, or copies, of all assignments, agreements, or other instruments entered into or delivered to Nominee with respect to the Designated Properties.

6. Confidentiality. With respect to all non-public information regarding the Designated Properties obtained by Nominee in connection with its performance of its duties hereunder, Nominee shall take such normal and reasonable precautions as may be necessary to keep such information confidential, except that disclosure of information may be made (i) to the extent deemed necessary or desirable by Nominee, in its reasonable judgment, to perform the duties contemplated hereunder; (ii) to the extent expressly permitted by Owner; (iii) as required by applicable law; and (iv) to the extent such information becomes public through no fault of Nominee.

7. Expenses. Owner agrees to reimburse Nominee for all reasonable out-of-pocket expenses incurred by Nominee in connection with its performance of its obligations under this Agreement.

8. Payment Obligations. Nominee shall in no event have any obligation to advance any funds on behalf of the Owner with respect to the Designated Properties. Without limiting the generality of the foregoing, all rentals, royalties and other payments and obligations with respect

to the Designated Properties, including, without limitation, cash calls and other obligations arising under applicable joint operating agreements or similar agreements now existing or hereafter entered into relating to the Designated Properties shall be Owner's obligation and shall be paid directly by Owner to the respective parties designated to receive such payment (or to the depository or agent designated by such obligee).

9. Limitation on Liability. Nominee shall in good faith use all reasonable efforts to diligently execute the Owner's instructions with respect to the Designated Properties, but absent gross negligence or willful misconduct, Nominee shall have no liability to Owner for any inadvertent error or omission. NOMINEE SHALL NOT BE LIABLE FOR ANY ACT TAKEN IN GOOD FAITH IN RELIANCE ON OWNER'S INSTRUCTIONS WITH RESPECT TO THE DESIGNATED PROPERTIES. This Paragraph shall survive the termination of this Agreement.

10. INDEMNITY. Owner shall defend, indemnify and save and hold Nominee harmless with respect to the Designated Properties as provided in the TSA and Sections 3.3(c) and 7.7 of the Purchase and Sale Agreement; provided, however, that with respect to any Designated Property that is reassigned by Owner to Nominee pursuant to the terms hereof, Owner's obligation pursuant to Sections 3.3(c) and 7.7 of the Purchase and Sale Agreement to defend, protect, indemnify and hold harmless the Seller Parties shall be limited to Claims (including Claims with respect to environmental matters) which accrue or are attributable to periods between the Effective Time and Owner's reassignment of the affected Designated Property to Nominee. This Paragraph shall survive the termination of this Agreement.

11. Consents and Termination. Notwithstanding the provisions of Section 9.2(d) of the Purchase and Sale Agreement to the contrary, Owner and Nominee agree as follows with regard to third party Consents which may be applicable to the transactions contemplated in the Purchase and Sale Agreement and which have not been obtained prior to Closing (the "Outstanding Consents"):

a. Nominee shall use diligent, commercially reasonable efforts to obtain the Outstanding Consents within ninety (90) days after Closing (the "Cure Period"). Owner shall reasonably cooperate with Nominee's efforts to obtain the Outstanding Consents.

b. If within the Cure Period Nominee obtains the Outstanding Consents with respect to one or more of the Designated Properties, Nominee shall promptly execute, acknowledge and deliver to Owner an assignment of legal title thereto, such assignment to be in the form attached as Exhibit C to the Purchase and Sale Agreement. Thereafter, the Designated Properties that are described in such assignment(s) shall no longer be subject to this Agreement. It is agreed that for administrative ease, Nominee may aggregate Designated Properties in one or more assignments, rather than delivering a separate assignment for each Designated Property; provided, however, that Nominee shall promptly deliver assignment(s) to Owner upon Owner's reasonable request, rather than aggregating all such Designated Properties into a single assignment delivered at the end of the Cure Period.

c. In the event Nominee fails to obtain an Outstanding Consent prior to the expiration of the Cure Period, then Owner may promptly reassign its beneficial interest in the

Designated Properties affected thereby to Nominee, free of all liens and encumbrances arising by, through or under Owner. Within five (5) business days after Owner's delivery of such assignment, Nominee shall pay to Owner the Refund Amount, as defined below, with respect to the reassigned Designated Properties, such payment to be made by wire transfer of immediately available funds to an account designated by Owner upon written notice to Nominee, and this Agreement shall automatically terminate.

d. As used herein, the "Refund Amount" means, with respect to an affected Designated Property, the Allocated Value of such Designated Property, as set forth in the Purchase and Sale Agreement, plus the amount of Authorized Capital Expenditures, as defined below, paid by Owner with respect to the affected Designated Property, less the Net Proceeds, as defined below, received by Owner with respect to the affected Designated Property.

e. As used herein, "Net Proceeds" means the proceeds received by Owner from the sale or other disposition of hydrocarbons produced from or attributable to the affected Designated Property, together with any other proceeds received by Owner attributable to the affected Designated Property, less royalties, overriding royalties, severance taxes and other burdens on or measured by production of hydrocarbons from the affected Designated Property paid by or on behalf of Owner, and less operating costs and other costs and expenses paid by Owner in connection with the ownership or operation of the affected Designated Property.

f. In the event Owner desires to make capital expenditures with respect to an Designated Property affected by an Outstanding Consent, Owner shall provide written notice to Nominee of the affected Designated Property, the proposed operation or improvement, and the estimated cost therefor, such notice to include a copy of any applicable Authority for Expenditure ("AFE") for the proposed expense (the "Cap-Ex Notice"). Within five (5) business days after receipt of the Cap-Ex Notice, or within such shorter period as may be necessary to timely respond to a third party proposal, but in no event less than 48 hours, Nominee shall notify Owner whether it approves the proposed capital expenditure. If Nominee approves the proposed expenditure, the expenditure shall be an "Authorized Capital Expenditure" (it being understood and agreed that the AFE or other cost estimate submitted with the Cap-Ex Notice is an estimate only, and Nominee's approval of the capital expenditure shall include amounts incurred in connection with the approved operation which may exceed the estimated amount). If Nominee does not approve the proposed expenditure, then Owner may promptly reassign the affected Designated Property to Nominee, and Nominee shall pay the Refund Amount with respect to the affected Designated Property to Owner as provided in Paragraph 11(c) above.

g. If prior to the expiration of the Cure Period, the holder of an Outstanding Consent threatens claims against any of the Parties arising from the failure to obtain such third party's consent to assignment, then Owner may reassign the Designated Property affected thereby to Nominee, and Nominee shall pay to Owner the Refund Amount with respect to the affected Designated Property, as provided in Paragraph 11(c) above.

12. Notices. All notices hereunder shall be in writing and shall be addressed to the Parties as follows:

If to Nominee:

Newfield Exploration Mid-Continent Inc.  
110 West 7th, Suite 1300  
Tulsa, Oklahoma 74119  
Attention: Eric Hillerman  
Telephone No.: 918-732-1724  
Fax No.: 918-732-1783

If to Owner:

CEP Mid-Continent LLC  
One Allen Center  
500 Dallas Street, Suite 3300  
Houston, Texas 77002  
Attention: Lisa Mellencamp  
Telephone No.: 713-369-3900  
Fax No.: 713-344-2901

or such other address as any Party may designate to the others in writing as its address for notices hereunder. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such notice is transmitted to the facsimile number specified above and the sender receives a confirmation of transmission from the sending facsimile machine, (ii) if given by e-mail, upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, return email, or other written acknowledgment), (iii) if given by mail, prepaid overnight courier or any other means, when received at the applicable address specified above; provided that if any notice or other communication is received after normal business hours, such notice or communication shall be deemed to have been given on the next business day.

13. Miscellaneous Provisions:

a. Waiver. The delay or failure on the part of any Party to insist in any one instance or more upon strict performance of any of the terms or conditions of this Agreement or to exercise any right or privilege herein conferred shall not be construed as a waiver of any such terms, conditions, rights or privileges, nor preclude enforcement of that or any other provision hereof at that or any other time.

b. Entire Agreement. This Agreement constitutes the entire understanding and agreement between Owner and Nominee with respect to the subject matter hereof, and supersedes all prior negotiations, discussions, agreements and understandings relating to the subject matter hereof.

c. Amendment. This Agreement may not be modified, altered or amended except by written instrument duly executed by all of the Parties in writing, and no action or failure to act on the part of any Party hereto shall be construed as a modification or amendment to, or a waiver of, any of the provisions of this Agreement.

d. Severability. Every provision in this Agreement is intended to be severable. If any term, condition, or provision of this Agreement, or any portion thereof, shall ever be held to be void, illegal, invalid or unenforceable by a governmental authority with jurisdiction, then the remainder of this Agreement shall not be affected thereby, and all such other terms, conditions and provisions of this Agreement shall remain valid and enforceable to the fullest extent

permitted by law. It is the intent of the Parties that if any provision is held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible to make such provision legal, valid and enforceable.

e. Governing Law. This Agreement shall be governed and construed under the laws of the State of Texas without giving effect to any conflicts of laws provisions that would direct the application of the laws of another jurisdiction.

f. Further Assurances. Each Party agrees to execute and deliver all such additional documents, instruments and assurances and to perform such additional acts as may be necessary or appropriate to effectuate and perform all of the terms and conditions of this Agreement.

g. No Partnership. The obligations, duties and liabilities of the Parties hereunder shall be several and not joint or collective. Nothing contained herein shall ever be construed as creating a partnership of any kind, joint venture, association, or other kind or character of business entity of any kind among the Parties.

h. Headings. Headings in this Agreement are for convenience only and shall not be given any substantive effect.

i. Successors and Assigns. This Agreement shall be binding upon the Parties and shall inure to their respective successors and assigns. No Party shall assign its rights or obligations under this Agreement without the prior written consent of the other Party hereto, which consent may be withheld at any Party's sole discretion.

j. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same instrument.

***[Signature Page Follows]***

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date first set forth above.

**NOMINEE:**

NEWFIELD EXPLORATION MID-CONTINENT INC.

By: /s/ Sherrell Wilson  
Name: Sherrell Wilson  
Title: Vice-President

**OWNER:**

CEP MID-CONTINENT LLC

By: /s/ Angela A. Minas  
Name: Angela A. Minas  
Title: Chief Financial Officer

**AMENDMENT NO. 3 TO SECOND AMENDED AND RESTATED  
OPERATING AGREEMENT OF  
CONSTELLATION ENERGY PARTNERS LLC**

THIS AMENDMENT NO. 3 TO SECOND AMENDED AND RESTATED LIMITED OPERATING AGREEMENT OF CONSTELLATION ENERGY PARTNERS LLC (this "Amendment"), dated as of September 21, 2007, is entered into and effectuated by the Board of Managers (the "Board") of Constellation Energy Partners LLC, a Delaware limited liability company (the "Company"), pursuant to authority granted to it in Sections 5.5 and 11.1 of the Second Amended and Restated Operating Agreement of the Company, dated as of November 20, 2006 (the "Limited Liability Company Agreement"). Capitalized terms used but not defined herein are used as defined in the Limited Liability Company Agreement.

WHEREAS, Section 5.5(a) of the Limited Liability Company Agreement provides that the Company may issue additional Company Securities for any Company purpose at any time and from time to time for such consideration and on such terms and conditions as the Board shall determine, all without the approval of any Members;

WHEREAS, Section 5.5(b) of the Limited Liability Company Agreement provides that the Company Securities authorized to be issued by the Company pursuant to Section 5.5(a) of the Limited Liability Company Agreement may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Company Securities) as shall be fixed by the Board;

WHEREAS, Section 11.1(c)(vii) of the Limited Liability Company Agreement provides that the Board, without the approval of any Member (subject to the provisions of Section 5.6 of the Limited Liability Company Agreement), may amend any provision of the Limited Liability Company Agreement that the Board determines to be necessary or appropriate in connection with the authorization of issuance of any class or series of Company Securities pursuant to Section 5.5 of the Limited Liability Company Agreement, and the Board has determined that the amendments contemplated hereby are necessary or appropriate in connection therewith;

WHEREAS, Section 11.1(c)(iv) of the Limited Liability Company Agreement provides that the Board, without the approval of any Member, may amend any provision of the Limited Liability Company Agreement to reflect a change that the Board determines does not adversely affect the Members (including any particular class of Interests as compared to other classes of Interests) in any material respect, and the Board has determined that such amendments contemplated hereby do not adversely affect the Members in any material respect; and

WHEREAS, the Board deems it in the best interest of the Company to effect this Amendment.

NOW, THEREFORE, it is hereby agreed as follows:

A. Amendment. The Limited Liability Company Agreement is hereby amended as follows:

1. Section 1.1 of the Limited Liability Company Agreement is hereby amended to add or amend and restate the following definitions in the appropriate alphabetical order:

*“August 2007 Common Unit Purchase Agreement”* means the Common Unit Purchase Agreement dated as of August 2, 2007 between the Company and the purchasers named therein.

*“Issue Price”* means the price at which a Unit is purchased from the Company, net of any sales commissions or underwriting discount charged to the Company.

*“July 2007 Common Unit Purchase Agreement”* means the Class F Unit and Common Unit Purchase Agreement dated as of July 12, 2007 between the Company and the purchasers named therein.

*“Private Placement Value”* means, with respect to the Class F Units, \$34.43 per Class F Unit; with respect to the Privately Placed Common Units issued pursuant to the July 2007 Common Unit Purchase Agreement, \$35.25 per Privately Placed Common Unit; with respect to the Privately Placed Common Units issued pursuant to the August 2007 Common Unit Purchase Agreement, \$42.50 per Privately Placed Common Unit; and with respect to any Privately Placed Common Unit issued after the date hereof, the amount set forth as the Private Placement Value in the purchase agreement with respect to such Common Unit.

*“Privately Placed Common Units”* means, the Common Units issued pursuant to the July 2007 Common Unit Purchase Agreement, the Common Units issued pursuant to the August 2007 Common Unit Purchase Agreement, and any Common Units issued in a private placement transaction after the date hereof pursuant to a common unit purchase agreement.

2. Section 6.4(c) of the Limited Liability Company Agreement is hereby amended to read as follows:

(c) No Second Quarter Distributions. Notwithstanding anything herein to the contrary, the purchasers of the Common Units and the Class F Units issued pursuant to the July 2007 Common Unit Purchase Agreement agree that such purchasers of Common Units and Class F Units will not receive cash distributions with respect to the Common Units and Class F Units for the quarter ended June 30, 2007 that will be paid on or about August 14, 2007 to unitholders of record on or about August 7, 2007.

B. Agreement in Effect. Except as hereby amended, the Limited Liability Company Agreement shall remain in full force and effect.



C. Applicable Law. This Amendment shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to principles of conflicts of laws.

D. Invalidity of Provisions. If any provision of this Amendment is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

[Signature Page Follows]

IN WITNESS WHEREOF, this Amendment has been executed as of the date first written above.

**THE BOARD OF MANAGERS OF  
CONSTELLATION ENERGY PARTNERS LLC**

By: /s/ Felix J. Dawson

Felix J. Dawson  
Manager

**COMMON UNIT PURCHASE AGREEMENT**  
**BY AND AMONG**  
**CONSTELLATION ENERGY PARTNERS LLC**  
**AND**  
**THE PURCHASERS NAMED HEREIN**

## COMMON UNIT PURCHASE AGREEMENT

This COMMON UNIT PURCHASE AGREEMENT, dated as of August 2, 2007 (this “Agreement”), is by and among Constellation Energy Partners LLC, a Delaware limited liability company (“Constellation Energy”), and each of the purchasers set forth in Schedule 2.01 to this Agreement (each a “Purchaser” and, collectively, the “Purchasers”).

WHEREAS, simultaneously with the execution of this Agreement, Constellation Energy and one of its wholly-owned subsidiaries are entering into a definitive purchase agreement to acquire certain oil and gas related assets from Newfield Exploration Company as more fully described in the Newfield Acquisition Agreement, upon the terms and conditions and for the consideration set forth in the Newfield Acquisition Agreement (the “Newfield Acquisition”);

WHEREAS, Constellation Energy desires to finance a portion of the Newfield Acquisition through the sale of an aggregate of \$105,000,160.00 Common Units and the Purchasers desire to purchase an aggregate of \$105,000,160.00 Common Units from Constellation Energy, each in accordance with the provisions of this Agreement;

WHEREAS, it is a condition to the obligations of the Purchasers and Constellation Energy under this Agreement that the Newfield Acquisition be consummated;

WHEREAS, Constellation Energy has agreed to provide the Purchasers with certain registration rights with respect to the Purchased Common Units acquired pursuant to this Agreement; and

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Constellation Energy and each of the Purchasers, severally and not jointly, hereby agree as follows:

### **ARTICLE I** **DEFINITIONS**

Section 1.01 Definitions. As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated: “8-K Filing” shall have the meaning specified in Section 5.07.

“Action” against a Person means any lawsuit, action, proceeding, investigation or complaint before any Governmental Authority, mediator or arbitrator.

“Affiliate” means, with respect to a specified Person, any other Person, whether now in existence or hereafter created, directly or indirectly controlling, controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control” (including, with correlative meanings, “controlling”, “controlled by” and “under common control with”) means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” shall have the meaning specified in the introductory paragraph.

“Amendment No. 3” shall have the meaning specified in Section 2.01.

“Basic Documents” means, collectively, this Agreement, the Registration Rights Agreement, the Newfield Acquisition Agreement and any and all other agreements or instruments executed and delivered by the Parties to evidence the execution, delivery and performance of this Agreement, and any amendments, supplements, continuations or modifications thereto.

“Board of Managers” means the board of managers of Constellation Energy.

“Business Day” means any day other than a Saturday, a Sunday, or a legal holiday for commercial banks in Houston, Texas or New York, New York.

“Buy-In” shall have the meaning specified in Section 8.08.

“Buy-In Price” shall have the meaning specified in Section 8.08.

“Class E Purchase Agreement” means the Class E and Common Unit Purchase Agreement, dated as of March 8, 2007, by and among Constellation Energy and the purchasers named therein.

“Class E Registration Rights Agreement” means the registration rights agreement, dated as of April 23, 2007 by and among Constellation Energy and the purchasers named therein.

“Class E Registration Statement” means the registration statement filed with the Commission on July 6, 2007 registering the resale of Common Units sold by Constellation Energy to the purchasers named in the Class E Purchase Agreement.

“Class F Registration Rights Agreement” means the registration rights agreement, dated as of July 25, 2007 by and among Constellation Energy and the purchasers named therein.

“Closing” shall have the meaning specified in Section 2.02.

“Closing Date” shall have the meaning specified in Section 2.02.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commission” means the United States Securities and Exchange Commission.

“Commitment Amount” means the dollar amount set forth opposite each Purchaser’s name on Schedule 2.01 to this Agreement under the heading “Gross Proceeds to Issuer”.

“Common Units” means the Common Units of Constellation Energy representing class B limited liability company interests.

“Common Unit Price” shall have the meaning specified in Section 2.01(b).

“Constellation Energy” shall have the meaning specified in the introductory paragraph.

“Constellation Energy Financial Statements” shall have the meaning specified in Section 3.03.

“Constellation Energy Material Adverse Effect” means any material and adverse effect on (i) the assets, liabilities, financial condition, business, operations, prospects or affairs of Constellation Energy and its Subsidiaries, taken as a whole, measured against those assets, liabilities, financial condition, business, operations, prospects or affairs reflected in the Constellation Energy SEC Documents, (ii) the ability of Constellation Energy and its Subsidiaries, taken as a whole, to carry out their business as of the date of this Agreement or to meet their obligations under the Basic Documents on a timely basis or (iii) the ability of Constellation Energy to consummate the transactions under any Basic Document.

“Constellation Energy Related Parties” shall have the meaning specified in Section 7.02.

“Constellation Energy SEC Documents” shall have the meaning specified in Section 3.03.

“Delaware LLC Act” shall have the meaning specified in Section 3.02(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the Commission promulgated thereunder.

“GAAP” means generally accepted accounting principles in the United States of America in effect from time to time.

“Governmental Authority” shall include the country, state, county, city and political subdivisions in which any Person or such Person’s Property is located or that exercises valid jurisdiction over any such Person or such Person’s Property, and any court, agency, department, commission, board, bureau or instrumentality of any of them and any monetary authorities that exercise valid jurisdiction over any such Person or such Person’s Property. Unless otherwise specified, all references to Governmental Authority herein shall mean a Governmental Authority having jurisdiction over, where applicable, Constellation Energy, its Subsidiaries or any of their Property or any of the Purchasers.

“Indemnified Party” shall have the meaning specified in Section 7.03.

“Indemnifying Party” shall have the meaning specified in Section 7.03.

“Law” means any federal, state, local or foreign order, writ, injunction, judgment, settlement, award, decree, statute, law, rule or regulation.

“Lien” means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes.

“Limited Liability Company Agreement” shall have the meaning specified in Section 2.01(a).

“Lock-Up Date” means 90 days after the date that the Class E Registration Statement is declared effective by the Commission.

“Newfield” means Newfield Mid-Continent, Inc., a Delaware corporation.

“Newfield Acquisition” shall have the meaning specified in the recitals.

“Newfield Acquisition Agreement” means that certain Purchase and Sale Agreement between Newfield Exploration Mid-Continent, Inc. and Constellation Energy Partners LLC, dated August 2, 2007.

“Newfield Closing Date” means the date on which the Newfield Acquisition is consummated.

“Newfield Material Adverse Effect” shall mean any material and adverse effect on the business, assets, liabilities, operations and prospects to be acquired by Constellation Energy from Newfield and its Subsidiaries pursuant to the Newfield Acquisition Agreement.

“Party” or “Parties” means Constellation Energy and the Purchasers, individually or collectively, as the case may be.

“Permitted Amount” shall have the meaning specified in Section 2.01(a).

“Person” means any individual, corporation, company, voluntary association, partnership, joint venture, trust, limited liability company, unincorporated organization or government or any agency, instrumentality or political subdivision thereof, or any other form of entity.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“Purchase Price” means the aggregate of each Purchaser’s Commitment Amount set forth opposite the Purchaser’s name on Schedule 2.01 to this Agreement under the heading “Gross Proceeds to Issuer”.

“Purchased Common Units” means the Common Units to be issued and sold to the Purchasers pursuant to this Agreement.

“Purchaser” shall have the meaning specified in the introductory paragraph.

“Purchaser Material Adverse Effect” means, with respect to a Purchaser, any material and adverse effect on (i) the ability of such Purchaser to meet its obligations under the Basic Documents to which it is a party on a timely basis or (ii) the ability of such Purchaser to consummate the transactions under any Basic Document to which it is a party.

“Purchaser Related Parties” shall have the meaning specified in Section 7.01.

“Purchasers” shall have the meaning specified in the introductory paragraph.

“Registration Rights Agreement” means the Registration Rights Agreement, substantially in the form attached to this Agreement as Exhibit B, to be entered into at the Closing, among Constellation Energy and the Purchasers.

“Representatives” of any Person means the officers, managers, directors, employees, Affiliates, control persons, counsel, investment bankers, agents and other representatives of such Person.

“Securities Act” means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the Commission promulgated thereunder.

“Short Sales” means, without limitation, all “short sales” as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, whether or not against the box, and forward sale contracts, options, puts, calls, short sales, “put equivalent positions” (as defined in Rule 16a-1(h) under the Exchange Act) and similar arrangements, and sales and other transactions through non-U.S. broker dealers or foreign regulated brokers.

“Subsidiary” means, as to any Person, any corporation or other entity of which a majority of the outstanding equity interest having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation or other entity (irrespective of whether or not at the time any equity interest of any other class or classes of such corporation or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more of its Subsidiaries.

“Terminating Breach” shall have the meaning specified in Section 8.12(a)(ii).

“Unallocated Units” shall have the meaning specified in Section 5.02.

“Unitholders” means the Unitholders of Constellation Energy (within the meaning of the Limited Liability Company Agreement).

Section 1.02 Accounting Procedures and Interpretation. Unless otherwise specified in this Agreement, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters under this Agreement shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to the Purchasers under this Agreement shall be prepared, in accordance with GAAP applied on a consistent basis during the periods involved (except, in the case of unaudited statements, as permitted by Form 10-Q promulgated by the Commission) and in compliance as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto.

## **ARTICLE II**

### **SALE AND PURCHASE**

Section 2.01 Sale and Purchase. Contemporaneously with the consummation of the Newfield Acquisition and subject to the terms and conditions of this Agreement, at the Closing,



Constellation Energy hereby agrees to issue and sell to each Purchaser, and each Purchaser hereby agrees, severally and not jointly, to purchase from Constellation Energy, the number of Purchased Common Units set forth opposite its name on Schedule 2.01 hereto. Each Purchaser agrees to pay Constellation Energy the Common Unit Price for each Purchased Common Unit as set forth in Section 2.01(b). The respective obligations of each Purchaser under this Agreement are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance of the obligations of any other Purchaser under this Agreement. The failure or waiver of performance under this Agreement by any Purchaser, or on its behalf, does not excuse performance by any other Purchaser. Nothing contained herein or in any other Basic Document, and no action taken by any Purchaser pursuant thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by any Basic Document. Except as otherwise provided in this Agreement or the other Basic Documents, each Purchaser shall be entitled to independently protect and enforce its rights, including the rights arising out of this Agreement or out of the other Basic Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose.

(a) Common Units. The number of Purchased Common Units to be issued and sold to each Purchaser shall be equal to the quotient determined by dividing (i) the amount for such Purchaser under the column entitled "Common Units" on Schedule 2.01 by (ii) the Common Unit Price (as defined in Section 2.01(b) below), which quotient shall be rounded, if necessary, down to the nearest whole number; *provided, however*, that each Purchaser acknowledges that in no event shall Constellation Energy issue to the Purchasers an aggregate number of Common Units in excess of 19.9% of Constellation Energy's outstanding Common Units immediately prior to such issuance (the "Permitted Amount"). The Purchased Common Units shall have those rights, preferences, privileges and restrictions governing the Common Units as set forth in the Second Amended and Restated Operating Agreement of Constellation Energy, dated as of November 20, 2006, as amended by Amendment No. 1 to the Limited Liability Company Agreement dated April 23, 2007, and as amended by Amendment No. 2 to the Limited Liability Company Agreement dated July 25, 2007 (the "Limited Liability Company Agreement"), as amended by an amendment to the Limited Liability Company Agreement, in all material respects in the form of Exhibit F to this Agreement, which Constellation Energy will cause to be adopted immediately prior to the issuance and sale of Common Units contemplated by this Agreement (the "Amendment No. 3"). References herein to the Limited Liability Company Agreement shall include or exclude the Amendment No. 3 as the context requires.

(b) Consideration. The amount per Common Unit each Purchaser will pay to Constellation Energy to purchase the Purchased Common Units (the "Common Unit Price") shall be \$42.50.

Section 2.02 Closing. The execution and delivery of the Basic Documents (other than this Agreement and the Newfield Acquisition Agreement), the delivery of certificates representing the Purchased Common Units, the payment by each Purchaser of its respective Commitment Amount and execution and delivery of all other instruments, agreements and other documents required by this Agreement (the "Closing") shall take place on a date (the "Closing Date") concurrent with the Newfield Closing Date, but on or prior to September 21, 2007,

provided that Constellation Energy shall have given each Purchaser three (3) Business Days (or such shorter period as shall be agreeable to each of the Parties) prior notice of such designated Closing Date, at the offices of Andrews Kurth LLP, 600 Travis, Suite 4200, Houston, Texas 77002.

### **ARTICLE III REPRESENTATIONS AND WARRANTIES OF CONSTELLATION ENERGY**

Constellation Energy represents and warrants to the Purchasers, on and as of the date of this Agreement and on and as of the Closing Date, as follows:

Section 3.01 Corporate Existence. Constellation Energy: (i) is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware; (ii) has all requisite limited liability company power, and has all material governmental licenses, authorizations, consents and approvals, necessary to own its Properties and carry on its business as its business is now being conducted as described in the Constellation Energy SEC Documents, except where the failure to obtain such licenses, authorizations, consents and approvals would not reasonably be expected to have a Constellation Energy Material Adverse Effect; and (iii) is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualifications necessary, except where failure so to qualify would not reasonably be expected to have a Constellation Energy Material Adverse Effect.

Section 3.02 Capitalization and Valid Issuance of Purchased Common Units.

(a) As of the date of this Agreement, and prior to the issuance and sale of the Purchased Common Units, the issued and outstanding membership interests of Constellation Energy consist of 16,056,952 Common Units, 273,305 Class A Units, Management Incentive Interests, Class D Interests and 3,371,219 Class F Units (each as defined in the Limited Liability Company Agreement). All of the outstanding Common Units, Class A Units, the Management Incentive Interests, Class D Interests and Class F Units have been duly authorized and validly issued in accordance with applicable Law and the Limited Liability Company Agreement and are fully paid (to the extent required by applicable Law and under the Limited Liability Company Agreement) and non-assessable (except as such non-assessability may be affected by Sections 18-607 and 18-804 of the Delaware Limited Liability Company Act (the "Delaware LLC Act").

(b) Other than Constellation Energy's existing Long-Term Incentive Plan, Constellation Energy has no equity compensation plans that contemplate the issuance of Common Units or any other class of equity (or securities convertible into or exchangeable for Common Units or any other class of equity). Constellation Energy has no outstanding indebtedness having the right to vote (or convertible into or exchangeable for securities having the right to vote) on any matters on which the Unitholders may vote. Except as set forth in the first sentence of this Section 3.02(b), as contemplated by this Agreement or as are contained in the Limited Liability Company Agreement, there are no outstanding or authorized (i) options, warrants, preemptive rights, subscriptions, calls or other rights, convertible securities, agreements, claims or commitments of any character obligating Constellation Energy or any of its Subsidiaries to issue, transfer or sell any limited liability company interests or other equity

interests in Constellation Energy or any of its Subsidiaries or securities convertible into or exchangeable for such limited liability company interests or other equity interests, (ii) obligations of Constellation Energy or any of its Subsidiaries to repurchase, redeem or otherwise acquire any limited liability company interests or other equity interests in Constellation Energy or any of its Subsidiaries or any such securities or agreements listed in clause (i) of this sentence or (iii) voting trusts or similar agreements to which Constellation Energy or any of its Subsidiaries is a party with respect to the voting of the equity interests of Constellation Energy or any of its Subsidiaries.

(c)(i) All of the issued and outstanding equity interests of each of Constellation Energy's Subsidiaries are owned, directly or indirectly, by Constellation Energy free and clear of any Liens (except for such restrictions as may exist under applicable Law and except for such Liens as may be imposed under Constellation Energy's or Constellation Energy's Subsidiaries' credit facilities filed as exhibits to the Constellation Energy SEC Documents), and all such ownership interests have been duly authorized and validly issued and are fully paid (to the extent required by applicable Law and the organizational documents of Constellation Energy's Subsidiaries, as applicable) and non-assessable (except as non-assessability may be affected by Sections 18-607 and 18-804 of the Delaware LLC Act or the organizational documents of Constellation Energy's Subsidiaries, as applicable) and free of preemptive rights, with no personal liability attaching to the ownership thereof, and (ii) except as disclosed in the Constellation Energy SEC Documents, neither Constellation Energy nor any of its Subsidiaries owns any shares of capital stock or other securities of, or interest in, any other Person, or is obligated to make any capital contribution to or other investment in any other Person.

(d) The offer and sale of the Purchased Common Units and the membership interests represented thereby will be duly authorized by Constellation Energy pursuant to the Limited Liability Company Agreement prior to the Closing and, when issued and delivered to the Purchasers against payment therefor in accordance with the terms of this Agreement, will be validly issued, fully paid (to the extent required by applicable Law and the Limited Liability Company Agreement) and non-assessable (except as such non-assessability may be affected by Sections 18-607 and 18-804 of the Delaware LLC Act) and will be free of any and all Liens and restrictions on transfer, other than restrictions on transfer under the Limited Liability Company Agreement, the Registration Rights Agreement and applicable state and federal securities Laws and other than such Liens as are created by the Purchasers.

(e) The Purchased Common Units will be issued in compliance with all applicable rules of NYSE Arca. Prior to the Closing Date, the Purchased Common Units will have been approved for quotation on NYSE Arca subject to official notice of issuance. Constellation Energy's currently outstanding Common Units are listed on NYSE Arca and Constellation Energy has not received any notice of delisting.

(f) The Purchased Common Units shall have those rights, preferences, privileges and restrictions governing the Common Units as set forth in the Limited Liability Company Agreement, as amended by the Amendment No. 3. A true and correct copy of the Limited Liability Company Agreement, as amended through the date hereof (but excluding the Amendment No. 3), has been filed by Constellation Energy with the Commission on November 28, 2006 as Exhibit 3.1 to Constellation Energy's Current Report on Form 8-K, on April 24, 2007 as Exhibit 3.1 to Constellation Energy's Current Report on Form 8-K and on July 26, 2007 as Exhibit 3.1 to Constellation Energy's Current Report on Form 8-K.

Section 3.03 Constellation Energy SEC Documents. Constellation Energy has timely filed with the Commission all forms, registration statements, reports, schedules and statements required to be filed by it under the Exchange Act or the Securities Act (all such documents filed on or prior to the date of this Agreement, collectively, the “Constellation Energy SEC Documents”). The Constellation Energy SEC Documents, including any audited or unaudited financial statements and any notes thereto or schedules included therein (the “Constellation Energy Financial Statements”), at the time filed (in the case of registration statements, solely on the dates of effectiveness) (except to the extent corrected by a subsequently filed Constellation Energy SEC Document filed prior to the date of this Agreement) (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (ii) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, and (iii) complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto. The Constellation Energy Financial Statements were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited statements, as permitted by Form 10-Q of the Commission) and fairly present (subject in the case of unaudited statements to normal, recurring and year-end audit adjustments) in all material respects the consolidated financial position and status of the business of Constellation Energy as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended. PricewaterhouseCoopers LLP is an independent registered public accounting firm with respect to Constellation Energy and has not resigned or been dismissed as independent registered public accountants of Constellation Energy as a result of or in connection with any disagreement with Constellation Energy on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

Section 3.04 No Material Adverse Change. Except as set forth in or contemplated by the Constellation Energy SEC Documents, and except for the proposed Newfield Acquisition, which has been disclosed to, and discussed with, each of the Purchasers, since December 31, 2006, Constellation Energy and its Subsidiaries have conducted their business in the ordinary course, consistent with past practice, and there has been no (i) change that has had or would reasonably be expected to have a Constellation Energy Material Adverse Effect, (ii) acquisition or disposition of any material asset by Constellation Energy or any of its Subsidiaries or any contract or arrangement therefor, otherwise than for fair value in the ordinary course of business, (iii) material change in Constellation Energy’s accounting principles, practices or methods or (iv) incurrence of material indebtedness (other than the incurrence of such indebtedness as is contemplated in connection with the Newfield Acquisition).

Section 3.05 Litigation. Except as set forth in the Constellation Energy SEC Documents, there is no Action pending or, to the knowledge of Constellation Energy, contemplated or threatened against Constellation Energy or any of its Subsidiaries or any of their respective officers, directors or Properties, which (individually or in the aggregate) reasonably would be expected to have a Constellation Energy Material Adverse Effect or which challenges the validity of this Agreement.

Section 3.06 No Breach. The execution, delivery and performance by Constellation Energy of the Basic Documents to which it is a party and all other agreements and instruments in connection with the transactions contemplated by the Basic Documents, and compliance by Constellation Energy with the terms and provisions hereof and thereof, do not and will not (a) violate any provision of any Law, governmental permit, determination or award having applicability to Constellation Energy or any of its Subsidiaries or any of their respective Properties, (b) conflict with or result in a violation of any provision of the Certificate of Formation of Constellation Energy or the Limited Liability Company Agreement or any organizational documents of any of Constellation Energy's Subsidiaries, (c) require any consent, approval or notice under or result in a violation or breach of or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under (i) any note, bond, mortgage, license, or loan or credit agreement to which Constellation Energy or any of its Subsidiaries is a party or by which Constellation Energy or any of its Subsidiaries or any of their respective Properties may be bound or (ii) any other agreement, instrument or obligation, or (d) result in or require the creation or imposition of any Lien upon or with respect to any of the Properties now owned or hereafter acquired by Constellation Energy or any of its Subsidiaries, except in the cases of clauses (a), (c) and (d) where such violation, default, breach, termination, cancellation, failure to receive consent or approval, or acceleration with respect to the foregoing provisions of this Section 3.06 would not, individually or in the aggregate, reasonably be expected to have a Constellation Energy Material Adverse Effect.

Section 3.07 Authority. Constellation Energy has all necessary limited liability company power and authority to execute, deliver and perform its obligations under the Basic Documents to which it is a party and to consummate the transactions contemplated thereby; the execution, delivery and performance by Constellation Energy of each of the Basic Documents to which it is a party, and the consummation of the transactions contemplated thereby, have been duly authorized by all necessary action on its part; and the Basic Documents constitute the legal, valid and binding obligations of Constellation Energy, enforceable in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer and similar Laws affecting creditors' rights generally or by general principles of equity. Except as contemplated by this Agreement, no approval by the Unitholders is required as a result of Constellation Energy's issuance and sale of the Purchased Common Units.

Section 3.08 Approvals. Except as contemplated by this Agreement or as required by the Commission in connection with Constellation Energy's obligations under the Registration Rights Agreement, no authorization, consent, approval, waiver, license, qualification or written exemption from, nor any filing, declaration, qualification or registration with, any Governmental Authority or any other Person is required in connection with the execution, delivery or performance by Constellation Energy of any of the Basic Documents to which it is a party, except where the failure to receive such authorization, consent, approval, waiver, license, qualification or written exemption or to make such filing, declaration, qualification or registration would not, individually or in the aggregate, reasonably be expected to have a Constellation Energy Material Adverse Effect.

Section 3.09 MLP Status. Constellation Energy met for the taxable year ended December 31, 2006 the gross income requirements of Section 7704(c)(2) of the Code, and accordingly Constellation Energy is not, and does not reasonably expect to be, taxed as a corporation for U.S. federal income tax purposes or for applicable tax purposes. Constellation Energy indicated in the Form K-1 for the year ended December 31, 2006, that its Unitholders may be subject to state income taxes in Alabama. Constellation Energy expects that its Unitholders may be subject to state income taxes in additional jurisdictions (including Alabama) during 2007.

Section 3.10 Investment Company Status. Constellation Energy is not an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

Section 3.11 Offering. Assuming the accuracy of the representations and warranties of the Purchasers contained in this Agreement, the sale and issuance of the Purchased Common Units pursuant to this Agreement are exempt from the registration requirements of the Securities Act, and neither Constellation Energy nor any authorized Representative acting on its behalf has taken or will take any action hereafter that would cause the loss of such exemption.

Section 3.12 Certain Fees. No fees or commissions will be payable by Constellation Energy to brokers, finders or investment bankers with respect to the sale of any of the Purchased Common Units or the consummation of the transactions contemplated by this Agreement. The Purchasers shall not be liable for any such fees or commissions. Constellation Energy agrees that it will indemnify and hold harmless each of the Purchasers from and against any and all claims, demands or liabilities for broker’s, finder’s, placement or other similar fees or commissions incurred by Constellation Energy or alleged to have been incurred by Constellation Energy in connection with the sale of Purchased Common Units or the consummation of the transactions contemplated by this Agreement.

Section 3.13 No Side Agreements. Except for the confidentiality agreements entered into by and between each of the Purchasers and Constellation Energy, there are no other agreements by, among or between Constellation Energy or its Affiliates, on the one hand, and any of the Purchasers or their Affiliates, on the other hand, with respect to the transactions contemplated hereby nor promises or inducements for future transactions between or among any of such parties.

Section 3.14 Internal Accounting Controls. Except as disclosed in the Constellation Energy SEC Documents, Constellation Energy and its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management’s general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 3.15 Preemptive Rights or Registration Rights. Except (i) as set forth in the Limited Liability Company Agreement, (ii) as set forth in the other organizational documents of

Constellation Energy and its Subsidiaries, (iii) as provided in the Basic Documents, (iv) the Class E Registration Rights Agreement, (v) the Class F Registration Rights Agreement or (vi) for existing awards under Constellation Energy's Long-Term Incentive Plan, there are no preemptive rights or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any capital stock or limited liability company or membership or other equity interests of Constellation Energy or any of its Subsidiaries, in each case pursuant to any other agreement or instrument to which any of such Persons is a party or by which any one of them may be bound. None of the execution of this Agreement, the issuance of the Purchased Common Units as contemplated by this Agreement gives rise to any rights for or relating to the registration of any securities of Constellation Energy, other than pursuant to the Registration Rights Agreement.

Section 3.16 Insurance. Constellation Energy and its Subsidiaries are insured against such losses and risks and in such amounts as Constellation Energy believes in its sole discretion to be prudent for its businesses. Constellation Energy does not have any reason to believe that it or any Subsidiary will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business.

Section 3.17 Acknowledgment Regarding Purchase of Purchased Common Units. Constellation Energy acknowledges and agrees that (i) each of the Purchasers is participating in the transactions contemplated by this Agreement and the other Basic Documents at Constellation Energy's request and Constellation Energy has concluded that such participation is in Constellation Energy's best interest and is consistent with Constellation Energy's objectives and (ii) each of the Purchasers is acting solely in the capacity of an arm's length purchaser. Constellation Energy further acknowledges that no Purchaser is acting or has acted as an advisor, agent or fiduciary of Constellation Energy (or in any similar capacity) with respect to this Agreement or the other Basic Documents and any advice given by any Purchaser or any of its respective Representatives in connection with this Agreement or the other Basic Documents is merely incidental to the Purchasers' purchase of Purchased Common Units. Constellation Energy further represents to each Purchaser that Constellation Energy's decision to enter into this Agreement has been based solely on the independent evaluation of the transactions contemplated hereby by Constellation Energy and its Representatives.

Section 3.18 Non-Disclosure. To the actual knowledge of Constellation Energy, none of its directors, officers, agents or representatives has disclosed the transactions contemplated by this Agreement to any prospective investor who has not entered into a confidentiality agreement between such prospective investor and Constellation Energy relating to information provided in connection with the transactions contemplated by this Agreement.

#### **ARTICLE IV REPRESENTATIONS AND WARRANTIES OF EACH PURCHASER**

Each Purchaser, severally and not jointly, represents and warrants to Constellation Energy with respect to itself, on and as of the date of this Agreement and on and as of the Closing Date, as follows:

Section 4.01 Valid Existence. Such Purchaser (i) is duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and (ii) has all requisite power, and has all material governmental licenses, authorizations, consents and approvals, necessary to own its Properties and carry on its business as its business is now being conducted, except where the failure to obtain such licenses, authorizations, consents and approvals would not have and would not reasonably be expected to have a Purchaser Material Adverse Effect.

Section 4.02 No Breach. The execution, delivery and performance by such Purchaser of the Basic Documents to which it is a party and all other agreements and instruments in connection with the transactions contemplated by the Basic Documents to which it is a party, and compliance by such Purchaser with the terms and provisions hereof and thereof and the purchase of the Purchased Common Units by such Purchaser do not and will not (a) violate any provision of any Law, governmental permit, determination or award having applicability to such Purchaser or any of its Properties, (b) conflict with or result in a violation of any provision of the organizational documents of such Purchaser or (c) require any consent (other than standard internal consents), approval or notice under or result in a violation or breach of or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under (i) any note, bond, mortgage, license, or loan or credit agreement to which such Purchaser is a party or by which such Purchaser or any of its Properties may be bound or (ii) any other such agreement, instrument or obligation, except in the case of clauses (a) and (c) where such violation, default, breach, termination, cancellation, failure to receive consent or approval, or acceleration with respect to the foregoing provisions of this Section 4.02 would not, individually or in the aggregate, reasonably be expected to have a Purchaser Material Adverse Effect.

Section 4.03 Investment. The Purchased Common Units are being acquired for such Purchaser's own account, or the accounts of clients for whom such Purchaser exercises discretionary investment authority (all of whom such Purchaser represents and warrants are "accredited investors" within the meaning of Rule 501 of Regulation D promulgated by the Commission pursuant to the Securities Act), not as a nominee or agent, and with no present intention of distributing the Purchased Common Units or any part thereof, and such Purchaser has no present intention of selling or granting any participation in or otherwise distributing the same in any transaction in violation of the securities Laws of the United States of America or any state, without prejudice, however, to such Purchaser's right at all times to sell or otherwise dispose of all or any part of the Purchased Common Units under a registration statement under the Securities Act and applicable state securities Laws or under an exemption from such registration available thereunder (including, if available, Rule 144 promulgated thereunder). If such Purchaser should in the future decide to dispose of any of the Purchased Common Units, such Purchaser understands and agrees (a) that it may do so only (i) in compliance with the Securities Act and applicable state securities Law, as then in effect, or pursuant to an exemption therefrom or (ii) in the manner contemplated by any registration statement pursuant to which such securities are being offered, and (b) that stop-transfer instructions to that effect will be in effect with respect to such securities. Notwithstanding the foregoing, each Purchaser may at any time enter into one or more total return swaps with respect to such Purchaser's Purchased Common Units with a third party, provided that such transactions are exempt from registration under the Securities Act.



Section 4.04 Nature of Purchaser. Such Purchaser represents and warrants to, and covenants and agrees with, Constellation Energy that (a) it is an “accredited investor” within the meaning of Rule 501 of Regulation D promulgated by the Commission pursuant to the Securities Act and (b) by reason of its business and financial experience it has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Purchased Common Units, is able to bear the economic risk of such investment and, at the present time, would be able to afford a complete loss of such investment.

Section 4.05 Receipt of Information; Authorization. Such Purchaser acknowledges that it has (a) had access to the Constellation Energy SEC Documents, (b) had access to information regarding the Newfield Acquisition and its potential effect on Constellation Energy’s operations and financial results and (c) been provided a reasonable opportunity to ask questions of and receive answers from Representatives of Constellation Energy regarding such matters.

Section 4.06 Restricted Securities. Such Purchaser understands that Purchased Common Units it is purchasing are characterized as “restricted securities” under the federal securities Laws inasmuch as they are being acquired from Constellation Energy in a transaction not involving a public offering and that under such Laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances. In this connection, such Purchaser represents that it is knowledgeable with respect to Rule 144 of the Commission promulgated under the Securities Act.

Section 4.07 Certain Fees. No fees or commissions will be payable by such Purchaser to brokers, finders or investment bankers with respect to the sale of any of the Purchased Common Units or the consummation of the transactions contemplated by this Agreement. Constellation Energy will not be liable for any such fees or commissions. Such Purchaser agrees, severally and not jointly with the other Purchasers, that it will indemnify and hold harmless Constellation Energy from and against any and all claims, demands or liabilities for broker’s, finder’s, placement or other similar fees or commissions incurred by such Purchaser or alleged to have been incurred by such Purchaser in connection with the purchase of the Purchased Common Units or the consummation of the transactions contemplated by this Agreement.

Section 4.08 Legend. It is understood that the certificates evidencing the Purchased Common Units will bear the following legend: “These securities have not been registered under the Securities Act of 1933, as amended. These securities may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or pursuant to an exemption from registration thereunder and, in the case of a transaction exempt from registration, unless sold pursuant to Rule 144 under such Act or the issuer has received documentation reasonably satisfactory to it that such transaction does not require registration under such Act. These securities also may not be sold, offered for sale, pledged or hypothecated until 90 days after the Registration Statement on Form S-1 (Registration No. 333-144388), filed with the SEC on July 6, 2007, is declared effective.”

Section 4.09 Short Selling. Such Purchaser represents that it has not entered into any Short Sales of the Common Units owned by it between the time it first began discussions with Constellation Energy about the transactions contemplated by this Agreement and the date hereof

(it being understood that the entering into of a total return swap should not be considered a short sale of Common Units); provided, however, the above shall not apply, in the case of a Purchaser that is a large multi-unit investment or commercial banking organization, to activities in the normal course of trading units of such Purchaser.

Section 4.10 Purchase of Securities. Such Purchaser represents that it has not purchased, or entered into any agreement or arrangement to purchase, equity securities of Constellation Energy between the later of (a) time it first began discussions with Constellation Energy about the transactions contemplated by this Agreement or (b) the first date of the period during which the reference price was determined; provided, however, the above shall not apply, in the case of a Purchaser that is a large multi investment or commercial banking organization, to activities in the normal course of trading units of such Purchaser.

Section 4.11 Related Party. Such Purchaser represents that it is not a Related Party as such term is defined by Rule 312.03 of the New York Stock Exchange, either through direct or indirect ownership, including through any contractual arrangement where such Purchaser maintains the ability to direct the voting or disposition of Constellation Energy Common Stock or to terminate such contract at any time and receive Constellation Energy Common Stock.

Section 4.12 No Side Agreements. Except for the confidentiality agreements entered into by and between each of the Purchasers and Constellation Energy, there are no other agreements by, among or between Constellation Energy or its Affiliates, on the one hand, and such Purchaser or its Affiliates, on the other hand, with respect to the transactions contemplated hereby nor promises or inducements for future transactions between or among any of such parties.

## **ARTICLE V COVENANTS**

Section 5.01 [THIS SECTION IS INTENTIONALLY LEFT BLANK].

Section 5.02 Subsequent Public Offerings. Without the written consent of the holders of a majority of the Purchased Common Units, taken as a whole, from the date of this Agreement until the Lock-Up Date, Constellation Energy shall not, and shall cause its directors, officers and Affiliates not to, grant, issue or sell any Common Units or other equity or voting securities of Constellation Energy, any securities convertible into or exchangeable therefor or take any other action that may result in the issuance of any of the foregoing, other than (i) the issuance of the Purchased Common Units, (ii) the issuance of Awards (as defined in Constellation Energy's Long-Term Incentive Plan) or the issuance of Common Units upon the exercise of options to purchase Common Units granted pursuant to Constellation Energy's existing Long-Term Incentive Plan, (iii) the issuance or sale of up to an aggregate of 5,000,000 Common Units issued or sold in a registered public offering to finance future acquisition(s) that are accretive to cash flow per Common Unit (or the repayment of indebtedness incurred in connection with such accretive acquisitions) at a price no less than 110% of the Common Unit Price or in a private offering to finance future acquisition(s) that are expected to be accretive to cash flow per Common Unit (or the repayment of indebtedness incurred in connection with such accretive acquisition(s)) at a price no less than 105% of the Common Unit Price and (iv) the issuance of up

to 1,500,000 Common Units and a new series of equity securities of Constellation Energy as purchase price consideration in connection with future acquisition(s) that are expected to be accretive to cash flow per Common Unit. Notwithstanding the foregoing, Constellation Energy shall not, and shall cause its directors, officers and Affiliates not to, sell, offer for sale or solicit offers to buy any security (as defined in the Securities Act) that would be integrated with the sale of the Purchased Common Units in a manner that would require the registration under the Securities Act of the sale of the Purchased Common Units to the Purchasers.

Section 5.03 [THIS SECTION IS INTENTIONALLY LEFT BLANK].

Section 5.04 Purchaser Lock-Up. Without the prior written consent of Constellation Energy, each Purchaser agrees that from and after the Closing it will not sell any of its Purchased Common Units prior to the Lock-Up Date; *provided, however*, that each Purchaser may: (i) enter into one or more total return swaps or similar transactions at any time with respect to the Purchased Common Units purchased by such Purchaser; or (ii) transfer its Purchased Common Units to an Affiliate of such Purchaser or to any other Purchaser or an Affiliate of such other Purchaser provided that such Affiliate agrees to the restrictions in this Section 5.04.

Section 5.05 Short Selling Acknowledgement and Agreement. Each Purchaser understands and acknowledges, severally and not jointly with any other Purchaser, that the Commission currently takes the position that coverage of short sales of securities “against the box” prior to the effective date of a registration statement is a violation of Section 5 of the Securities Act. Each Purchaser agrees, severally and not jointly, that it will not engage in any Short Sales that result in the disposition of the Purchased Units acquired hereunder by the Purchaser until such time as the Registration Statement (as defined in the Registration Rights Agreement) is declared effective (it being understood that the entering into of a total return swap should not be considered a short sale of Common Units). No Purchaser makes any representation, warranty or covenant hereby that it will not engage in Short Sales in the securities of Constellation Energy otherwise owned by such Purchaser or borrowed from a broker after the date the press release contemplated by Section 5.07 is issued by Constellation Energy; provided, however, the above shall not apply, in the case of a Purchaser that is a large multi-unit investment or commercial banking organization, to activities in the normal course of trading units of such Purchaser.

Section 5.06 Action. Each of the Parties hereto shall use its commercially reasonable efforts promptly to take or cause to be taken all action and promptly to do or cause to be done all things necessary, proper or advisable under applicable Law and regulations to consummate and make effective the transactions contemplated by this Agreement. Without limiting the foregoing, Constellation Energy and each Purchaser will, and Constellation Energy shall cause each of its Subsidiaries to, use its commercially reasonable efforts to make all filings and obtain all consents of Governmental Authorities that may be necessary or, in the reasonable opinion of the Purchasers or Constellation Energy, as the case may be, advisable for the consummation of the transactions contemplated by this Agreement and the other Basic Documents.

Section 5.07 Non-Disclosure; Interim Public Filings. Constellation Energy shall, on or before 8:30 a.m., New York time, on the first Business Day following execution of this Agreement, issue a press release acceptable to the Purchasers disclosing all material terms of the

transactions contemplated hereby. Before 8:30 a.m., New York Time, on the first Business Day following the Closing Date, Constellation Energy shall file a Current Report on Form 8-K with the Commission (the “8-K Filing”) describing the terms of the transactions contemplated by this Agreement and the other Basic Documents and including as exhibits to such Current Report on Form 8-K this Agreement and the other Basic Documents, in the form required by the Exchange Act. Thereafter, Constellation Energy shall timely file any filings and notices required by the Commission or applicable Law with respect to the transactions contemplated hereby and provide or otherwise make available (which may include providing copies on Constellation Energy’s or the Commission’s website) copies thereof to the Purchasers promptly after filing. Except with respect to the 8-K Filing and the press release referenced above (a copy of which will be provided to the Purchasers for their review as early as practicable prior to its filing), Constellation Energy shall, at least two Business Days prior to the filing or dissemination of any disclosure required by this Section 5.07, provide a copy thereof to the Purchasers for their review. Constellation Energy and the Purchasers shall consult with each other in issuing any press releases or otherwise making public statements or filings and other communications with the Commission or any regulatory agency or NYSE Arca (or other exchange on which securities of Constellation Energy are listed or traded) with respect to the transactions contemplated hereby, and neither Party shall issue any such press release or otherwise make any such public statement, filing or other communication without the prior consent of the other, except if such disclosure is required by Law, in which case the disclosing Party shall promptly provide the other Party with prior notice of such public statement, filing or other communication. Notwithstanding the foregoing, Constellation Energy shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any press release, without the prior written consent of such Purchaser except to the extent the names of the Purchasers are included in this Agreement as filed as an exhibit to the 8-K Filing and the press release referred to in the first sentence above. Constellation Energy shall not, and shall cause each of its respective Representatives not to, provide any Purchaser with any material non-public information regarding Constellation Energy from and after the issuance of the above-referenced press release without the express written consent of such Purchaser.

Section 5.08 Use of Proceeds. Constellation Energy shall use the collective proceeds from the sale of the Purchased Common Units to partially finance the Newfield Acquisition.

Section 5.09 Amendment No. 3. Constellation Energy shall cause the Amendment No. 3 to be adopted immediately prior to the issuance and sale of the Purchased Common Units.

Section 5.10 Tax Information. Constellation Energy shall cooperate with the Purchasers and provide the Purchasers with any reasonably requested tax information related to their ownership of the Purchased Common Units.

Section 5.11 Certain Special Allocations of Book and Taxable Income. To the extent that the Common Unit Price is less than the trading price of the Common Units on the NYSE Arca as of the Closing Date, Constellation Energy intends to specially allocate items of book and taxable income to the Purchasers so that their capital accounts in their Common Units are consistent, on a per-unit basis, with the capital accounts of the other holders of Common Units (and thus to assure fungibility of all Common Units). Such special allocation will occur upon the earlier to occur of any Constellation Energy taxable period ending upon, or after, (i) a book-up

event or book-down event in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(f) (as it may be amended from time to time, or any successor provision) or a sale of all or substantially all of Constellation Energy's assets occurring after the date of the issuance of the Purchased Common Units, (ii) a transfer by a Purchaser of Common Units to a Person that is not an Affiliate of such Purchaser; provided, however, that such allocation shall only be made only with respect to the Common Units so transferred, in which case, such allocation shall be made only with respect to the Purchased Common Units so transferred, or (iii) Constellation Energy's receipt of written notice from a holder of the holder's election to trigger such allocation and true up the capital accounts with respect to such holder's Purchased Common Units. A Purchaser holding a Common Unit shall be required to provide notice to the Board of Managers of the transfer of a Common Unit to a Person that is not an Affiliate of such Purchaser no later than the last Business Day of the calendar year during which such transfer occurred, unless by virtue of the application of clause (i) or (ii) above, Constellation Energy has determined that the Common Units transferred are consistent, on a per-unit basis, with the capital accounts of the other holders of Common Units. However, the sole and exclusive remedy for any holder's failure to provide any such notice shall be the enforcement of the remedy of specific performance against such holder and there will be no monetary damages. It is the intent of the parties that the provisions in this Section 5.11 will operate to be consistent with the Limited Liability Company Agreement.

## **ARTICLE VI CLOSING CONDITIONS**

### **Section 6.01 Conditions to the Closing.**

(a) Mutual Conditions. The respective obligation of each Party to consummate the purchase and issuance and sale of the Purchased Common Units shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions (any or all of which may be waived by a particular Party on behalf of itself in writing, in whole or in part, to the extent permitted by applicable Law):

(i) no Law shall have been enacted or promulgated, and no action shall have been taken, by any Governmental Authority of competent jurisdiction which temporarily, preliminarily or permanently restrains, precludes, enjoins or otherwise prohibits the consummation of the transactions contemplated by this Agreement or makes the transactions contemplated by this Agreement illegal;

(ii) there shall not be pending any Action by any Governmental Authority seeking to restrain, preclude, enjoin or prohibit the transactions contemplated by this Agreement; and

(iii) Constellation Energy shall have consummated the Newfield Acquisition substantially on the terms set forth in the Newfield Acquisition Agreement executed on the date hereof (without giving effect to the waiver of any material conditions by Constellation Energy thereunder).

(b) Each Purchaser's Conditions. The respective obligation of each Purchaser to consummate the purchase of its Purchased Common Units shall be subject to the satisfaction

on or prior to the Closing Date of each of the following conditions (any or all of which may be waived by a particular Purchaser on behalf of itself in writing, in whole or in part, to the extent permitted by applicable Law):

(i) Constellation Energy shall have performed and complied with the covenants and agreements contained in this Agreement in all material respects that are required to be performed and complied with by Constellation Energy on or prior to the Closing Date;

(ii) the representations and warranties of Constellation Energy contained in this Agreement that are qualified by materiality or Constellation Energy Material Adverse Effect shall be true and correct when made and as of the Closing Date and all other representations and warranties of Constellation Energy contained in this Agreement shall be true and correct in all material respects when made and as of the Closing Date, in each case as though made at and as of the Closing Date (except that representations or warranties made as of a specific date shall be required to be true and correct as of such date only);

(iii) since the date of this Agreement, no Constellation Energy Material Adverse Effect shall have occurred and be continuing;

(iv) since the date of this Agreement, no Newfield Material Adverse Effect shall have occurred and be continuing;

(v) Constellation Energy shall have adopted the Amendment No. 3 in all material respects in the form attached as Exhibit F to this Agreement;

(vi) NYSE Arca shall have approved the Purchased Common Units for quotation, subject to official notice of issuance; and no notice of delisting from NYSE Arca shall have been received by Constellation Energy with respect to the Common Units; and

(vii) Constellation Energy shall have delivered, or caused to be delivered, to the Purchasers at the Closing, Constellation Energy's closing deliveries described in Section 6.02 of this Agreement.

(c) Constellation Energy's Conditions. The obligation of Constellation Energy to consummate the sale of the Purchased Common Units to each of the Purchasers shall be subject to the satisfaction on or prior to the Closing Date of the following conditions with respect to each Purchaser individually and not the Purchasers jointly (which may be waived by Constellation Energy in writing, in whole or in part, to the extent permitted by applicable Law):

(i) each Purchaser shall have performed and complied with the covenants and agreements contained in this Agreement in all material respects that are required to be performed and complied with by that Purchaser on or prior to the Closing Date;

(ii) the representations and warranties of each Purchaser contained in this Agreement that are qualified by materiality or Purchaser Material Adverse Effect shall be

true and correct when made and as of the Closing Date and all other representations and warranties of such Purchaser contained in this Agreement shall be true and correct in all material respects when made and as of the Closing Date, in each case as though made at and as of the Closing Date (except that representations or warranties made as of a specific date shall be required to be true and correct as of such date only);

(iii) since the date of this Agreement, no Purchaser Material Adverse Effect shall have occurred and be continuing; and

(iv) each Purchaser shall have delivered, or caused to be delivered, to Constellation Energy at the Closing, such Purchaser's closing deliveries described in Section 6.03 of this Agreement.

Section 6.02 Constellation Energy Deliveries. At the Closing, subject to the terms and conditions of this Agreement, Constellation Energy will deliver, or cause to be delivered, to each Purchaser:

(a) the Purchased Common Units by delivering certificates (bearing the legend set forth in Section 4.08) evidencing such Purchased Common Units at the Closing, all free and clear of any Liens, encumbrances or interests of any other party;

(b) the Officer's Certificate substantially in the form attached to this Agreement as Exhibit C;

(c) opinions addressed to the Purchasers from outside legal counsel to Constellation Energy and from the General Counsel of Constellation Energy, each dated the Closing Date, substantially similar in substance to the form of opinions attached to this Agreement as Exhibit A;

(d) the Registration Rights Agreement in substantially the form attached to this Agreement as Exhibit B, which shall have been duly executed by Constellation Energy;

(e) a certificate of the Secretary of Constellation Energy dated as of the Closing Date, in substantially the form attached to this Agreement as Exhibit G;

(f) a certificate dated as of a recent date of the Secretary of State of the State of Delaware with respect to the due organization and good standing in the State of Delaware of Constellation Energy; and

(g) a receipt, dated the Closing Date, executed by Constellation Energy and delivered to each Purchaser certifying that Constellation Energy has received the Purchase Price with respect to the Purchased Common Units issued and sold to all Purchasers.

Section 6.03 Purchaser Deliveries. At the Closing, subject to the terms and conditions of this Agreement, each Purchaser will deliver, or cause to be delivered, to Constellation Energy:

(a) payment to Constellation Energy of such Purchaser's Commitment Amount by wire transfer(s) of immediately available funds to an account designated by Constellation Energy in writing at least two (2) Business Days (or such shorter period as shall be agreeable to all Parties hereto) prior to Closing;

(b) the Registration Rights Agreement in substantially the form attached to this Agreement as Exhibit B, which shall have been duly executed by such Purchaser; and

(c) an Officer's Certificate substantially in the form attached to this Agreement as Exhibit D.

## ARTICLE VII INDEMNIFICATION, COSTS AND EXPENSES

Section 7.01 Indemnification by Constellation Energy. Constellation Energy agrees to indemnify each Purchaser and its Representatives (collectively, "Purchaser Related Parties") from, and hold each of them harmless against, any and all actions, suits, proceedings (including any investigations, litigation or inquiries), demands and causes of action, and, in connection therewith, and promptly upon demand, pay and reimburse each of them for all costs, losses, liabilities, damages or expenses of any kind or nature whatsoever, including the reasonable fees and disbursements of counsel and all other reasonable expenses incurred in connection with investigating, defending or preparing to defend any such matter that may be incurred by them or asserted against or involve any of them as a result of, arising out of or in any way related to (i) any actual or proposed use by Constellation Energy of the proceeds of any sale of the Purchased Common Units or (ii) the breach of any of the representations, warranties or covenants of Constellation Energy contained herein; provided that such claim for indemnification relating to a breach of a representation or warranty is made prior to the expiration of such representation or warranty.

Section 7.02 Indemnification by Purchasers. Each Purchaser agrees, severally and not jointly, to indemnify Constellation Energy and its Representatives (collectively, "Constellation Energy Related Parties") from, and hold each of them harmless against, any and all actions, suits, proceedings (including any investigations, litigation or inquiries), demands and causes of action, and, in connection therewith, and promptly upon demand, pay and reimburse each of them for all costs, losses, liabilities, damages or expenses of any kind or nature whatsoever, including the reasonable fees and disbursements of counsel and all other reasonable expenses incurred in connection with investigating, defending or preparing to defend any such matter that may be incurred by them or asserted against or involve any of them as a result of, arising out of or in any way related to the breach of any of the representations, warranties or covenants of such Purchaser contained herein.

Section 7.03 Indemnification Procedure. Promptly after any Constellation Energy Related Party or Purchaser Related Party (hereinafter, the "Indemnified Party") has received notice of any indemnifiable claim hereunder, or the commencement of any action or proceeding by a third party, which the Indemnified Party believes in good faith is an indemnifiable claim under this Agreement, the Indemnified Party shall give the indemnitor hereunder (the "Indemnifying Party") written notice of such claim or the commencement of such action or proceeding, but failure to so notify the Indemnifying Party will not relieve the Indemnifying Party from any liability it may have to such Indemnified Party hereunder except to the extent that



the Indemnifying Party is materially prejudiced by such failure. Such notice shall state the nature and the basis of such claim to the extent then known. The Indemnifying Party shall have the right to defend and settle, at its own expense and by its own counsel who shall be reasonably acceptable to the Indemnified Party, any such matter as long as the Indemnifying Party pursues the same diligently and in good faith. If the Indemnifying Party undertakes to defend or settle, it shall promptly notify the Indemnified Party of its intention to do so, and the Indemnified Party shall cooperate with the Indemnifying Party and its counsel in all commercially reasonable respects in the defense thereof and the settlement thereof. Such cooperation shall include furnishing the Indemnifying Party with any books, records and other information reasonably requested by the Indemnifying Party and in the Indemnified Party's possession or control. Such cooperation of the Indemnified Party shall be at the cost of the Indemnifying Party. After the Indemnifying Party has notified the Indemnified Party of its intention to undertake to defend or settle any such asserted liability, and for so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of such asserted liability; provided, however, that the Indemnified Party shall be entitled (i) at its expense, to participate in the defense of such asserted liability and the negotiations of the settlement thereof and (ii) if (A) the Indemnifying Party has failed to assume the defense or employ counsel reasonably acceptable to the Indemnified Party or (B) if the defendants in any such action include both the Indemnified Party and the Indemnifying Party and counsel to the Indemnified Party shall have concluded that there may be reasonable defenses available to the Indemnified Party that are different from or in addition to those available to the Indemnifying Party or if the interests of the Indemnified Party reasonably may be deemed to conflict with the interests of the Indemnifying Party, then the Indemnified Party shall have the right to select a separate counsel and to assume such legal defense and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the Indemnifying Party as incurred. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not settle any indemnified claim without the consent of the Indemnified Party, unless the settlement thereof imposes no liability or obligation on, involves no admission of wrongdoing or malfeasance by, and includes a complete release from liability of, the Indemnified Party, nor shall the Indemnified Party settle any claim for which indemnification may be claimed hereunder without at least three business days notice to the Indemnifying Party of the terms and conditions of such settlement.

## **ARTICLE VIII MISCELLANEOUS**

Section 8.01 Interpretation. Article, Section, Schedule and Exhibit references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts and agreements are references to such instruments, documents, contracts and agreements as the same may be amended, supplemented and otherwise modified from time to time, unless otherwise specified. The word "including" shall mean "including but not limited to". Whenever Constellation Energy or any Purchaser has an obligation under the Basic Documents, the expense of complying with such obligation shall be an expense of Constellation Energy or such Purchaser, as the case may be, unless otherwise specified. Whenever any determination, consent or approval is to be made or given by a Purchaser under this Agreement, such action shall be in such Purchaser's sole discretion unless otherwise specified. If any provision in the Basic

Documents is held to be illegal, invalid, not binding or unenforceable, such provision shall be fully severable and the Basic Documents shall be construed and enforced as if such illegal, invalid, not binding or unenforceable provision had never comprised a part of the Basic Documents, and the remaining provisions shall remain in full force and effect. The Basic Documents have been reviewed and negotiated by sophisticated parties with access to legal counsel and shall not be construed against the drafter.

Section 8.02 Survival of Provisions. The representations and warranties set forth in this Agreement shall survive the execution and delivery of this Agreement indefinitely. The covenants made in this Agreement or any other Basic Document shall survive the closing of the transactions described herein and remain operative and in full force and effect regardless of acceptance of any of the Purchased Common Units and payment therefor and repayment, conversion, exercise or repurchase thereof. All indemnification obligations of Constellation Energy and the Purchasers pursuant to Section 3.12, Section 4.07 and Article VII of this Agreement shall remain operative and in full force and effect unless such obligations are expressly terminated in a writing by the Parties referencing the particular Article or Section, regardless of any purported general termination of this Agreement.

Section 8.03 No Waiver; Modifications in Writing.

(a) Delay. No failure or delay on the part of any Party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any right, power or remedy. The remedies provided for herein are cumulative and are not exclusive of any remedies that may be available to a Party at law or in equity or otherwise.

(b) Specific Waiver. Except as otherwise provided in this Agreement or the Registration Rights Agreement, no amendment, waiver, consent, modification or termination of any provision of this Agreement or any other Basic Document shall be effective unless signed by each of the Parties or each of the original signatories thereto affected by such amendment, waiver, consent, modification or termination. Any amendment, supplement or modification of or to any provision of this Agreement or any other Basic Document, any waiver of any provision of this Agreement or any other Basic Document and any consent to any departure by Constellation Energy from the terms of any provision of this Agreement or any other Basic Document shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement, no notice to or demand on any Party in any case shall entitle any Party to any other or further notice or demand in similar or other circumstances.

Section 8.04 Binding Effect; Assignment.

(a) Binding Effect. This Agreement shall be binding upon Constellation Energy, each Purchaser, and their respective successors and permitted assigns. Except as expressly provided in this Agreement, this Agreement shall not be construed so as to confer any right or benefit upon any Person other than the Parties to this Agreement and as provided in Article VII, and their respective successors and permitted assigns.

(b) Assignment of Purchased Common Units. All or any portion of a Purchaser's Purchased Common Units purchased pursuant to this Agreement may be sold, assigned or pledged by such Purchaser, subject to compliance with applicable securities Laws, Sections 4.06 and 5.04 of this Agreement, and the Registration Rights Agreement.

(c) Assignment of Rights. Each Purchaser may assign all or any portion of its rights and obligations under this Agreement without the consent of Constellation Energy (i) to any Affiliate of such Purchaser or (ii) in connection with a total return swap or similar transaction with respect to the Purchased Common Units purchased by such Purchaser, and in each case the assignee shall be deemed to be a Purchaser hereunder with respect to such assigned rights or obligations and shall agree to be bound by the provisions of this Agreement. Except as expressly permitted by this Section 8.04(c), such rights and obligations may not otherwise be transferred except with the prior written consent of Constellation Energy (which consent shall not be unreasonably withheld), in which case the assignee shall be deemed to be a Purchaser hereunder with respect to such assigned rights or obligations and shall agree to be bound by the provisions of this Agreement.

Section 8.05 Aggregation of Purchased Common Units. All Purchased Common Units held or acquired by Persons who are Affiliates of one another shall be aggregated together for the purpose of determining the availability of any rights under the Basic Documents.

Section 8.06 Confidentiality and Non-Disclosure. Notwithstanding anything herein to the contrary, each Purchaser that has executed a confidentiality agreement in favor of Constellation Energy shall continue to be bound by such confidentiality agreement in accordance with the terms thereof until Constellation Energy discloses on Form 8-K with the Commission the transactions contemplated hereby.

Section 8.07 Communications. All notices and demands provided for hereunder shall be in writing and shall be given by regular mail, registered or certified mail, return receipt requested, facsimile, air courier guaranteeing overnight delivery, electronic mail or personal delivery to the following addresses:

(a) If to BBT Fund, L.P.:  
BBT Fund, L.P.  
c/o BBT Genpar, L.P.  
201 Main Street, Suite 3200  
Fort Worth, Texas 76102  
Attention: Brad Donley  
Phone: (817) 390-8875  
Facsimile: (817) 390-8896  
Email: bdonley@barbnet.com

(b) If to Citigroup Financial Products Inc.:  
Citigroup Financial Products Inc.  
390 Greenwich Street  
New York, New York 10013  
Attention: Brendan O'Dea  
Phone: (212) 723-5336  
Email: brendan.odea@citi.com

(c) If to Kayne Anderson MLP Investment Company, Kayne Anderson Capital Income Partners (QP), LP, Kayne Anderson MLP Fund, LP, Kayne Anderson Non-Traditional Investments, LP, Kayne Anderson Midstream Opportunity Fund, LP and Arbco II, LP:

Kayne Anderson Capital Advisors, L.P.  
1800 Avenue of the Stars, Second Floor  
Los Angeles, California 90067  
Attention: David Shladovsky  
Facsimile: (310) 284-6490

with a copy to:

Kayne Anderson Capital Advisors, L.P.  
717 Texas Avenue, Suite 3100  
Houston, Texas 77002  
Attention: Kevin S. McCarthy  
Facsimile: (713) 655-7359

(d) If to Strome MLP Fund, LP:  
Strome MLP Fund, LP  
c/o Strome Group  
100 Wilshire Boulevard, Suite 1750  
Santa Monica, California 90401  
Attention: Casey Borman  
Phone: (310) 917-6600  
Facsimile: (310) 752-1483  
Email: cborman@strome.com

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- (e) If to Swank Energy Income Advisors LP:  
Swank Capital, LLC  
3300 Oak Lawn Avenue, Suite 650  
Dallas, Texas 75219  
Attention: Daniel L. Spears  
Phone: (214) 625-1676  
Facsimile: (214) 219-2353
- (f) If to Alerian Opportunity Partners VII LP:  
Alerian Opportunity Partners VII LP  
45 Rockefeller Plaza  
New York, New York 10111  
Attention: Rich Levy
- with a copy to:  
Vinson & Elkins L.L.P.  
2500 First City Tower  
1001 Fannin Street, Suite 2500  
Houston, Texas 77002  
Attention: Jeffery K. Malonson, Esq.  
Facsimile: (713) 615-5627  
Email: jmalonson@velaw.com
- (g) If to Constellation Energy Partners LLC:  
Constellation Energy Partners LLC  
One Allen Center  
500 Dallas Street, Suite 3300  
Houston, Texas 77002  
Attention: Lisa J. Mellencamp  
Facsimile: (713) 344-2901  
Email: lisa.mellencamp@constellation.com

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with a copy to:

Andrews Kurth LLP  
600 Travis, Suite 4200  
Houston, Texas 77002  
Attention: G. Michael O’Leary, Esq.  
Facsimile: (713) 238-7130  
Email: moleary@andrewskurth.com

or to such other address as Constellation Energy or such Purchaser may designate in writing. All notices and communications shall be deemed to have been duly given at the time delivered by hand, if personally delivered; upon actual receipt if sent by registered or certified mail, return receipt requested, or regular mail, if mailed; when receipt acknowledged, if sent via facsimile; and upon actual receipt when delivered to an air courier guaranteeing overnight delivery or via electronic mail.

Section 8.08 Removal of Legend. Constellation Energy shall remove the legend described in Section 4.08 from the certificates evidencing the Purchased Common Units at the request of a Purchaser submitting to Constellation Energy such certificates, together with such other documentation as may be reasonably requested by Constellation Energy or required by its transfer agent, unless Constellation Energy, with the advice of counsel, reasonably determines that such removal is inappropriate; provided that no opinion of counsel shall be required in the event a Purchaser is effecting a sale of such Purchased Common Units pursuant to Rule 144 under the Securities Act or an effective registration statement. Constellation Energy shall cooperate with such Purchaser to effect removal of such legend. The legend described in Section 4.08 shall be removed and Constellation Energy shall issue a certificate without such legend to the holder of Purchased Common Units upon which it is stamped, if, unless otherwise required by state securities Laws, (i) such Purchased Common Units are sold pursuant to an effective Registration Statement, (ii) in connection with a sale, assignment or other transfer, such holder provides Constellation Energy with an opinion of a law firm reasonably acceptable to Constellation Energy (with any law firm set forth under Section 8.07 being deemed acceptable), in a generally acceptable form, to the effect that such sale, assignment or transfer of such Purchased Common Units may be made without registration under the applicable requirements of the Securities Act, or (iii) such holder provides Constellation Energy with reasonable assurance that such Purchased Common Units can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A under the Securities Act. If Constellation Energy shall fail for any reason or for no reason to issue to the holder of such Purchased Common Units within three trading days after prior written notice to Constellation Energy of the occurrence of any of clause (i), clause (ii) or clause (iii) above a certificate without such legend to the holder or if Constellation Energy fails to deliver unlegended Purchased Common Units within three trading days of prior written notice to Constellation Energy of the Purchaser’s election to receive such unlegended Purchased Common Units pursuant to clause (y) below, and if on or after such trading day the holder purchases (in an open market transaction or otherwise) Common Units to deliver in satisfaction of a sale by the holder of such Purchased Common Units that the holder anticipated receiving without legend from Constellation Energy (a “Buy-In”), then Constellation Energy shall, within three Business Days after receipt by Constellation Energy of the holder’s written request and in the holder’s discretion, either (x) pay cash to the holder in an amount equal

to the holder's total purchase price (including brokerage commissions, if any) for the Common Units so purchased (the "Buy-In Price"), at which point Constellation Energy's obligation to deliver such unlegended Purchased Common Units shall terminate, or (y) promptly honor its obligation to deliver to the holder such unlegended Purchased Common Units as provided above and pay cash to the holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of Common Units times (B) the closing bid price on the first Business Day after Constellation Energy's receipt of such Purchaser's written notice of exercise.

Section 8.09 Entire Agreement. This Agreement and the other Basic Documents are intended by the Parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the Parties hereto and thereto in respect of the subject matter contained herein and therein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein or therein with respect to the rights granted by Constellation Energy or a Purchaser set forth herein or therein. This Agreement and the other Basic Documents supersede all prior agreements and understandings between the Parties with respect to such subject matter.

Section 8.10 Governing Law. This Agreement will be construed in accordance with and governed by the Laws of the State of Delaware without regard to principles of conflicts of Laws.

Section 8.11 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different Parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

Section 8.12 Termination.

(a) Notwithstanding anything herein to the contrary, this Agreement may be terminated on or at any time prior to the Closing:

(i) by the mutual written consent of Constellation Energy and the Purchasers entitled to purchase a majority of the Purchased Common Units based on their Commitment Amounts; or

(ii) by the written consent of the Purchasers entitled to purchase a majority of the Purchased Common Units based on their Commitment Amounts or by Constellation Energy, (i) if any representation or warranty of the other Party set forth in this Agreement shall be untrue in any material respect when made, or (ii) upon a breach in any material respect of any covenant or agreement on the part of the other set forth in this Agreement (either (i) or (ii) above being a "Terminating Breach"); *provided, that* each Terminating Breach would cause the conditions to the non-terminating Party's obligations not to be satisfied and such Terminating Breach is not cured within 20 days after receipt of written notice of such Terminating Breach from the non-breaching Party.

(b) Notwithstanding anything herein to the contrary, this Agreement shall automatically terminate on or at any time prior to the Closing:

(i) if the Closing shall not have occurred on or before September 21, 2007;



(ii) if the Newfield Acquisition Agreement shall have been terminated pursuant to their terms; or

(iii) if a Law shall have been enacted or promulgated, or if any Action shall have been taken by any Governmental Authority of competent jurisdiction, in each case which permanently restrains, precludes, enjoins or otherwise prohibits the consummation of the transactions contemplated by this Agreement or makes the transactions contemplated by this Agreement illegal.

(c) In the event of the termination of this Agreement as provided in Section 8.12(a) or Section 8.12(b), this Agreement shall forthwith become null and void. In the event of such termination, there shall be no liability on the part of any Party hereto, except as set forth in Article VII of this Agreement and Sections 8.12(d) and 8.13 of this Agreement and except with respect to the requirement to comply with any confidentiality agreement in favor of Constellation Energy; provided that nothing herein shall relieve any Party from any liability or obligation with respect to any willful breach of this Agreement.

(d) In the event of the termination of this Agreement as provided in Section 8.12(b)(i), and if a Purchaser is not in breach or default in any material respect under any of the terms of this Agreement, then Constellation Energy shall pay to such Purchaser a fee equal to \$1.00 per Common Unit based on each such Purchaser's Commitment Amount.

Section 8.13 Expenses. Constellation Energy hereby covenants and agrees to reimburse Vinson & Elkins L.L.P. for reasonable and documented costs and expenses (including legal fees) incurred in connection with the negotiation, execution, delivery and performance of the Basic Documents and the transactions contemplated hereby and thereby, provided that such costs and expenses do not exceed \$50,000 and that any request for such expense reimbursement be accompanied by a detailed invoice for such amount. If any action at law or equity is necessary to enforce or interpret the terms of the Basic Documents, the prevailing Party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such Party may be entitled.

Section 8.14 Recapitalization, Exchanges, Etc. Affecting the Purchased Common Units. The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all units of Constellation Energy or any successor or assign of Constellation Energy (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for or in substitution of, the Purchased Common Units, and shall be appropriately adjusted for combinations, unit splits, recapitalizations and the like occurring after the date of this Agreement.

Section 8.15 Obligations Limited to Parties to Agreement. Each of the parties hereto covenants, agrees and acknowledges that no Person other than the Purchasers (and their permitted assignees) and Constellation Energy shall have any obligation hereunder and that, notwithstanding that one or more of the Purchasers may be a corporation, partnership or limited liability company, no recourse under this Agreement or the other Basic Documents or under any documents or instruments delivered in connection herewith or therewith shall be had against any former, current or future director, officer, employee, agent, general or limited partner, manager,

member, stockholder or Affiliate of any of the Purchasers or Constellation Energy or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the Purchasers or Constellation Energy or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, as such, for any obligations of the Purchasers and Constellation Energy under this Agreement or the other Basic Documents or any documents or instruments delivered in connection herewith or therewith or for any claim based on, in respect of or by reason of such obligation or its creation.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto execute this Agreement, effective as of the date first above written.

CONSTELLATION ENERGY PARTNERS LLC

By: /s/ Angela A. Minas  
Angela A. Minas  
Chief Financial Officer

Signature Page to  
Common Unit Purchase Agreement

BBT FUND, L.P.

By: BBT Genpar, L.P.  
Managing General Partner

By: BBT-FW, Inc.  
General Partner

By: /s/ William O. Reimann  
William O. Reimann  
Vice President

Signature Page to  
Common Unit Purchase Agreement

By: /s/ Bret Engelkemier

Name: Bret Engelkemier

Title: Managing Director

Signature Page to  
Common Unit Purchase Agreement

KAYNE ANDERSON MLP INVESTMENT COMPANY

By: /s/ Kevin McCarthy  
Kevin McCarthy  
Chief Executive Officer

KAYNE CAPITAL INCOME PARTNERS (QP), LP

By: /s/ David Shladovsky  
David Shladovsky  
General Counsel

KAYNE ANDERSON MLP FUND, LP

By: /s/ David Shladovsky  
David Shladovsky  
General Counsel

KAYNE ANDERSON NON-TRADITIONAL  
INVESTMENTS, LP

By: /s/ David Shladovsky  
David Shladovsky  
General Counsel

KAYNE ANDERSON MIDSTREAM OPPORTUNITY FUND,  
LP

By: /s/ David Shladovsky  
David Shladovsky  
General Counsel

ARBCO II, LP

By: /s/ David Shladovsky  
David Shladovsky  
General Counsel

Signature Page to  
Common Unit Purchase Agreement

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STROME MLP FUND, LP

By: Strome Investment Management, LP  
General Partner

By: /s/ Mark Strome  
Mark Strome  
Chief Investment Officer

Signature Page to  
Common Unit Purchase Agreement



By: /s/ Jerry V. Swank

Jerry V. Swank  
Managing Partner

Signature Page to  
Common Unit Purchase Agreement

By: Alerian Opportunity Advisors VII LLC  
General Partner

By: /s/ Gabriel Hammond  
Gabriel Hammond  
Managing Member

Signature Page to  
Common Unit Purchase Agreement

**REGISTRATION RIGHTS AGREEMENT**  
**BY AND AMONG**  
**CONSTELLATION ENERGY PARTNERS LLC**  
**AND**  
**THE PURCHASERS NAMED HEREIN**

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## REGISTRATION RIGHTS AGREEMENT

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of September 21, 2007 by and among Constellation Energy Partners LLC, a Delaware limited liability company ("Constellation Energy"), and the purchasers listed on the signature pages to this Agreement (each, a "Purchaser" and, collectively, the "Purchasers").

WHEREAS, this Agreement is made in connection with the Closing of the issuance and sale of the Purchased Common Units pursuant to the Common Unit Purchase Agreement, dated as of August 2, 2007, by and among Constellation Energy and the Purchasers (the "Purchase Agreement");

WHEREAS, Constellation Energy has agreed to provide the registration and other rights set forth in this Agreement for the benefit of the Purchasers pursuant to the Purchase Agreement; and

WHEREAS, it is a condition to the obligations of each Purchaser and Constellation Energy under the Purchase Agreement that this Agreement be executed and delivered.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, the parties hereby agree as follows:

### ARTICLE I DEFINITIONS

Section 1.01 Definitions. Capitalized terms used herein without definition shall have the meanings given to them in the Purchase Agreement. The terms set forth below are used herein as so defined:

"Agreement" has the meaning specified therefor in the introductory paragraph.

"Class E Purchase Agreement" means the Class E and Common Unit Purchase Agreement, dated as of March 8, 2007, by and among Constellation Energy and the purchasers named therein.

"Class E Registration Statement" means the registration statement filed with the Commission on July 6, 2007 registering the resale of Common Units sold by Constellation Energy to the purchasers named in the Class E Purchase Agreement.

"Class E Registration Rights Agreement" means the registration rights agreement, dated as of April 23, 2007 by and among Constellation Energy and the purchasers named therein.

"Class F Registration Rights Agreement" means the registration rights agreement, dated as of July 25, 2007 by and among Constellation Energy and the purchasers named therein.

"Commission" means the United States Securities and Exchange Commission. "Constellation Energy" has the meaning specified therefor in the introductory paragraph.

“Effectiveness Period” has the meaning specified therefor in Section 2.01(a)(i) of this Agreement.

“Holder” means the record holder of any Registrable Securities.

“Included Registrable Securities” has the meaning specified therefor in Section 2.02(a) of this Agreement.

“Liquidated Damages” has the meaning specified therefor in Section 2.01(a)(ii) of this Agreement.

“Liquidated Damages Multiplier” means the product of \$42.50 times the number of Common Units purchased by such Purchaser.

“Lock-Up Date” means 90 days after the date that the Class E Registration Statement is declared effective by the Commission.

“Losses” has the meaning specified therefor in Section 2.08(a) of this Agreement.

“Managing Underwriter” means, with respect to any Underwritten Offering, the book-running lead manager of such Underwritten Offering.

“Opt Out Notice” has the meaning specified therefor in Section 2.02(a) of this Agreement.

“Purchase Agreement” has the meaning specified therefor in the Recitals of this Agreement.

“Purchaser” and “Purchasers” have the meanings specified therefor in the introductory paragraph of this Agreement.

“Purchaser Underwriter Registration Statement” has the meaning specified therefor in Section 2.04(o) of this Agreement.

“Registrable Securities” means: (i) the Purchased Common Units, and (ii) any Common Units issued as Liquidated Damages pursuant to this Agreement, all of which Registrable Securities are subject to the rights provided herein until such rights terminate pursuant to the provisions hereof.

“Registration Expenses” has the meaning specified therefor in Section 2.07(a) of this Agreement.

“Registration Statement” has the meaning specified therefor in Section 2.01(a)(i) of this Agreement.

“Selling Expenses” has the meaning specified therefor in Section 2.07(a) of this Agreement.

“Selling Holder” means a Holder who is selling Registrable Securities pursuant to a registration statement.

“Underwritten Offering” means an offering (including an offering pursuant to a Registration Statement) in which Common Units are sold to an underwriter on a firm commitment basis for reoffering to the public or an offering that is a “bought deal” with one or more investment banks.

Section 1.02 Registrable Securities. Any Registrable Security will cease to be a Registrable Security when: (a) a registration statement covering such Registrable Security has been declared effective by the Commission and such Registrable Security has been sold or disposed of pursuant to such effective registration statement; (b) such Registrable Security has been disposed of pursuant to any section of Rule 144 (or any similar provision then in force) under the Securities Act; (c) such Registrable Security can be disposed of pursuant to Rule 144(k) (or any similar provision then in force) under the Securities Act; (d) such Registrable Security is held by Constellation Energy or one of its Subsidiaries; or (e) such Registrable Security has been sold in a private transaction in which the transferor’s rights under this Agreement are not assigned to the transferee of such securities.

## **ARTICLE II**

### **REGISTRATION RIGHTS**

Section 2.01 Registration.

(a) Registration.

(i) ***Deadline To Go Effective***. As soon as practicable following the Closing, but in any event within 90 days of the Closing Date, Constellation Energy shall prepare and file a registration statement under the Securities Act to permit the resale of the Registrable Securities from time to time, including as permitted by Rule 415 under the Securities Act (or any similar provision then in force under the Securities Act) with respect to all of the Registrable Securities (the “Registration Statement”). Constellation Energy shall use its commercially reasonable efforts to cause the Registration Statement to become effective no later than 135 days following the Closing Date. A Registration Statement filed pursuant to this Section 2.01 shall be on such appropriate registration form of the Commission as shall be selected by Constellation Energy. Constellation Energy will use its commercially reasonable efforts to cause the Registration Statement filed pursuant to this Section 2.01 to be continuously effective under the Securities Act until the earlier of (i) the date as of which all such Registrable Securities are sold by the Purchasers or (ii) the date when such Registrable Securities become eligible for resale under Rule 144(k) (or any similar provision then in force) under the Securities Act (the “Effectiveness Period”). The Registration Statement when declared effective (including the documents incorporated therein by reference) shall comply as to form with all applicable requirements of the Securities Act and the Exchange Act and shall not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(ii) **Failure To Go Effective.** If the Registration Statement required by Section 2.01 of this Agreement is not declared effective within 165 days after the Closing Date, then each Purchaser shall be entitled to a payment with respect to the Purchased Common Units of each such Purchaser, as liquidated damages and not as a penalty, of 0.25% of the Liquidated Damages Multiplier per 30-day period for the first 90 days following the 165th day after the Closing Date, increasing by an additional 0.25% of the Liquidated Damages Multiplier per 30-day period for each subsequent 30 days, up to a maximum of 1.00% of the Liquidated Damages Multiplier per 30-day period (the “Liquidated Damages”). Initially there shall be no limitation on the aggregate amount of the Liquidated Damages payable by Constellation Energy under this Agreement to each Purchaser; *provided, however*, that if there is a change in the Law or accounting principles generally accepted in the United States that would result in the Purchased Common Units being treated as debt securities instead of equity securities for purposes of Constellation Energy’s financial statements, then the aggregate amount of the Liquidated Damages payable by Constellation Energy under this Agreement to each Purchaser shall not exceed the maximum amount of the Liquidated Damages Multiplier with respect to such Purchaser allowed for the Purchased Common Units not to be treated as debt securities for purposes of Constellation Energy’s financial statements. The Liquidated Damages payable pursuant to the immediately preceding sentence shall be payable within ten Business Days of the end of each such 30-day period. Any Liquidated Damages shall be paid to each Purchaser in cash or immediately available funds; *provided, however*, if Constellation Energy certifies that it is unable to pay Liquidated Damages in cash or immediately available funds because such payment would result in a breach under any of Constellation Energy’s or Constellation Energy’s Subsidiaries’ credit facilities or other indebtedness filed as exhibits to the Constellation Energy SEC Documents, then Constellation Energy may pay the Liquidated Damages in kind in the form of the issuance of additional Common Units. Upon any issuance of Common Units as Liquidated Damages, Constellation Energy shall promptly prepare and file an amendment to the Registration Statement prior to its effectiveness adding such Common Units to such Registration Statement as additional Registrable Securities. The determination of the number of Common Units to be issued as Liquidated Damages shall be equal to the amount of Liquidated Damages divided by the volume weighted average closing price of the Common Units (as reported by NYSE Arca) for the ten (10) trading days immediately preceding the date on which the Liquidated Damages payment is due, less a discount of 1.5%. The payment of Liquidated Damages to a Purchaser shall cease at such time as the Purchased Common Units of such Purchaser become eligible for resale under Rule 144(k) under the Securities Act. As soon as practicable following the date that the Registration Statement becomes effective, but in any event within two Business Days of such date, Constellation Energy shall provide the Purchasers with written notice of the effectiveness of the Registration Statement.

(iii) **Waiver of Liquidated Damages.** If Constellation Energy is unable to cause a Registration Statement to go effective within 165 days following the Closing Date as a result of an acquisition, merger, reorganization, disposition or other similar transaction, then Constellation Energy may request a waiver of the Liquidated Damages, which may be granted or withheld by the consent of the Holders of a majority of the Purchased Common Units, taken as a whole, in their sole discretion.

(b) **Delay Rights.** Notwithstanding anything to the contrary contained herein, Constellation Energy may, upon written notice to any Selling Holder whose Registrable



Securities are included in the Registration Statement, suspend such Selling Holder's use of any prospectus which is a part of the Registration Statement (in which event the Selling Holder shall discontinue sales of the Registrable Securities pursuant to the Registration Statement, but such Selling Holder may settle any such sales of Registrable Securities) if (i) Constellation Energy is pursuing an acquisition, merger, reorganization, disposition or other similar transaction and Constellation Energy determines in good faith that Constellation Energy's ability to pursue or consummate such a transaction would be materially adversely affected by any required disclosure of such transaction in the Registration Statement or (ii) Constellation Energy has experienced some other material non-public event the disclosure of which at such time, in the good faith judgment of Constellation Energy, would materially adversely affect Constellation Energy; *provided, however*, in no event shall the Purchasers be suspended for a period that exceeds an aggregate of 30 days in any 90-day period or 90 days in any 365-day period; *provided further, however*, that during any period where Registrable Securities are registered on a Form S-1, the failure of the Registration Statement to be effective while updated quarterly or annual financial information is being included in the Registration Statement shall not result in the accrual of Liquidated Damages if such period is no longer than 30 consecutive days. No additional registration rights may be granted to any other Person that would be superior to the Purchasers' registration rights. Upon disclosure of such information or the termination of the condition described above, Constellation Energy shall provide prompt notice to the Selling Holders whose Registrable Securities are included in the Registration Statement, shall promptly terminate any suspension of sales it has put into effect and shall take such other actions to permit registered sales of Registrable Securities as contemplated in this Agreement.

(c) Additional Rights to Liquidated Damages. If (i) the Holders shall be prohibited from selling their Registrable Securities under the Registration Statement as a result of a suspension pursuant to Section 2.01(b) of this Agreement in excess of the periods permitted therein, (ii) the Registration Statement is filed and declared effective but, during the Effectiveness Period, shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded by a post-effective amendment to the Registration Statement, a supplement to the prospectus or a report filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act or (iii) the Lock-Up Date has not expired by the 165th day following the Closing Date, then, until the suspension is lifted or a post-effective amendment, supplement or report is filed with the Commission, but not including any day on which a suspension is lifted or such amendment, supplement or report is filed and declared effective, if applicable, Constellation Energy shall owe the Holders an amount equal to the Liquidated Damages, following (x) the date on which the suspension period exceeded the permitted period under Section 2.01(b) of this Agreement, (y) the day after the Registration Statement ceased to be effective or failed to be useable for its intended purposes or (z) during the period of time that the Lock-Up Date extends beyond 165 days following the Closing Date, as liquidated damages and not as a penalty. For purposes of this Section 2.01(c), a suspension shall be deemed lifted on the date that notice that the suspension has been lifted is delivered to the Holders pursuant to Section 3.01 of this Agreement.

(d) Claw-Back of Purchaser Securities. Constellation Energy may exclude Registrable Securities from the Registration Statement if required by the Commission in order for the Commission to declare the Registration Statement effective; *provided, however*, that Constellation Energy will use its commercially reasonable efforts to file and have declared

effective a subsequent Registration Statement that includes the Registrable Securities excluded from the initial Registration Statement at such time as it may do so in accordance with the Securities Act as interpreted by the Commission. With respect to any Registrable Securities that are not included in the initial Registration Statement or a subsequent Registration Statement within 165 days following the Closing Date, Constellation Energy shall be required to pay the Purchasers the Liquidated Damages in accordance with Section 2.01(a)(ii) of this Agreement.

(e) No Obligation For Primary Offering By Purchasers. If the Commission deems the registration of any Registrable Securities to be a primary offering by Constellation Energy or the Purchasers, and the Commission prohibits the use of Rule 415 under the Securities Act (or any similar provision then in force) to sell Registrable Securities on a delayed or continuous basis, then the Purchasers shall not be obligated to commit to any such primary offering to allow the Registration Statement to be declared effective by the Commission. In such event, if the Registration Statement is not declared effective within 165 days following the Closing Date, then Constellation Energy shall be required to pay the Purchasers the Liquidated Damages in accordance with Section 2.01(a)(ii) of this Agreement.

(f) Conversion From Form S-1 to Form S-3. Within 30 days of becoming eligible to file a registration statement on Form S-3, Constellation Energy agrees to convert any Registration Statement on Form S-1 covering the Purchased Common Units into a registration statement on Form S-3 such that the Purchased Common Units may be sold from time-to-time pursuant to Rule 415 under the Securities Act (or any similar provision then in force).

#### Section 2.02 Piggyback Rights.

(a) Participation. If at any time Constellation Energy proposes to file (i) a prospectus supplement to an effective shelf registration statement, other than the Registration Statement contemplated by Section 2.01 of this Agreement, or (ii) a registration statement, other than a shelf registration statement, in either case, for the sale of Common Units in an Underwritten Offering for its own account and/or another Person, then as soon as practicable but not less than three Business Days prior to the filing of (x) any preliminary prospectus supplement relating to such Underwritten Offering pursuant to Rule 424(b) under the Securities Act, (y) the prospectus supplement relating to such Underwritten Offering pursuant to Rule 424(b) under the Securities Act (if no preliminary prospectus supplement is used) or (z) such registration statement, as the case may be, then Constellation Energy shall give notice (including, but not limited to, notification by electronic mail) of such proposed Underwritten Offering to the Holders and such notice shall offer the Holders the opportunity to include in such Underwritten Offering such number of Registrable Securities (the “Included Registrable Securities”) as each such Holder may request in writing, which shall not be fewer than 100,000 Registrable Securities; *provided, however*, that if Constellation Energy has been advised by the Managing Underwriter that the inclusion of Registrable Securities for sale for the benefit of the Holders will have a material adverse effect on the price, timing or distribution of the Common Units in the Underwritten Offering, then the amount of Registrable Securities to be offered for the accounts of Holders shall be determined based on the provisions of Section 2.02(b) of this Agreement. The notice required to be provided in this Section 2.02(a) to Holders shall be provided on a Business Day pursuant to Section 3.01 hereof and receipt of such notice shall be confirmed by such Holder. Each such Holder shall then have three Business Days after receiving

such notice to request inclusion of Registrable Securities in the Underwritten Offering, except that such Holder shall have one Business Day after such Holder confirms receipt of the notice to request inclusion of Registrable Securities in the Underwritten Offering in the case of a “bought deal” or “overnight transaction” where no preliminary prospectus is used. If no request for inclusion from a Holder is received within the specified time, such Holder shall have no further right to participate in such Underwritten Offering. If, at any time after giving written notice of its intention to undertake an Underwritten Offering and prior to the closing of such Underwritten Offering, Constellation Energy shall determine for any reason not to undertake or to delay such Underwritten Offering, Constellation Energy may, at its election, give written notice of such determination to the Selling Holders and, (x) in the case of a determination not to undertake such Underwritten Offering, shall be relieved of its obligation to sell any Included Registrable Securities in connection with such terminated Underwritten Offering, and (y) in the case of a determination to delay such Underwritten Offering, shall be permitted to delay offering any Included Registrable Securities for the same period as the delay in the Underwritten Offering. Any Selling Holder shall have the right to withdraw such Selling Holder’s request for inclusion of such Selling Holder’s Registrable Securities in such offering by giving written notice to Constellation Energy of such withdrawal up to and including the time of pricing of such offering. No Holder shall be entitled to participate in any such Underwritten Offering under this Section 2.02(a) unless such Holder (together with any Affiliate of such Holder) participating therein held at least \$5,000,000 of Purchased Common Units as of the Closing Date. Notwithstanding the foregoing, any Holder may deliver written notice (an “Opt Out Notice”) to Constellation Energy requesting that such Holder not receive notice from Constellation Energy of any proposed Underwritten Offering; *provided*, that such Holder may later revoke any such notice.

(b) Priority of Rights. If the Managing Underwriter or Underwriters of any proposed Underwritten Offering of Common Units included in an Underwritten Offering involving Included Registrable Securities advises Constellation Energy, or Constellation Energy reasonably determines, that the total amount of Common Units that the Selling Holders and any other Persons intend to include in such offering exceeds the number that can be sold in such offering without being likely to have a material adverse effect on the price, timing or distribution of the Common Units offered or the market for the Common Units, then the Common Units to be included in such Underwritten Offering shall include the number of Registrable Securities that such Managing Underwriter or Underwriters advises Constellation Energy, or Constellation Energy reasonably determines, can be sold without having such adverse effect, with such number to be allocated (i) first, to Constellation Energy or, in the case of a demand by an Affiliate of Constellation Energy, such Affiliate and (ii) second, to the Selling Holders party to this Agreement and those party to the Class E Registration Rights Agreement and the Class F Registration Rights Agreement, in each case, who have requested participation in such Underwritten Offering. The pro rata allocations for each such Selling Holder shall be the product of (a) the aggregate number of Common Units proposed to be sold by all Selling Holders in such Underwritten Offering multiplied by (b) the fraction derived by dividing (x) the number of Common Units owned on the Closing Date by such Selling Holder by (y) the aggregate number of Common Units owned on the Closing Date by all Selling Holders participating in the Underwritten Offering. All participating Selling Holders shall have the opportunity to share pro rata that portion of such priority allocable to any Selling Holder(s) not so participating. As of the date of execution of this Agreement, there are no other Persons with Registration Rights relating to Common Units other than as described in this Section 2.02(b).

Section 2.03 Underwritten Offering.

(a) Request for Underwritten Offering. Any one or more Holders that collectively hold greater than \$5,000,000 of Registrable Securities, based on the purchase price per unit under the Purchase Agreement, may deliver written notice to Constellation Energy that such Holders wish to dispose of an aggregate of at least \$5,000,000 of Registrable Securities, based on the purchase price per unit under the Purchase Agreement, in an Underwritten Offering. Upon receipt of any such written request, Constellation Energy shall retain underwriters, effect such sale through an Underwritten Offering, including entering into an underwriting agreement in customary form with the Managing Underwriter or Underwriters, which shall include, among other provisions, indemnities to the effect and to the extent provided in Section 2.08, and take all reasonable actions as are requested by the Managing Underwriter or Underwriters to expedite or facilitate the disposition of such Registrable Securities; *provided, however*, Constellation Energy management will not be required to participate in any roadshow or similar marketing effort on behalf of any such Holder.

(b) General Procedures. In connection with any Underwritten Offering under this Agreement, Constellation Energy shall be entitled to select the Managing Underwriter or Underwriters. In connection with an Underwritten Offering contemplated by this Agreement in which a Selling Holder participates, each Selling Holder and Constellation Energy shall be obligated to enter into an underwriting agreement that contains such representations, covenants, indemnities and other rights and obligations as are customary in underwriting agreements for firm commitment offerings of securities. No Selling Holder may participate in such Underwritten Offering unless such Selling Holder agrees to sell its Registrable Securities on the basis provided in such underwriting agreement and completes and executes all questionnaires, powers of attorney, indemnities and other documents reasonably required under the terms of such underwriting agreement. Each Selling Holder may, at its option, require that any or all of the representations and warranties by, and the other agreements on the part of, Constellation Energy to and for the benefit of such underwriters also be made to and for such Selling Holder's benefit and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement also be conditions precedent to its obligations. No Selling Holder shall be required to make any representations or warranties to or agreements with Constellation Energy or the underwriters other than representations, warranties or agreements regarding such Selling Holder and its ownership of the securities being registered on its behalf, its intended method of distribution and any other representation required by Law. If any Selling Holder disapproves of the terms of an underwriting, such Selling Holder may elect to withdraw therefrom by notice to Constellation Energy and the Managing Underwriter; *provided, however*, that such withdrawal must be made up to and including the time of pricing of such Underwritten Offering. No such withdrawal or abandonment shall affect Constellation Energy's obligation to pay Registration Expenses.

Section 2.04 Sale Procedures. In connection with its obligations under this Article II, Constellation Energy will, as expeditiously as possible:

(a) prepare and file with the Commission such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective for the Effectiveness Period and as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Registration Statement;

(b) if a prospectus supplement will be used in connection with the marketing of an Underwritten Offering from the Registration Statement and the Managing Underwriter at any time shall notify Constellation Energy in writing that, in the sole judgment of such Managing Underwriter, inclusion of detailed information to be used in such prospectus supplement is of material importance to the success of the Underwritten Offering of such Registrable Securities, use its commercially reasonable efforts to include such information in such prospectus supplement;

(c) furnish to each Selling Holder (i) as far in advance as reasonably practicable before filing the Registration Statement or any other registration statement contemplated by this Agreement or any supplement or amendment thereto, upon request, copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits and each document incorporated by reference therein to the extent then required by the rules and regulations of the Commission), and provide each such Selling Holder the opportunity to object to any information pertaining to such Selling Holder and its plan of distribution that is contained therein and make the corrections reasonably requested by such Selling Holder with respect to such information prior to filing the Registration Statement or such other registration statement or supplement or amendment thereto, and (ii) such number of copies of the Registration Statement or such other registration statement and the prospectus included therein and any supplements and amendments thereto as such Persons may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities covered by such Registration Statement or other registration statement;

(d) if applicable, use its commercially reasonable efforts to register or qualify the Registrable Securities covered by the Registration Statement or any other registration statement contemplated by this Agreement under the securities or blue sky laws of such jurisdictions as the Selling Holders or, in the case of an Underwritten Offering, the Managing Underwriter, shall reasonably request; *provided, however*, that Constellation Energy will not be required to qualify generally to transact business in any jurisdiction where it is not then required to so qualify or to take any action which would subject it to general service of process in any such jurisdiction where it is not then so subject;

(e) promptly notify each Selling Holder and each underwriter of Registrable Securities, at any time when a prospectus relating thereto is required to be delivered by any of them under the Securities Act, of (i) the filing of the Registration Statement or any other registration statement contemplated by this Agreement or any prospectus or prospectus supplement to be used in connection therewith, or any amendment or supplement thereto, and, with respect to such Registration Statement or any other registration statement or any post-effective amendment thereto, when the same has become effective; and (ii) any written comments from the Commission with respect to any filing referred to in clause (i) and any written request by the Commission for amendments or supplements to the Registration Statement or any other registration statement or any prospectus or prospectus supplement thereto;

(f) immediately notify each Selling Holder and each underwriter of Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of (i) the happening of any event as a result of which the prospectus or prospectus supplement contained in the Registration Statement or any other registration statement contemplated by this Agreement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing; (ii) the issuance or threat of issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any other registration statement contemplated by this Agreement, or the initiation of any proceedings for that purpose; or (iii) the receipt by Constellation Energy of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the applicable securities or blue sky laws of any jurisdiction. Following the provision of such notice, Constellation Energy agrees to as promptly as practicable amend or supplement the prospectus or prospectus supplement or take other appropriate action so that the prospectus or prospectus supplement does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and to take such other action as is necessary to remove a stop order, suspension, threat thereof or proceedings related thereto;

(g) upon request and subject to appropriate confidentiality obligations, furnish to each Selling Holder copies of any and all transmittal letters or other correspondence with the Commission or any other governmental agency or self-regulatory body or other body having jurisdiction (including any domestic or foreign securities exchange) relating to such offering of Registrable Securities;

(h) in the case of an Underwritten Offering, furnish upon request, (i) an opinion of counsel for Constellation Energy dated the effective date of the applicable registration statement or the date of any amendment or supplement thereto, and a letter of like kind dated the date of the closing under the underwriting agreement, and (ii) a “cold comfort” letter, dated the date of the applicable registration statement or the date of any amendment or supplement thereto and a letter of like kind dated the date of the closing under the underwriting agreement, in each case, signed by the independent public accountants who have certified Constellation Energy’s financial statements included or incorporated by reference into the applicable registration statement, and each of the opinion and the “cold comfort” letter shall be in customary form and covering substantially the same matters with respect to such registration statement (and the prospectus and any prospectus supplement included therein) as are customarily covered in opinions of issuer’s counsel and in accountants’ letters delivered to the underwriters in Underwritten Offerings of securities and such other matters as such underwriters or Selling Holders may reasonably request;

(i) otherwise use its commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

(j) make available to the appropriate representatives of the Managing Underwriter and Selling Holders access to such information and Constellation Energy personnel as is reasonable and customary to enable such parties to establish a due diligence defense under the Securities Act; *provided, however*, that Constellation Energy need not disclose any such information to any such representative unless and until such representative has entered into or is otherwise subject to a confidentiality agreement with Constellation Energy satisfactory to Constellation Energy (including any confidentiality agreement referenced in Section 8.06 of the Purchase Agreement);

(k) cause all such Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange or nationally recognized quotation system on which similar securities issued by Constellation Energy are then listed;

(l) use its commercially reasonable efforts to cause the Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of Constellation Energy to enable the Selling Holders to consummate the disposition of such Registrable Securities;

(m) provide a transfer agent and registrar for all Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(n) enter into customary agreements and take such other actions as are reasonably requested by the Selling Holders or the underwriters, if any, in order to expedite or facilitate the disposition of such Registrable Securities; and

(o) if any Purchaser could reasonably be deemed to be an “underwriter”, as defined in Section 2(a)(11) of the Securities Act, in connection with the registration statement in respect of any registration of Constellation Energy’s securities of any Purchaser pursuant to this Agreement, and any amendment or supplement thereof (any such registration statement or amendment or supplement a “Purchaser Underwriter Registration Statement”), cooperate with such Purchaser in allowing such Purchaser to conduct customary “underwriter’s due diligence” with respect to Constellation Energy and satisfy its obligations in respect thereof. In addition, at any Purchaser’s request, Constellation Energy will furnish to such Purchaser, on the date of the effectiveness of any Purchaser Underwriter Registration Statement and thereafter from time to time on such dates as such Purchaser may reasonably request, (i) a letter, dated such date, from Constellation Energy’s independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to such Purchaser, and (ii) an opinion, dated as of such date, of counsel representing Constellation Energy for purposes of such Purchaser Underwriter Registration Statement, in form, scope and substance as is customarily given in an underwritten public offering, including a standard “10b-5” opinion for such offering, addressed to such Purchaser. Constellation Energy will also permit legal counsel to such Purchaser to review and comment upon any such Purchaser Underwriter Registration Statement at least five Business Days prior to its filing with the Commission and all amendments and supplements to any such Purchaser Underwriter Registration Statement within a reasonable number of days prior to their filing with the Commission and not file any Purchaser Underwriter Registration Statement or amendment or supplement thereto in a form to which such Purchaser’s legal counsel reasonably objects.

Each Selling Holder, upon receipt of notice from Constellation Energy of the happening of any event of the kind described in Section 2.04(f) of this Agreement, shall forthwith discontinue disposition of the Registrable Securities until such Selling Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 2.04(f) of this Agreement or until it is advised in writing by Constellation Energy that the use of the prospectus may be resumed, and has received copies of any additional or supplemental filings incorporated by reference in the prospectus, and, if so directed by Constellation Energy, such Selling Holder will, or will request the managing underwriter or underwriters, if any, to deliver to Constellation Energy (at Constellation Energy's expense) all copies in their possession or control, other than permanent file copies then in such Selling Holder's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

If requested by a Purchaser, Constellation Energy shall: (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as such Purchaser reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; (ii) as soon as practicable make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) as soon as practicable, supplement or make amendments to any Registration Statement.

Section 2.05 Cooperation by Holders. Constellation Energy shall have no obligation to include in the Registration Statement Common Units of a Holder, or in an Underwritten Offering pursuant to Section 2.02 of this Agreement Common Units of a Selling Holder, who has failed to timely furnish such information that, in the opinion of counsel to Constellation Energy, is reasonably required in order for the registration statement or prospectus supplement, as applicable, to comply with the Securities Act.

Section 2.06 Restrictions on Public Sale by Holders of Registrable Securities. For a period of 365 days from the Closing Date, each Holder of Registrable Securities who is included in the Registration Statement agrees not to effect any public sale or distribution of the Registrable Securities during the 30-day period following completion of an Underwritten Offering of equity securities by Constellation Energy (except as provided in this Section 2.06); *provided, however*, that the duration of the foregoing restrictions shall be no longer than the duration of the shortest restriction generally imposed by the underwriters on the officers or directors or any other Unitholder of Constellation Energy on whom a restriction is imposed in connection with such public offering. In addition, the provisions of this Section 2.06 shall not apply with respect to a Holder that (A) owns less than \$5,000,000 of Purchased Common Units, based on the purchase price per unit under the Purchase Agreement, (B) has delivered an Opt Out Notice to Constellation Energy pursuant to Section 2.02 hereof or (C) has submitted a notice requesting the inclusion of Registrable Securities in an Underwritten Offering pursuant to Section 2.02 or Section 2.03(a) hereof but is unable to do so as a result of the priority provisions contained in Section 2.02(b) hereof.



Section 2.07 Expenses.

(a) Certain Definitions. “Registration Expenses” means all expenses incident to Constellation Energy’s performance under or compliance with this Agreement to effect the registration of Registrable Securities on the Registration Statement pursuant to Section 2.01 hereof or an Underwritten Offering covered under this Agreement, and the disposition of such securities, including, without limitation, all registration, filing, securities exchange listing and NYSE Arca fees, all registration, filing, qualification and other fees and expenses of complying with securities or blue sky laws, fees of the National Association of Securities Dealers, Inc., transfer taxes and fees of transfer agents and registrars, all word processing, duplicating and printing expenses and the fees and disbursements of counsel and independent public accountants for Constellation Energy, including the expenses of any special audits or “cold comfort” letters required by or incident to such performance and compliance. “Selling Expenses” means all underwriting fees, discounts and selling commissions allocable to the sale of the Registrable Securities.

(b) Expenses. Constellation Energy will pay all reasonable Registration Expenses as determined in good faith, including, in the case of an Underwritten Offering, whether or not any sale is made pursuant to such Underwritten Offering. In addition, except as otherwise provided in Section 2.08 hereof, Constellation Energy shall not be responsible for legal fees incurred by Holders in connection with the exercise of such Holders’ rights hereunder. Each Selling Holder shall pay all Selling Expenses in connection with any sale of its Registrable Securities hereunder.

Section 2.08 Indemnification.

(a) By Constellation Energy. In the event of an offering of any Registrable Securities under the Securities Act pursuant to this Agreement, Constellation Energy will indemnify and hold harmless each Selling Holder thereunder, its directors and officers, and each underwriter, pursuant to the applicable underwriting agreement with such underwriter, of Registrable Securities thereunder and each Person, if any, who controls such Selling Holder or underwriter within the meaning of the Securities Act and the Exchange Act, and its directors and officers, against any losses, claims, damages, expenses or liabilities (including reasonable attorneys’ fees and expenses) (collectively, “Losses”), joint or several, to which such Selling Holder, director, officer, underwriter or controlling Person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement or any other registration statement contemplated by this Agreement, any preliminary prospectus, free writing prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus, in light of the circumstances under which they were made) not misleading, and will reimburse each such Selling Holder, its directors and officers, each such underwriter and each such controlling Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such Loss or actions or proceedings; *provided, however*, that Constellation Energy will not be liable in any such case if and to the extent that

any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in strict conformity with information furnished by such Selling Holder, its directors or officers or any underwriter or controlling Person in writing specifically for use in the Registration Statement or such other registration statement, or prospectus supplement, as applicable. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Selling Holder or any such Selling Holder, its directors or officers or any underwriter or controlling Person, and shall survive the transfer of such securities by such Selling Holder.

(b) By Each Selling Holder. Each Selling Holder agrees severally and not jointly to indemnify and hold harmless Constellation Energy, its directors and officers, and each Person, if any, who controls Constellation Energy within the meaning of the Securities Act or of the Exchange Act, and its directors and officers, to the same extent as the foregoing indemnity from Constellation Energy to the Selling Holders, but only with respect to information regarding such Selling Holder furnished in writing by or on behalf of such Selling Holder expressly for inclusion in the Registration Statement or any preliminary prospectus or final prospectus included therein, or any amendment or supplement thereto; *provided, however*, that the liability of each Selling Holder shall not be greater in amount than the dollar amount of the proceeds (net of any Selling Expenses) received by such Selling Holder from the sale of the Registrable Securities giving rise to such indemnification.

(c) Notice. Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party other than under this Section 2.08. In any action brought against any indemnified party, it shall notify the indemnifying party of the commencement thereof. The indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 2.08 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected; *provided, however*, that, (i) if the indemnifying party has failed to assume the defense or employ counsel reasonably acceptable to the indemnified party or (ii) if the defendants in any such action include both the indemnified party and the indemnifying party and counsel to the indemnified party shall have concluded that there may be reasonable defenses available to the indemnified party that are different from or additional to those available to the indemnifying party, or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, then the indemnified party shall have the right to select a separate counsel and to assume such legal defense and otherwise to participate in the defense of such action, with the reasonable expenses and fees of such separate counsel and other reasonable expenses related to such participation to be reimbursed by the indemnifying party as incurred. Notwithstanding any other provision of this Agreement, no indemnifying party shall settle any action brought against an indemnified party with respect to which it is entitled to indemnification hereunder without the consent of the indemnified party, unless the settlement thereof imposes no liability or

obligation on, and includes a complete and unconditional release from all liability of, the indemnified party. Notwithstanding any other provision of this Agreement, no indemnified party shall settle any action brought against it with respect to which it is entitled to indemnification hereunder without the consent of the indemnifying party, unless the settlement thereof imposes no liability or obligation on, and includes a complete and unconditional release from all liability of, the indemnifying party.

(d) Contribution. If the indemnification provided for in this Section 2.08 is held by a court or government agency of competent jurisdiction to be unavailable to any indemnified party or is insufficient to hold them harmless in respect of any Losses, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of such indemnified party on the other in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations; *provided, however*, that in no event shall such Selling Holder be required to contribute an aggregate amount in excess of the dollar amount of proceeds (net of Selling Expenses) received by such Selling Holder from the sale of Registrable Securities giving rise to such indemnification. The relative fault of the indemnifying party on the one hand and the indemnified party on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact has been made by, or relates to, information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this paragraph were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to herein. The amount paid by an indemnified party as a result of the Losses referred to in the first sentence of this paragraph shall be deemed to include any legal and other expenses reasonably incurred by such indemnified party in connection with investigating or defending any Loss which is the subject of this paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

(e) Other Indemnification. The provisions of this Section 2.08 shall be in addition to any other rights to indemnification or contribution which an indemnified party may have pursuant to law, equity, contract or otherwise.

Section 2.09 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission that may permit the sale of the Registrable Securities to the public without registration, Constellation Energy agrees to use its commercially reasonable efforts to:

(a) make and keep public information regarding Constellation Energy available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times from and after the date hereof;

(b) file with the Commission in a timely manner all reports and other documents required of Constellation Energy under the Securities Act and the Exchange Act at all times from and after the date hereof; and

(c) so long as a Holder owns any Registrable Securities, furnish, unless otherwise not available at no charge by access electronically to the Commission's EDGAR filing system, to such Holder forthwith upon request a copy of the most recent annual or quarterly report of Constellation Energy, and such other reports and documents so filed as such Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any such securities without registration.

Section 2.10 Transfer or Assignment of Registration Rights. The rights to cause Constellation Energy to register Registrable Securities granted to the Purchasers by Constellation Energy under this Article II may be transferred or assigned by any Purchaser to one or more transferee(s) or assignee(s) of such Registrable Securities or by total return swap; *provided, however*, that, except with respect to a total return swap, (a) unless such transferee is an Affiliate of such Purchaser, each such transferee or assignee holds Registrable Securities representing at least \$5,000,000 of the Purchased Common Units, based on the purchase price per unit under the Purchase Agreement, (b) Constellation Energy is given written notice prior to any said transfer or assignment, stating the name and address of each such transferee and identifying the securities with respect to which such registration rights are being transferred or assigned, and (c) each such transferee assumes in writing responsibility for its portion of the obligations of such Purchaser under this Agreement.

Section 2.11 Limitation on Subsequent Registration Rights. From and after the date hereof, Constellation Energy shall not, without the prior written consent of the Holders of a majority of the outstanding Registrable Securities, (i) enter into any agreement with any current or future holder of any securities of Constellation Energy that would allow such current or future holder to require Constellation Energy to include securities in any registration statement filed by Constellation Energy on a basis that is superior in any way to the piggyback rights granted to the Purchasers hereunder or (ii) grant registration rights to any other Person that would be superior to the Purchasers' registration rights hereunder.

### **ARTICLE III** **MISCELLANEOUS**

Section 3.01 Communications. All notices and other communications provided for or permitted hereunder shall be made in writing by facsimile, electronic mail, courier service or personal delivery:

- (a) if to a Purchaser, to the address set forth in Section 8.07 of the Purchase Agreement in accordance with the provisions of this Section 3.01;
- (b) if to a transferee of a Purchaser, to such Holder at the address provided pursuant to Section 2.10 hereof; and

(c) if to Constellation Energy, at 111 Market Place, Baltimore, Maryland 21202 (facsimile: 410.468.3500), notice of which is given in accordance with the provisions of this Section 3.01.

All such notices and communications shall be deemed to have been received: at the time delivered by hand, if personally delivered; when receipt acknowledged, if sent via facsimile or electronic mail; and when actually received, if sent by courier service or any other means.

Section 3.02 Successor and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including subsequent Holders of Registrable Securities to the extent permitted herein.

Section 3.03 Aggregation of Purchased Common Units. All Purchased Common Units held or acquired by Persons who are Affiliates of one another shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

Section 3.04 Recapitalization, Exchanges, Etc. Affecting the Common Units. The provisions of this Agreement shall apply to the full extent set forth herein with respect to any and all units of Constellation Energy or any successor or assign of Constellation Energy (whether by merger, consolidation, sale of assets or otherwise) which may be issued in respect of, in exchange for or in substitution of, the Registrable Securities, and shall be appropriately adjusted for combinations, unit splits, recapitalizations and the like occurring after the date of this Agreement.

Section 3.05 Specific Performance. Damages in the event of breach of this Agreement by a party hereto may be difficult, if not impossible, to ascertain, and it is therefore agreed that each such Person, in addition to and without limiting any other remedy or right it may have, will have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach, and enforcing specifically the terms and provisions hereof, and each of the parties hereto hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right will not preclude any such Person from pursuing any other rights and remedies at law or in equity which such Person may have.

Section 3.06 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

Section 3.07 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.08 Governing Law. The Laws of the State of New York shall govern this Agreement without regard to principles of conflict of Laws.

Section 3.09 Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting or impairing the validity or enforceability of such provision in any other jurisdiction.

Section 3.10 Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the rights granted by Constellation Energy set forth herein. This Agreement and the Purchase Agreement supersede all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.11 Amendment. This Agreement may be amended only by means of a written amendment signed by Constellation Energy and the Holders of a majority of the then outstanding Registrable Securities; *provided, however*, that no such amendment shall materially and adversely affect the rights of any Holder hereunder without the consent of such Holder.

Section 3.12 No Presumption. If any claim is made by a party relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular party or its counsel.

Section 3.13 Obligations Limited to Parties to Agreement. Each of the Parties hereto covenants, agrees and acknowledges that no Person other than the Purchasers (and their permitted assignees) and Constellation Energy shall have any obligation hereunder and that, notwithstanding that one or more of the Purchasers may be a corporation, partnership or limited liability company, no recourse under this Agreement or the Purchase Agreement or under any documents or instruments delivered in connection herewith or therewith shall be had against any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the Purchasers or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the Purchasers or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, as such, for any obligations of the Purchasers under this Agreement or the Purchase Agreement or any documents or instruments delivered in connection herewith or therewith or for any claim based on, in respect of or by reason of such obligation or its creation.

Section 3.14 Interpretation. Article, Section, Schedule and Exhibit references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts and agreements are references to such instruments, documents, contracts and agreements as the same may be amended, supplemented and otherwise modified from time to time, unless otherwise specified. The word “including” shall mean “including but not limited to”. Whenever any determination, consent or approval is to be made or given by a Purchaser under this Agreement, such action shall be in such Purchaser’s sole discretion unless otherwise specified.



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

CONSTELLATION ENERGY PARTNERS LLC

By: /s/ Angela A. Minas

Angela A. Minas  
Chief Financial Officer



BBT FUND, L.P.

By: BBT Genpar, L.P.  
Managing General Partner

By: BBT-FW, Inc.  
General Partner

By: /s/ William O. Reimann  
William O. Reimann  
Vice President

By: /s/ Bret Engelkemier

Name: Bret Engelkemier

Title: Managing Director

KAYNE ANDERSON MLP INVESTMENT COMPANY

By: /s/ Kevin McCarthy  
Kevin McCarthy  
Chief Executive Officer

KAYNE CAPITAL INCOME PARTNERS (QP), LP

By: /s/ David Shaldovsky  
David Shladovsky  
General Counsel

KAYNE ANDERSON MLP FUND, LP

By: /s/ David Shaldovsky  
David Shladovsky  
General Counsel

KAYNE ANDERSON NON-TRADITIONAL  
INVESTMENTS, LP

By: /s/ David Shaldovsky  
David Shladovsky  
General Counsel

KAYNE ANDERSON MIDSTREAM OPPORTUNITY FUND,  
LP

By: /s/ David Shladovsky

David Shladovsky  
General Counsel

ARBCO II, LP

By: /s/ David Shladovsky

David Shladovsky  
General Counsel

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STROME MLP FUND, LP

By: Strome Investment Management, LP  
General Partner

By: /s/ Mark Strome  
Mark Strome  
Chief Investment Officer

By: /s/ Jerry V. Swank

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Jerry V. Swank  
Managing Partner

By: Alerian Opportunity Advisors VII LLC  
General Partner

By: /s/ Gabriel Hammond  
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Gabriel Hammond  
Managing Member

**Constellation Energy Partners Closes Acquisition of Oil and Gas Properties in the Cherokee Basin**

BALTIMORE, Sept. 21 /PRNewswire-FirstCall/ — Constellation Energy Partners LLC (NYSE Arca: CEP) today announced that its wholly owned subsidiary, CEP Mid-Continent LLC, has closed its previously announced acquisition of certain coalbed methane properties from Newfield Exploration Mid-Continent Inc., a subsidiary of Newfield Exploration Company (NYSE: NFX), for an aggregate purchase price of approximately \$128 million, subject to certain purchase price adjustments. The properties are located in the Cherokee Basin in Oklahoma.

“With three top producing properties, we are now among the largest competitive operators in the Cherokee Basin,” said Felix Dawson, chief executive officer, Constellation Energy Partners. “We have executed well against our acquisition strategy, and the successful consolidation in the Cherokee Basin has more than doubled our proved reserves and tripled daily production. CEP’s focus continues to drive increased unitholder returns through the acquisition of attractive long-lived properties such as these.”

Simultaneously with this closing of the acquisition, Constellation Energy Partners completed a previously announced private placement of its common units for aggregate cash proceeds of approximately \$105 million. The proceeds from this equity private placement, together with funds available under the company’s revolving credit facility, fully funded the purchase price of the acquisition.

Constellation Energy Partners was formed—and is partly owned—by Constellation Energy (NYSE: CEG), a Fortune 200 energy company with 2006 annual revenues of \$19.3 billion.

Constellation Energy Partners LLC (<http://www.constellationenergypartners.com>), is a limited liability company focused on the acquisition, development and production of oil and natural gas properties, as well as related midstream assets.

**Forward-Looking Statements**

We make statements in this news release that are considered forward- looking statements within the meaning of the Securities Exchange Act of 1934. These forward-looking statements are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this news release are not guarantees of future performance, and we cannot assure you that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors listed in the “Risk Factors” section in our Securities and Exchange Commission filings and elsewhere in those filings. All forward-looking statements speak only as of the date of this news release. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

SOURCE Constellation Energy Partners LLC