

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

-----  
For The Quarter Ended September 30, 2000

OR

-----  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File No. 0-16741

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

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

94-1667468  
(I.R.S. Employer  
Identification Number)

5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034  
(Address of principal executive offices)

Telephone No.: (972) 668-8800

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
filing requirements for the past 90 days. Yes  No   
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The number of shares outstanding of the registrant's common stock, par  
value \$.50, as of November 9, 2000 was 28,765,614.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For the Quarter Ended September 30, 2000

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## ASSETS

	September 30, 2000	December 31, 1999
	----- (Unaudited) (In thousands) -----	----- ----- -----
Cash and Cash Equivalents .....	\$ 2,637	\$ 7,648
Accounts Receivable:		
Oil and gas sales .....	29,915	18,200
Joint interest operations .....	3,835	5,415
Other Current Assets .....	2,395	909
	-----	-----
Total current assets .....	38,782	32,172
Property and Equipment:		
Unevaluated oil and gas properties .....	7,660	2,231
Oil and gas properties, successful efforts method .....	639,943	581,247
Other .....	2,244	2,163
Accumulated depreciation, depletion and amortization .....	(221,382)	(189,779)
	-----	-----
Net property and equipment .....	428,465	395,862
Other Assets .....	6,129	6,939
	-----	-----
	\$ 473,376	\$ 434,973
	=====	=====

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current Portion of Long-Term Debt .....	\$ 216	\$ 131
Accounts Payable and Accrued Expenses .....	47,266	35,587
	-----	-----
Total current liabilities .....	47,482	35,718
Long-Term Debt, less current portion .....	240,000	254,000
Deferred Taxes Payable .....	14,372	261
Reserve for Future Abandonment Costs .....	7,820	7,820
Stockholders' Equity:		
Preferred stock -- \$10.00 par, 5,000,000 shares authorized, 2,007,310 and 3,000,000 shares outstanding at September 30, 2000 and December 31, 1999, respectively ..	20,073	30,000
Common stock--\$0.50 par, 50,000,000 shares authorized, 28,132,923 and 25,375,197 shares outstanding at September 30, 2000 and December 31, 1999, respectively ..	14,066	12,688
Additional paid-in capital .....	125,610	114,855
Retained earnings (deficit) .....	4,551	(19,603)
Deferred compensation-restricted stock grants .....	(598)	(766)
	-----	-----
Total stockholders' equity .....	163,702	137,174
	-----	-----
	\$ 473,376	\$ 434,973
	=====	=====

The accompanying notes are an integral part of these statements.

## COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	----- (In thousands, except per share data) -----			
Revenues:				
Oil and gas sales .....	\$ 44,883	\$ 22,922	\$ 116,523	\$ 63,309
Other income .....	104	52	241	1,845
Gain on sale of properties .....	--	--	--	130
	-----	-----	-----	-----
Total revenues .....	44,987	22,974	116,764	65,284
	-----	-----	-----	-----
Expenses:				
Oil and gas operating .....	7,049	6,028	21,653	17,829
Exploration .....	1,041	920	1,828	1,584
Depreciation, depletion and amortization.	10,342	10,016	32,508	34,779
General and administrative, net .....	824	408	2,019	1,318
Interest .....	6,007	6,252	18,440	17,232
	-----	-----	-----	-----
Total expenses .....	25,263	23,624	76,448	72,742
	-----	-----	-----	-----
Income (loss) before income taxes .....	19,724	(650)	40,316	(7,458)
Income tax benefit (expense) .....	(6,903)	--	(14,111)	1,778
	-----	-----	-----	-----
Net income (loss) .....	12,821	(650)	26,205	(5,680)
Preferred stock dividends .....	(686)	(689)	(2,051)	(1,162)
	-----	-----	-----	-----
Net income (loss) attributable to common stock.....	\$ 12,135	\$ (1,339)	\$ 24,154	\$ (6,842)
	=====	=====	=====	=====
Net income (loss) per share:				
Basic.....	\$ 0.47	\$ (0.05)	\$ 0.95	\$ (0.28)
	=====	=====	=====	=====
Diluted.....	\$ 0.37		\$ 0.77	
	=====		=====	
Weighted average shares outstanding:				
Basic.....	25,687	24,822	25,508	24,523
	=====	=====	=====	=====
Diluted.....	34,505		33,966	
	=====		=====	

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
For the Nine Months September 30, 2000  
(Unaudited)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Deferred Compensation- Restricted Stock Grants	Total
(In thousands)						
Balance at December 31, 1999 ....	\$ 30,000	\$ 12,688	\$114,855	\$(19,603)	\$ (766)	\$137,174
Conversion of preferred stock..	(9,927)	1,241	8,686	--	--	--
Restricted stock grants .....	--	--	--	--	168	168
Value of stock options issued for exploration prospects	--	--	1,495	--	--	1,495
Exercise of stock options .....	--	137	574	--	--	711
Net income attributable to common stock .....	--	--	--	24,154	--	24,154
	-----	-----	-----	-----	-----	-----
Balance at September 30, 2000....	\$ 20,073	\$ 14,066	\$125,610	\$ 4,551	\$ (598)	\$163,702
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30,	
	2000	1999
	-----	-----
	(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) .....	\$ 26,205	\$ (5,680)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Compensation paid in common stock .....	168	60
Exploration .....	1,828	1,584
Depreciation, depletion and amortization .....	32,508	34,779
Deferred income taxes .....	14,111	(1,778)
Gain on sale of properties .....	--	(130)
	-----	-----
Working capital provided by operations .....	74,820	28,835
Increase in accounts receivable .....	(10,135)	(1,379)
Increase in other current assets .....	(1,486)	(1,144)
Increase (decrease) in accounts payable and accrued expenses .....	11,679	(8,829)
	-----	-----
Net cash provided by operating activities .....	74,878	17,483
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of properties .....	13	778
Capital expenditures and acquisitions .....	(64,647)	(16,619)
	-----	-----
Net cash used for operating activities .....	(64,634)	(15,841)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings .....	14,408	10,378
Proceeds from senior notes issuance .....	--	149,221
Debt issuance costs .....	--	(5,661)
Principal payments on debt .....	(28,323)	(184,253)
Proceeds from preferred stock issuance .....	--	30,000
Preferred stock dividends paid .....	(2,051)	--
Proceeds from common stock issuance .....	711	296
Stock issuance costs .....	--	(711)
	-----	-----
Net cash used for financing activities .....	(15,255)	(730)
	-----	-----
Net increase (decrease) in cash and cash equivalents..	(5,011)	912
Cash and cash equivalents, beginning of period .....	7,648	5,176
	-----	-----
Cash and cash equivalents, end of period.....	\$ 2,637	\$ 6,088
	=====	=====

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2000  
(Unaudited)

(1) SIGNIFICANT ACCOUNTING POLICIES -

Basis of Presentation -

In management's opinion, the accompanying consolidated financial statements contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position of Comstock Resources, Inc. and subsidiaries (the "Company") as of September 30, 2000 and the related results of operations for the three months and nine months ended September 30, 2000 and 1999 and cash flows for the nine months ended September 30, 2000 and 1999.

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

The results of operations for the nine months ended September 30, 2000 are not necessarily an indication of the results expected for the full year.

Supplementary Information with Respect to the Statements of Cash Flows -

	For the Nine Months Ended September 30,	
	2000	1999
	-----	
	(In thousands)	
Cash Payments -		
Interest payments .....	\$14,242	\$10,523
Income tax payments .....	--	--
Noncash Investing and Financing Activities -		
Common stock issued for preferred stock dividends..	\$ --	\$ 1,162
Value of vested stock options		
under exploration joint venture .....	1,495	498

Income Taxes-

Deferred income taxes are provided to reflect the future tax consequences of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted tax rates.



COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

Earnings Per Share -

Basic earnings per share is determined without the effect of any outstanding potentially dilutive stock options or other convertible securities and diluted earnings per share is determined with the effect of outstanding stock options and other convertible securities that are potentially dilutive. Basic and diluted earnings per share for the nine months ended September 30, 2000 and 1999 were determined as follows:

	For the Three Months Ended September 30,					
	2000			1999		
	Income (Loss)	Shares	Per Share	Income (Loss)	Shares	Per Share
	(Amounts in thousands except per share data)					
<b>Basic Earnings Per Share:</b>						
Income (Loss) .....	\$ 12,821	25,687		\$ (650)	24,822	
Less Preferred Stock Dividends .....	(686)	--		(689)	--	
Net Income (Loss) Available to Common Stockholders ....	12,135	25,687	\$ 0.47	\$ (1,339)	24,822	\$ (.05)
			=====			=====
<b>Diluted Earnings Per Share:</b>						
Effect of Dilutive Securities:						
Stock Options .....	--	1,386				
Convertible Preferred Stock	686	7,432				
Net Income Available to Common Stockholders and Assumed Conversions .....	\$ 12,821	34,505	\$ 0.37			
	=====	=====	=====			

	For the Nine Months Ended September 30,					
	2000			1999		
	Income (Loss)	Shares	Per Share	Income (Loss)	Shares	Per Share
	(Amounts in thousands except per share data)					
<b>Basic Earnings Per Share:</b>						
Income (Loss) .....	\$ 26,205	25,508		\$ (5,680)	24,523	
Less Preferred Stock Dividends .....	(2,051)	--		(1,162)	--	
Net Income (Loss) Available to Common Stockholders ....	24,154	25,508	\$ 0.95	\$ (6,842)	24,523	\$ (0.28)
			=====			=====
<b>Diluted Earnings Per Share:</b>						
Effect of Dilutive Securities:						
Stock Options .....	--	981				
Convertible Preferred Stock	2,051	7,477				
Net Income Available to Common Stockholders and Assumed Conversions .....	\$ 26,205	33,966	\$ 0.77			
	=====	=====	=====			



COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

New Accounting Standard

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") which has been amended by SFAS 137 and SFAS 138. The Statement establishes accounting and reporting standards that are effective for fiscal years beginning after June 15, 2000 which require that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The Company periodically uses derivatives to hedge floating interest rate and oil and gas price risks. Such derivatives are reported at cost, if any, and gains and losses on such derivatives are reported when the hedged transaction occurs. Accordingly, the Company's adoption of SFAS 133 could have an impact on the reported financial position of the Company, and although such impact has not been determined, it is currently not believed to be material. Adoption of SFAS 133 should have no significant impact on reported earnings, but could materially affect comprehensive income. The Company will adopt SFAS 133 on January 1, 2001.

(2) LONG-TERM DEBT -

As of September 30, 2000 long-term debt is comprised of the following:

	(In thousands)
Revolving Bank Credit Facility	\$ 90,000
11 1/4% Senior Notes due 2007	150,000
Other .....	216
	-----
	240,216
Less current portion .....	(216)
	-----
	\$ 240,000
	=====

The Company's bank credit facility consists of a \$250.0 million revolving credit commitment provided by a syndicate of banks for which Bank One, NA serves as administrative agent. Advances under the bank credit facility cannot exceed the borrowing base. The borrowing base under the bank credit facility is \$205.0 million. Such borrowing base may be affected from time to time by the performance of the Company's oil and gas properties and changes in oil and gas prices. The determination of the Company's borrowing base is at the sole discretion of the administrative agent and the bank group. The revolving credit line under the bank credit facility bears interest at the option of the Company, based on the utilization of the borrowing base, at either (i) LIBOR plus 1.25% to 2.0%, or (ii) the "corporate base rate" plus 0.25% to 1.0%. The Company incurs a commitment fee, based on the utilization of the borrowing base, of 0.25% to 0.5% per annum on the unused portion of the borrowing base. The revolving credit line matures on December 9, 2002 or such earlier date as the Company may elect. The Company's bank credit facility is secured by the Company's oil and gas properties.

The Company has \$150.0 million in aggregate principal amount of 11 1/4% Senior Notes due in 2007 (the "Notes") outstanding as of September 30, 2000. Interest on the Notes is payable semiannually on May 1 and November 1. The Notes are unsecured obligations of the Company and are guaranteed by all of the Company's principal operating subsidiaries. The Company can redeem the Notes beginning on May 1, 2004.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

(3) PREFERRED STOCK -

On September 28, 2000 and September 30, 2000, holders of 992,690 shares of the Company's convertible preferred stock with a \$10 par value converted their shares into 2,481,725 shares of common stock. The preferred stock accrues dividends at an annual rate of 9% which are payable quarterly in cash or in shares of the Company's common stock, at the election of the Company. Based on the conversion price of \$4.00 per share of common stock, each share of preferred stock was converted into 2.5 shares of common stock. As a result of these conversions, \$9.9 million of preferred stockholders' equity was transferred to common stockholders' equity as of September 30, 2000.

On October 25, 2000, an additional 250,000 shares of the Company's convertible preferred stock were converted by the holder into 625,000 shares of common stock. Subsequent to September 30, 2000, an additional \$2.5 million in preferred stockholders' equity was transferred to common stockholders' equity. The conversions resulted in the retirement of 41% of the Company's convertible preferred stock which reduces the Company's annual preferred stock dividend requirement by \$1.1 million.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have reviewed the accompanying consolidated balance sheet of Comstock Resources, Inc. ( a Nevada corporation) as of September 30, 2000, and the related consolidated statements of operations for the three month and nine month periods ended September 30, 2000 and 1999, and the consolidated statements of cash flows for the nine months ended September 30, 2000 and 1999. These financial statements are the responsibility of the company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the balance sheet of Comstock Resources, Inc. as of December 31, 1999, and, in our report dated February 18, 2000, we expressed an unqualified opinion on that statement. In our opinion, the information set forth in the accompanying balance sheet as of December 31, 1999, is fairly stated, in all material respects, in relation to the balance sheet from which it has been derived.

ARTHUR ANDERSEN LLP

November 6, 2000  
Dallas, Texas

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

Results of Operations

The following table reflects certain summary operating data for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Net Production Data:				
Oil (Mbbbls).....	449	439	1,386	1,689
Natural gas (Mmcf).....	6,560	6,032	20,239	17,712
Natural gas equivalent (Mmcfe).....	9,254	8,668	28,554	27,848
Average Sales Price:				
Oil (per Bbl).....	\$ 31.37	\$ 20.82	\$ 29.63	\$ 15.67
Natural gas (per Mcf).....	4.69	2.28	3.73	2.08
Average equivalent price (per Mcfe).....	4.85	2.64	4.08	2.27
Expenses (\$ per Mcfe):				
Oil and gas operating(1).....	\$ 0.76	\$ 0.70	\$ 0.76	\$ 0.64
General and administrative.....	0.09	0.05	0.07	0.05
Depreciation, depletion and amortization(2)..	1.08	1.09	1.10	1.22
Cash Margin (\$ per Mcfe)(3).....	\$ 4.00	\$ 1.90	\$ 3.25	\$ 1.59

(1) Includes lease operating costs and production and ad valorem taxes.

(2) Represents depreciation, depletion and amortization of oil and gas properties only.

(3) Represents average equivalent price per Mcfe less oil and gas operating expenses per Mcfe and general and administrative expenses per Mcfe.

Revenues -

The Company's oil and gas sales increased \$22.0 million in the third quarter of 2000 to \$44.9 million, the highest level in the Company's history, an increase of 96% from \$22.9 million in 1999's third quarter. The substantial growth in sales is due to a significant increase to the Company's realized oil and gas prices combined with a 7% increase in oil and gas production. The Company's average third quarter oil price increased by 51% and its average third quarter gas price increased by 106% in 2000. For the first nine months of 2000, oil and gas sales increased \$53.2 million (84%) to \$116.5 million from \$63.3 million for the nine months ended September 30, 1999. The increase is attributable to a 3% increase in oil and gas production combined with 89% higher realized oil prices and 79% higher realized natural gas prices in 2000 as compared to 1999. The Company had hedged a significant amount of its 1999 natural gas production. The Company has had no price hedges in place in 2000. Without the impact of the hedge, the Company would have realized \$2.78 and \$2.31 per Mcf for its natural gas production for the three months and nine months ended September 30, 1999, respectively.

Other income increased from \$52,000 from the third quarter of 1999 to \$104,000 in the third quarter of 2000 due to an increase in interest income from short-term investments. Other income for the nine months ended September 30, 2000 decreased from \$1.8 million in 1999 to \$241,000. Included in other income in the second quarter of 1999 was a \$1.7 million insurance recovery received by the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
(continued)

Costs and Expenses -

Oil and gas operating expenses, including production taxes, increased \$1.0 million (17%) to \$7.0 million in the third quarter of 2000 from \$6.0 million in the third quarter of 1999. Oil and gas operating expenses per equivalent Mcf produced increased \$0.06 to \$0.76 in the third quarter of 2000 from \$0.70 in the third quarter of 1999 primarily as a result of higher production taxes relating to the higher oil and gas prices.

Oil and gas operating costs for the nine months ended September 30, 2000 increased \$3.8 million (21%) to \$21.7 million from \$17.8 million for the nine months ended September 30, 1999 due to the higher production taxes and higher fixed operating costs from the Company's offshore properties. Oil and gas operating expenses per equivalent Mcf produced increased \$0.12 to \$0.76 for nine months ended September 30, 2000 from \$0.64 for the same period in 1999.

Exploration expense for the nine months ended September 30, 2000 was \$1.8 million which relates to write offs of two dry holes drilled during the first nine months of 2000.

Depreciation, depletion and amortization ("DD&A") increased \$326,000 (3%) to \$10.3 million in the third quarter of 2000 from \$10.0 million in the third quarter of 1999 due to the 7% increase in production which was partially offset by a reduction to the Company's average amortization rate. DD&A per equivalent Mcf produced decreased by \$0.01 to \$1.08 for the three months ended September 30, 2000 from \$1.09 for the quarter ended September 30, 1999. For the nine months ended September 30, 2000, DD&A decreased \$2.3 million (7%) to \$32.5 million from \$34.8 million for the nine months ended September 30, 1999. The decrease is due to a lower average amortization rate. DD&A per equivalent Mcf decreased by \$0.12 to \$1.10 for the nine months ended September 30, 2000 from \$1.22 for the nine months ended September 30, 1999. The decrease is as a result of the Company's higher cost Gulf of Mexico properties comprising a lower percentage of the Company's total production in 2000.

General and administrative expenses, which are reported net of overhead reimbursements, of \$824,000 for the third quarter of 2000 were 102% higher than general and administrative expenses of \$408,000 for the third quarter of 1999 due primarily to an increase in the Company's personnel costs in 2000. For the first nine months of 2000, general and administrative expenses increased to \$2.0 million from \$1.3 million for the nine months ended September 30, 1999.

Interest expense decreased \$245,000 (4%) to \$6.0 million for the third quarter of 2000 from \$6.3 million in the third quarter of 1999 due to a decrease in the Company's average interest rate on its bank credit facility. The weighted average annual interest rate under the bank credit facility decreased to 6.6% for the third quarter of 2000 as compared to 7.3% for the same period in 1999. Interest expense for the nine months ended September 30, 2000 increased \$1.2 million (7%) to \$18.4 million from \$17.2 million in the nine months ended September 30, 1999. The increase is related to a higher average interest rate on the Company's total debt. The interest rate on the Company's senior notes issued to refinance \$150.0 million of amounts outstanding under the bank credit facility on April 29, 1999 of 11.25% was higher than the rate charged under the bank credit facility prior to April 29th. The higher rate on the bonds was partially offset by a lower rate on the Company's remaining debt under the bank credit facility. For the nine months ended September 30, 2000, the average interest rate under the bank credit facility decreased to 6.6% from 7.3% for the same period in 1999.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
(continued)

The Company reported net income of \$12.1 million after preferred stock dividends of \$686,000 for the three months ended September 30, 2000, as compared to a net loss of \$1.3 million after preferred stock dividends of \$689,000 for the three months ended September 30, 1999. Net income per share for the third quarter was \$0.37 on weighted average diluted shares outstanding of 34.5 million as compared to net loss per share of \$0.05 for the third quarter of 1999 on basic weighted average shares outstanding of 24.8 million.

Net income for the nine months ended September 30, 2000 was \$24.2 million after preferred stock dividends of \$2.1 million, as compared to a net loss of \$6.8 million after preferred stock dividends of \$1.2 million for the nine months ended September 30, 1999. Net income per share of the nine months ended September 30, 2000 was \$0.77 on diluted weighted average shares outstanding of 34.0 million as compared to a net loss per share of \$0.28 for the nine months ended September 30, 1999 on basic weighted average shares outstanding of 24.5 million.

Liquidity and Capital Resources

Funding for the Company's activities has historically been provided by operating cash flow, debt and equity financings and asset dispositions. In the first nine months of 2000, the Company's net cash flow provided by operating activities totaled \$74.9 million, before changes to other working capital accounts. In addition to operating cash flow, the Company borrowed \$14.0 million under its revolving bank credit facility. The Company's primary needs for capital, in addition to funding of ongoing operations, relate to the acquisition, development and exploration of oil and gas properties and the repayment of debt. In the first nine months of 2000, the Company incurred capital expenditures of \$64.6 million primarily for its acquisition, development and exploration activities and repaid \$28.0 million owed under its bank credit facility.

The following table summarizes the Company's capital expenditure activity for the nine months ended September 30, 2000 and 1999:

	Nine Months Ended	
	September 30,	
	2000	1999
	-----	-----
	(In thousands)	
Acquisitions .....	\$ 9,625	\$ --
Other leasehold costs .....	6,385	1,859
Development drilling .....	26,573	2,437
Exploratory drilling .....	12,735	5,809
Offshore production facilities..	1,098	3,500
Workovers and recompletions.....	8,055	2,419
Other .....	176	595
	-----	-----
	\$64,647	\$16,619
	=====	=====

The timing of most of the Company's capital expenditures is discretionary with no material long-term capital expenditure commitments. Consequently, the Company has a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. For the nine months ended September 30, 2000 and 1999, the Company spent \$54.8 million and \$16.0 million, respectively, on development and exploration activities. The Company has substantially



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
(continued)

increased its drilling activity in 2000 from 1999 and expects to spend an additional \$16.0 million on development and exploration projects in the last quarter of 2000. The Company intends to primarily use internally generated cash flow to fund capital expenditures other than significant acquisitions.

The Company spent \$9.6 million on acquisition activities in the first nine months of 2000. The Company does not have a specific acquisition budget as a result of the unpredictability of the timing and size of potential acquisition activities. The Company intends to use borrowings under its bank credit facility, or other debt or equity financings to the extent available, to finance significant acquisitions. The availability and attractiveness of these sources of financing will depend upon a number of factors, some of which will relate to the financial condition and performance of the Company, and some of which will be beyond the Company's control, such as prevailing interest rates, oil and gas prices and other market conditions.

The Company has a bank credit facility consisting of a \$250.0 million revolving credit commitment provided by a syndicate of banks for which Bank One, NA serves as administrative agent. Indebtedness under the bank credit facility is secured by substantially all of the Company's assets and is subject to borrowing base availability which is generally redetermined semiannually based on the banks' estimates of the future net cash flows of the Company's oil and gas properties. The borrowing base under the bank credit facility is \$205.0 million. Such borrowing base may be affected from time to time by the performance of the Company's oil and gas properties and changes in oil and gas prices. The determination of the Company's borrowing base is at the sole discretion of the administrative agent and the bank group. The revolving credit line under the bank credit facility bears interest at the option of the Company, based on the utilization of the borrowing base, at either (i) LIBOR plus 1.25% to 2.0% or (ii) the "corporate base rate" plus 0.25% to 1.0%. The Company's average rate under the bank credit facility as of September 30, 2000 was 7.9%. The Company incurs a commitment fee, based on the utilization of the borrowing base, of 0.25% to 0.5% per annum on the unused portion of the borrowing base. The revolving credit line matures on December 9, 2002 or such earlier date as the Company may elect.

The Company believes that cash flow from operations and available borrowings under the Company's bank credit facility will be sufficient to fund its operations and future growth as contemplated under its current business plan. However, if the Company's plans or assumptions change or if its assumptions prove to be inaccurate, the Company may be required to seek additional capital. Management cannot be assured that the Company will be able to obtain such capital or, if such capital is available, that the Company will be able to obtain it on acceptable terms.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

The Company's business is impacted by fluctuations in crude oil and natural gas commodity prices and interest rates. The following discussion is intended to identify the nature of these market risks, describe the Company's strategy for managing such risks, and to quantify the potential affect of market volatility on the Company's financial condition and results of operations.

#### Oil and Natural Gas Prices

The Company's financial condition, results of operations and capital resources are highly dependent upon the prevailing market prices of, and demand for, oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond the control of the Company. These factors include the level of global

demand for petroleum, foreign supply of oil and gas, the establishment of and compliance with production quotas by oil-exporting countries, weather conditions, the price and availability of alternative fuels, and overall economic conditions, both foreign and domestic. It is impossible to predict future oil and gas prices with any degree of certainty. Sustained weakness in oil and gas prices may adversely affect the Company's financial condition and results of operations, and may also reduce the amount of net oil and gas reserves that the Company can produce economically. Any reduction in oil and gas reserves, including reductions due to price fluctuations, can have an adverse affect on the Company's ability to obtain capital for its exploration and development activities. Similarly, any improvements in oil and gas prices can have a favorable impact on the Company's financial condition, results of operations and capital resources. Based on the Company's volume of oil and gas production in the first nine months of 2000, a \$1.00 change in the price per barrel of oil would result in a change in the Company's cash flow for such period of approximately \$1.5 million and a \$0.10 change in the price per Mcf of natural gas would result in a change in the Company's cash flow of approximately \$2.1 million.

The Company periodically has utilized hedging transactions with respect to a portion of its oil and gas production to mitigate its exposure to price fluctuations. While the use of these hedging arrangements limits the downside risk of price declines, such use may also limit any benefits which may be derived from price increases. The Company has primarily used price swaps, whereby monthly settlements are based on differences between the prices specified in the instruments and the settlement prices of certain futures contracts quoted on the NYMEX or certain other indices. Generally, when the applicable settlement price is less than the price specified in the contract, the Company receives a settlement from the counterparty based on the difference. Similarly, when the applicable settlement price is higher than the specified price, the Company pays the counterparty based on the difference. The Company did not hedge any of its oil or gas production in the first nine months of 2000 and currently has no open positions relating to its oil and natural gas production.

#### Interest Rates

The Company's outstanding long-term debt under its bank credit facility of \$90.0 million at September 30, 2000 is subject to floating market rates of interest. Borrowings under the credit facility bear interest at a fluctuating rate that is linked to LIBOR. Any increases in these interest rates can have an adverse impact on the Company's results of operations and cash flow. The Company had interest rate swap agreements in place through September 2000 to hedge the impact of interest rate changes on \$100.0 million of its floating rate debt. As a result of the interest rate swaps in place, the Company realized a gain of \$988,000 for the nine months ended September 30, 2000. As of September 30, 2000, the Company had no open interest rate swap agreements in place.

PART II - OTHER INFORMATION

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

10.1\*Amended and Restated Credit Agreement dated as of November 7, 2000, between the Company, the Banks Party thereto and Bank One, NA, as Administrative Agent, Toronto Dominion (Texas), Inc., as Syndication Agent, Paribas, as Documentation Agent and Banc One Capital Markets, as Lead Arranger.

27\* Financial Data Schedule for the Nine Months ended September 30, 2000.

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\* Filed herewith.

b. Reports on Form 8-K

There were no current reports on Form 8-K filed during the third quarter of 2000 and to the date of this filing.

SIGNATURES

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

COMSTOCK RESOURCES, INC.

Date November 9, 2000  
-----

/s/M. JAY ALLISON  
-----

M. Jay Allison, Chairman, President and Chief Executive Officer (Principal Executive Officer)

Date November 9, 2000  
-----

/s/ROLAND O. BURNS  
-----

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

AMENDED AND RESTATED  
CREDIT AGREEMENT

dated as of November 7, 2000

between

COMSTOCK RESOURCES, INC.,

COMSTOCK OIL & GAS, INC.,

COMSTOCK OIL & GAS - LOUISIANA, INC.,

COMSTOCK OFFSHORE, LLC,

and

THE BANKS PARTY HERETO,

BANK ONE, NA, AS ADMINISTRATIVE AGENT,

TORONTO DOMINION (TEXAS), INC., AS SYNDICATION AGENT

AND

PARIBAS, AS DOCUMENTATION AGENT

BANC ONE CAPITAL MARKETS, INC., LEAD ARRANGER

E-1

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AGREEMENT, dated as of November 7, 2000, is among COMSTOCK RESOURCES, INC. a Nevada corporation ("CRI"), COMSTOCK OIL & GAS, INC., a Nevada corporation ("COG"), COMSTOCK OIL & GAS - LOUISIANA, INC., a Nevada corporation ("COGL"), COMSTOCK OFFSHORE, LLC, a Nevada limited liability company ("Offshore") (CRI, COG, COGL and Offshore may hereinafter collectively be referred to as the "Borrowers"), the lenders party hereto from time to time (collectively, the "Banks" and individually, a "Bank"), PARIBAS, as documentation agent for the Banks (in such capacity, the "Documentation Agent"), TORONTO DOMINION (TEXAS), INC., as syndication agent for the Banks (in such capacity, the "Syndication Agent") and BANK ONE, NA, as administrative agent for the Banks (in such capacity, the "Agent").

RECITALS

A. The Borrowers, the banks party thereto, Paribas, as documentation agent for such banks, Toronto Dominion (Texas), Inc., as syndication agent for such banks, and Bank One, NA, formerly known as The First National Bank of Chicago, as agent for such banks, executed an Amended and Restated Credit Agreement dated as of May 5, 2000 (the "Existing Credit Agreement"), which amended and restated an Amended and Restated Credit Agreement dated as of December 3, 1999, which in turn amended and restated an Amended and Restated Credit Agreement dated as of September 10, 1999, which in turn amended and restated a Credit Agreement dated as of April 29, 1999, which in turn amended and restated a Credit Agreement dated as of December 23, 1998, which in turn amended and restated a Credit Agreement September 24, 1998, which in turn amended and restated a Credit Agreement dated December 9, 1997, which in turn amended and restated a Credit Agreement dated as of August 13, 1996, which in turn amended and restated a Credit Agreement dated as of May 1, 1996, which in turn amended and restated a Credit Agreement dated as of July 31, 1995, which in turn amended and restated a Credit Agreement dated as of September 30, 1994, as amended, and which in turn amended and restated a Credit Agreement dated as of November 15, 1993, as amended.

B. The Borrowers have requested that the Banks amend and restate the Existing Credit Agreement as herein provided, replacing and refinancing the indebtedness thereunder with a secured revolving credit facility terminating December 9, 2002 providing for revolving credit loans in the aggregate principal

amount of up to \$250,000,000 (subject to limitations imposed by a Borrowing Base), including a \$5,000,000 letter of credit subfacility participated in by all the Banks, and the Banks are willing to establish such a credit facility in favor of the Borrowers and amend and restate the Existing Credit Agreement on the terms and conditions herein set forth.

AGREEMENT

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

SECTION 1. Definitions

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

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

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

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

"Applicable Margin" shall mean, with respect to any Eurodollar Loan, Floating Rate Loan and commitment fee payable under Section 4.3(a), as the case may be, the applicable percentage set forth in the table below based upon a fraction, expressed as a percentage, determined as of the last day of each calendar month, the numerator of which is the daily average of the Advances outstanding during such calendar month and the denominator of which is the daily average of the Borrowing Base during such calendar month (the "Utilization Percentage"):

Utilization Percentage "UP" -----	Eurodollar Rate Loan and Letter of Credit Fee -----	Floating Rate Loan -----	Commitment Fee under Section 4.3(a) -----
UP >= 90%	2.00%	1.00%	0.50%
UP >= 75% and < 90%	1.75%	0.75%	0.375%
UP >= 50% and < 75%	1.50%	0.50%	0.375%
UP < 50%	1.25%	0.25%	0.25%

The Utilization Percentage shall be determined by the Agent at the end of each calendar month and shall remain in effect for the following calendar month of CRI, and the Agent shall adjust the Applicable Margin upon such determination, provided that the Agent shall also determine the Utilization Percentage promptly after any public offering of common stock of CRI and adjust the Applicable Margin upon such determination. Notwithstanding the above or anything else in this Agreement, upon and during the continuance of any Event of Default, the Applicable Margin shall be 2.00% with respect to any Eurodollar Loan, 1.00% with respect to any Floating Rate Loan and 0.50% with respect to any commitment fee payable under Section 4.3(a). As of the Effective Date, the Applicable Margin shall be based on a UP < 50%.

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

"Bank One" shall mean Bank One, NA, (main office Chicago), formerly known as The First National Bank of Chicago, a national banking association, as a Bank under this Agreement.

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

"Borrowing Base Deficiency" is defined in Section 4.1(c).

"Business Day" shall mean (i) with respect to any borrowing, payment or rate selection of Eurodollar Loans, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of substantially all of their commercial lending activities.

"Capital Expenditures" shall mean, without duplication, any expenditures for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of CRI and its Subsidiaries prepared in accordance with GAAP.

"Capital Stock" shall mean (i) in the case of any corporation, all capital stock and any securities exchangeable for or convertible into capital stock, including without limitation the Preferred Stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents of corporate stock (however designated) in or to such association or entity, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distribution of assets of, the issuing Person, and including, in all of the foregoing cases described in clauses (i), (ii), (iii) or (iv), any warrants, rights or other options to purchase or otherwise acquire any of the interests described in any of the foregoing cases.

"Change in Control" shall mean (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of more than 50% of the outstanding shares of voting stock of CRI, (b) COG, COGL, Offshore or any other present or future Borrower (other than CRI) or Subsidiary shall cease to be a wholly-owned Subsidiary, directly or indirectly, of CRI or (c) the Board of Directors of CRI shall not consist of a majority of the Continuing Directors of CRI.

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

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

"Commitments" shall mean, with respect to each Bank, the commitment of such Bank to make Loans and assume a risk participation in Letter of Credit Advances pursuant to Sections 2.1(a) and (b), in amounts not exceeding in aggregate principal amount outstanding at any time the lesser of (i) the respective stated Commitment amount for such Bank set forth next to the name of such Bank on the signature pages hereof or established pursuant to Section 10.6, as the case may be, as such amount may be reduced from time to time, or (ii) the Pro Rata Share (subject to Section 9.14(e)) of such Bank of the Elected Borrowing Limit in effect from time to time.

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

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

"Consolidated Interest Expense" shall mean, for any period, total interest and related expense (including, without limitation, that portion of any capitalized lease obligation attributable to interest expense in conformity with GAAP, amortization of debt discount, all capitalized interest, the interest portion of any deferred payment obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers acceptance financing, the net costs and net payments under any interest rate hedging, cap or similar agreement or arrangement, prepayment charges, agency fees, administrative fees, commitment fees and capitalized transaction costs allocated to interest expense) and all dividends, payments or other distributions in respect to any class of Capital Stock or any dividend, payment or distribution in connection with the redemption, repurchase, defeasance, conversion, retirement or other acquisition, directly or indirectly, of any shares of Capital Stock (excluding any of the foregoing paid solely in shares of common stock of CRI) paid, payable or accrued during such period, without duplication for any period, with respect to all outstanding Indebtedness of CRI and its Subsidiaries and all Capital Stock of CRI, all as determined for CRI and its Subsidiaries on a consolidated basis for such period in accordance with GAAP.

"Consolidated Net Income" shall mean, for any period, the net income of CRI and its Subsidiaries for such period, determined in accordance with GAAP.

"Contingent Liabilities" of any Person shall mean, as of any date, all obligations of such Person or of others for which such Person is contingently liable, as obligor, guarantor, surety or in any other capacity, or in respect of which obligations such Person assures a creditor against loss or agrees to take any action to prevent any such loss (other than endorsements of negotiable instruments for collection in the ordinary course of business and indemnifications typical and customary in the ordinary course of such Person's oil and gas business in connection with operating agreements and other agreements executed in the ordinary course of such Person's oil and gas business), including without limitation all reimbursement obligations of such



Person in respect of any letters of credit, surety bonds or similar obligations and all obligations of such Person to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such other Person.

"Continuing Directors" of any Person shall mean the directors of such Person on the Effective Date and each other director of such Person if such other director's nomination for election to the Board of Directors of such Person is recommended by a majority of the then Continuing Directors of such Board of Directors or the holders of the Preferred Stock or of shares issued in conversion or redemption of the Preferred Stock.

"Current Assets" and "Current Liabilities" shall mean all assets or liabilities of CRI and its Subsidiaries, on a consolidated basis respectively, which should be classified as current assets and current liabilities in accordance with GAAP; provided that the calculation of Current Assets shall not include receivables of the Borrowers owing by any Affiliate in excess of 120 days or subject to any dispute or offset or otherwise unacceptable, advances by the Borrowers to any Affiliate or any asset classified as a Current Asset solely because it is held for sale, and Current Liabilities shall not include the current maturities of any Indebtedness of any Borrower for borrowed money which by its terms has a final maturity more than one year from the date of any calculation of Current Liabilities.

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

"Disqualified Stock" shall mean any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part.

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

"EBITDA" shall mean, for any period, the Consolidated Net Income for such period taken as a single accounting period, plus, to the extent deducted in determining such Consolidated Net Income, all depreciation, amortization and depletion expense, and other non cash charges, Consolidated Interest Expense and income taxes, provided that in determining Consolidated Net Income as used in this definition the following shall be excluded, without duplication: (a) the income of any Person accrued prior to the date such Person is merged into or consolidated with a Borrower or such Person's assets are acquired by a Borrower, (b) the proceeds of any insurance policy, (c) gains or losses from the sale, exchange, transfer or other disposition of property or assets of any Borrower or any of their Subsidiaries and related tax effects in accordance with GAAP and (d) any extraordinary or non-recurring gains of any Borrower or any of their Subsidiaries, and related tax effects in accordance with GAAP.

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

"Environmental Laws" at any date shall mean all provisions of law, statute, ordinances, rules, regulations, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by the government of the United States of

America or any foreign government or by any state, province, municipality or other political subdivision thereof or therein or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning the protection of, or regulating the discharge of substances into, the environment.

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

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

"Elected Borrowing Limit" shall have the meaning ascribed thereto in Section 9.14(d).

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

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

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

"Eurodollar Rate" shall mean, with respect to a Eurodollar Loan for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Eurodollar Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Eurodollar Interest Period, plus (ii) the Applicable Margin.

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

"Federal Funds Rate" shall mean, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal

funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Floating Rate" shall mean the per annum rate equal to the sum of (a) with respect to Loans and any other amounts owing hereunder, the Applicable Margin, plus (b) the greater of (i) the per annum rate announced by the Agent from time to time as its "corporate base rate", and (ii) the sum of one-half percent (1/2%) per annum plus the Federal Funds Rate, such Floating Rate to change simultaneously with any change in such "corporate base rate" or Federal Funds Rate, as the case may be; all as conclusively determined in good faith by the Agent, such sum to be rounded up, if necessary, to the nearest whole multiple of 1/16 of 1%.

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

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

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

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

"Indenture" shall mean the Indenture among CRI, any guarantors and trustee party thereto, dated as of the date hereof, as amended or modified from time to time, and relating to the Indenture Notes.

"Indenture Debt" shall mean all present and future Indebtedness and other liabilities owing pursuant to the Indenture Notes or any other Indenture Debt Document.

"Indenture Debt Documents" shall mean the Indenture, the Indenture Notes, all guarantees and all other agreements and documents executed in connection therewith at any time.

"Indenture Notes" shall mean the senior unsecured notes issued by CRI in the aggregate principal amount of at least \$150,000,000 due 2007 and issued pursuant to the Indenture.

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

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

"Letter of Credit" shall mean a standby letter of credit having a stated expiry date not later than twelve months after the date of issuance and not later than the fifth Business Day before the Termination Date, issued by the Agent on behalf of the Banks for the account of any Borrower under an application and related documentation acceptable to the Agent requiring, among other things, immediate reimbursement by the Borrowers to the Agent in respect of all drafts or other demand for payment honored thereunder and all expenses paid or incurred by the Agent relative thereto. Standby letters of credit which are automatically renewed annually unless revoked shall be considered standby letters of credit which have a stated expiry date not later than twelve months after their date of issuance for purposes of this definition.

"Letter of Credit Advance" shall mean any issuance of a Letter of Credit under Section 3.1 made pursuant to Section 2.1 in which each Bank acquires a risk participation equal to its Pro Rata Share.

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

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

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

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

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

"Monthly Borrowing Base Reductions" is defined in Section 9.14.

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

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

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

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

"Optional Indenture Payments" is defined in Section 7.2(n).

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

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

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

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

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

"Preferred Stock" shall mean the 1,948,001 shares of Series A 1999 Convertible Preferred Stock, Par Value \$10.00 (the "Series A Preferred"), and

1,051,999 shares of Series B 1999 Non-Convertible Preferred Stock, Par Value \$10.00 (the "Series B Preferred"), and including any Series B Preferred converted into Series A Preferred and any stock appreciation rights issued in connection with the Preferred Stock Documents.

"Preferred Stock Documents" shall mean the Preferred Stock and the stock purchase agreement and all other agreements and documents executed in connection therewith at any time.

"Pro Rata Share" shall mean, as to obligations of the Banks, the loan percentage set forth opposite its name on the signature pages hereof or otherwise established pursuant to Section 10.6, but subject to Section 9.14(e), and as to obligations owing to the Banks, shall mean: (a) in the case of payments of principal and interest on the Loans, an amount with respect to each Bank equal to the product of such amount received multiplied by the ratio which the outstanding principal balance of its Note bears to the outstanding principal balance of all Notes, and (b) in the case of all other amounts payable hereunder (other than as otherwise noted with respect to fees) and other amounts, an amount with respect to each Bank equal to the product of such amount received multiplied by the ratio which the Commitment of such Bank bears to the Commitments of all Banks.

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

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

"Required Banks" shall mean Banks holding not less than 66-2/3% of the aggregate principal amount of the Advances then outstanding (or 66-2/3% of the Commitments (subject to Section 9.14(e)) if no Advances are then outstanding).

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

"Restricted Payments" is defined in Section 7.2(j).

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

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

"Subsidiary" of any Person shall mean any other Person (whether now existing or hereafter organized or acquired) in which (other than directors qualifying shares required by law) at least a majority of the securities or other ownership interests of each class having ordinary voting power or analogous right (other than securities or other ownership interests which have such power or right only by reason of the happening of a contingency), at the

time as of which any determination is being made, are owned, beneficially and of record, by such Person or by one or more of the other Subsidiaries of such Person or by any combination thereof. Unless otherwise specified, reference to "Subsidiary" shall mean a Subsidiary of CRI.

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

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

"Termination Date" shall mean the earlier to occur of (a) December 9, 2002 and (b) the date on which the Commitments shall be terminated pursuant to Section 2.1(c) or 8.2.

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

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

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

## SECTION 2. The Commitments.

2.1 Advances. (a) Each Bank agrees, for itself only, to lend and to relend, and to participate in Letter of Credit Advances pursuant to Section 3.1, in each case subject to the terms and conditions of this Agreement, to the Borrowers at any time and from time to time from the Effective Date until the Termination Date amounts equal to such Bank's Pro Rata Share of such aggregate Advances as any Borrower may from time to time request, provided that no Advances may be made if the aggregate outstanding amount of all Advances to all Borrowers would exceed the lesser of the Commitments or the Borrowing Base; provided, however,

that the aggregate principal amount of Letters of Credit outstanding at any time shall not exceed \$5,000,000. Each Loan made hereunder shall be evidenced by the Notes, which shall mature and bear interest as set forth in Section 4 hereof and in such Notes. On the Effective Date, the Borrowers shall issue and deliver to each Bank a Note in the principal amount of such Bank's Commitment for the period beginning on the Effective Date. Each Loan which is a Floating Rate Loan shall be in a minimum amount of \$500,000 and in integral multiples of \$100,000 and each Loan which is a Eurodollar Loan shall be in a minimum amount of \$1,000,000 and in integral multiples of \$1,000,000. No more than ten Eurodollar Interest Periods shall be permitted to exist at any one time. Subject to the terms and conditions of this Agreement, the Borrowers may borrow, prepay pursuant to Section 4.1(b) and reborrow under this Section 2.1(a).

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

(c) The Borrowers shall have the right to terminate or reduce the Commitments at any time and from time to time, provided that (i) the Borrowers shall give notice of such termination or reduction to the Agent specifying the amount and effective date thereof, (ii) each partial reduction of the Commitments shall be in a minimum amount of \$1,000,000 and in integral multiples of \$1,000,000 and shall reduce the Commitments of all of the Banks proportionally in accordance with the respective Commitment amounts of each such Bank, (iii) no such termination or reduction, either in whole or part and including without limitation any termination, shall be permitted with respect to any portion of the Commitments as to which a request for Advances is then pending, and (iv) the Commitments may not be terminated if any Advances are then outstanding and may not be reduced below the principal amount of Advances then outstanding. The Commitments or any portion thereof so terminated or reduced may not be reinstated. Any Borrower may request Advances without the consent of any other Borrower, and each Borrower consents to and approves any Advances requested by any other Borrower. The Advances hereunder replace the revolving credit loans and letters of credit outstanding pursuant to Section 2.1(a) of the Existing Credit Agreement and provide additional credit as described above.

(d) This Agreement amends and restates the Existing Credit Agreement, and all Advances and Letters of Credit outstanding under the Existing Credit Agreement shall constitute Advances and Letters of Credit under this Agreement and all fees and other obligations accrued under the Existing Credit Agreement will continue to accrue and be paid under this Agreement. Any Floating Rate Loan outstanding under the Existing Credit Agreement shall be re-allocated among Banks on the Effective Date based on the Pro Rata Shares hereunder, and the Agent and the Banks shall make all appropriate adjustments among themselves. Any Eurodollar Loan outstanding prior to the Effective Date and which has an Interest Period ending after the Effective Date shall continue hereunder based



on the Pro Rata Shares under the Existing Credit Agreement until the end of such existing Interest Period, and any continuation or conversion thereof and any new Eurodollar Loans hereunder shall be made based on the Pro Rata Shares under this Agreement. As stated in the Notes and the Consent and Amendment to Security Documents, the Advances and other obligations pursuant hereto are issued in exchange and replacement for, and are a continuation of, the Advances and other obligations under an Existing Credit Agreement, shall not be a novation or satisfaction thereof and shall be entitled to the same collateral with the same priority. The Lenders acknowledge and agree that such transfers of rights and interests under the Loan Documents shall take place among the Lenders as of the Effective Date to give effect to Commitments and Pro Rata Shares hereunder.

### SECTION 3. The Advances.

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

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

(i) the requested date, which shall be a Business Day, of such conversion or continuation,

(ii) the aggregate amount and Type of the Loan which is to be converted or continued, and

(iii) the amount and Type(s) of Loan(s) into which such Loan is to be converted or continued and, in the case of a conversion into or continuation of a Eurodollar Loan, the duration of the Interest Period applicable thereto.

(c) Subject to the terms and conditions of this Agreement, the proceeds of such requested Loan shall be made available to the Borrowers by depositing the proceeds thereof, in immediately available funds, on the Advance Date for such Loan in an account maintained and designated by the Borrowers at the principal office of the Agent. Each Bank, on the Advance Date of each such Loan shall make its Pro Rata Share of such Loan available in immediately available funds at the principal office of the Agent for disbursement to the Borrowers. Unless the Agent shall have received notice from any Bank prior to the date of any requested Loan under this Section 3.1 that such Bank will not make available to the Agent such Bank's Pro Rata Share, the Agent may assume that such Bank has made such share available to the Agent on the Advance Date of such Loan in accordance with this Section 3.1(b). If and to the extent such Bank shall not have so made such Pro Rata Share available to the Agent, the Agent may (but shall not be obligated to) make such amount available to the Borrowers on the relevant Advance Date, and such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date such amount is made available to the Borrowers by the Agent until the date such amount is paid to the Agent, at the Federal Funds Rate. If such Bank shall pay to the Agent such amount, such amount so paid shall constitute a Loan by such Bank as a part of such borrowing for purposes of this Agreement. The failure of any Bank to make its Pro Rata Share of any such Loan available to the Agent shall not relieve any other Bank of its obligations to make available its Pro Rata Share of such Loan on the Advance Date of such Loan, but no Bank shall be responsible for failure of any other Bank to make such Pro Rata Share available to the Agent on the Advance Date of any such Loan.

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

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

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

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

(a) On the Effective Date there shall have been delivered to each Bank the following documents, in form and substance satisfactory to the Agent and the following additional conditions shall have been satisfied:

(i) The favorable opinion of such counsel for the Borrowers as shall be approved by the Required Banks, with respect to the matters as requested by the Banks, all in form and substance satisfactory to the Required Banks;

(ii) certified copies of such corporate documents of each Borrower, including each Borrower's articles of incorporation, by-laws and a good standing certificate, and such documents evidencing necessary corporate action with respect to this Agreement, the Loans, the Notes and the Security Documents, and certifying to the incumbency of, and attesting to the genuineness of the signatures of, those officers authorized to act on behalf of each Borrower, as the Banks shall request;

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

(iv) the Notes duly executed on behalf of the Borrowers, and it is acknowledged and agreed that the Notes: (A) are issued in exchange and replacement for the promissory notes issued pursuant to the Existing Credit

Agreement, (B) shall not be deemed a novation or to have satisfied such promissory notes and (C) evidence the same indebtedness evidenced by such promissory notes plus additional indebtedness;

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

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

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

(viii) the Banks shall have determined that the Loans to be made are equal to or less than the Borrowing Base;

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

(x) the originals of all promissory notes payable to any Borrower, other than promissory notes in an aggregate amount less than \$1,000,000;

(xi) such other agreements, documents, conditions and certificates as reasonably requested by the Banks, including without limitation, releases and terminations of all other Liens which are not permitted hereunder and amendments of existing Security Documents, all in form and substance satisfactory to the Banks.

(b) The aggregate outstanding principal amount of all Advances after giving effect to the proposed Advance, does not exceed the lesser of the Commitments or the Borrowing Base.

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

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

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

3.3 Letter of Credit Reimbursement Payments. (a)(i) The Borrowers agree to pay to the Agent, on the day on which the Agent shall honor a draft or other demand for payment presented or made under any Letter of Credit, an amount equal to the amount paid by the Agent in respect of such draft or other demand under such Letter of Credit and all expenses paid or incurred by the Agent relative thereto. Unless the Borrowers shall have made such payment to the Agent on such day, upon each such payment by the Agent, the Agent shall be deemed to have disbursed to the Borrowers, and the Borrowers shall be deemed to have elected to satisfy the reimbursement obligation by borrowing, a Loan bearing interest at the Floating Rate for the account of the Banks in an amount equal to the amount so paid by the Agent in respect of such draft or other demand under such Letter of Credit. Such Loan shall be disbursed, and each Bank shall advance its Pro Rata Share thereof, notwithstanding any failure to satisfy any conditions for disbursement of any Loan set forth in Article III or any other condition and, to the extent of the Loan so disbursed, the reimbursement obligation of the Borrowers under this Section 3.3 shall be deemed satisfied; provided, however, that such disbursement shall not be deemed to be a waiver of any Event of Default or Default, if any.

(ii) If for any reason (including without limitation as a result of the occurrence of an Event of Default pursuant to Section 6.1(h)), Floating Rate Loans may not be made by the Banks as described in Section 3.3(a)(i), then (A) the Borrowers agree that each reimbursement amount not paid pursuant to the first sentence of Section 3.3(a)(i) shall bear interest, payable on demand by the Agent, at the interest rate then applicable to Floating Rate Loans, and (B) effective on the date each such Floating Rate Loan would otherwise have been made, each Bank severally agrees that it shall unconditionally and irrevocably, without regard to the occurrence of any Default or Event of Default, in lieu of a deemed disbursement of Loans, to the extent of such Bank's Pro Rata Share, purchase a participating interest in each reimbursement amount. Each Bank will immediately transfer to the Agent, in same day funds, the amount of its participation. Each Bank shall share in accordance with its Pro Rata Share (calculated by reference to the Commitments) in any interest which accrues thereon and in all repayments thereof. If and to the extent that any Bank shall not have so made the amount of such participating interest available to the Agent, such Bank and the Borrowers agree to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Agent until the date such amount is paid to the Agent, at (x) in the case of the Borrowers, the interest rate then applicable to Floating Rate Loans and (y) in the case of such Bank, the Federal Funds Rate for the first five days, and thereafter the interest rate applicable to Floating Rate Loans.

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

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

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

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

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

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

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

(vii) Any other event or circumstance that would, in the absence of this clause, result in the release or discharge by operation of law or otherwise the Borrowers from the performance or observance of any obligation, covenant or agreement contained in this Section 3.3. No setoff, counterclaim, reduction or diminution of any obligation or any defense of any kind or nature which the Borrowers have or may have against the beneficiary of any Letter of Credit shall be available hereunder to the Borrowers against the Agent or any Bank. Nothing in this Section 3.3 shall limit the liability, if any, of the Borrowers to the Banks pursuant to Section 10.5(b).

3.4. Withholding Tax Exemption. At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Bank, each Bank that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to each of the Borrowers and the Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes. Each Bank which so delivers a Form W-8BEN or W-8ECI further undertakes to deliver to each of the Borrowers and the Agent two additional copies of such form (or a successor form) on or before the date that such form expires (currently, three successive calendar years for Form W-8BEN and one calendar year for Form W-8ECI) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrowers or the Agent, in each case certifying that such Bank is entitled to receive payments under this Agreement and the Notes without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing

and delivering any such form with respect to it and such Bank advises the Borrowers and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

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

##### 4.1 Principal Payments.

(a) Unless earlier payment is required under this Agreement, the Borrowers shall pay the entire outstanding principal amount of the Advances on the Termination Date.

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

(c) If it should be determined by the Agent at any time and from time to time that the principal amount of the Advances exceed the lesser of the then Borrowing Base or the Commitments (such condition defined herein as a "Borrowing Base Deficiency"), the Borrowers shall within thirty (30) days of written notice to the Borrowers of such Borrowing Base Deficiency, in addition to all other payments of principal and interest required to be paid on the Advances, prepay upon demand and without premium or penalty the Advances in an amount by which, in the determination of the Agent, such aggregate principal amount outstanding exceeds the lesser of the then Borrowing Base or the Commitments, provided that such prepayment shall be made first on the Loans and if the Loans are paid in full and such excess still exists, the Borrowers shall provide cash collateral for any outstanding Letters of Credit to the extent of such remaining excess.

(d) In addition to all other payments required hereunder, upon any sale or other disposition of any assets when a Default exists, or if such sale or other disposition would cause a Default or would cause a required prepayment of, or offer to purchase, the Indenture Notes, the Borrowers shall prepay the Advances by an amount equal to 100% of the net proceeds (net only of reasonable and customary costs of such sale or other disposition) of such sale or disposition, which prepayment is due upon receipt of such net proceeds.

(e) In addition to all other payments required hereunder, upon any sale or other disposition of any assets when a Borrowing Base Deficiency exists, or if such sale or other disposition would cause a Borrowing Base Deficiency, the Borrower shall prepay the Advances by the amount of the Borrowing Base Deficiency from the net proceeds (net only of any reasonable and customary costs of such sale or other disposition) of such sale or disposition, which prepayment is due upon receipt of such net proceeds.

Unless specified as a determination to be made by all Banks, all determinations made pursuant to this Section 4.1 shall be made by the Agent or the Required Banks, as the case may be, and shall be conclusively binding on the parties absent manifest error.

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

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

4.3 Fees. (a) The Borrowers agree to pay to the Agent, for the pro rata account of the Banks in accordance with their Pro Rata Shares, a commitment fee computed at the per annum rate equal to the Applicable Margin on the amount by which the Borrowing Base exceeds the aggregate outstanding principal amount of the Advances for the period from the Effective Date until the Termination Date. Such fee shall be paid quarterly in arrears on the last Business Day of each March, June, September and December and on the Termination Date.

(b) The Borrowers agree (i) to pay to the Agent, for the benefit of the Banks, a fee computed at the Applicable Margin on the maximum amount available to be drawn under each Letter of Credit at the time such fee is to be paid for the period from and including the date of issuance of such Letter of Credit to and including the stated expiry date of such Letter of Credit, and (ii) to pay an additional fee to the Agent for its own account computed at the rate of 0.25% per annum on such maximum amount for such period. Such fees shall be payable each month in advance, payable on the date of the issuance of any Letter of Credit and each month thereafter. Such fees are nonrefundable and the Borrowers shall not be entitled to any rebate of any portion thereof if such Letter of Credit does not remain outstanding through the date for which such fees have been paid. The Borrowers further agree to pay to the Agent, on demand, such other customary administrative fees, charges and expenses of the Agent in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of each Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(c) The Borrowers agree to pay to the Agent, for the pro rata benefit of the Banks, an upfront fee equal to 0.125% on the amount of such Bank's Pro Rata Share of the increase to the Borrowing Base from the Existing Credit Agreement, payable on the Effective Date.

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

4.4 Payment Method. All payments to be made by the Borrowers hereunder will be made in Dollars and in immediately available funds to the Agent at its address set forth in Section 10.2 not later than 11:00 a.m. Chicago time on the date on which such payment shall become due. Payments received after 11:00 a.m. Chicago time shall be deemed to be payments made prior to 11:00 a.m. Chicago time on the next succeeding Business Day. At the time of making each such payment, the Borrowers shall specify to the Agent that obligation of the



Borrowers hereunder to which such payment is to be applied, or, in the event that the Borrowers fail to so specify or if an Event of Default shall have occurred and be continuing, the Agent may apply such payments as it may determine in its sole discretion. On the day such payments are received, the Agent shall remit to the Banks their respective Pro Rata Shares of such payments, in immediately available funds.

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

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

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

(i) subjects any Bank or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from the Borrowers (excluding federal taxation of the overall net income of any Bank or applicable Lending Installation), or changes the basis of taxation of payments to any Bank in respect of its Loans or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Loans), or

(iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Installation of making, funding or maintaining loans or reduces any amount receivable by any Bank or any applicable Lending Installation in connection with loans, or requires any Bank or any applicable Lending Installation to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Bank,

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

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

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

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

4.11. Bank Statements; Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with respect to its Eurodollar Loans to reduce any liability of the Borrowers to such Bank under Sections 4.7 and 4.8 or to avoid the unavailability of a Type of Advance under Section 4.9, so long as such designation is not disadvantageous to such Bank. Each Bank shall deliver a written statement of such Bank to the Borrowers (with a copy to the Agent) as to the amount due, if any, under Sections 4.7, 4.8 or 4.10. Such written statement shall set forth in reasonable detail the calculations upon which such Bank determined such amount and shall be final, conclusive and binding on the Borrowers in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Loan shall be calculated as though each Bank funded its Eurodollar Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurodollar Rate applicable to

such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of any Bank shall be payable on demand after receipt by the Borrowers of such written statement. The obligations of the Borrowers under Sections 4.7, 4.8 and 4.10 shall survive payment of the Bank Obligations and termination of this Agreement.

## SECTION 5. Security

5.1 Security Documents. To secure all indebtedness, obligations and liabilities under this Agreement, the Notes, the Security Documents, the Advances, any Swap Agreements among any Borrower and any Lender and to secure all other Indebtedness and obligations of the Borrowers to the Agent and the Banks pursuant thereto, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, the Borrowers shall:

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

(b) Execute and deliver to the Agent, on or before the Effective Date, such security agreements, pledge agreements, financing statements and other agreements, including without limitation the Consent and Amendment of Security Documents confirming the continuing effectiveness of Security Documents previously executed and delivered to the Agent or any Bank (as amended or modified from time to time, the "Security Agreements"), in form and substance satisfactory to the Required Banks, granting to the Agent, for the benefit of the Banks, a first-priority, perfected and enforceable lien and security interest, subject only to the Permitted Liens, in all other assets, whether real, personal or mixed, and whether now owned or hereafter existing and wherever located, of the Borrowers.

5.2 Additional Security Documents. If at any time requested by the Agent or the Required Banks, the Borrowers shall execute and deliver such additional documents, and shall take such other action, as the Agent or the Required Banks may reasonably consider necessary or proper to evidence or perfect the liens and security interests described in Section 5.1 hereof.

## SECTION 6. Representations and Warranties.

Each of the Borrowers represents and warrants that:

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

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

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

6.4 Subsidiaries. All Subsidiaries of CRI are duly organized, validly existing and in good standing under the laws of their jurisdictions of organization and are duly qualified to do business in each jurisdiction where failure to so qualify would have a Material Adverse Effect. All outstanding shares of Capital Stock of each class of each Subsidiary of CRI have been and will be validly issued and are and will be fully paid and nonassessable and are and will be owned, beneficially and of record, by CRI, free and clear of any Liens. Schedule 6.4 is a complete list of all Subsidiaries of CRI. COG is and will remain a wholly owned subsidiary of CRI and COGL is and will remain a wholly owned subsidiary of COG, and Offshore is and will remain a wholly owned subsidiary of COGL.

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

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

6.7 Financial Condition. The consolidated balance sheet of CRI and its Subsidiaries and the consolidated statements of income and cash flow of CRI and its Subsidiaries for the fiscal year ended December 31, 1999 and reported on by Arthur Andersen, LLP, copies of which have been furnished to the Banks, fairly present, and the financial statements of CRI and its Subsidiaries to be delivered pursuant to Section 7.1(d) will fairly present, the consolidated financial position of CRI and its Subsidiaries as of the respective dates thereof, and the consolidated results of operations of CRI and its Subsidiaries for the respective periods indicated, all in accordance with generally accepted

accounting principles consistently applied. There has been no event or development which has had or would be reasonably likely to have a Material Adverse Effect since December 31, 1999. There is no material Contingent Liability of CRI or any of its Subsidiaries that is not reflected in such financial statements or in the notes thereto.

6.8 Use of Advances. The Advances will be used for working capital and general corporate purposes. No Borrower extends or maintains, in the ordinary course of business, credit for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of each Advance will be used for the purpose, whether immediate, incidental, or ultimate, of buying or carrying any such margin stock or maintaining or extending credit to others for such purpose. After applying the proceeds of the Advances, such margin stock will not constitute more than 25% of the value of the assets that are subject to any provisions of this Agreement or any Security Document that may cause the Advances to be secured, directly or indirectly by margin stock.

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

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

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

6.12 Title to Properties. It has good and defensible title to, and a valid indefeasible ownership interest in, all of its properties and assets (including, without limitation, the Collateral subject to the Security Documents) free and clear of any Lien except the Permitted Liens, and it is the owner of all the Collateral described in the Security Documents to which it is a party. All wells on any of the mortgaged premises have been drilled, operated, shut-in, abandoned or suspended in accordance with good oil and gas field practices and in compliance with all applicable laws, permits, statutes, orders, licenses, rules and regulations. All leases with respect to any Oil and Gas Interests owned by any Borrower are in good standing and are in full force and effect, all royalties, rents, taxes, assessments and other payments thereunder or with

respect thereto have been properly and timely paid and all conditions necessary to keep such leases in full force have been fully performed, including without limitation any condition to maintain continuous production or other activity with respect thereto. The Borrowers have delivered to the Agent title opinions satisfactory to the Agent and the Agent's counsel with respect to at least 80% of the value of the assets included in the Borrowing Base.

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

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

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

6.16 Solvency. Each of the following is true for each Borrower and the Borrowers on a consolidated basis: (a) the fair saleable value of its property is (i) greater than the total amount of its liabilities (including contingent liabilities), and (ii) greater than the amount that would be required to pay its probable aggregate liability on its then existing debts as they become absolute

and matured; (b) its property is not unreasonable in relation to its business or any contemplated or undertaken transaction; and (c) it does not intend to incur, or believe that it will incur, debts beyond its ability to pay such debts as they become due.

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

6.18 Indenture Debt Documents and Preferred Stock Documents. All representations and warranties of the Borrowers contained in any Indenture Debt Document or Preferred Stock Document are true and correct in all material respects. CRI has issued the Indenture Notes in the face amount of at least \$150,000,000 on or prior to the Effective Date and all Indenture Debt Documents have been delivered to the Agent and the Banks prior to the Effective Date. CRI has issued the Preferred Stock in the amount of \$30,000,000 on or prior to the Effective Date and all Preferred Stock Documents have been delivered to the Agent and the Banks prior to the Effective Date. There is no event of default or event or condition which could become an event of default with notice or lapse of time or both, under the Indenture Debt Documents or Preferred Stock Documents and each of the Indenture Debt Documents and the Preferred Stock Documents is in full force and effect.

## SECTION 7. Covenants.

7.1 Affirmative Covenants. Each Borrower covenants and agrees that, until the payment in full of the principal of and accrued interest on the Notes, the expiration of this Agreement and all Letters of Credit and the payment and performance of all other obligations of the Borrowers under this Agreement, the Notes and the Security Documents, unless the Required Banks shall otherwise consent in writing, each of the Borrowers shall:

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

(b) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority, whether federal, state, local or foreign (including without limitation ERISA, the Code and Environmental Laws), in effect from time to time; and pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon it or upon its income, revenues or property, before the same shall become delinquent or in default, as well as all lawful

claims for labor, materials and supplies or otherwise, which, if unpaid, might give rise to Liens upon such properties or any portion thereof, except to the extent that payment of any of the foregoing is then being contested in good faith by appropriate legal proceedings and with respect to which adequate financial reserves have been established on its books and records.

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

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

(i) Promptly and in any event within three calendar days after becoming aware of the occurrence of (A) any Default, (B) the commencement of any material litigation against, by or affecting the Borrowers and, upon request by any Bank, any material developments therein, or (C) any development in the business or affairs of the Borrowers which has resulted in, or which is likely in the reasonable judgment of the Borrowers to result in (including without limitation the entering into of any material contract and/or undertaking by the Borrowers) a Material Adverse Effect or (D) any "reportable event" (as defined in ERISA) under, or the institution of steps by the Borrowers or any Subsidiary to withdraw from, or the institution of any steps to terminate, any Plan, a statement of the chief financial officer of the Borrowers setting forth details of such Default or such event or condition or such litigation and the action which CRI or any Subsidiary has taken and proposes to take with respect thereto;

(ii) As soon as available and in any event within 45 days after the end of each fiscal quarter of CRI, the consolidated balance sheets of CRI and its Subsidiaries as of the end of such quarter, and the related consolidated statements of income and cash flow for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding



date or period of the preceding fiscal year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by an appropriate officer of the Borrowers as having been prepared in accordance with generally accepted accounting principles, together with a certificate of an appropriate officer of the Borrowers with a computation in reasonable detail calculating the covenants contained in Sections 7.2(a), (b), (c), (i) and (j);

(iii) As soon as available and in any event within 120 days after the end of each fiscal year, a copy of the consolidated balance sheet of CRI and its Subsidiaries for such fiscal year and related statements of income and cash flow with a customary audit report thereon by Arthur Andersen LLP or other independent certified public accountants selected by CRI and acceptable to the Banks, without qualifications unacceptable to the Banks, together with a certificate of such accountants stating that they have reviewed this Agreement and stating further that in making their review in accordance with generally accepted accounting principles nothing came to their attention that made them believe that any Default exists, or if their examination has disclosed the existence of any Default, specifying the nature, period of existence and status thereof, together with a certificate of an appropriate officer of the Borrowers with a computation in reasonable detail calculating the covenants contained in Sections 7.2(a), (b), (c), (i) and (j) hereof;

(iv) Upon the request of the Required Banks or the Agent, a schedule of all oil, gas, and other mineral production attributable to all material Oil and Gas Interests of the Borrowers, and in any event all such Oil and Gas Interests included in the Borrowing Base;

(v) Promptly, all title or other information received after the Effective Date by any Borrower which discloses any material defect in the title to any material asset included in the Borrowing Base;

(vi) As soon as practicable and in any event within 30 days after the sending or filing thereof, copies of all such financial statements and reports as it shall send to its security holders and of all final prospectuses under the Securities Act of 1933 (other than Form S-8), reports on Forms 10-Q, 10-K and 8-K and all similar regular and periodic reports filed by it (i) with any federal department, bureau, commission or agency from time to time having jurisdiction with respect to the sale of securities or (ii) with any securities exchange;

(vii) (A) As soon as available and in any event within 90 days after each January 1, commencing with January 1, 2000, an annual reserve report as of each such January 1 with respect to all Hydrocarbon reserves of the Borrowers prepared by an independent engineering firm of recognized standing acceptable to the Required Banks in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Required Banks, and including without limitation all assets included in the Borrowing Base, and (B) within 90 days after each July 1 thereafter, a reserve report as of such July 1, with respect to all Hydrocarbon reserves of the Borrowers prepared by the Borrowers in accordance with accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Required Banks, and including without limitation all assets included in the Borrowing Base;

(viii) On or within 30 days after the request of the Agent or the Required Banks, in connection with a redetermination of the Borrowing Base permitted under Section 9.14 an updated reserve report with respect to all Hydrocarbon reserves of the Borrowers prepared by an independent engineering firm of recognized standing acceptable to the Required Banks in accordance with

accepted industry practices and otherwise acceptable and in form and substance satisfactory to the Required Banks, and including without limitation all assets included in the Borrowing Base;

(ix) Promptly, any management letter from the auditors for any Borrower and all other information respecting the business, properties or the condition or operations, financial or otherwise, including, without limitation, geological and engineering data of any Borrower and any title work with respect to any Oil and Gas Interests of any Borrower as any Bank may from time to time reasonably request; and

(x) At all times after the date ninety (90) days after the Effective Date, if requested by the Required Banks, title opinions and other opinions of counsel, in each case in form and substance acceptable to the Required Banks, with respect to at least eighty (80%) percent of the value of the assets included in the Borrowing Base.

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

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

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

(b) Tangible Net Worth. Permit or suffer Consolidated Tangible Net Worth of CRI and its Subsidiaries, at any time, to be less than the sum of (i) \$105,000,000, plus (ii) 50% of Consolidated Net Income for each fiscal year, commencing with the fiscal year ending December 31, 1998, and to be added as of the last day of such fiscal quarter and each such fiscal year, provided that if such Consolidated Net Income is negative in such fiscal quarter or in any fiscal year, the amount added pursuant to this clause (ii) shall be zero and shall not reduce the amount added pursuant to this clause (ii) for any other fiscal year, plus (iii) 75% of the net cash proceeds of any equity offering or other sale of Capital Stock of CRI or any of its Subsidiaries, other than net cash proceeds in an aggregate amount per fiscal year not to exceed \$2,500,000 received by CRI in connection with the exercising of stock options.

(c) Interest Coverage Ratio. Permit or suffer, as of the last day of any fiscal quarter of CRI, the ratio of (i) EBITDA, as calculated for the four fiscal quarters then ending, to (ii) Consolidated Interest Expense, as calculated for the four fiscal quarters then ending, to be less than 2.5 to 1.0.

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

(i) The Advances;

(ii) Other Indebtedness in aggregate outstanding amount not to exceed \$10,000,000;

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

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

(v) Indenture Debt, including the related guarantees thereunder, pursuant to the Indenture Debt Documents, provided that the aggregate principal amount of such Indenture Debt shall not exceed the amount of the Indenture Debt outstanding as of its original issuance; and

(vi) Indebtedness permitted pursuant to Section 7.2(i).

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

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

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

(iii) Liens created pursuant to the Security Documents and Liens expressly permitted by the Security Documents, including without limitation liens securing any reimbursement and other obligations pursuant to any Letters of Credit issued by any Bank for the account of any Borrower, and it is acknowledged and agreed that, without limiting the indebtedness secured by the

Security Documents, each Security Document secures all reimbursement and other obligations incurred at any time by any Borrower pursuant to any Letter of Credit issued by any Bank for the account of any Borrower;

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

(f) Merger; Acquisitions; Etc. Purchase or otherwise acquire, whether in one or a series of transactions, unless the Required Banks shall otherwise consent in writing, all or any substantial portion of the business assets, rights, revenues or property, real, personal or mixed, tangible or intangible, of any Person, or all or any substantial portion of the Capital Stock of or other ownership interest in any other Person, nor merge or consolidate or amalgamate with any other Person or take any other action having a similar effect, unless in each of the foregoing cases, each of the following conditions is satisfied: (i) no Default or Event of Default exists either before or after such acquisition, merger, consolidation, amalgamation or other action having a similar effect, (ii) if such transaction is a merger, consolidation, amalgamation or other action having a similar effect, a Borrower is the surviving entity and (iii) in the case of any take-over bid or offer to acquire all or substantially all of the outstanding voting or equity securities of a corporation or an acquisition of all or substantially all of the assets of any Person, the board of directors of the target corporation or management of the target Person (if the target is not a corporation) has recommended acceptance of such bid or offer.

(g) Disposition of Assets; Etc. Without the prior written consent of the Required Banks, sell, lease, license, transfer, assign or otherwise dispose of any Collateral or any of its other business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one or a series of transactions, other than (i) inventory sold in the ordinary course of business upon customary credit terms, and (ii) if no Default has occurred and is continuing or would be caused thereby, other sales of assets in aggregate amount not to exceed \$25,000,000 in any twelve-month period, provided that in connection with any such sales in excess of \$5,000,000 in aggregate amount since the date of the most recent redetermination of the Borrowing Base all the net proceeds (net only of reasonable and customary fees actually incurred in connection with such sales and of taxes paid or reasonably estimated to be payable as a result thereof), will simultaneously reduce the Borrowing Base by a like amount.

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

(i) Investments and Advances. Purchase or otherwise acquire any Capital Stock of or other ownership interest in, or debt securities of or other evidences of Indebtedness of, any other Person; nor make any loan or advance of any of its funds or property or make any other extension of credit to, or make any investment or acquire any interest whatsoever in, any other Person, except (i) loans and advances to officers of the Borrowers, provided that the aggregate amount of all such loans and advances does not exceed \$25,000, (ii) loans and advances among the Borrowers or any Subsidiary of any Borrower guaranteeing all indebtedness, obligations and liabilities of the Borrowers to the Banks and the

Agent pursuant to a guaranty and other agreements satisfactory to the Agent, and (iii) other loans and advances, provided that the aggregate amount of all such loans and advances, together with Indebtedness allowed under Section 7.2(d)(iii), shall not exceed \$5,000,000.

(j) Restricted Payments. With respect to CRI only, make, pay, declare or authorize any dividend, payment or other distribution in respect of any class of its Capital Stock or any dividend, payment or distribution in connection with the redemption, repurchase, defeasance, conversion, retirement or other acquisition, directly or indirectly, of any shares of its Capital Stock (all of the foregoing defined herein as "Restricted Payments"), except (i) Restricted Payments payable solely in shares of common stock of CRI, (ii) payments in cash of the accrued fixed dividends on the Preferred Stock at a rate not to exceed 9.0% per annum, provided that both before and after giving effect to such payment (on a pro forma basis acceptable to the Agent) no Default or Event of Default shall have occurred and be continuing and all representations and warranties contained in Section 6 hereof shall be true and correct in all material respects as if made at the time of such payment, and (iii) other Restricted Payments which, when aggregated with all Optional Indenture Payments, if any, would not exceed \$10,000,000 in aggregate amount since the Effective Date, provided that both before and after giving effect to such Restricted Payment (on a pro forma basis acceptable to the Agent) no Default or Event of Default shall have occurred and be continuing and all representations and warranties contained in Section 6 hereof shall be true and correct in all material respects as if made at the time of such Restricted Payment. Additionally, other than the Preferred Stock, CRI will not issue any Disqualified Stock.

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

(l) Additional Covenants. If at any time any Borrower shall enter into or be a party to any instrument or agreement, including all such instruments or agreements in existence as of the date hereof and all such instruments or agreements entered into after the date hereof, relating to or amending any terms or conditions applicable to any of its Indebtedness which includes covenants, terms, conditions or defaults not substantially provided for in this Agreement or more favorable to the lender or lenders thereunder than those provided for in this Agreement, then the Borrowers shall promptly so advise the Agent and the Banks. Thereupon, if the Agent shall request, upon notice to the Borrowers, the Agent and the Banks shall enter into an amendment to this Agreement or an additional agreement (as the Agent may request), providing for substantially the same covenants, terms, conditions and defaults as those provided for in such instrument or agreement to the extent required and as may be selected by the Agent. In addition to the foregoing, any covenants, terms, conditions or defaults in any existing agreements or other documents evidencing or relating to any Indebtedness of any Borrower (including without limitation the Indenture Debt Documents) not substantially provided for in this Agreement or more favorable to the holders of such Indebtedness, are hereby incorporated by reference into this Agreement to the same extent as if set forth fully herein, and no subsequent amendment, waiver or modification thereof shall affect any such covenants, terms, conditions or defaults as incorporated herein.

(m) Financial Contracts. Enter into any Swap Agreement (or any other agreement, device or arrangement providing for payments relating to fluctuations of interest rates, exchange rates or commodity prices) for purposes of financial speculation or otherwise not in the ordinary course of business of the Borrowers, and any Swap Agreement with respect to fluctuations in interest rates shall be entered into by the Borrowers only with respect to Indebtedness for borrowed money of the Borrowers.

(n) Payments and Modification of Indenture Debt. Make, or permit any Subsidiary to (i) make, any optional payment, defeasance (whether a covenant defeasance, legal defeasance or other defeasance), prepayment or redemption of any of its or any of its Subsidiaries' Indenture Debt or enter into any agreement or arrangement providing for any defeasance of any kind of any of its Indenture Debt (all of the foregoing defined herein as "Optional Indenture Payments"), except such Optional Indenture Payments which, when aggregated with all Restricted Payments made pursuant to Section 7.2(j)(iii), if any, would not exceed \$10,000,000 in aggregate amount since the Effective Date, provided that both before and after giving effect to such Optional Indenture Payment (on a pro forma basis acceptable to the Agent) no Default or Event of Default shall have occurred and be continuing and all representations and warranties contained in Section 6 hereof shall be true and correct in all material respects as if made at the time of such Optional Indenture Payment, or (ii) amend or modify, or consent or agree to any amendment or modification of, any Indenture Debt Document.

## SECTION 8. Default

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

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

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

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

(d) Any Borrower shall fail to pay any part of the principal of, the premium, if any, or the interest on, or any other payment of money due under any of its Indebtedness (other than Indebtedness hereunder), beyond any period of

grace provided with respect thereto, which individually or together with other such Indebtedness as to which any such failure exists has an aggregate outstanding principal amount in excess of \$10,000,000; or if any Borrower fails to perform or observe any other term, covenant or agreement contained in any agreement, document or instrument evidencing or securing any such Indebtedness, or under which any such Indebtedness was issued or created, beyond any period of grace, if any, provided with respect thereto if the effect of such failure is either (i) to cause, or permit the holders of such Indebtedness (or a trustee on behalf of such holders) to cause, any payment in respect of such Indebtedness to become due prior to its due date or (ii) to permit the holders of such Indebtedness (or a trustee on behalf of such holder) to elect a majority of the board of directors of any Borrower; or

(e) A judgment or order for the payment of money, which together with other such judgments or orders exceeds the aggregate amount of \$10,000,000, shall be rendered against any Borrower and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order and such judgment or order shall have remained unsatisfied and such proceedings shall have remained unstayed for a period of 30 consecutive days, or (ii) for a period of 30 consecutive days, such judgment or order shall have remained unsatisfied and a stay of enforcement thereof, by reason of pending appeal or otherwise, shall not have been in effect; or

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

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

(h) Any event of default described in any Security Document shall have occurred and be continuing, or any material provision of any Security Document shall at any time for any reason cease to be valid and binding and enforceable against any obligor thereunder, or the validity, binding effect or enforceability thereof shall be contested or repudiated by any Person, or any

obligor, shall deny that it has any or further liability or obligation thereunder, or any Security Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to the Agent and the Banks the benefits purported to be created thereby;

(i) Any Change in Control shall occur; or

(j) or the occurrence of any "Change of Control", "Change in Control" or similar term as defined in the Indenture or the Preferred Stock Documents.

## 8.2 Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, the Agent may, and upon being directed to do so by the Required Banks, shall, by notice to the Borrowers terminate the Commitments or declare the outstanding principal of, and accrued interest on, the Notes and all other amounts due under this Agreement and all other Loan Documents, to be immediately due and payable, or demand immediate delivery of cash collateral, and the Borrowers agree to deliver such cash collateral upon such demand, in an amount equal to the maximum amount that may be available to be drawn at any time prior to the stated expiry of all outstanding Letters of Credit, or all of the above, whereupon the Commitments shall terminate forthwith and all such amounts shall become immediately due and payable, or both, as the case may be, provided that in the case of any event or condition described in Section 8.1(g), the Commitments shall automatically terminate forthwith and all such amounts shall automatically become immediately due and payable without notice; in each case without demand, presentment, protest, diligence, notice of dishonor or other formality, all of which are hereby expressly waived.

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

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



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

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

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

(c) Third, to the Banks on a pro rata basis in accordance with the Bank Obligations consisting of interest and principal owing to the Banks under the Bank Obligations, with any obligations owing to any Bank pursuant to any Swap Agreement to which it is a party (whether pursuant to a termination thereof or otherwise) and with any reimbursement obligations or other liabilities owing to any Bank pursuant to any Letter of Credit, for application to payment of such liabilities;

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

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

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

SECTION 9. The Administrative Agent, the Syndication Agent and the Banks.

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

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

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

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

9.5 Action on Instructions of Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Banks, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks and on all holders of Notes. The

Banks hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Required Banks. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

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

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

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

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

9.10 Rights as a Bank. In the event the Agent is a Bank, the Agent shall have the same rights and powers hereunder and under any other Loan Document as any Bank and may exercise the same as though it were not the Agent, and the term "Bank" or "Banks" shall, at any time when the Agent is a Bank, unless the context otherwise indicates, include the Agent in its individual capacity. The

Agent may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with any Borrower or any of their respective Subsidiaries in which any Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Bank.

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

9.12 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrowers, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. Upon any such resignation, the Required Banks shall have the right to appoint, on behalf of the Borrowers and the Banks, a successor Agent. If no successor Agent shall have been so appointed by the Required Banks within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrowers, and the Banks, a successor Agent. If the Agent has resigned and no successor Agent has been appointed, the Banks may perform all the duties of the Agent hereunder and the Borrowers shall make all payments in respect of the Bank Obligations to the applicable Bank and for all other purposes shall deal directly with the Banks. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the effectiveness of the resignation of the Agent, the resigning Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Agent, the provisions of this Section 9 shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents.

9.13 Pro Rata Sharing by Banks. Each Bank agrees with every other Bank that, in the event that it shall receive and retain any payment on account of the Borrower's obligations under this Agreement, the Notes or the Security Documents in a greater proportion than that received by any other Bank, whether such payment be voluntary, involuntary or by operation of law, by application of set-off of any indebtedness or otherwise, then such Bank shall promptly purchase a participation interest from the other Banks, without recourse, for cash and at face value, ratably in accordance with its Pro Rata Share, in such an amount that each Bank shall have received payment in respect of such obligations in accordance with its Pro Rata Share; provided, that if any such purchase be made by any Bank and if any such excess payment relating thereto or any part thereof

is thereafter recovered from such Bank, appropriate adjustment in the related purchase from the other Banks shall be made by rescission and restoration of the purchase price as to the portion of such excess payment so recovered. It is further agreed that, to the extent there is then owing by the Borrowers to any Bank indebtedness other than that evidenced by this Agreement, the Notes and the Security Documents to which such Bank may apply any involuntary payments of indebtedness by the Borrowers, including those resulting from exercise of rights of set-off or similar rights, such Bank shall apply all such involuntary payments first to obligations of the Borrowers to the Banks hereunder and under the Notes and the Security Documents and then to such other indebtedness owed to it by the Borrowers. In addition, it is further agreed that any and all proceeds resulting from a sale or other disposition of any collateral which may be hereafter granted for the benefit of the Banks to secure the obligations of the Borrowers hereunder, shall be applied first to obligations of the Borrowers to the Banks hereunder and under the Notes and the Security Documents, and then ratably to any other indebtedness owed by the Borrowers to the Banks which is secured by such collateral.

9.14 Determination of Borrowing Base, Etc. (a) As of the Effective Date, the Borrowing Base shall be equal to \$205,000,000 and scheduled monthly reductions to the Borrowing Base shall be \$0 (any monthly reductions in the Borrowing Base redetermined at any time under this Section 9.14 are defined as the "Monthly Borrowing Base Reductions").

(b) Any redetermination of the Borrowing Base and the Monthly Borrowing Base Reductions shall be made by the Agent and submitted to the Banks. Such redetermined Borrowing Base and Monthly Borrowing Base Reductions shall then be effective when approved by Banks holding not less than 75% of the aggregate principal amount of the Advances then outstanding (or 75% of the Commitments if no Advances are then outstanding). If any of such redetermined Borrowing Base and Monthly Borrowing Base Reductions are not approved by Banks holding not less than 75% of the aggregate principal amount of the Advances then outstanding (or 75% of the Commitments if no Advances are then outstanding) within ten (10) days after they are submitted to the Banks, each Bank shall submit to the Agent, on or within ten (10) days after the Agent notifies the Banks that such Banks have not approved any such redetermined Borrowing Base or Monthly Borrowing Base Reductions, its determination of each of the foregoing which was not so approved, and the redetermined amount of each of the foregoing which was not so approved will be based on the weighted average of the redetermined amount thereof of each Bank which properly submits such redetermination to the Agent, weighted according to each Bank's Commitment.

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, WITHOUT THE PRIOR WRITTEN APPROVAL OF ALL THE BANKS, SUCH APPROVAL TO BE IN EACH BANK'S SOLE DISCRETION, (1) THE BORROWING BASE MAY NOT BE GREATER THAN \$205,000,000 AT ANY TIME, AND (2) THE MONTHLY BORROWING BASE REDUCTIONS DETERMINED AT ANY TIME AND IN ACCORDANCE WITH THE ABOVE PROCEDURE MAY NOT BE MODIFIED.

(c) The Borrowing Base and the Monthly Borrowing Base Reductions may be redetermined from time to time as requested by the Required Banks, and will be redetermined upon the request of the Borrowers (provided that the Borrowers cannot request a redetermination of the Borrowing Base, or the Monthly Borrowing Base Reductions more than once between the mandatory redeterminations hereinafter provided for), and, in addition, at least twice each year as follows: upon receipt of the reserve reports referred to in Section 7.1(d)(vii) hereof (and in connection with such twice per year redeterminations of the

Borrowing Base and the Monthly Borrowing Base Reductions the Agent shall submit the redetermined Borrowing Base and the Monthly Borrowing Base Reductions as required under this Section 9.14 on or prior to 30 days after the receipt of each (i) reserve report referred to in Section 7.1(d)(vii) (A) hereof and (ii) reserve report referred to in Section 7.1(d)(vii)(B)). Each redetermination of the Monthly Borrowing Base Reductions shall determine such reductions for each of the six months following such determination. Except for the scheduled redeterminations of the Borrowing Base and the Monthly Borrowing Base Reductions, each Bank requesting a redetermination of the Borrowing Base and the Monthly Borrowing Base Reductions agrees to give notice to the Agent and the Borrowers of such request.

(d) Within five days after notification to Borrower of a Borrowing Base redetermination pursuant to the provisions of this Section 9.14, the Borrowers may notify Agent as to what portion of the Borrowing Base they desire access (the "Elected Borrowing Limit"). Thereafter, the Borrowers may obtain Advances which do not exceed in the aggregate the lesser of (i) the Commitments or (ii) the Elected Borrowing Limit until the next Borrowing Base redetermination, subject to the provisions of Section 9.14(b) and (c) above. If no such notification is received by the Agent the Elected Borrowing Limit shall be the Borrowing Base as so determined. Notwithstanding anything herein to the contrary, the Elected Borrowing Limit may not exceed the lesser of (A) the Borrowing Base or (B) the aggregate stated Commitment amounts for the Banks set forth next to the names of the Banks on the signature pages hereof or established pursuant to Section 10.6, as the case may be, as such amount may be reduced from time to time. As of the Effective Date, the Elected Borrowing Limit shall be equal to \$205,000,000.

(e) Notwithstanding anything on the signature pages hereto or elsewhere in this Agreement to the contrary, so long as the Borrowing Base and the Elected Borrowing Limit is \$205,000,000, each Bank's ProRata Share, including its Pro Rata of the Elected Borrowing Limit, for purposes of this Agreement shall be determined based on the following amounts:

	Commitment -----	Pro Rata Share -----
Bank One, NA	\$35,000,000.00	17.07317%
Toronto Dominion (Texas), Inc.	\$29,000,000.00	14.14634%
Paribas	\$27,000,000.00	13.17073%
Fortis Capital Corp.	\$23,000,000.00	11.21951%
Christiania Bank Og Kreditkasse, Asa	\$18,000,000.00	8.78049%
Credit Lyonnais New York Branch	\$18,000,000.00	8.78049%
General Electric Capital Corporation	\$18,000,000.00	8.78049%
Bank of Scotland	\$15,000,000.00	7.31707%
Natexis Banques Populaires	\$12,000,000.00	5.85366%
National Bank of Canada	\$10,000,000.00	4.87805%

9.15 Syndication and Documentation Agent. Toronto Dominion (Texas), Inc., as Syndication Agent hereunder, and Paribas, as Documentation Agent hereunder, shall have no duties or liabilities hereunder in such capacities.

#### SECTION 10. Miscellaneous.

10.1 Amendments; Etc. (a) This Agreement and any term or provision hereof may be amended, waived or terminated by an instrument in writing executed by the Borrowers and the Required Banks, and to the extent any rights or duties of the Agent may be affected thereby, the Agent, provided, that, notwithstanding anything in this Agreement to the contrary, except by an instrument in writing executed by the Borrowers and all of the Banks, no such amendment, waiver or termination shall authorize or permit the extension of the time or times of payment of the principal of, or interest on, the Notes or the reduction in principal amount thereof or the rate of interest thereon, or any fees payable hereunder, or increase or extend the aggregate Commitments or the respective Commitments of any Bank, or change the percentage of Banks required for approvals of the Borrowing Base as specified in Section 9.14, or release any Borrower from any of its obligations hereunder or under any other Loan Document, or release any material amount of the Collateral from the Liens granted pursuant hereto or the Security Documents, or amend this Section 10.1.

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

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

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

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

(c) Any notice to be given by the Borrowers to the Agent pursuant to Section 4.1(c) or Section 3.1 and any notice to be given by the Agent or any Bank hereunder, may be given by telephone, by telex or by facsimile transmission and must be immediately confirmed in writing in the manner provided in Section

10.2(a). Any such notice given by telephone, telex or facsimile transmission shall be deemed effective upon receipt thereof by the party to whom such notice is given.

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

10.4 Reliance on and Survival of Various Provisions. All terms, covenants, agreements, representations and warranties of the Borrowers made herein or in any certificate or other document delivered pursuant hereto shall be deemed to be material and to have been relied upon by the Banks, notwithstanding any investigation heretofore or hereafter made by any Bank or on any Bank's behalf, and those covenants and agreements of the Borrowers set forth in Section 10.5 hereof shall survive the repayment in full of the Advances and other obligations of the Borrowers hereunder and under Security Documents and the termination of the Commitments.

10.5 Expenses; Indemnification. (a) The Borrowers agree to pay and save the Agent harmless from liability for the payment of the reasonable fees and expenses of any counsel the Agent shall employ, in connection with the preparation, execution and delivery of this Agreement, the Notes and the Security Documents and the consummation of the transactions contemplated hereby and in connection with any amendments, waivers or consents and other matters in connection therewith, and all reasonable costs and expenses of the Agent and the Banks (including reasonable fees and expenses of counsel) in connection with any enforcement of this Agreement, the Notes or the Security Documents.

(b) Each of the Borrowers hereby indemnifies and agrees to hold harmless the Banks and the Agent, and their respective officers, directors, employees and agents, from and against any and all claims, damages, losses, liabilities, costs or expenses of any kind or nature whatsoever which the Banks or the Agent or any such Person may incur or which may be claimed against any of them by reason of or in connection with any Letter of Credit, and neither any Bank nor the Agent or any of their respective officers, directors, employees or agents shall be liable or responsible for: (i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith; (ii) the validity, sufficiency or genuineness of documents or of any endorsement thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (iii) payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of any Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; (iv) any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit; or (v) any other event or circumstance whatsoever arising in connection with any Letter of Credit; provided, however, that the Borrowers shall not be required to indemnify the



Agent and such other Persons, and the Agent shall be liable to the Borrowers to the extent, but only to the extent, of any direct, as opposed to consequential or incidental, damages suffered by any Borrower which were caused by (A) the Agent's wrongful dishonor of any Letter of Credit after the presentation to it by the beneficiary thereunder of a draft or other demand for payment and other documentation strictly complying with the terms and conditions of such Letter of Credit, or (B) the payment by the Agent to the beneficiary under any Letter of Credit against presentation of documents which do not comply with the terms of the Letter of Credit to the extent, but only to the extent, that such payment constitutes gross negligence or wilful misconduct of the Agent. It is understood that in making any payment under a Letter of Credit the Agent will rely on documents presented to it under such Letter of Credit as to any and all matters set forth therein without further investigation and regardless of any notice or information to the contrary, and such reliance and payment against documents presented under a Letter of Credit substantially complying with the terms thereof shall not be deemed gross negligence or wilful misconduct of the Agent in connection with such payment. It is further acknowledged and agreed that a Borrower may have rights against the beneficiary or others in connection with any Letter of Credit with respect to which the Agent is alleged to be liable and it shall be a precondition of the assertion of any liability of the Agent under this Section that such Borrower shall first have taken reasonable steps to enforce remedies in respect of the alleged loss against such beneficiary and any other parties obligated or liable in connection with such Letter of Credit and any related transactions.

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

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

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

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

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

(v) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or releases from, any real property owned or operated by the Borrowers or any Subsidiary thereof of any Hazardous

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

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

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

(c) Each Bank may, with the prior consent of the Borrowers (which consent shall not be unreasonably withheld and shall not be required upon the occurrence and during the continuance of any Event of Default which is not cured or waived within 30 days (or 0 days in the case of an Event of Default under Section 8.1(g)) after the occurrence of such Event of Default or if such

assignment by such Bank is to an Affiliate of such Bank or to another Bank) and the Agent, assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note or Notes and the Security Documents held by it); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, (A) the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$5,000,000, and in integral multiples of \$1,000,000 thereafter, or such lesser amount as the Borrowers and the Agent may consent to and (B) after giving effect to each such assignment, the amount of the Commitment of the assigning Bank shall in no event be less than \$5,000,000, and (iii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance in the form of Exhibit D hereto (an "Assignment and Acceptance"), together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

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

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

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

(g) The Banks may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 10.6, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrowers, provided that such proposed assignee or participant has agreed to hold such information confidential under the terms described in Section 10.20.

(h) Notwithstanding any other provisions set forth in this Agreement, any Bank may at any time create a security interest in, or assign, all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System; provided that such creation of a security interest or assignment shall not release such Bank from its obligations under this Agreement.

10.7 Subsidiaries as Borrowers. In the event that CRI, COG, COGL or Offshore shall create or acquire a Subsidiary, such Subsidiary shall execute a joinder agreement in form and substance satisfactory to the Agent, together with such Security Documents, other documents and opinions as the Agent may reasonably require, and shall become a Borrower hereunder.

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

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

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

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

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

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

10.14 Independence of Covenants. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any such covenant, the fact that it would be permitted by an exception to, or would be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or any event or condition which with

notice or lapse of time, or both, could become such an Event of Default if such action is taken or such condition exists.

10.15 Consent to Jurisdiction. Notwithstanding the place where any liability originates or arises, or is to be repaid, any suit, action or proceeding arising out of or relating to this Agreement, any Security Documents, or the Notes may be instituted in any court of competent jurisdiction in the State of Illinois, each Borrower hereby irrevocably waives any objection which it may have or hereafter has to the laying of such venue of any such suit, action or proceeding and any claim that any such suit, action or proceeding has been brought in an inconvenient forum, and each Borrower hereby irrevocably submits its Person and property to the jurisdiction of any such court in any such suit, action or proceedings. Nothing in this Section 10.15 shall affect the right of the Bank to bring proceedings against the Borrowers or any of their property in the courts of any other court of competent jurisdiction.

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

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

(b) If any Borrower makes a payment in respect of the Bank Obligations, it shall have the rights of contribution set forth below against the other Borrowers; provided that such Borrower shall not exercise its right of contribution until all the Bank Obligations shall have been finally paid in full in cash. If any Borrower makes a payment in respect of the Bank Obligations that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower making such proportionately smaller payment shall, when permitted by the preceding sentence, pay to the other Borrowers an amount such that the net payments made by the Borrower in respect of the Bank Obligations shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. If any Borrower receives any payment that is greater in proportion to the amount of its Payment Shares than the payments received by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower receiving such proportionately

greater payment shall, when permitted by the second preceding sentence, pay to the other Borrowers an amount such that the payments received by the Borrowers shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. Notwithstanding anything to the contrary contained in this paragraph or in this Agreement, no liability or obligation of any Borrower that shall accrue pursuant to this paragraph shall be paid nor shall it be deemed owed pursuant to this paragraph until all of the Bank Obligations shall be finally paid in full in cash.

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

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

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

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

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

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

10.18 Consents to Renewals, Modifications and Other Actions and Events. This Agreement and all of the obligations of the Borrowers hereunder shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (a) any amendment, assignment, transfer, modification of or addition or supplement to the Bank Obligations, this Agreement, any Note or any other Loan Document; (b) any extension, indulgence, increase in the Bank Obligations or other action or inaction in respect of any of the Loan Documents or otherwise with respect to the Bank Obligations, or any acceptance of security for, or guaranties of, any of the Bank Obligations or Loan Documents, or any surrender, release, exchange, impairment or alteration of any such security or guaranties including without limitation the failing to perfect a security interest in any such security or abstaining from taking advantage or of realizing upon any guaranties or upon any security interest in any such security; (c) any default by any Borrower under, or any lack of due execution, invalidity or unenforceability of, or any irregularity or other defect in, any of the Loan Documents; (d) any waiver by the Banks or any other Person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the Loan Documents, any guaranties or otherwise with respect to the Bank Obligations; (e) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement or any of the other Loan Documents; (f) any sale, lease, transfer or other disposition of the assets of any Borrower or any consolidation or merger of any Borrower with or into any other Person, corporation, or entity, or any transfer or other disposition by any Borrower or any other holder of any shares of Capital Stock of any Borrower; (g) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting any Borrower; (h) the release or discharge of any Borrower from the performance or observance of any agreement, covenant, term or condition under any of the Bank Obligations or contained in any of the Loan Documents by operation of law; or (i) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the obligations, covenants, agreements and duties of any Borrower hereunder, including without limitation any act or omission by the Agent, or the Bank or any other any Person which increases the scope of such Borrower's risk; and in each case described in this paragraph whether or not any Borrower shall have notice or knowledge of any of the foregoing, each of which is specifically waived by each Borrower. Each Borrower warrants to the Agent and the Banks that it has adequate means to obtain from each other Borrower on a continuing basis information concerning the financial condition and other matters with respect to the Borrowers and that it is not relying on the Agent or the Banks to provide such information either now or in the future.

10.19 Waivers, Etc. Each Borrower unconditionally waives: (a) notice of any of the matters referred to in Section 10.18 above; (b) all notices which may be required by statute, rule or law or otherwise to preserve any rights of the Agent or the Banks including, without limitation, presentment to and demand of payment or performance from the other Borrowers and protect for non-payment or dishonor; (c) any right to the exercise by the Agent or the Banks of any right, remedy, power or privilege in connection with any of the Loan Documents; (d) any requirement that the Agent or the Banks in the event of any default by any Borrower, first make demand upon or seek to enforce remedies against, such Borrower or any other Borrower before demanding payment under or seeking to enforce this Agreement against any other Borrower; (f) any right to notice of the disposition of any security which the Agent or the Banks may hold from any



Borrower or otherwise and any right to object to the commercial reasonableness of the disposition of any such security; and (g) all errors and omissions in connection with the Agent's or any Bank's administration of any of the Bank Obligations, any of the Loan Documents, or any other act or omission of the Agent or any Bank which changes the scope of the Borrower's risk, except as a result of the gross negligence or willful misconduct of the Agent or any Bank. The obligations of each Borrower hereunder shall be complete and binding forthwith upon the execution of this Agreement and subject to no condition whatsoever, precedent or otherwise, and notice of acceptance hereof or action in reliance hereon shall not be required.

10.20 Confidentiality. The Banks and the Agent shall hold all confidential information obtained pursuant to the requirements of this Agreement which has been identified as such by any Borrower in accordance with their customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure to its examiners, affiliates, outside auditors, counsel and other professional advisors in connection with this Agreement or as reasonably required by any bona fide transferee or participant in connection with the contemplated transfer of any Note or participation therein or as required or requested by any governmental agency or representative thereof or pursuant to legal process. Without limiting the foregoing, it is expressly understood that such confidential information shall not include information which, at the time of disclosure is in the public domain or, which after disclosure, becomes part of the public domain or information which any Bank or the Agent had obtained prior to the time of disclosure and identification by any Borrower under this Section 10.20, or information received by any Bank or the Agent from a third party. Nothing in this Section 10.20 or otherwise shall prohibit any Bank or the Agent from disclosing any confidential information to the other Banks or the Agent or render any of them liable in connection with any such disclosure.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written, which shall be the Effective Date of this Agreement.

Address for Notices:

COMSTOCK RESOURCES, INC.

5300 Town and Country Blvd., Ste. 500  
Frisco, Texas 75034  
Attention: M. Jay Allison  
Telephone: (972) 668-8800  
Telecopy: (972) 668-8812

By:/s/ROLAND O. BURNS  
-----  
Roland O. Burns , Senior Vice President

Address for Notices:

COMSTOCK OIL & GAS, INC.

5300 Town and Country Blvd., Ste. 500  
Frisco, Texas 75034  
Attention: M. Jay Allison  
Telephone: (972) 668-8800  
Telecopy: (972) 668-8812

By:/s/ROLAND O. BURNS  
-----  
Roland O. Burns , Senior Vice President

Address for Notices:

COMSTOCK OIL & GAS, LOUISIANA, INC.

5300 Town and Country Blvd., Ste. 500  
Frisco, Texas 75034  
Attention: M. Jay Allison  
Telephone: (972) 668-8800  
Telecopy: (972) 668-8812

By:/s/ROLAND O. BURNS  
-----  
Roland O. Burns , Senior Vice President

Address for Notices:

COMSTOCK OFFSHORE, LLC

5300 Town and Country Blvd., Ste. 500  
Frisco, Texas 75034  
Attention: M. Jay Allison  
Telephone: (972) 668-8800  
Telecopy: (972) 668-8812

By:/s/ROLAND O. BURNS  
-----  
Roland O. Burns , Senior Vice President

One Bank One Plaza  
Suite 0362  
Chicago, Illinois 60670  
Attention: Carl Skoog  
Telephone No: (312) 732-6886  
Facsimile No: (312) 732-3055  
Commitment Amount: \$42,857,175  
Pro Rata Share: 17.14%

BANK ONE, NA (Main Office Chicago)  
as a Bank and as Agent

By: /s/THOMAS E. BOTH

-----  
Its: Authorized Agent

909 Fannin Street, Ste. 1700  
Houston, Texas 77010  
Attention: Martin Snyder  
Telephone No: (713) 653-8211  
Facsimile No: (713) 652-2647  
Commitment Amount: \$35,714,325  
Pro Rata Share: 14.29%

TORONTO DOMINION (TEXAS), INC.  
as a Bank and as Syndication Agent

By: /s/ANN S. SLANIS

-----  
Its: Ann S. Slanis, Vice President

Lending Office for Floating Rate Loans  
909 Fannin, Suite 1700  
Houston, Texas 77010

Lending Office for Eurodollar Loans  
909 Fannin, Suite 1700  
Houston, Texas 77010

1200 Smith Street, Ste. 3100  
Houston, Texas 77002  
Attention: Ralph Long  
Telephone No: (713) 659-4811  
Facsimile No: (713) 659-6915  
Commitment Amount: \$32,857,175  
Pro Rata Share: 13.14%

PARIBAS

By: /s/BETSY JOCHER

-----  
Its: Vice President

By: /s/BRIAN M. MALONE

-----  
Its: Managing Director

Commitment Amount: \$28,571,425  
Pro Rata Share: 11.43%

FORTIS CAPITAL CORP., formerly known as  
MEESPIERSON CAPITAL CORP.

By:/s/CHRISTOPHER S. PARADA  
-----  
Its:Vice President

By:/s/DARRELL W. HOLLEY  
-----  
Its:Managing Director

Address for Operational Notices:  
Fortis Capital Corp.  
100 Crescent Court, Suite 1777  
Dallas, Texas 75201  
Attn: Yolanda Dittmar  
Telephone: (214) 953-9301  
Telefax: (214) 754-5981

ADDRESSES FOR OTHER NOTICES:

MeesPierson Capital Corp.  
100 Crescent Court, Suite 1777  
Dallas, Texas 75201  
Attn: Chris Parada  
Telephone: (214) 953-9303  
Telefax: (214) 754-5982

11 West 42nd Street, 7th Floor  
New York, New York 10036  
Attention: Steve Phillips  
Telephone No: (212) 827-4836  
Facsimile No: (212) 827-4888  
Commitment Amount: \$21,428,550  
Pro Rata Share: 8.57%

CHRISTIANIA BANK OG KREDITKASSE, ASA

By:/s/WILLIAM S. PHILLIPS  
-----  
Its:First Vice President

By:/s/PETER M. DODGE  
-----  
Its: Senior Vice President

1000 Louisiana Street, Suite 5360  
Houston, Texas 77002  
Attention: John Falbo  
Telephone No. (713) 751-0500  
Facsimile No: (713) 751-0301  
Commitment Amount: \$21,428,550  
Pro Rata Share: 8.57%

CREDIT LYONNAIS NEW YORK BRANCH

By:/s/PHILLIP SOUSTRA  
-----  
Its:Senior Vice President

Address:  
120 Long Ridge Road  
Stamford, CT. 06927  
Attention: Paul Jordan  
Telephone No. (203) 357-4391  
Facsimile No: (203) 357-4218  
Commitment Amount: \$21,428,550  
Pro Rata Share: 8.57%

GENERAL ELECTRIC CAPITAL  
CORPORATION

By:/s/PAUL A. JORDAN  
-----

Its:Portfolio Manager

565 Fifth Avenue  
New York, NY 10017  
Attention: Richard Butler  
Telephone No. (713) \_\_\_\_-\_\_\_\_  
Facsimile No: (713) 651-9714  
Commitment Amount: \$18,571,425  
Pro Rata Share: 7.43%

BANK OF SCOTLAND

By:/s/JOSEPH FRATUS  
-----

Its: Vice President

Address:  
333 Clay Street, Suite 4340  
Houston, TX 77002  
Attention: Donovan Broussard  
Telephone No. (713) 759-9401  
Facsimile No: (713) 759-9908  
Commitment Amount: \$14,285,700  
Pro Rata Share: 5.71%

NATEXIS BANQUES POPULAIRES

By:/s/DONOVAN C. BROUSSARD  
-----

Its: Vice President

By:/s/ RENAUD J. D'HERBES  
-----

Its: Senior Vice President

2121 San Jacinto, Ste. 1850  
Dallas, Texas 75201  
Attention: Doug Clark  
Telephone No: (214) 871-1265  
Facsimile No: (214) 871-2015  
Commitment Amount: \$12,857,125  
Pro Rata Share: 5.14%

NATIONAL BANK OF CANADA

By:/s/DOUG CLARK  
-----

Its: Vice President

By:/s/LARRY L. SEARS  
-----

Its: Vice President

Lending Office for Floating Rate Loans  
125 West 55th Street, 23rd Floor  
New York, New York 10019

Lending Office for Eurodollar Loans  
125 West 55th Street, 23rd Floor  
New York, New York 10019

This schedule contains summary financial data extracted from the Consolidated Financial Statements of Comstock Resources, Inc. and Subsidiaries for the nine months ended September 30, 2000 and is qualified in its entirety by reference to such financial statements.

		1,000
		YEAR
DEC-31-2000	SEP-30-2000	
		2,637
		0
	33,750	0
		0
	38,782	649,847
	(221,382)	
	473,376	
47,482		240,000
20,073		0
		14,066
		129,563
473,376		116,523
	116,764	0
		55,989
		2,019
		0
	18,440	
		40,316
		14,111
26,205		0
		0
		0
		26,205
		0.95
		0.77