

Diamondback Energy, Inc.  
Form S-4  
April 26, 2017  
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As filed with the Securities and Exchange Commission on April 26, 2017

Registration No. 333-

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

**FORM S-4**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**Diamondback Energy, Inc.\***  
**(Exact Name of Registrant As Specified in Its Charter)**

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

**1311**  
**(Primary Standard Industrial**  
**Classification Code Number)**

**45-4502447**  
**(I.R.S. Employer**  
**Identification Number)**

**500 West Texas**

**Suite 1200**

**Midland, Texas 79701**

**(432) 221-7400**

**(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)**

**Teresa L. Dick**

**Chief Financial Officer**

**14301 Caliber Drive, Suite 300**

**Oklahoma City, Oklahoma 73134**

**(405) 463-6900**

**(Name, address, including zip code and telephone number, including area code, of agent for service)**

*Copies to:*

**Seth R. Molay, P.C.**

**Akin Gump Strauss Hauer & Feld LLP**

**1700 Pacific Avenue, Suite 4100**

**Dallas, TX 75201**

**(214) 969-4780**

**Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.**

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration

statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issue Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount Registered	Proposed Maximum Per Unit Offering Price	Proposed Maximum Offering Price Aggregate	Amount of Registration Fee(1)(2)
4.750% Senior Notes due 2024	\$500,000,000	100.0%	\$500,000,000	\$57,950.00
5.375% Senior Notes due 2025	\$500,000,000	100.0%	\$500,000,000	\$57,950.00
Guarantees of 4.750% Senior Notes due 2024(2)				None(3)
Guarantees of 5.375% Senior Notes due 2025(2)				None(3)

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- (1) Calculated pursuant to Rule 457(f)(2) under the Securities Act of 1933, as amended.
- (2) Diamondback O&G LLC and Diamondback E&P LLC will guarantee the notes being registered.
- (3) Pursuant to Rule 457(n) under the Securities Act of 1933, as amended, no registration fee for the registration of the guarantees is required.

**\* Co-Registrants**

<b>Exact Name of Co-Registrant as Specified in its Charter (1)</b>	<b>State or Other Jurisdiction of Incorporation or Organization</b>	<b>I.R.S. Employer Identification Number</b>
Diamondback O&G LLC	Delaware	26-1409444
Diamondback E&P LLC	Delaware	36-4728559

- (1) The address of each Co-Registrant is c/o Diamondback Energy, Inc., 500 West Texas, Suite 1200, Midland, Texas 79701 and the telephone number for each Co-Registrant is (432) 221-7400.

**The Registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrants shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. We may not exchange these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED April 26, 2017**

**PRELIMINARY PROSPECTUS**

**DIAMONDBACK ENERGY, INC.**

**Offer to Exchange**

**up to \$500,000,000 of**

**outstanding 4.750% Senior Notes due 2024**

**for**

**up to \$500,000,000 of**

**4.750% Senior Notes due 2024**

**that have been registered**

**under the Securities Act of 1933, as amended**

**And**

**up to \$500,000,000 of**

**outstanding 5.375% Senior Notes due 2025**

**for**

**up to \$500,000,000 of**

**5.375% Senior Notes due 2025**

**that have been registered**  
**under the Securities Act of 1933, as amended**

**Each Exchange Offer (defined below) will expire at midnight, New York City Time, on \_\_\_\_\_, 2017, unless we extend such Exchange Offer. We do not currently intend to extend the Exchange Offers.**

We are offering to exchange up to \$500,000,000 aggregate principal amount of our new 4.750% Senior Notes due 2024, or the 2024 Exchange Notes, which have been registered under the Securities Act of 1933, as amended, or the Securities Act, for an equal principal amount of our outstanding 4.750% Senior Notes due 2024, or the 2024 Initial Notes, issued in a private offering on October 28, 2016, and up to \$500,000,000 aggregate principal amount of our new 5.375% Senior Notes due 2025, or the 2025 Exchange Notes, which have been registered under the Securities Act of 1933 for an equal principal amount of our outstanding 5.375% Senior Notes due 2025, or the 2025 Initial Notes, issued in a private offering December 20, 2016. We refer to the 2024 Exchange Notes and the 2025 Exchange Notes collectively as the Exchange Notes and the 2024 Initial Notes and the 2025 Initial Notes collectively as the Initial Notes. We refer to the Exchange Notes and the Initial Notes collectively as the Notes. We refer to the 2024 Exchange Notes and the 2024 Initial Notes collectively as the 2024 Notes and the 2025 Exchange Notes and the 2025 Initial Notes collectively as the 2025 Notes. We refer to the exchange of the 2024 Exchange Notes for the 2024 Initial Notes as the 2024 Exchange Offer and the exchange of the 2025 Exchange Notes for the 2025 Initial Notes as the 2025 Exchange Offer. The 2024 Exchange Offer and the 2025 Exchange Offer are collectively referred to as the Exchange Offers.

We will exchange all 2024 Initial Notes that are validly tendered and not validly withdrawn prior to the closing of the 2024 Exchange Offer for an equal principal amount of the 2024 Exchange Notes that have been registered. We will exchange all 2025 Initial Notes that are validly tendered and not validly withdrawn prior to the closing of the 2025 Exchange Offer for an equal principal amount of the 2025 Exchange Notes that have been registered.

You may withdraw tenders of the 2024 Initial Notes and the 2025 Initial Notes, as applicable, at any time prior to the expiration of the 2024 Exchange Offer and the 2025 Exchange Offer.

The terms of the 2024 Exchange Notes and 2025 Exchange Notes to be issued are identical in all material respects to the terms of the 2024 Initial Notes and the 2025 Initial Notes, respectively, except for transfer restrictions and registration rights that do not apply to the Exchange Notes, and different administrative terms.

The 2024 Exchange Notes, together with any 2024 Initial Notes not exchanged in the 2024 Exchange Offer, will constitute a single class of debt securities under the indenture governing the 2024 Exchange Notes and 2024 Initial Notes, or the 2024 Indenture.

The 2025 Exchange Notes, together with any 2025 Initial Notes not exchanged in the 2025 Exchange Offer, will constitute a single class of debt securities under the indenture governing the 2025 Exchange Notes and 2025 Initial Notes, or the 2025 Indenture. We refer to the 2024 Indenture and the 2025 Indenture collectively as the Indentures.

The exchange of the Initial Notes will not be a taxable exchange for United States federal income tax purposes.

We will not receive any proceeds from the Exchange Offers.

We do not intend to list the Exchange Notes on any securities exchange and, therefore, no active public market is anticipated for the Exchange Notes.

See **Risk Factors** beginning on page 10 for a discussion of factors that you should consider before tendering your Initial Notes.

Each broker-dealer that receives any Exchange Notes for its own account in the applicable Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The related letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of the Exchange Notes received in exchange for the Initial Notes where such Initial Notes in the applicable Exchange Offer were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days following the effective date of the registration statement of which this prospectus forms a part, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See *Plan of Distribution*.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

**The date of this prospectus is                      , 2017.**

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. In making your investment decision, you should rely only on the information contained or incorporated by reference into this prospectus and in the accompanying letter of transmittal. We have not authorized anyone to provide you with any other information. We are not making an offer to sell these securities or soliciting an offer to buy these securities in any jurisdiction where an offer or solicitation is not authorized or in which the person making that offer or solicitation is not qualified to do so or to anyone whom it is unlawful to make an offer or solicitation. You should not assume that the information contained in this prospectus, as well as the information we previously filed with the Securities and Exchange Commission that is incorporated by reference herein, is accurate as of any date other than its respective date.

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This prospectus incorporates by reference important business and financial information about us that is not included or delivered with this prospectus. Copies of this information are available without charge to any person to whom this prospectus is delivered and to any person who holds Notes, upon written or oral request. Written requests should be directed to Diamondback Energy, Inc., Attention: Investor Relations, at 500 West Texas, Suite 1200, Midland, Texas 79701. Oral requests should be made by calling our Investor Relations Department at (432) 221-7400.

**In order to ensure timely delivery of the documents, you must make your requests to us no later than \_\_\_\_\_, 2017 (which is five business days prior to the expiration of the Exchange Offers, unless we extend one or both of the Exchange Offers). In the event that we extend one or both of the Exchange Offers, you must submit your**



**request at least five business days before the expiration date of the Exchange Offer applicable to your Notes, as extended.**

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**WHERE YOU CAN FIND MORE INFORMATION**

We currently file periodic reports and other information under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the terms of the Indentures, we have agreed that, whether or not we are required to do so by the rules and regulations of the Securities and Exchange Commission, or the SEC, for so long as any of the 2024 or 2025 Notes remain outstanding, we will furnish to the trustee and the holders of the applicable Notes and, upon written request, to prospective investors, and file with the SEC (unless the SEC will not accept such a filing) (i) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if we were required to file such reports, including a Management's Discussion and Analysis of Financial Condition and Results of Operations and, with respect to the annual information only, a report thereon by our independent registered public accountant and (ii) all reports that would be required to be filed with the SEC on Form 8-K if we were required to file such reports, in each case within the time period specified in the rules and regulations of the SEC. In addition, for so long as any of the Notes remain outstanding, we have agreed to make available to any holder of the Notes or prospective purchaser of the Notes, at their request, the information required by Rule 144A(d)(4) under the Securities Act. This prospectus contains or incorporates by reference summaries of certain agreements that we have entered into, such as the Indentures and the agreements described under *Description of Other Indebtedness*, *Description of 2024 Exchange Notes* and *Description of 2025 Exchange Notes*. The descriptions contained or incorporated by reference into this prospectus of these agreements do not purport to be complete and are qualified in their entirety by reference to the definitive agreements. Copies of the definitive agreements will be made available without charge to you by making a written or oral request to us.

Our SEC filings are available to the public over the Internet at the SEC's web site at [www.sec.gov](http://www.sec.gov), which contains reports, proxy and information statements, and other information regarding issuers that file electronically. You may also read and copy any document we file with the SEC at the SEC's Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room and copy charges. Also, using our website, <http://www.diamondbackenergy.com>, you can access electronic copies of documents we file with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K and any amendments to those reports. Information on our website is not incorporated by reference into this prospectus. You may also request a copy of those filings, excluding exhibits, at no cost by writing to Diamondback Energy, Inc., Attention: Investor Relations, at 500 West Texas, Suite 1200, Midland, Texas 79701, or calling (432) 221-7400.

**INFORMATION INCORPORATED BY REFERENCE**

The SEC allows us to incorporate by reference into this prospectus the information we provide in other documents filed by us with the SEC. The information incorporated by reference is an important part of this prospectus. Any statement contained in a document that is incorporated by reference in this prospectus is automatically updated and superseded if information contained in this prospectus, or information that we later file with the SEC, modifies and replaces this information. We incorporate by reference the following documents that we have filed with the SEC (except as indicated below with respect to Item 2.02 or Item 7.01 of Form 8-K):

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our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 15, 2017; and

our Current Reports on Form 8-K, filed with the SEC on March 6, 2017 and March 8, 2017.

In addition, all documents filed by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than those furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K, unless otherwise stated therein) (i) after the date of the initial registration statement of which this prospectus is a part and prior to effectiveness of such registration statement and (ii) after the date of this prospectus through the completion of the

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applicable exchange offer, in each case, will be deemed to be incorporated by reference into this prospectus and to be a part of this prospectus from the dates of the filing of such documents. Pursuant to General Instruction B of Form 8-K, any information submitted under Item 2.02, Results of Operations and Financial Condition, or Item 7.01, Regulation FD Disclosure, of Form 8-K is not deemed to be filed for the purpose of Section 18 of the Exchange Act, and we are not subject to the liabilities of Section 18 with respect to information submitted under Item 2.02 or Item 7.01 of Form 8-K. We are not incorporating by reference any information submitted under Item 2.02 or Item 7.01 of Form 8-K into any filing under the Securities Act or the Exchange Act or into this prospectus, unless otherwise indicated on such Form 8-K.

You may request a copy of this prospectus or any of the incorporated documents (excluding exhibits, unless the exhibits are specifically incorporated) at no charge to you by writing to Diamondback Energy, Inc., Attention: Investor Relations, at 500 West Texas, Suite 1200, Midland, Texas 79701, or calling (432) 221-7400.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed modified, superseded or replaced for purposes of this prospectus to the extent that a statement contained in this prospectus modifies, supersedes or replaces such statement.

## **INDUSTRY AND MARKET DATA**

We obtained the industry and market data used throughout or incorporated by reference into this prospectus from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the initial purchasers have independently verified such data and neither we nor the initial purchasers make any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable but it has not been verified by any independent sources.

## **NON-GAAP FINANCIAL MEASURES**

Consolidated Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We define Consolidated Adjusted EBITDA as net income (loss) plus non-cash loss on derivative instruments, net, interest expense, depreciation, depletion and amortization expense, impairment of oil and natural gas properties, non-cash equity-based compensation expense, capitalized equity-based compensation expense, asset retirement obligation accretion expense, income tax (benefit) provision and non-controlling interest. Consolidated Adjusted EBITDA is not a measure of net income (loss) as determined by United States generally accepted accounting principles, or GAAP. Management believes Consolidated Adjusted EBITDA is useful because it allows it to more effectively evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We add the items listed above to net income (loss) in arriving at Consolidated Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending

upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Consolidated Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Consolidated Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Consolidated Adjusted EBITDA. Our computations of Consolidated Adjusted EBITDA may not be comparable to other similarly titled measure of other companies or

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to such measure in our revolving credit facility or any of our other contracts, including the Indentures. We have included a reconciliation of Consolidated Adjusted EBITDA to net income, the most directly comparable GAAP financial measure, elsewhere in this prospectus.

PV-10 is a non-GAAP measure because it excludes income tax effects. Management believes that the presentation of the non-GAAP financial measure of PV-10 provides useful information to investors because it is widely used by professional analysts and sophisticated investors in evaluating oil and gas companies. PV-10 is not a measure of financial or operating performance under GAAP. PV-10 should not be considered as an alternative to the standardized measure as defined under GAAP. We have included a reconciliation of PV-10 to the standardized measure of discounted future net cash flows, the most directly comparable GAAP measure, elsewhere in this prospectus.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, including the documents incorporated by reference, contains forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about our:

business strategy;

exploration and development drilling prospects, inventories, projects and programs;

oil and natural gas reserves;

acquisitions

identified drilling locations;

ability to obtain permits and governmental approvals;

technology;

financial strategy;

realized oil and natural gas prices;

production;

lease operating expenses, general and administrative costs and finding and development costs;

future operating results; and

plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included or incorporated by reference in this prospectus, are forward-looking statements. These forward-looking statements may be found in the *Summary* and *Risk Factors* included elsewhere in this prospectus, in Management's Discussion and Analysis of Financial Condition and

Results of Operations and Business and Properties included in our Annual Report on Form 10-K for the year ended December 31, 2016 and subsequent filings we make with the SEC incorporated by reference in this prospectus. In some cases, you can identify forward-looking statements by terminology such as may, could, should, expect, plan, project, intend, anticipate, believe, estimate, predict, potential, pursue, target, seek, objective or of such terms or other comparable terminology.

The forward-looking statements contained or incorporated by reference in this prospectus are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, our management's assumptions about future events may prove to be inaccurate. Our management cautions all readers that the forward-looking statements contained or incorporated by reference in this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the many factors including those described under *Risk Factors* and elsewhere in this prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2016 and subsequent filings we make with the SEC incorporated by reference in this prospectus. All forward-looking statements contained in this prospectus or included in a document incorporated by reference herein speak only as of the date hereof or thereof, respectively. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.



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**SUMMARY**

*This summary highlights selected information contained in, or incorporated by reference into, this prospectus about us and the Exchange Offers. This summary does not contain all the information that is important to you. You should read the entire prospectus carefully, including the Risk Factors, as well as the financial statements and related notes thereto and other information incorporated by reference into this prospectus. In this prospectus, we refer to Diamondback, together with its consolidated subsidiaries, as we, us, our or the Company. This prospectus includes certain terms commonly used in the oil and natural gas industry, which are defined elsewhere in this prospectus in the Glossary of Oil and Natural Gas Terms.*

**Diamondback Energy, Inc.**

**Overview**

We are an independent oil and natural gas company focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. This basin, which is one of the major producing basins in the United States, is characterized by an extensive production history, a favorable operating environment, mature infrastructure, long reserve life, multiple producing horizons, enhanced recovery potential and a large number of operators.

We began operations in December 2007 with our acquisition of 4,174 net acres in the Permian Basin. At December 31, 2016, our total net acreage position in the Permian Basin was approximately 105,894 net acres. In addition, we, through our subsidiary Viper Energy Partners LP, or Viper, own mineral interests underlying approximately 107,568 gross (6,404 net royalty) acres primarily in Midland County, Texas in the Permian Basin. Approximately 41% of these net acres are operated by us. We own Viper Energy Partners GP LLC, the general partner of Viper, which we refer to as the general partner, and we own approximately 74% of the limited partner interest in Viper.

Our activities are primarily focused on horizontal development of the Spraberry and Wolfcamp formations of the Midland Basin and the Wolfcamp and Bone Spring formations of the Delaware Basin, both of which are part of the larger Permian Basin in West Texas and New Mexico. The Permian Basin is characterized by high oil and liquids rich natural gas, multiple vertical and horizontal target horizons, extensive production history, long-lived reserves and high drilling success rates.

As of December 31, 2016, our estimated proved oil and natural gas reserves were 205,457 MBOE (which includes estimated reserves of 31,435 MBOE attributable to the mineral interests owned by Viper), based on reserve reports prepared by Ryder Scott Company, L.P., or Ryder Scott, our independent reserve engineers. Of these reserves, approximately 57.9% are classified as proved developed producing. Proved undeveloped, or PUD, reserves included in this estimate are from 120 gross (102 net) horizontal well locations in which we have a working interest, and 14 horizontal wells in which we own only a mineral interest through our subsidiary, Viper. As of December 31, 2016, our estimated proved reserves were approximately 68% oil, 18% natural gas liquids and 14% natural gas.

**Our Offices**

Our principal executive offices are located at 500 West Texas, Suite 1200, Midland, Texas 79701, and our telephone number at that address is (432) 221-7400. We also lease additional office space in Midland and in Oklahoma City, Oklahoma. Our website address is [www.diamondbackenergy.com](http://www.diamondbackenergy.com). Information contained on our website does not constitute part of this prospectus.



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**Summary of the Terms of the Exchange Offers**

The summary below includes a description of the principal terms of the Exchange Offers. Certain of the terms and conditions described below are subject to important limitations and exceptions. Additional information regarding the terms and conditions of the Exchange Offers and the Exchange Notes can be found under the headings *The Exchange Offers*, *Description of 2024 Exchange Notes* and *Description of 2025 Exchange Notes*.

**The 2024 Initial Notes**

On October 28, 2016, we issued \$500,000,000 million in aggregate principal amount of 4.750% Senior Notes due 2024, which we refer to as the 2024 Initial Notes, to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act under an indenture among us, our subsidiary guarantors and Wells Fargo Bank, National Association, as the trustee, which indenture we refer to as the 2024 Indenture.

**The 2025 Initial Notes**

On December 20, 2016, we issued \$500,000,000 million in aggregate principal amount of 5.375% Senior Notes due 2025, which we refer to as the 2025 Initial Notes, to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act under an indenture among us, our subsidiary guarantors and Wells Fargo Bank, National Association, as the trustee, which indenture we refer to as the 2025 Indenture.

We refer to the 2024 Initial Notes and the 2025 Initial Notes collectively as the Initial Notes. We refer to the 2024 Indenture and the 2025 Indenture collectively as the Indentures.

**The Exchange Offers**

We are offering to exchange up to \$500.0 million aggregate principal amount of our 4.750% Senior Notes due 2024 that have been registered under the Securities Act for up to \$500.0 million aggregate principal amount of 2024 Initial Notes and up to \$500.0 million aggregate principal amount of our 5.375% Senior Notes due 2025 that have been registered under the Securities Act for up to \$500.0 million aggregate principal amount of 2025 Initial Notes. You may exchange your Initial Notes only by following the procedures described elsewhere in this prospectus under the *The Exchange Offers Procedures for Tendering Initial Notes*.

**Registration Rights**

We issued the 2024 Initial Notes in a private offering on October 28, 2016 and the 2025 Initial Notes in a private offering on December 20,

2016. In connection with the offering of the Initial Notes, we entered into registration rights agreements with the initial purchasers of the Initial Notes, or the initial purchasers, which agreements provide for, among other things, these Exchange Offers.

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**Resale of Exchange Notes**

Based upon interpretive letters written by the SEC, we believe that the Exchange Notes issued in the Exchange Offers may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

You are acquiring the Exchange Notes in the ordinary course of your business;

You are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the Exchange Notes; and

You are not our affiliate, as that term is defined for the purposes of Rule 144A under the Securities Act.

If any of the foregoing is not true and you transfer any Exchange Note without registering the Exchange Note and delivering a prospectus meeting the requirements of the Securities Act, or without an exemption from registration of your Exchange Notes from such requirements, you may incur liability under the Securities Act. We do not assume any responsibility for, and will not indemnify you for, any such liability. Each broker-dealer that receives Exchange Notes for its own account in exchange for Initial Notes that were acquired by such broker-dealer as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the Exchange Notes. A broker-dealer may use this prospectus for an offer to resell, a resale or any other retransfer of the Exchange Notes. See *Plan of Distribution*.

**Consequences for Failure to Exchange Initial Notes**

Initial Notes that are not tendered or that are tendered but not accepted will, following the completion of the Exchange Offers, continue to be subject to existing restrictions upon transfer. The trading market for Initial Notes not exchanged in the Exchange Offers may be significantly more limited than at present. Therefore, if your Initial Notes are not tendered and accepted in the Exchange Offers, it may become more difficult for you to sell or transfer your Initial Notes. Furthermore, you will no longer be able to compel us to register the Initial Notes under the Securities Act and we will not be required to pay additional interest as described in the registration rights agreements. In addition, you will not be able to offer or sell the Initial Notes unless they are registered under the Securities Act (and we will have no obligation to register them, except in limited circumstances), or unless you offer or sell them under

an exemption from the requirements of, or a transaction not subject to, the Securities Act.

**Expiration of the Exchange Offers**

Each Exchange Offer will expire at midnight, New York City time on \_\_\_\_\_, 2017, unless we decide to extend the expiration date for such Exchange Offer.

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**Conditions to the Exchange Offers**

Neither Exchange Offer is subject to any condition other than certain customary conditions, which we may, but are not required to, waive. We currently anticipate that each of the conditions will be satisfied and that we will not need to waive any conditions. We reserve the right to terminate or amend each Exchange Offer at any time before the expiration date of such Exchange Offer if any such condition occurs. In the event of a material change in either of the Exchange Offers, including the waiver of a material condition, we will extend, if necessary, the expiration date of the affected Exchange Offer such that at least five business days remain in the affected Exchange Offer following notice of the material change. For additional information regarding the conditions to the Exchange Offers, see *The Exchange Offers Conditions to the Exchange Offers*.

**Procedures for Tendering Initial Notes**

If you wish to accept the Exchange Offer applicable to your Initial Notes, you must complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, and transmit it together with all other documents required by the letter of transmittal (including the Initial Notes to be exchanged) to Wells Fargo Bank, National Association, as exchange agent, at the address set forth on the cover page of the letter of transmittal. In the alternative, you can tender your Initial Notes by following the procedures for book-entry transfer, as described in this prospectus. For more information on accepting the Exchange Offer applicable to your Initial Notes and tendering your Initial Notes, see *The Exchange Offers Procedures for Tendering Initial Notes*.

**Special Procedures for Beneficial Owners**

If you are a beneficial holder whose Initial Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your Initial Notes in the applicable Exchange Offer, you should contact the registered holder promptly and instruct the registered holder to tender your Initial Notes on your behalf. If you are a beneficial holder and you wish to tender your Initial Notes on your own behalf, you must, prior to delivering the letter of transmittal and your Initial Notes to the exchange agent, either make appropriate arrangements to register ownership of your Initial Notes in your own name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

**Withdrawal Rights**

You may withdraw the tender of your Initial Notes at any time prior to midnight, New York City time, on the expiration date of the Exchange Offer applicable to your Initial Notes. To withdraw, you must send a written or facsimile transmission of your notice of withdrawal to the exchange agent as described under *The Exchange Offers Withdrawal of Tenders* by midnight, New York City time, on the expiration date.

**Acceptance of Initial Notes and Delivery of Exchange Notes** Subject to certain conditions, we will accept all Initial Notes that are properly tendered in the Exchange Offers and not withdrawn prior to midnight, New York City time, on the expiration date. We will



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deliver the Exchange Notes promptly after the expiration date. Initial Notes will be validly tendered and not validly withdrawn if they are tendered in accordance with the terms of the applicable Exchange Offer as detailed under *The Exchange Offers Procedures for Tendering Initial Notes* and not withdrawn in accordance with the terms of the Exchange Offers as detailed under *The Exchange Offers Withdrawal of Tenders*.

**United States Federal Income Tax Consequences**

We believe that the exchange of Initial Notes for Exchange Notes generally will not be a taxable exchange for federal income tax purposes, but you should consult your tax adviser about the tax consequences of this exchange. See *Material U.S. Federal Income Tax Considerations*.

**Exchange Agent**

Wells Fargo Bank, National Association, the trustee under the Indentures, is serving as exchange agent in connection with the Exchange Offers. The mailing address of the exchange agent is set forth on the cover page of the letter of transmittal.

**Fees and Expenses**

We will bear all expenses related to consummating the Exchange Offers and complying with the registration rights agreements.

**Use of Proceeds**

We will not receive any cash proceeds from the issuance of the Exchange Notes. We received net proceeds of approximately \$496.0 million, after deducting the initial purchasers' discounts and offering expenses, from the issuance of the 2024 Initial Notes, which we used to (i) to purchase our outstanding 2021 Senior Notes tendered pursuant to a tender offer for all of our outstanding 2021 Senior Notes, to pay fees and expenses thereof and to redeem all of our 2021 Senior Notes that were not tendered and remained outstanding thereafter and (ii) for general corporate purposes. We received net proceeds of approximately \$495.8 million, after deducting the initial purchasers' discounts and offering expenses, from the issuance of the 2025 Initial Notes, which we used to fund a portion of the cash consideration for our previously reported acquisition of certain assets from Brigham Resources Operating, LLC and Brigham Resources Midstream, LLC, which we completed on February 27, 2017 and refer to herein as the Brigham Acquisition.

**Regulatory Approvals**

Other than those under federal securities laws, there are no federal or state regulatory requirements that we must comply with and there are no approvals that we must obtain in connection with the Exchange Offers.



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**Summary Description of Exchange Notes**

<b>Issuer</b>	Diamondback Energy, Inc.
<b>2024 Exchange Notes Offered</b>	\$500.0 million in aggregate principal amount of 4.750% Senior Notes due 2024 registered under the Securities Act.
<b>2025 Exchange Notes Offered</b>	\$500.0 million in aggregate principal amount of 5.375% Senior Notes due 2025 registered under the Securities Act.
<b>Interest Rate and Payment Dates</b>	<p>The 2024 Exchange Notes will bear interest at the rate of 4.750% per annum, payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2017.</p> <p>The 2025 Exchange Notes will bear interest at the rate of 5.375% per annum, payable semi-annually on May 31 and November 30 of each year, commencing on May 31, 2017.</p>
<b>Maturity Dates</b>	<p>The 2024 Exchange Notes will mature on November 1, 2024.</p> <p>The 2025 Exchange Notes will mature on May 31, 2025.</p>
<b>Ranking</b>	<p>The Exchange Notes will be our general unsecured senior obligations.</p> <p>Accordingly, they will rank:</p> <p>equal in right of payment to all of our existing and future senior indebtedness;</p> <p>effectively subordinate to all of our existing and future secured indebtedness, including all of the indebtedness under our revolving credit facility, to the extent of the value of the collateral securing such indebtedness;</p>

structurally subordinate to all indebtedness and other liabilities, including trade payables, of any non-guarantor subsidiaries (other than unsubordinated indebtedness and other liabilities owed to us); and

senior in right of payment to any subordinated indebtedness we may incur.

Certain of our direct and indirect subsidiaries, namely Rattler Midstream LLC (formerly known as White Fang Energy LLC), or Rattler, Viper, Viper's subsidiary and Viper's general partner, are not guarantors of the notes. As of December 31, 2016, the borrowing base under our revolving credit facility was \$1.0 billion, the elected commitment amount under our revolving credit facility was \$500.0 million, we had no outstanding borrowings, and we had \$500.0 million of available borrowing capacity under our revolving credit facility. As of December 31, 2016, Viper, one of our unrestricted subsidiaries, had \$120.5 million of outstanding borrowings and \$154.5 million available for borrowing under its revolving credit facility, which is guaranteed by Viper's subsidiary. In

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January 2017, Viper repaid its outstanding borrowings under its credit facility in full. Although none of our other unrestricted subsidiaries had any borrowings as of December 31, 2016, Rattler, which is also an unrestricted subsidiary under the Indentures, is a guarantor of our revolving credit agreement. At December 31, 2016, our non-guarantor subsidiaries had \$2.2 million of outstanding liabilities, including trade payables, but excluding intercompany obligations, Viper's borrowings under its revolving credit facility and Viper's subsidiary's guarantee thereof, and Rattler's guarantee of our revolving credit agreement. Our non-guarantor subsidiaries generated 15% of our total revenues and \$72.6 million of our adjusted EBITDA for the year ended December 31, 2016, of which Rattler generated 0% and \$0.

**Subsidiary Guarantees**

The Exchange Notes will initially be guaranteed by all of our subsidiaries, except Rattler, Viper, Viper's general partner and Viper's subsidiary, which have been designated as unrestricted subsidiaries under the Indentures. In the future, each of our restricted subsidiaries that guarantees any of our or a guarantor's other indebtedness and other domestic restricted subsidiaries that incur indebtedness under any credit facility will be required to guarantee the Exchange Notes. All of our guarantor subsidiaries will guarantee the obligations under our revolving credit facility, or be liable as the borrower thereunder, in each case on a senior secured basis.

In the future, the guarantees may be released or terminated under certain circumstances. See *Description of 2024 Exchange Notes 2024 Note Guarantees* and *Description of 2025 Exchange Notes 2025 Note Guarantees*.

The guarantees of the Exchange Notes will be senior unsecured obligations of the guarantor subsidiaries and will rank:

equal in right of payment to all senior unsecured indebtedness of the guarantor subsidiary;

effectively subordinate to all secured indebtedness of the guarantor subsidiary, including its indebtedness or guarantee of indebtedness, as applicable, under our revolving credit facility, to the extent of the value of the collateral securing such indebtedness or guarantee of indebtedness, as applicable;

structurally subordinate to all indebtedness and other liabilities, including trade payables, if any, of any of our non-guarantor subsidiaries (other than subordinated indebtedness and other liabilities owed to us); and

senior in right of payment to any subordinated indebtedness of the guarantor subsidiary.

**Optional Redemption**

At any time prior to November 1, 2019, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2024 Notes (including the 2024 Exchange Notes) at a redemption

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price equal to 104.750% of the principal amount of the 2024 Notes redeemed, with an amount not greater than the net cash proceeds of certain equity offerings at the redemption price set forth under *Description of 2024 Exchange Notes Optional Redemption*, if at least 65% of the aggregate principal amount of the 2024 Notes originally issued under the 2024 Indenture remains outstanding immediately after such redemption and the redemption occurs within 120 days of the closing date of such equity offering.

At any time prior to November 1, 2019, we may on one or more occasions redeem all or a part of the 2024 Exchange Notes at a make whole redemption price set forth under *Description of 2024 Exchange Notes Optional Redemption*.

On and after November 1, 2019, we may on any one or more occasions redeem all or a part of the 2024 Exchange Notes at the redemption prices set forth under *Description of 2024 Exchange Notes Optional Redemption*.

At any time prior to May 31, 2020 we may on any one or more occasions redeem up to 35% of the aggregate principal amount of the 2025 Notes (including the 2025 Exchange Notes) at a redemption price equal to 105.375% of the principal amount of the 2025 Notes redeemed, with an amount not greater than the net cash proceeds of certain equity offerings at the redemption price set forth under *Description of 2025 Exchange Notes Optional Redemption*, if at least 65% of the aggregate principal amount of the 2025 Notes originally issued under the 2025 Indenture remains outstanding immediately after such redemption and the redemption occurs within 120 days of the closing date of such equity offering.

At any time prior to May 31, 2020, we may on one or more occasions redeem all or a part of the 2025 Exchange Notes at a make whole redemption price set forth under *Description of 2025 Exchange Notes Optional Redemption*.

On and after May 31, 2020, we may on any one or more occasions redeem all or a part of the 2025 Exchange Notes at the redemption prices set forth under *Description of 2025 Exchange Notes Optional Redemption*.

**Change of Control**

If we experience certain change of control transactions, each holder of Notes (including Exchange Notes) may require us to repurchase all or any part of its Notes for cash at a price equal to 101% of the aggregate principal amount of such Notes, plus any accrued and unpaid interest to, but not including, the date of repurchase.

**Certain Covenants**

Each Indenture contains certain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

incur or guarantee additional indebtedness or issue certain redeemable or preferred stock;



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pay dividends on capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;

transfer or sell assets;

make investments;

create certain liens;

enter into agreements that restrict dividends or other payments from our restricted subsidiaries to us;

consolidate, merge or transfer all or substantially all of the assets of our company;

engage in transactions with affiliates; and

create unrestricted subsidiaries.

These covenants are subject to important exceptions and qualifications as described under *Description of 2024 Exchange Notes Certain Covenants*, *Description of 2025 Exchange Notes Certain Covenants*, *Description of 2024 Exchange Notes Repurchase at the Option of Holders* and under *Description of 2025 Exchange Notes Repurchase at the Option of Holders*

**Absence of Established Market for the Notes**

The Exchange Notes will not be listed on any securities exchange or included in any automated quotation system. When the Initial Notes were issued, such Initial Notes were new securities with no established market. The initial purchasers have advised us that they have been making a market in the Initial Notes and, when issued, intend to make a market in the Exchange Notes. The initial purchasers, however, are not obligated to do so and may discontinue market-making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the Exchange Notes will develop or be maintained.

**Risk Factors**

You should consider carefully the information set forth in the section entitled *Risk Factors* and all other information contained in or

incorporated by reference into this prospectus for a discussion of certain risks relating to an investment in the Exchange Notes.

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**RISK FACTORS**

*You should carefully consider each of the risks described below, in our Annual Report on Form 10-K for the year ended December 31, 2016 and subsequent filings we make with the SEC, incorporated by reference into this prospectus, and all of the other information contained in or incorporated by reference into this prospectus, before participating in the Exchange Offers. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The risks described below and those incorporated by reference into this prospectus are not the only ones facing us. Additional risks not presently known to us or which we currently consider immaterial also may adversely affect us.*

**Risks Related to the Exchange Notes and Our Other Indebtedness**

*We have relied in the past, and we may rely from time to time in the future, on borrowings under our revolving credit facility to fund a portion of our capital expenditures. Unless we are able to repay borrowings under our revolving credit facility with cash flow from operations and proceeds from equity offerings, implementing our capital programs may require an increase in our total leverage through additional debt issuances. In addition, a reduction in availability under our revolving credit facility and the inability to otherwise obtain financing for our capital programs could require us to curtail our drilling activities.*

Historically, we have relied on availability under our revolving credit facility to fund a portion of our capital expenditures as such expenditures have generally exceeded our cash flow from operations. We expect that we will continue to fund a portion of our capital expenditures with borrowings under our revolving credit facility and from the proceeds of debt and equity offerings, including equity offerings of our common units in Viper. In the past, we have created availability under our revolving credit facility by repaying outstanding borrowings with the proceeds from equity offerings. We cannot assure you that we will be able to access the equity capital markets to repay any such future borrowings. Instead, we may be required to finance our capital expenditures through additional debt issuances, which would increase our total amount of debt outstanding. Further, if the availability under our revolving credit facility were reduced, and we were otherwise unable to secure other sources of financing, we may be required to curtail our drilling programs, which could result in a loss of acreage through lease expirations. In addition, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to replace our reserves.

*Your failure to participate in the applicable Exchange Offer may have adverse consequences.*

If you do not exchange your Initial Notes for Exchange Notes in the applicable Exchange Offer, you will continue to be subject to the restrictions on transfer of your Initial Notes, as set forth in the legend on your Initial Notes. The restrictions on transfer of your Initial Notes arise because we sold the Initial Notes in a private offering. In general, the Initial Notes may not be offered or sold, unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, such registration requirements.

After completion of the Exchange Offers, holders of Initial Notes who do not tender their Initial Notes in the Exchange Offers will no longer be entitled to any exchange or registration rights under the registration rights agreements, except in limited circumstances. The tender of Initial Notes under the applicable Exchange Offer will reduce the principal amount of such currently outstanding Initial Notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any currently outstanding Initial Notes that you continue to hold following completion of the applicable Exchange Offer. See *The Exchange Offers*.

***You must comply with the Exchange Offers procedures in order to receive new, freely tradable Exchange Notes.***

Delivery of the Exchange Notes in exchange for the Initial Notes tendered and accepted for exchange pursuant to the applicable Exchange Offer will be made provided the procedures for tendering the Initial Notes are followed. We are not required to notify you of defects or irregularities in tenders of Initial Notes for exchange. See *The Exchange Offers*.

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***Some holders who exchange their Initial Notes may be deemed to have received restricted securities, and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.***

If you exchange your Initial Notes in the applicable Exchange Offer for the purpose of participating in a distribution of the Exchange Notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

***The consummation of the Exchange Offers may not occur.***

We are not obligated to complete the Exchange Offers under certain circumstances. See *The Exchange Offers Conditions to the Exchange Offers*. Even if each Exchange Offer is completed, it may not be completed on the schedule described in this prospectus. Accordingly, holders participating in the applicable Exchange Offer may have to wait longer than expected to receive their Exchange Notes. You may be required to deliver prospectuses and comply with other requirements in connection with any resale of the Exchange Notes.

***We cannot assure you that an active trading market will develop for the Exchange Notes.***

We do not intend to apply for listing of the Exchange Notes on any securities exchange or to arrange for quotation of the Exchange Notes on any automated dealer quotation system. When the Initial Notes were issued, such Initial Notes were new securities with no established trading market. The initial purchasers have advised us that they have been making a market in the Initial Notes and, when issued, intend to make a market in the Exchange Notes. The initial purchasers are not obligated, however, to do so, and any such market may be discontinued by the initial purchasers in their discretion at any time without notice. See *Plan of Distribution*. In addition, the liquidity of the trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, we cannot assure you that an active trading market for the Exchange Notes will develop or will be maintained. If an active trading market is not developed or maintained, the market price and liquidity of the Exchange Notes may be adversely affected. In that case, you may not be able to sell your Exchange Notes at a particular time, or you may not be able to sell your Exchange Notes at a favorable price. Consequently, a purchaser of the Exchange Notes may not be able to liquidate its investment readily and the Exchange Notes may not be readily accepted as collateral for loans. Furthermore, the market for non-investment grade debt has been subject to disruptions that have caused substantial fluctuations in the price of the securities. Any disruptions may have a negative effect on noteholders, regardless of our prospects and financial performance.

***Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes and our other indebtedness.***

As of December 31, 2016, we had total long-term debt of \$1.1 billion, including \$1.0 billion outstanding under the Notes, the borrowing base under our revolving credit facility was \$1.0 billion, the elected commitment amount under our revolving credit facility was \$500.0 million, we had no outstanding borrowings, and we had \$500.0 million of available borrowing capacity under our revolving credit facility. As of December 31, 2016, Viper, one of our unrestricted subsidiaries, had \$120.5 million in outstanding borrowings and \$154.5 million available for borrowing under its revolving credit facility. In January 2017, Viper repaid its outstanding borrowings in full with a portion of the net proceeds from its public offering of common units. We may in the future incur significant additional indebtedness under our revolving credit facility or otherwise in order to make acquisitions, to develop our properties or for other purposes.

Our level of indebtedness could have important consequences to you and affect our operations in several ways, including the following:

our high level of indebtedness could make it more difficult for us to satisfy our obligations with respect to the Notes, including any repurchase obligations that may arise thereunder;

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a significant portion of our cash flows could be used to service the Notes and our other indebtedness, which could reduce the funds available to us for operations and other purposes;

a high level of debt could increase our vulnerability to general adverse economic and industry conditions;

the covenants contained in the agreements governing our outstanding indebtedness will limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;

a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;

our debt covenants may also limit management's discretion in operating our business and our flexibility in planning for, and reacting to, changes in the economy and in our industry;

a high level of debt may make it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then-outstanding bank borrowings;

a high level of debt could limit our ability to access the capital markets to raise capital on favorable terms;

a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes; and

we may be vulnerable to interest rate increases, as our borrowings under our revolving credit facility are at variable interest rates.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and our performance at the time we need capital.

***Restrictive covenants in our revolving credit facility, the Indentures and future debt instruments may limit our ability to respond to changes in market conditions or pursue business opportunities.***

Our revolving credit facility and Indentures contain, and the terms of any future indebtedness may contain, restrictive covenants that limit our ability to, among other things:

incur or guarantee additional indebtedness;

make certain investments;

create additional liens;

sell or transfer assets;

issue preferred stock;

merge or consolidate with another entity;

pay dividends or make other distributions;

designate certain of our subsidiaries as unrestricted subsidiaries;

create unrestricted subsidiaries;



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engage in transactions with affiliates; and

enter into certain swap agreements.

In connection with the closing of Viper's initial public offering on June 23, 2014, we entered into an amendment to our revolving credit facility, which modified certain provisions of our revolving credit facility to allow us, among other things, to designate one or more of our subsidiaries as unrestricted subsidiaries that are not guarantors and are not subject to certain restrictions contained in the revolving credit facility. Under our revolving credit facility, we designated Viper, its subsidiary, Viper Energy Partners LLC, and Viper's general partner as unrestricted subsidiaries and, upon such designation, they were automatically released from any and all obligations under our revolving credit facility, including the related guaranty, and all liens on the assets of, and the equity interests in, Viper, Viper Energy Partners LLC and Viper's general partner under our revolving credit facility. Further, Viper, Viper Energy Partners LLC, Viper's general partner and Rattler are unrestricted subsidiaries under the Indentures.

We may be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by the restrictive covenants contained in our revolving credit facility and the Indentures. In addition, our revolving credit facility requires us to maintain certain financial ratios and tests. The requirement that we comply with these provisions may materially adversely affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures or withstand a continuing or future downturn in our business. See *Description of Other Indebtedness*, *Description of 2024 Exchange Notes Certain Covenants*, and *Description of 2025 Exchange Notes Certain Covenants*.

A breach of any of these restrictive covenants could result in default under our revolving credit facility. If a default occurs, the lenders under our revolving credit facility may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable, which would result in an event of default under the Indentures. The lenders will also have the right in these circumstances to terminate any commitments they have to provide further borrowings. If we are unable to repay outstanding borrowings when due, the lenders under our revolving credit facility will also have the right to proceed against the collateral granted to them to secure the indebtedness. If the indebtedness under our revolving credit facility and the Notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness.

***If we default on our obligations to pay our other indebtedness, we may not be able to make payments on the Notes.***

Any default under the agreements governing our indebtedness that is not cured or waived by the required lenders could prohibit us from making payments of principal, premium, if any, or interest on the notes and could substantially decrease the market value of the Notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, or interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. Specifically, if we are unable to comply with the restrictions and covenants in our revolving credit facility, there could be an event of default under the terms of this facility, and the lenders under our revolving credit facility may elect to declare all borrowings outstanding, together with accrued interest and other fees, to be immediately due and payable, which would result in an event of default under the Indentures. Our ability to comply with these restrictions and covenants, including meeting the financial ratios and tests under our revolving credit facility, may be affected by events beyond our control. As a result, we cannot assure that we will be able to comply with these restrictions and covenants or meet such financial ratios and tests. In the event of a default under our revolving credit facility, the lenders under such facility could terminate their commitments to lend or accelerate the loans and declare all amounts borrowed due and payable. If any of these events occur, our assets might not be

sufficient to repay in full all of our outstanding indebtedness

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and we may be unable to find alternative financing. Even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. Additionally, we may not be able to amend our revolving credit facility or obtain needed waivers on satisfactory terms.

***Any significant reduction in our borrowing base under our revolving credit facility as a result of the periodic borrowing base redeterminations or otherwise may negatively impact our ability to fund our operations, and we may not have sufficient funds to repay borrowings under our revolving credit facility if required as a result of a borrowing base redetermination.***

Availability under our revolving credit facility is currently subject to a borrowing base of \$1.0 billion, of which we have elected a commitment amount of \$500.0 million. The borrowing base is subject to scheduled semiannual and other elective collateral borrowing base redeterminations based on our oil and natural gas reserves and other factors. As of December 31, 2016, we had no borrowings outstanding under our revolving credit facility. Our weighted average interest rate on borrowings under our revolving credit facility was 1.92% on January 19, 2016, the last day on which borrowings were outstanding under such facility. We expect to borrow under our revolving credit facility in the future. Any significant reduction in our borrowing base as a result of such borrowing base redeterminations or otherwise may negatively impact our liquidity and our ability to fund our operations and, as a result, may have a material adverse effect on our financial position, results of operation and cash flow. Further, if the outstanding borrowings under our revolving credit facility were to exceed the borrowing base as a result of any such redetermination, we would be required to repay the excess. We may not have sufficient funds to make such repayments. If we do not have sufficient funds and we are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

***Servicing our indebtedness requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial indebtedness, including the Notes.***

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as reducing or delaying capital expenditures, selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. However, we cannot assure you that undertaking alternative financing plans, if necessary, would allow us to meet our debt obligations. In the absence of such cash flows, we could have substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. Our revolving credit facility and the Indentures restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair, and proceeds that we do receive may not be adequate to meet any debt service obligations then due. See *Description of Other Indebtedness*, *Description of 2024 Exchange Notes* and *Description of 2025 Exchange Notes*. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at the time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations and have an adverse effect on our financial condition.

***We may still be able to incur substantial additional indebtedness in the future, which could further exacerbate the risks that we and our subsidiaries face.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The terms of our revolving credit facility and the Indentures restrict, but in each case do not completely prohibit, us from doing so. As of December 31, 2016, the borrowing base under our revolving credit facility was \$1.0 billion, the elected commitment amount under our revolving credit facility was \$500.0 million, we had no outstanding

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borrowings, and we had \$500.0 million of available borrowing capacity under our revolving credit facility. As of December 31, 2016, Viper, one of our unrestricted subsidiaries, had \$120.5 million in outstanding borrowings and \$154.5 million available for borrowing under its revolving credit facility. In January 2017, Viper repaid its outstanding borrowings in full with a portion of the net proceeds from its public offering of common units. Further, the Indentures and our revolving credit facility allow us to issue additional notes under certain circumstances which will also be guaranteed by the guarantors. The Indentures also allow us to incur certain other additional secured debt and allow us to have subsidiaries that do not guarantee the Notes and which may incur additional debt, which would be structurally senior to the Notes. In addition, the Indentures do not prevent us from incurring other liabilities that do not constitute indebtedness. If we or a guarantor incur any additional indebtedness that ranks equally with the Notes (or with the guarantees thereof), including additional unsecured indebtedness or trade payables, the holders of that indebtedness will be entitled to share ratably with holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us or a guarantor. See *Description of 2024 Exchange Notes* and *Description of 2025 Exchange Notes*. If new debt or other liabilities are added to our current debt levels, the related risks that we and our subsidiaries now face could intensify.

***If we experience liquidity concerns, we could face a downgrade in our debt ratings which could restrict our access to, and negatively impact the terms of, current or future financings or trade credit.***

Our ability to obtain financings and trade credit and the terms of any financings or trade credit is, in part, dependent on the credit ratings assigned to our debt by independent credit rating agencies. We cannot provide assurance that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities, liquidity, asset quality, cost structure, product mix and commodity pricing levels. A ratings downgrade could adversely impact our ability to access financings or trade credit and increase our borrowing costs.

***Borrowings under our and Viper's revolving credit facilities expose us to interest rate risk.***

Our earnings are exposed to interest rate risk associated with borrowings under our revolving credit facility. The terms of our revolving credit facility provide for interest on borrowings at a floating rate equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.50% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.50% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. As of December 31, 2016, we had no borrowings outstanding under our revolving credit facility. Our weighted average interest rate on borrowings under our revolving credit facility was 1.92% on January 19, 2016, the last day on which borrowings were outstanding under such facility. Viper's weighted average interest rate on borrowings from its revolving credit facility was 2.97% during the year ended December 31, 2016. As of December 31, 2016, Viper had \$120.5 million in outstanding borrowings, and \$154.5 million available for borrowing, under its revolving credit facility. In January 2017, Viper repaid its outstanding borrowings in full with a portion of the net proceeds from its public offering of common units, and had \$275.0 million available for borrowing under its revolving credit facility. If interest rates increase, so will our interest costs, which may have a material adverse effect on our results of operations and financial condition.

***We have capacity to make substantial restricted payments.***

Under the Indentures, we are permitted, subject to certain limitations, to make restricted payments, which includes dividends, stock repurchases, restricted investments and certain other payments. As of December 31, 2016, we would have been able to make approximately \$3.3 billion of restricted payments under the formula set forth in clause (4) of

the first paragraphs of each of the covenants described under the captions *Description of*

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*2024 Exchange Notes Certain Covenants Restricted Payments* and *Description of 2025 Exchange Notes Certain Covenants Restricted Payments*, subject to other limitations set forth in such covenants and in the covenants governing our other indebtedness, and limitations imposed by applicable law. Under clause (18) of the definition of the term Permitted Investments (as defined below), we will be permitted to contribute assets relating to midstream operations having a book value of up to the greater of 6.5% of Adjusted Consolidated Net Tangible Assets (as defined below) and \$200 million to an unrestricted subsidiary in connection with a Qualified MLP IPO (as defined below). In addition, the Indentures permit us to make other restricted payments in certain circumstances, some of which may be substantial. Also see Subsidiaries that hold significant assets are not guarantors.

***The restrictive covenants in the Indentures are subject to a number of important qualifications, exceptions and limitations, and are subject to amendment.***

The restrictive covenants in the Indentures only apply to us and our restricted subsidiaries and are subject to a number of other important qualifications, exceptions and limitations. This means that the restrictions are not absolute prohibitions. We and our restricted subsidiaries may be able to engage in some of the restricted activities, such as incurring additional debt, securing assets in priority to the claims of the holders of the Notes, including the Exchange Notes, paying dividends, making investments, selling assets and entering into mergers or other business combinations, in limited amounts, or in certain circumstances, in unlimited amounts, notwithstanding the restrictive covenants. Our unrestricted subsidiaries, including Rattler, Viper, Viper's subsidiary and Viper's general partner, may engage in such activities without material limitation under the Indentures. See *Description of 2024 Exchange Notes Certain Covenants*, *Description of 2025 Exchange Notes Certain Covenants* and Subsidiaries that hold significant assets are not guarantors. These actions could be detrimental to our ability to make payments of principal and interest when due and to comply with our other obligations under the Notes, including the Exchange Notes, and could reduce the amount of our assets that would be available to satisfy your claims should we default on the Notes.

In addition, the restrictive covenants in the Indentures generally can be amended with the consent of holders of a majority of the Notes, including the Exchange Notes, and any such amendment would bind all holders of Notes, including ones that did not vote in favor of the amendment. Any such amendment could delete one or more restrictive covenants or add additional qualifications, exceptions or limitations.

***The restrictive covenants in our revolving credit facility and other debt instruments are also subject to a number of important qualifications, exceptions and limitations, and to amendment.***

The restrictive covenants in our revolving credit facility only apply to us and certain of our subsidiaries and are subject to a number of other important qualifications, exceptions and limitations. We and our subsidiaries may be able to engage in some of the restricted activities, in limited amounts, or in certain circumstances, in unlimited amounts, notwithstanding the restrictive covenants, and certain of our subsidiaries, including Viper, Viper's subsidiary and Viper's general partner, may engage in such activities without material limitation under our revolving credit facility. Further, the restrictive covenants in the revolving credit facility can be amended or waived without the consent of the holders of the Notes, and the lenders under the revolving credit facility may have interests that are opposed to the interests of the holders of the Notes. The restrictive covenants in Viper's revolving credit facility are, and restrictive covenants, if any, in future debt instruments could be, subject to similar qualifications, exceptions, limitations, amendments and waivers. There can be no assurance that restrictive covenants in any other debt instrument will limit our activities.

***Many of the covenants in the Indentures will be suspended if the Notes are rated investment grade by Standard & Poor's and Moody's and no default has occurred and is continuing.***

Many of the covenants in the Indentures will be suspended if the Notes are rated investment grade by Standard & Poor's and Moody's, provided at such time no default or event of default has occurred and is



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continuing. These covenants include restrictions on our ability to pay dividends, to incur debt and to enter into certain transactions. There can be no assurance that the Notes will ever be rated investment grade. However, suspension of these covenants would allow us to engage in certain transactions that would not have been permitted while these covenants were in force, and the effects of any such transactions will be permitted to remain in place even if the Notes are subsequently downgraded below investment grade and the suspended covenants are reinstated. Please read *Description of 2024 Exchange Notes Certain Covenants Suspension of Covenants if Notes Rated Investment Grade* and *Description of 2025 Exchange Notes Certain Covenants Suspension of Covenants if Notes Rated Investment Grade*.

***We face risks related to rating agency downgrades.***

If one or more rating agencies either assign the Notes a rating lower than the rating expected by the investors, or reduce the rating in the future, the market price of the Notes, including the Exchange Notes, may be adversely affected, raising capital may become more difficult and borrowing costs under our revolving credit facility and other future borrowings may increase.

***The Exchange Notes and the guarantees will be unsecured and effectively junior to the claims of any existing and future secured creditors to the extent of the value of the collateral pledged to such creditors.***

The Exchange Notes will be unsecured obligations and will rank equally in right of payment with all of our other existing and future unsecured, unsubordinated obligations, including the Initial Notes. The Initial Notes are not, and the Exchange Notes will not be, secured by any of our assets and are effectively junior to the claims of any secured creditors and to the existing and future secured liabilities of our guarantor subsidiaries to the extent of the value of the assets securing the secured liabilities. Our obligations under our revolving credit facility are secured by substantially all of our proved oil and gas assets, and are guaranteed by all of the subsidiaries that guarantee the Initial Notes and, when issued, will guarantee the Exchange Notes. As of December 31, 2016, we had total long-term debt of \$1.1 billion, including \$1.0 billion outstanding under the Notes, the borrowing base under our revolving credit facility was \$1.0 billion, the elected commitment amount under our revolving credit facility was \$500.0 million, we had no outstanding borrowings, and we had \$500.0 million of available borrowing capacity under our revolving credit facility. As of December 31, 2016, Viper, one of our unrestricted subsidiaries, had \$120.5 million in outstanding borrowings and \$154.5 million available for borrowing under its revolving credit facility. In January 2017, Viper repaid its outstanding borrowings under its revolving credit facility in full. We may incur other senior indebtedness, which may be substantial in amount, and which may, in certain circumstances, be secured. Any future claims of secured lenders, including the lenders under our revolving credit facility, with respect to assets securing their loans will be prior to any claim of the holders of the Notes, including the Exchange Notes, with respect to those assets. As a result, our assets may be insufficient to pay amounts due on the Notes, and holders of the Notes may receive less, ratably, than holders of secured indebtedness.

***Fraudulent conveyance laws may allow courts, under specific circumstances, to void the Notes and require noteholders to return payments received.***

The Exchange Notes may be subject to claims that they should be limited, subordinated or voided under applicable law in favor of our existing or future creditors. These laws include those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. The intended use of proceeds of the Initial Notes could increase these risks.



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In general, under fraudulent conveyance and similar laws, a court might void or otherwise decline to enforce the Notes if it found that when we issued the Notes, or, in certain instances, when payments became due under the Notes, we received less than reasonably equivalent value or fair consideration and one of the following is true:

we were insolvent or rendered insolvent by reason of such incurrence or subsequently became insolvent for other reasons;

we were engaged in a business or transaction for which our remaining assets constituted unreasonably small capital;

we intended to, or believed or reasonably should have believed that we would, incur debts beyond our ability to pay such debts as they mature; or

we were a defendant in an action for money damages, or had a judgment for money damages docketed against us if, in either case, after final judgment, the judgment is unsatisfied (as all of the foregoing terms may be defined in or interpreted under the relevant fraudulent transfer or conveyance statutes).

A court might also void the Notes without regard to the above factors if such court found that we issued the Notes with actual intent to hinder, delay or defraud our creditors. A court could also find we did not substantially benefit directly or indirectly from the issuance of the Notes. As a general matter, value is given for a Note if, in exchange for the Note, property is transferred or a present or an antecedent debt is satisfied. A debtor generally may not be considered to have received value in connection with a debt offering if the debtor uses the proceeds of that offering to make a dividend payment, repay share premium or otherwise to retire or redeem equity securities issued by the debtor.

The measures of insolvency applied by courts will vary depending upon the particular fraudulent transfer law applied in any proceeding to determine whether a fraudulent transfer has occurred. In the event of a finding that a fraudulent conveyance or transfer has occurred, a court may void, or hold unenforceable, the Notes, which could mean that you may not receive any payments on the Notes and the court may direct you to repay any amounts that you have already received from us for the benefit of creditors. Furthermore, the holders of voided Notes would cease to have any direct claim against us. Consequently, our assets would be applied first to satisfy our other liabilities, before any portion of our assets could be applied to the payment of the Notes. Sufficient funds to repay the Notes may not be available from other sources. Moreover, the voidance of the Notes could result in an event of default with respect to our other debt that could result in acceleration of such debt (if not otherwise accelerated due to insolvency or other proceeding).

***The guarantees provided by the guarantors may not be enforceable and, under specific circumstances, federal and state courts may void the guarantees and require holders to return payments received from the guarantors.***

Although the Exchange Notes will be guaranteed by our restricted subsidiaries, a court could void or subordinate any guarantor's guarantee under federal or state fraudulent conveyance laws if existing or future creditors of any such guarantor were successful in establishing that such guarantee was incurred with fraudulent intent or such guarantor did not receive fair consideration or reasonably equivalent value for issuing its guarantee and either:

such guarantor was insolvent or rendered insolvent by reason of such incurrence or subsequently became insolvent for other reasons;

such guarantor was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital;

such guarantor intended to, or believed or reasonably should have believed that it would, incur debts beyond its ability to pay such debts as they mature; or

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such guarantor was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, after final judgment, the judgment is unsatisfied (as all of the foregoing terms may be defined in or interpreted under the relevant fraudulent transfer or conveyance statutes).

In such event, any payment by a guarantor pursuant to its guarantee could be subordinated or voided and required to be returned to the guarantor or to a fund for the benefit of the guarantor's creditors. The measures of insolvency for purposes of determining whether a fraudulent conveyance occurred would vary depending upon the laws of the relevant jurisdiction and upon the valuation assumptions and methodology applied by the court. Generally, however, a company would be considered insolvent for purposes of the foregoing if:

the sum of the company's debts, including contingent, unliquidated and unmatured liabilities, is greater than such company's property at fair valuation;

the present fair saleable value of the company's assets is less than the amount that will be required to pay the probable liability on its existing debts, including contingent liabilities, as they become absolute and matured; or

the company could not pay its debts or contingent liabilities as they become due.

We have no assurance as to what standard a court would use to determine whether or not a guarantor would be solvent at the relevant time, or regardless of the standard used, that the guarantees would not be voided or subordinated to any guarantor's other debt. If such a case were to occur, the applicable guarantee could be subject to the claim that, since such guarantee was incurred for the benefit of the Company and only indirectly for the benefit of the guarantor, the obligations of such guarantor were incurred for less than fair consideration.

Each guarantee of the Notes contains a provision, referred to as the savings clause, designed to limit the guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. However, there is some doubt as to whether this provision is effective to protect such guarantee from being voided under fraudulent transfer law. For example, in 2009, the U.S. Bankruptcy Court in the Southern District of Florida in *Official Committee of Unsecured Creditors of TOUSA, Inc. v. Citicorp N. Am., Inc.* found a savings clause provision in that case to be ineffective and held those guarantees to be fraudulent transfers and voided them in their entirety. In 2012, the United States Court of Appeals for the Eleventh Circuit upheld the bankruptcy court's decision finding the savings clause to be ineffective.

If a guarantor's guarantee is voided as a fraudulent conveyance or found to be unenforceable for any other reason, holders of the Notes will not have a claim against such guarantor and will only be a creditor of the Company and the remaining guarantors, if any, to the extent the guarantees of those guarantors are not set aside or found to be unenforceable. The Notes then would in effect be structurally subordinated to all liabilities of the guarantor whose guarantee was voided.

***Changes in our credit ratings or the debt markets may adversely affect the market price of the Notes.***

The market price for the Notes will depend on a number of factors, including:

our credit ratings with major credit rating agencies;

the prevailing interest rates being paid by other companies similar to us;

the market price of our common stock;

our financial condition, operating performance and future prospects; and

the overall condition of the financial markets and global and domestic economies.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the Notes. In addition,

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credit rating agencies continually review their ratings for the companies that they follow, including us. The credit rating agencies also evaluate the industries in which we operate as a whole and may change their credit rating for us based on their overall view of such industries. A negative change in our rating could have an adverse effect on the price of the Notes.

***Upon a change of control, we may not have the ability to raise the funds necessary to finance the change of control offer required by the Indentures, which would violate the terms of the Notes.***

Upon the occurrence of certain specified change of control events, holders of all of the Notes, including the Exchange Notes, will have the right to require us to purchase all or any part of such holders' Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase. There can be no assurance that either we or our subsidiary guarantors would have sufficient financial resources available to satisfy all of our or their obligations under the Notes in the event of a change in control. In addition, the terms of our revolving credit facility or other indebtedness may prohibit us from repurchasing Notes upon a change of control. Our failure to purchase the Notes as required under the Indentures would result in a default under the Indentures, which could have material adverse consequences for us and the holders of the Notes. Additionally, using available cash to fund the potential consequences of a change of control may impair our ability to obtain additional financing in the future, which could negatively impact our ability to conduct our business operations. See *Description of 2024 Exchange Notes Repurchase at the Option of Holders Change of Control* and *Description of 2025 Exchange Notes Repurchase at the Option of Holders Change of Control*.

***We may enter into transactions that would not constitute a change of control that could affect our ability to satisfy our obligations under the Notes, including the Exchange Notes.***

Legal uncertainty regarding what constitutes a specified change of control and the provisions of the Indentures may allow us to enter into transactions such as acquisitions, refinancings or recapitalizations that would not constitute a specified change of control but may increase our outstanding indebtedness or otherwise affect our ability to satisfy our obligations under the Notes, including the Exchange Notes. The definition of change of control for purposes of the Notes includes phrases relating to the transfer of all or substantially all of our assets (determined on a consolidated basis). Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly your ability to require us to repurchase Notes as result of a transfer of less than all of our assets to another person may be uncertain. See *Description of 2024 Exchange Notes Repurchase at the Option of Holders Change of Control* and *Description of 2025 Exchange Notes Repurchase at the Option of Holders Change of Control*.

***Subsidiaries that hold significant assets are not guarantors.***

As of December 31, 2016, Ryder Scott attributed 31,435 MBOE of our estimated proved reserves to mineral interests currently held by Viper, which is an unrestricted subsidiary and is not a guarantor under the Indentures. The Notes will be structurally subordinated to debt and other liabilities of Viper, and Viper is permitted to sell equity interests or assets, incur debt and liens, and undertake other activities, in each case without having to comply with the negative covenants in the Indentures. As a result, we may not receive future cash flow attributable to Viper's mineral interests, and those mineral interests will not be available to serve as a source of repayment of the Notes.

***The Initial Notes are, and the Exchange Notes will be, structurally junior to indebtedness of our non-guarantor subsidiaries.***

Holders of the Notes will not have any claim as a creditor against any of our non-guarantor subsidiaries, and indebtedness and other liabilities, including trade payables, of those subsidiaries will effectively be senior to



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claims of holders of Notes against those subsidiaries. In addition, the Indentures governing the Notes permit, subject to certain limitations, these subsidiaries to incur additional indebtedness and do not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

Each of Viper, Viper's general partner, Viper's subsidiary and Rattler are classified as an unrestricted subsidiary under the Indentures, and therefore is not a guarantor of the Initial Notes and will not be a guarantor of the Exchange Notes. Although Viper, Viper's general partner and Viper's subsidiary are not guarantors of our revolving credit agreement, Viper is the borrower under a \$275.0 million secured revolving credit facility, which is secured by substantially all the assets of Viper and by Viper's subsidiary. Accordingly, claims of lenders under Viper's revolving credit facility will effectively be senior to claims of holders of Notes against Viper and Viper's subsidiary. As of December 31, 2016, Viper had \$120.5 million of outstanding borrowings and \$154.5 million available for borrowing under its revolving credit facility. In January 2017, Viper repaid its outstanding borrowings in full with a portion of the net proceeds from its public offering of common units.

Rattler is a guarantor of our revolving credit agreement. Accordingly, claims of holders of lenders under our revolving credit agreement will effectively be senior to claims of holders of Notes against Rattler.

At December 31, 2016, our non-guarantor subsidiaries had \$2.2 million of outstanding liabilities, including trade payables, but excluding intercompany obligations, Viper's borrowings under its revolving credit facility and Viper's subsidiary's guarantee thereof, and Rattler's guarantees of our revolving credit agreement. Our non-guarantor subsidiaries generated 15% of our total revenues and \$72.6 million of our adjusted EBITDA for the year ended December 31, 2016, of which Rattler generated 0% and \$0.

**Table of Contents****USE OF PROCEEDS**

We will not receive any cash proceeds from the issuance of the Exchange Notes. We received net proceeds of approximately \$496.0 million, after deducting the initial purchasers' discounts and offering expenses, from the issuance of the 2024 Initial Notes, which we used to purchase our outstanding 7.625% Senior Notes due 2021, or the 2021 Senior Notes, tendered pursuant to a tender offer for all of our outstanding 2021 Senior Notes, to pay fees and expenses thereof and to redeem all of our 2021 Senior Notes that were not tendered and remained outstanding after completion of the tender offer. We intend to use the remaining net proceeds from the offering of the 2024 Initial Notes for general corporate purposes, which may include the funding of a portion of our capital development plan. We received net proceeds of approximately \$495.8 million, after deducting the initial purchasers' discounts and offering expenses, from the issuance of the 2025 Initial Notes, which we used, together with the net proceeds from our December 2016 underwritten public offering of common stock, cash on hand and other financing sources, to fund the cash consideration for the Brigham Acquisition.

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2016.

You should read the following table in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2016, which is incorporated by reference into this prospectus.

	<b>As of</b>
	<b>December 31, 2016</b>
	<b>(in thousands)</b>
Cash and cash equivalents <sup>(1)</sup>	\$ 1,666,574
Long-term debt, including current maturities:	
Revolving credit facility <sup>(2)</sup>	
Viper revolving credit facility <sup>(3)</sup>	120,500
4.750% Senior Notes due 2024	500,000
5.375% Senior Notes due 2025	500,000
Unamortized debt issuance	(14,588)
Total long-term debt	1,105,912
Stockholders' equity:	
Common stock, \$0.01 par value, 200,000,000 shares authorized, 90,143,934 issued and outstanding <sup>(4)</sup>	901
Additional paid-in capital <sup>(4)</sup>	4,215,955
Accumulated deficit	(519,394)
Total Diamondback Energy, Inc. stockholders' equity	3,697,462
Noncontrolling interest	320,830
Total stockholders' equity	4,018,292

Total capitalization \$ 5,124,204

- (1) Of this amount, \$1.62 billion was used to fund the cash consideration for the Brigham Acquisition, which closed on February 28, 2017.
- (2) As of the date hereof, there are no borrowings outstanding under our revolving credit facility, and we have available borrowing capacity of \$500.0 million.
- (3) In January 2017, Viper repaid its outstanding borrowings in full with a portion of the net proceeds from its public offering of common units. As of the date hereof, there are no borrowings outstanding under Viper's revolving credit facility, and it has available borrowing capacity of \$275.0 million.
- (4) On February 28, 2017, we issued approximately 7.69 million shares of our common stock in connection with the Brigham Acquisition, of which approximately 1.15 million shares were placed in an indemnity escrow.

**Table of Contents****RATIO OF EARNINGS (DEFICIT) TO FIXED CHARGES**

The following table sets forth our ratios of earnings (deficit) to fixed charges for the periods indicated. We have calculated the ratio of earnings (deficit) to fixed charges by dividing the sum of income from continuing operations plus fixed charges by fixed charges. Fixed charges consist of interest expense. You should read these ratios in connection with our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference herein. The financial measures used in this table may not be comparable to similarly titled financial measures used in our various agreements, including our revolving credit facility and the Indentures.

	<b>Year Ended December 31,</b>				
	<b>2016<sup>(1)</sup></b>	<b>2015<sup>(1)</sup></b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>				
<b>EARNINGS</b>					
Income (loss) from continuing operations	\$ (68,617)	\$ (740,269)	\$ 212,670	\$ 95,194	\$ 17,307
Interest expense	40,684	41,510	34,514	8,059	3,610
Income (loss) before fixed charges	\$ (27,933)	\$ (698,759)	\$ 247,184	\$ 103,253	\$ 20,917
<b>FIXED CHARGES</b>					
Interest expense	\$ 40,684	\$ 41,510	\$ 34,514	\$ 8,059	\$ 3,610
Total fixed charges	\$ 40,684	\$ 41,510	\$ 34,514	\$ 8,059	\$ 3,610
<b>Earnings/fixed charge coverage ratio</b>	(0.7)	(16.8)	7.2	12.8	5.8

(1) Earnings for the years ended December 31, 2016 and December 31, 2015 were insufficient to cover fixed charges by \$68.6 million and \$740.3 million, respectively. Ratios for the years ended December 31, 2016 and December 31, 2015 include the effects of impairments on oil and gas properties of \$245.5 million and \$814.8 million, respectively. Excluding the impact of the impairments of oil and gas properties, the earnings/fixed charge coverage ratio for the years ended December 31, 2016 and December 31, 2015 would have been 5.3 and 2.8, respectively.

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**THE EXCHANGE OFFERS**

**Purpose and Effect of these Exchange Offers**

In connection with the issuance of the 2024 Initial Notes we entered into a registration rights agreement that provides for the 2024 Exchange Offer, or the 2024 registration rights agreement, and similarly, in connection with the issuance of the 2025 Initial Notes, we entered into a registration rights agreement that provides for the 2025 Exchange Offer, or the 2025 registration rights agreement. The 2024 registration rights agreement and the 2025 registration rights agreement are referred to collectively as the registration rights agreements. The registration statement of which this prospectus forms a part was filed in compliance with the obligations under each such registration rights agreements. Copies of the 2024 registration rights agreement and the 2025 registration rights agreement are incorporated by reference as exhibits to the registration statement of which this prospectus is a part. Under each such registration rights agreement relating to the Initial Notes we agreed that we would, subject to certain exceptions:

file a registration statement (the *Exchange Offer Registration Statement* ) within 180 days after the closing of the offering of the 2024 Initial Notes and the 2025 Initial Notes, as applicable, enabling holders of such Initial Notes to exchange the privately placed Initial Notes for publicly registered Exchange Notes with substantially identical terms;

use our commercially reasonable efforts to cause the registration statement relating to the 2024 Exchange Notes and the 2025 Exchange Notes to become effective within 360 days after the closing of the offering of the 2024 Initial Notes and the 2025 Initial Notes, respectively, and to complete the Exchange Offers within 30 business days after such registration statement becomes effective; and

file a shelf registration statement for the resale of the Initial Notes if we cannot effect an Exchange Offer within the time periods listed above and in certain other circumstances.

For each 2024 Initial Note tendered to us pursuant to the 2024 Exchange Offer, we will issue to the holder of such 2024 Initial Note a 2024 Exchange Note having a principal amount equal to that of the surrendered 2024 Initial Note. For each 2025 Initial Note tendered to us pursuant to the 2025 Exchange Offer, we will issue to the holder of such 2025 Initial Note a 2025 Exchange Note having a principal amount equal to that of the surrendered 2025 Initial Note. Interest on each Exchange Note will accrue from the last interest payment date on which interest was paid on the Initial Note surrendered in exchange therefor, or, if no interest has been paid on such Initial Note, from the date of its original issue.

Under existing SEC interpretations, the Exchange Notes will be freely transferable by holders other than our affiliates after the completion of the applicable Exchange Offer without further registration under the Securities Act if the holder of the Exchange Notes represents to us in such Exchange Offer that it is acquiring the Exchange Notes in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes and that it is not an affiliate of ours, as such terms are interpreted by the SEC; provided, however, that broker-dealers receiving the Exchange Notes in the applicable Exchange Offer will have a prospectus delivery requirement with respect to resales of such Exchange Notes. The SEC has taken the position that such participating broker-dealers may fulfill their prospectus delivery requirements with respect to the Exchange Notes (other than a resale of an unsold allotment from the original sale of the Initial Notes) with this prospectus contained in the registration statement. Under the registration rights agreements, we are required to allow participating

broker-dealers and other persons, if any, with similar prospectus delivery requirements to use the prospectus contained in the registration statement in connection with the resale of such Exchange Notes for 180 days following the effective date of such registration statement (or such shorter period during which participating broker-dealers are required by law to deliver such prospectus). Each broker-dealer that receives the Exchange Notes for its own account in exchange for the Initial Notes, where such Initial Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See *Plan of Distribution*.

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A holder of Initial Notes (other than certain specified holders) who wishes to exchange the Initial Notes for the Exchange Notes in the applicable Exchange Offer will be required to represent that any Exchange Notes to be received by it will be acquired in the ordinary course of its business and that at the time of the commencement of the applicable Exchange Offer it has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes and that it is not an affiliate of ours, as defined in Rule 405 of the Securities Act, or if it is an affiliate, that it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

In the event that:

- (1) applicable interpretations of the staff of the SEC do not permit us to effect one or both of the Exchange Offers; or
- (2) we are notified prior to the 20th business day following consummation of one or both of the Exchange Offers that certain holders are prohibited by law or SEC policy from participating in such Exchange Offer or may not resell the Exchange Notes acquired by them in such Exchange Offer to the public without delivering a prospectus, or are broker-dealers and own the Initial Notes acquired directly from us or one of our affiliates.

then, upon written request we will, subject to certain exceptions:

- (A) file a shelf registration statement with the SEC covering resales of the Entitled Securities (as defined below) by the holders who satisfy certain conditions relating to the provision of information in connection with the shelf registration statement; and
- (B) use our commercially reasonable efforts to file the shelf registration statement with the SEC on or prior to 30 days after such filing obligation arises and to cause the shelf registration statement to be declared effective by the SEC on or prior to 120 days after such obligation arises, subject to certain exceptions.

For purposes of the preceding, for each Exchange Offer, *Entitled Securities* means each Note until the earliest to occur of:

- (1) the date on which such Note has been exchanged by a person other than a broker-dealer for an Exchange Note in the Exchange Offer;
- (2) following the exchange by a broker-dealer in the Exchange Offer of an Initial Note for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the registration statement relating to the Exchange Notes;

(3) the date on which such Note has been effectively registered under the Securities Act and disposed of in accordance with the shelf registration statement; or

(4) the date on which such Note is disposed of to the public pursuant to Rule 144 under the Securities Act. We will, in the event a shelf registration statement is filed, among other things, provide to each holder for whom such shelf registration statement was filed copies of the prospectus which is a part of the shelf registration statement upon the request of such holder, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the Entitled Securities. A holder selling such Entitled Securities pursuant to the shelf registration statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such holder (including certain indemnification obligations).

We may require each holder requesting to be named as a selling security holder to furnish to us such information regarding the holder and the distribution of the Entitled Securities by the holder as we may from time



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to time reasonably require for the inclusion of the holder in the shelf registration statement, including requiring the holder to properly complete and execute such selling security holder notice and questionnaires, and any amendments or supplements thereto, as we may reasonably deem necessary or appropriate. We may refuse to name any holder as a selling security holder that fails to provide us with such information.

If:

- (1) we fail to file any of the registration statements required by the registration rights agreements on or prior to the date specified for such filing;
- (2) any of such registration statements are not declared effective by the SEC on or prior to the date specified for such effectiveness;
- (3) the Company and the Guarantors fail to consummate the applicable registered Exchange Offer on or prior to 30 business days, or longer, if required by applicable securities laws, after the date on which the Exchange Offer Registration Statement was declared effective by the SEC; or
- (4) the shelf registration statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable for more than 30 days in connection with resales of Entitled Securities during the periods specified in the applicable registration rights agreement (each such event referred to in the foregoing clauses (1) through (4), a *registration default*), we will pay special cash interest to each holder of Entitled Securities under the affected Exchange Offer until all registration defaults have been cured.

With respect to the first 90-day period immediately following the occurrence of the first registration default, special interest will be paid in an amount equal to 0.25% per annum of the principal amount of Entitled Securities outstanding. The amount of the special interest will increase by an additional 0.25% per annum with respect to each subsequent 90-day period until all registration defaults have been cured, up to a maximum amount of special interest for all registration defaults of 0.50% per annum of the principal amount of the Entitled Securities outstanding.

All references in the Indentures, in any context, to any interest or other amount payable on or with respect to the Notes shall be deemed to include any special interest pursuant to the registration rights agreements.

If we effect an Exchange Offer, we will be entitled to close the Exchange Offer 30 days after the commencement thereof provided that we have accepted all Initial Notes theretofore validly tendered in accordance with the terms of the Exchange Offer. Initial Notes will be validly tendered if tendered in accordance with the terms of the Exchange Offer as detailed under *Procedures for Tendering Initial Notes*.

## **Background of the Exchange Offers**

We issued \$500.0 million aggregate principal amount of the 2024 Initial Notes on October 28, 2016 under the 2024 Indenture, and \$500.0 million aggregate principal amount of the 2025 Initial Notes on December 20, 2016 under the 2025 Indenture. The Initial Notes were offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and to certain non-U.S. persons in transactions outside the United

States in reliance on Regulation S under the Securities Act based on the representations and agreements of the qualified institutional buyers and certain non-U.S. persons made in connection with their purchase of the Initial Notes. The terms of the 2024 Exchange Notes and the 2025 Exchange Notes will be identical in all material respects to the terms of the 2024 Initial Notes and the 2025 Initial Notes, respectively, except for transfer restrictions and registration rights that will not apply to the Exchange Notes and different administrative terms. Cash interest is payable on the 2024 Exchange Notes on May 1 and November 1 of each year, beginning on May 1, 2017. The 2024 Exchange Notes will mature on November 1, 2024. Cash interest is payable on the 2025 Exchange Notes on May 31 and November 30 of each year, beginning on May 31, 2017. The 2025 Exchange Notes will mature on May 31, 2025.

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In order to exchange your Initial Notes for the Exchange Notes containing no transfer restrictions in the applicable Exchange Offer, you will be required to make the following representations:

the Exchange Notes will be acquired in the ordinary course of your business;

you have no arrangements with any person to participate in the distribution of the Exchange Notes;

you are not our affiliate as defined in Rule 405 of the Securities Act, or if you are an affiliate of ours, you will comply with the applicable registration and prospectus delivery requirements of the Securities Act;

if you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the Exchange Notes; and

if you are a broker-dealer that will receive the Exchange Notes for your own account in exchange for Initial Notes that were acquired as a result of market-making activities or other trading activities, you will deliver a prospectus, as required by law, in connection with any resale of the Exchange Notes.

Upon the terms and subject to the conditions set forth in this prospectus and in the related letter of transmittal, we will accept for exchange any Initial Notes validly tendered and not validly withdrawn in the applicable Exchange Offer, and the exchange agent will deliver the Exchange Notes promptly after the expiration date of the applicable Exchange Offer. Initial Notes will be validly tendered and not validly withdrawn if they are tendered in accordance with the terms of the Exchange Offers as detailed under *Procedures for Tendering Initial Notes* and not withdrawn in accordance with the terms of the applicable Exchange Offer as detailed under *Withdrawal of Tenders*. We expressly reserve the right to delay acceptance, subject to Rule 14e-1(c) under the Exchange Act, of any of the tendered Initial Notes or terminate each Exchange Offer and not accept for exchange any tendered Initial Notes not already accepted if any condition set forth under *Conditions to the Exchange Offers* have not been satisfied or waived by us or do not comply, in whole or in part, with the securities laws or changes in any applicable law.

If you tender your Initial Notes, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of the Initial Notes.

### **Expiration Date; Extensions; Termination; Amendments**

The Exchange Offers will expire at midnight, New York City time, on \_\_\_\_\_, 2017, unless we extend one or both of them. We expressly reserve the right to extend one or both of the Exchange Offers on a daily basis or for such period or periods as we may determine in our sole discretion from time to time by giving oral, confirmed in writing, or written notice to the exchange agent and by making a public announcement by press release to Businesswire prior to 9:00 a.m., New York City time, on the first business day following the scheduled expiration date. During any extension of an Exchange Offer, all Initial Notes previously tendered under that Exchange Offer, not validly withdrawn and not accepted for exchange will remain subject to such Exchange Offer and may be accepted for exchange by us.

To the extent we are legally permitted to do so, we expressly reserve the absolute right, in our sole discretion, but are not required, to:

waive any condition of one or both of the Exchange Offers; and

amend any terms of one or both of the Exchange Offers.

Any waiver of any condition of or amendment to an Exchange Offer will apply to all Initial Notes tendered for that Exchange Offer, regardless of when or in what order the Initial Notes were tendered. If we make a material change in the terms of an Exchange Offer or if we waive a material condition of an Exchange Offer, we will disseminate additional exchange offer materials to the holders of the Initial Notes under that Exchange Offer, and we will extend, if necessary, the expiration date of that Exchange Offer such that at least five business days remain in the Exchange Offer following notice of the material change.

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We expressly reserve the right, in our sole discretion, to terminate one or both of the Exchange Offers if any of the conditions set forth under *Conditions to the Exchange Offers* exist. Any such termination will be followed promptly by a public announcement. In the event we terminate an Exchange Offer, we will give immediate notice to the exchange agent, and all Initial Notes previously tendered under such Exchange Offer and not accepted for exchange will be returned promptly to the tendering holders.

In the event that an Exchange Offer is withdrawn or otherwise not completed, the Exchange Notes will not be given to holders of Initial Notes who have validly tendered their Initial Notes under that Exchange Offer. We will return any Initial Notes that have been tendered for exchange but that are not exchanged to their holder without cost to the holder, or, in the case of the Initial Notes tendered by book-entry transfer into the exchange agent's account at a book-entry transfer facility under the procedure set forth under *Procedures for Tendering Initial Notes Book-Entry Transfer*, such Initial Notes will be credited to the account maintained at such book-entry transfer facility from which such Initial Notes were delivered, unless otherwise requested by such holder under *Special Delivery Instructions* in the letter of transmittal, promptly following the exchange date or the termination of the Exchange Offer.

## **Resale of the Exchange Notes**

Based on interpretations of the SEC set forth in no-action letters issued to third parties, we believe that the Exchange Notes issued in the applicable Exchange Offer in exchange for the Initial Notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

you are not an affiliate of ours within the meaning of Rule 405 under the Securities Act;

you are acquiring the Exchange Notes in the ordinary course of business; and

you do not intend to participate in the distribution of the Exchange Notes.

If you tender Initial Notes in the applicable Exchange Offer with the intention of participating in any manner in a distribution of the Exchange Notes:

you cannot rely on those interpretations of the SEC; and

you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction, and comply with the requirements discussed below.

Unless an exemption from registration is otherwise available, any security holder intending to distribute the Exchange Notes should be covered by an effective registration statement under the Securities Act containing the selling security holder's information required by Item 507 of Regulation S-K. This prospectus may be used for an offer to resell, a resale or other re-transfer of the Exchange Notes only as specifically set forth in the section captioned *Plan of Distribution*. Only broker-dealers that acquired the Initial Notes as a result of market-making activities or other trading activities may participate in the applicable Exchange Offer. Each broker-dealer that receives the Exchange Notes for its own account in exchange for Initial Notes, where such Initial Notes were acquired by such broker-dealer

as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the Exchange Notes. Please read the section captioned *Plan of Distribution* for more details regarding the transfer of the Exchange Notes.

**Acceptance of Initial Notes for Exchange**

We will accept for exchange Initial Notes validly tendered pursuant to the Exchange Offers, or defectively tendered, if such defect has been waived by us, after the later of:

the expiration date of the applicable Exchange Offer; and

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the satisfaction or waiver of the conditions specified below under *Conditions to the Exchange Offers*. Except as specified above, we will not accept Initial Notes for exchange subsequent to the expiration date of the applicable Exchange Offer. Tenders of Initial Notes will be accepted only in aggregate principal amounts equal to \$1,000 or integral multiples thereof.

We expressly reserve the right, in our sole discretion, to:

delay acceptance for exchange of Initial Notes tendered under the Exchange Offers, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders promptly after the termination or withdrawal of a tender offer; or

terminate one or both of the Exchange Offers and not accept for exchange any Initial Notes, if any of the conditions set forth below under *Conditions to the Exchange Offers* have not been satisfied or waived by us or in order to comply in whole or in part with the securities laws or changes in any applicable law.

In all cases, the Exchange Notes will be issued only after receipt by the exchange agent prior to the expiration of the applicable Exchange Offer of (i) certificates representing Initial Notes, or confirmation of book-entry transfer, (ii) a letter of transmittal, properly completed and duly executed or a manually signed facsimile thereof, and (iii) any other required documents in accordance with instructions set forth under *Procedures for Tendering Initial Notes* and in the letter of transmittal provided with this prospectus. For purposes of the Exchange Offers, we will be deemed to have accepted for exchange validly tendered Initial Notes, or defectively tendered Initial Notes with respect to which we have waived such defect, if, as and when we give oral, confirmed in writing, or written notice to the exchange agent. Promptly after the expiration date, we will deposit the Exchange Notes with the exchange agent, who will act as agent for the tendering holders for the purpose of receiving the Exchange Notes and transmitting them to the holders. The exchange agent will deliver the Exchange Notes to holders of Initial Notes accepted for exchange after the exchange agent receives the Exchange Notes.

If we delay acceptance for exchange of validly tendered Initial Notes or we are unable to accept for exchange validly tendered Initial Notes, then the exchange agent may, nevertheless, on its behalf, retain tendered Initial Notes, without prejudice to our rights described in this prospectus under the captions *Expiration Date; Extensions; Termination; Amendments, Conditions to the Exchange Offers* and *Withdrawal of Tenders*, subject to Rule 14e-1 under the Exchange Act, which requires that an offeror pay the consideration offered or return the securities deposited by or on behalf of the holders thereof promptly after the termination or withdrawal of a tender offer.

If any tendered Initial Notes are not accepted for exchange, or if certificates are submitted evidencing more Initial Notes than those that are tendered, certificates evidencing Initial Notes that are not exchanged will be returned, without expense, to the tendering holder, or, in the case of the Initial Notes tendered by book-entry transfer into the exchange agent's account at a book-entry transfer facility under the procedure set forth under *Procedures for Tendering Initial Notes Book-Entry Transfer*, such Initial Notes will be credited to the account maintained at such book-entry transfer facility from which such Initial Notes were delivered, unless otherwise requested by such holder under *Special Delivery Instructions* in the letter of transmittal, promptly following the exchange date or the termination of the applicable Exchange Offer.

Tendering holders of Initial Notes exchanged in the applicable Exchange Offer will not be obligated to pay brokerage commissions or transfer taxes with respect to the exchange of their Initial Notes other than as described under the caption *Transfer Taxes* or as set forth in the letter of transmittal. We will pay all other charges and expenses in

connection with the Exchange Offers.



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**Procedures for Tendering Initial Notes**

Any beneficial owner whose Initial Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee or held through a book-entry transfer facility and who wishes to tender Initial Notes should contact such registered holder promptly and instruct such registered holder to tender Initial Notes on such beneficial owner's behalf. If you are a beneficial holder and you wish to tender your Initial Notes on your own behalf, you must, prior to delivering the letter of transmittal and your Initial Notes to the exchange agent, either make appropriate arrangements to register ownership of your Initial Notes in your own name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

***Tender of Initial Notes Held Through The Depository Trust Company***

The exchange agent and The Depository Trust Company, or DTC, have confirmed that the Exchange Offers are eligible for the DTC automated tender offer program. Accordingly, DTC participants may electronically transmit their acceptance of the applicable Exchange Offer by causing DTC to transfer Initial Notes to the exchange agent in accordance with DTC's automated tender offer program procedures for transfer. DTC will then send an agent's message to the exchange agent.

The term "agent's message" means a message transmitted by DTC and received by the exchange agent that forms part of the book-entry confirmation. The agent's message states that DTC has received an express acknowledgment from the participant in DTC tendering Initial Notes that are the subject of that book-entry confirmation, that the participant has received and agrees to be bound by the terms of the letter of transmittal, and that we may enforce such agreement against such participant.

***Tender of Initial Notes Held in Physical Form***

For a holder to validly tender Initial Notes held in physical form:

the exchange agent must receive at its address set forth in this prospectus a properly completed and validly executed letter of transmittal, or a manually signed facsimile thereof, together with any signature guarantees and any other documents required by the instructions to the letter of transmittal; and

the exchange agent must receive certificates for tendered Initial Notes at such address, or such Initial Notes must be transferred pursuant to the procedures for book-entry transfer described below. A confirmation of such book-entry transfer must be received by the exchange agent prior to the expiration date of the applicable Exchange Offer.

***Letters of transmittal and Initial Notes should be sent only to the exchange agent, and not to us or to any book-entry transfer facility.***

**The method of delivery of Initial Notes, letters of transmittal and all other required documents to the exchange agent is at the election and risk of the holder tendering Initial Notes. Delivery of such documents will be deemed made only when actually received by the exchange agent. If such delivery is by mail, we suggest that the holder use properly insured, registered mail with return receipt requested, and that the mailing be made sufficiently in advance of the expiration date of the applicable Exchange Offer to permit delivery to the exchange agent prior to such date. No alternative, conditional or contingent tenders of Initial Notes will be**

**accepted.**

***Signature Guarantees***

A signature on a letter of transmittal or a notice of withdrawal must be guaranteed by an eligible institution. Eligible institutions include banks, brokers, dealers, municipal securities dealers, municipal securities brokers,

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government securities dealers, government securities brokers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations. The signature need not be guaranteed by an eligible institution if the Initial Notes are tendered:

by a registered holder who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal; or

for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any Initial Notes, the Initial Notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the Initial Notes and an eligible institution must guarantee the signature on the bond power.

If the letter of transmittal or any Initial Notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, these persons should so indicate when signing. Unless we waive this requirement, they should also submit evidence satisfactory to us of their authority to deliver the letter of transmittal.

### ***Book-Entry Transfer***

The exchange agent will seek to establish a new account or utilize an existing account with respect to the Initial Notes at DTC promptly after the date of this prospectus. Any financial institution that is a participant in the book-entry transfer facility system and whose name appears on a security position listing it as the owner of the Initial Notes may make book-entry delivery of Initial Notes by causing the book-entry transfer facility to transfer such Initial Notes into the exchange agent's account. However, although delivery of Initial Notes may be effected through book-entry transfer into the exchange agent's account at a book-entry transfer facility, a letter of transmittal, properly completed and duly executed or a manually signed facsimile thereof, in accordance with instructions set forth under "Procedures for Tendering Initial Notes" and in the letter of transmittal provided with this prospectus, must be received by the exchange agent at its address set forth in this prospectus on or prior to the expiration date of the applicable Exchange Offer. The confirmation of a book-entry transfer of Initial Notes into the exchange agent's account at a book-entry transfer facility is referred to in this prospectus as a "book-entry confirmation." Delivery of documents to the book-entry transfer facility in accordance with that book-entry transfer facility's procedures does not constitute delivery to the exchange agent.

### ***Other Matters***

Exchange Notes will be issued in exchange for Initial Notes accepted for exchange only after receipt by the exchange agent prior to expiration of the applicable Exchange Offer of:

certificates for, or a timely book-entry confirmation with respect to, your Initial Notes;

a letter of transmittal properly completed and duly executed or facsimile thereof with any required signature guarantees, or, in the case of a book-entry transfer, an agent's message; and

any other documents required by the letter of transmittal; all the above in accordance with instructions set forth under *Procedures for Tendering Initial Notes*, and in the letter of transmittal provided with this prospectus.

We will decide all questions as to the form of all documents and the validity, including time of receipt, and acceptance of all tenders of Initial Notes, the determination of which shall be final and binding. Alternative, conditional or contingent tenders of Initial Notes will not be considered valid. We reserve the absolute right to reject any or all tenders of Initial Notes that are not in proper form or the acceptance of which, in our opinion, would be unlawful. We also reserve the right to waive any defects, irregularities or conditions of tender as to any particular Initial Notes.

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Unless waived by us, any defect or irregularity in connection with tenders of Initial Notes must be cured within the time that we determine. Tenders of Initial Notes will not be deemed to have been made until all defects and irregularities have been waived by us or cured. Neither us, the exchange agent, nor any other person will be under any duty to give notice of any defects or irregularities in tenders of Initial Notes, or will incur any liability to holders of Initial Notes for failure to give any such notice.

By signing or agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

any Exchange Notes that you receive will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the Exchange Notes;

if you are not a broker-dealer, you are not engaged in and do not intend to engage in the distribution of the Exchange Notes;

if you are a broker-dealer that will receive the Exchange Notes for your own account in exchange for Initial Notes that were acquired as a result of market-making activities or other trading activities, you will deliver a prospectus, as required by law, in connection with any resale of the Exchange Notes; and

you are not an affiliate of ours, as defined in Rule 405 of the Securities Act, or, if you are an affiliate, you will comply with any applicable registration and prospectus delivery requirements of the Securities Act.

Each broker-dealer that receives the Exchange Notes for its own account in exchange for the Initial Notes, where such Initial Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See *Plan of Distribution*.

## **Withdrawal of Tenders**

Except as otherwise provided in this prospectus, you may withdraw your tender of Initial Notes at any time prior to the expiration date of the applicable Exchange Offer.

For a withdrawal to be effective:

the exchange agent must receive a written or facsimile transmission of your notice of withdrawal at the address set forth below under *Exchange Agent* ; or

you must comply with the appropriate procedures of DTC's automated tender offer program.

Any notice of withdrawal must:

specify the name of the person who tendered the Initial Notes to be withdrawn; and

identify the Initial Notes to be withdrawn, including the principal amount of the Initial Notes to be withdrawn.

If certificates for the Initial Notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of those certificates, the withdrawing holder must also submit:

the serial numbers of the particular certificates to be withdrawn; and

a signed notice of withdrawal with signatures guaranteed by an eligible institution, unless the withdrawing holder is an eligible institution.

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If the Initial Notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Initial Notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form and eligibility, including time of receipt, of notices of withdrawal, and our determination shall be final and binding on all parties. We will deem any Initial Notes so withdrawn not to have been validly tendered for exchange for purposes of the Exchange Offers.

We will return any Initial Notes that have been tendered for exchange but that are not exchanged to their holder without cost to the holder. In the case of Initial Notes tendered by book-entry transfer into the exchange agent's account at DTC, according to the procedures described above, those Initial Notes will be credited to an account maintained with DTC for the Initial Notes. This return or crediting will take place promptly after withdrawal, rejection of tender or termination of the applicable Exchange Offer. You may re-tender properly withdrawn Initial Notes by following one of the procedures described under *Procedures for Tendering Initial Notes* at any time on or prior to the expiration date of the applicable Exchange Offer.

## **Conditions to the Exchange Offers**

Despite any other term of the Exchange Offers, we will not be required to accept for exchange any Initial Notes and we may terminate or amend one or both of the Exchange Offers as provided in this prospectus before the expiration of the Exchange Offers if in our reasonable judgment:

the Exchange Notes to be received will not be tradable by the holder without restriction under the Securities Act and the Exchange Act and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;

the applicable Exchange Offer, or the making of any exchange by a holder of Initial Notes, would violate applicable law or any applicable interpretation of the staff of the SEC;

any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the applicable Exchange Offer that would reasonably be expected to impair our ability to proceed with the applicable Exchange Offer; or

all governmental approvals necessary for the consummation of the applicable Exchange Offer have not been obtained. Other than the federal securities laws, there are no federal or state regulatory requirements that we must comply with and there are no approvals that we must obtain in connection with the Exchange Offers.

We will not be obligated to accept for exchange the Initial Notes of any holder that has not made to us:

the representations described under the captions *Procedures for Tendering Initial Notes* and *Plan of Distribution*; and

any other representations that may be reasonably necessary under applicable SEC rules, regulations or interpretations to make available to us an appropriate form for registration of the Exchange Notes under the Securities Act.

We expressly reserve the right, at any time or at various times, to extend the period of time during which one or both of the Exchange Offers is open. Consequently, we may delay acceptance of any Initial Notes, subject to Rule 14e-1(c) under the Exchange Act, by giving oral or written notice of an extension to their holders. During an extension, all Initial Notes previously tendered under the extended Exchange Offer will remain subject to such Exchange Offer, and we may accept them for exchange. We will return any Initial Notes that we do not accept for exchange without expense to their tendering holder promptly after the expiration or termination of the applicable Exchange Offer.



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We expressly reserve the right to amend or terminate one or both of the Exchange Offers and to reject for exchange any Initial Notes not previously accepted for exchange, upon the occurrence of any of the conditions of the Exchange Offers specified above. By public announcement we will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the Initial Notes in accordance with the requirements of Rule 14e-1(d) of the Exchange Act. If we amend an Exchange Offer in a manner that we consider material, we will disclose the amendment in the manner required by applicable law to the holders of the Initial Notes under the applicable Exchange Offer. In the event of a material change in an Exchange Offer, including the waiver of a material condition, we will extend, if necessary, the expiration date of such Exchange Offer such that at least five business days remain in the Exchange Offer following notice of the material change.

We may assert these conditions regardless of the circumstances that may give rise to them or waive them in whole or in part at any time or at various times in our sole discretion. If we fail at any time to exercise any of the foregoing rights, this failure will not constitute a waiver of that right. Each of these rights will be deemed an ongoing right that we may assert at any time or at various times.

We will not accept for exchange any Initial Notes tendered, and will not issue the Exchange Notes in exchange for any Initial Notes, if at any time a stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the applicable Indenture under the Trust Indenture Act of 1939, as amended.

## **Transfer Taxes**

We will pay all transfer taxes, if any, applicable to the transfer and exchange of Initial Notes pursuant to the Exchange Offers. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the record holder or any other person, if:

delivery of the Exchange Notes, or certificates for Initial Notes for principal amounts not exchanged, are to be made to any person other than the record holder of the Initial Notes tendered;

tendered certificates for Initial Notes are recorded in the name of any person other than the person signing any letter of transmittal; or

a transfer tax is imposed for any reason other than the transfer and exchange of Initial Notes under the Exchange Offers.

## **Consequences of Failure to Exchange**

If you do not exchange your Initial Notes for the Exchange Notes in the applicable Exchange Offer, you will remain subject to restrictions on transfer of the Initial Notes:

as set forth in the legend printed on the Initial Notes as a consequence of the issuance of the Initial Notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and

as otherwise set forth in the prospectus distributed in connection with the private offering of each of the Initial Notes.

In general, you may not offer or sell the Initial Notes unless they are registered under the Securities Act or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreements, we do not intend to register resales of the Initial Notes under the Securities Act. Based on interpretations of the SEC, you may offer for resale, resell or otherwise transfer the Exchange Notes issued in the applicable Exchange Offer without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

you are not an affiliate within the meaning of Rule 405 under the Securities Act;

you acquired the Exchange Notes in the ordinary course of your business; and

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you have no arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired in the applicable Exchange Offer.

If you tender Initial Notes in the applicable Exchange Offer for the purpose of participating in a distribution of the Exchange Notes:

you cannot rely on the applicable interpretations of the SEC; and

you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K under the Securities Act.

**Exchange Agent**

Wells Fargo Bank, National Association has been appointed as exchange agent for each Exchange Offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus, the letter of transmittal or any other documents to the exchange agent. You should send certificates for Initial Notes, letters of transmittal and any other required documents to the exchange agent addressed as follows:

Wells Fargo Bank, N.A.

Attn: Corporate Trust Operations

600 S. 4<sup>th</sup> Street

MAC: N9300-070

Minneapolis, Minnesota 55415

Holdes can inquire about the exchange of the Notes by calling Wells Fargo Bank, National Association at 1-800-344-5128. Please refer to the CUSIP number when making inquiries.

Delivery of a letter of transmittal to an address other than as shown above does not constitute valid delivery of such letter of transmittal.

**Other**

Participation in the applicable Exchange Offer is voluntary, and you should carefully consider whether to exchange the Initial Notes for the Exchange Notes. We urge you to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered Initial Notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise, on terms that may differ from the terms of these Exchange Offers. We have no present plans to acquire any Initial Notes that are not tendered in the Exchange Offers or to file a registration statement to permit resales of any untendered Initial Notes.



**Table of Contents****DESCRIPTION OF OTHER INDEBTEDNESS****Our Revolving Credit Facility**

Our second amended and restated credit agreement, dated November 1, 2013, as amended on June 9, 2014, November 13, 2014, June 21, 2016, and December 15, 2016, with a syndicate of banks, including Wells Fargo Bank, National Association, or Wells Fargo, as administrative agent, sole book runner and lead arranger, provides for a revolving credit facility in the maximum credit amount of \$2.0 billion, subject to scheduled semi-annual and other elective borrowing base redeterminations based on our oil and natural gas reserves and other factors (the *borrowing base* ). The borrowing base is scheduled to be redetermined semi-annually with effective dates of May 1st and November 1st. In addition, we may request up to three additional redeterminations of the borrowing base during any 12-month period. As of the date of this prospectus, the borrowing base under our revolving credit facility was \$1.0 billion, the elected commitment amount under our revolving credit facility was \$500.0 million, we had no outstanding borrowings, and we had \$500.0 million of available borrowing capacity under our revolving credit facility.

Diamondback O&G LLC is the borrower under our credit agreement. As of December 31, 2016, the credit agreement is guaranteed by us, Diamondback E&P LLC and Rattler Midstream LLC and will also be guaranteed by any of our future subsidiaries that are classified as restricted subsidiaries under the credit agreement. The credit agreement is also secured by substantially all of our assets and the assets of Diamondback O&G LLC and the guarantors.

The outstanding borrowings under the credit agreement bear interest at a rate elected by us that is equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.50%, and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.50% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. We are obligated to pay a quarterly commitment fee ranging from 0.375% to 0.500% per year on the unused portion of the borrowing base, which fee is also dependent on the amount of the loan outstanding in relation to the borrowing base. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be repaid (a) to the extent that the loan amount exceeds the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period), (b) in an amount equal to the net cash proceeds from the sale of property when a borrowing base deficiency or event of default exists under the credit agreement and (c) at the maturity date of November 1, 2018.

The credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of the financial ratios described below.

**Financial covenant**

Ratio of total debt to EBITDAX

**Required ratio**

Not greater than 4.0 to 1.0

Ratio of consolidated current assets to consolidated current liabilities

Not less than 1.0 to 1.0

The covenant prohibiting additional indebtedness, as amended in December 2016, allows for the issuance of unsecured debt of up to \$1.0 billion in the form of unsecured senior or senior subordinated notes and, in connection with any such issuance, the reduction of the borrowing base by 25% of the stated principal amount of each such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding

principal of the loan to be repaid. As of December 31, 2016, we had \$1.0 billion in aggregate principal amount of senior notes outstanding, consisting of the 2024 Initial Notes and the 2025 Initial Notes. Unless the credit agreement is amended, we are not permitted to issue additional senior notes under the credit agreement.

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As of December 31, 2016, we were in compliance with all financial covenants under our revolving credit facility. The lenders may accelerate all of the indebtedness under our revolving credit facility upon the occurrence and during the continuance of any event of default. The credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. With certain specified exceptions, the terms and provisions of our revolving credit facility generally may be amended with the consent of the lenders holding a majority of the outstanding loans or commitments to lend.

### **Viper Credit Facility**

On July 8, 2014, Viper entered into a secured revolving credit agreement with Wells Fargo, as administrative agent, sole book runner and lead arranger, which was amended on August 15, 2014, May 22, 2015, June 21, 2016 and October 28, 2016. The credit agreement provides for a revolving credit facility in the maximum credit amount of \$275.0 million, subject to scheduled semi-annual and other elective borrowing base redeterminations based on Viper's oil and natural gas reserves and other factors (the *borrowing base*). The borrowing base is scheduled to be re-determined semi-annually with effective dates of May 1st and November 1st. In addition, Viper may request up to three additional redeterminations of the borrowing base during any 12-month period. As of December 31, 2016, the borrowing base was \$275.0 million and Viper had \$120.5 million in borrowings outstanding under its revolving credit facility, which Viper paid off in full in January 2017. As of the date of this prospectus, Viper had no outstanding borrowings and \$275.0 million available for future borrowings under its revolving credit facility.

The outstanding borrowings under Viper's credit agreement bear interest at a rate elected by Viper that is equal to an alternative base rate (which is equal to the greatest of the prime rate, the Federal Funds effective rate plus 0.5% and 3-month LIBOR plus 1.0%) or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 0.50% to 1.50% in the case of the alternative base rate and from 1.50% to 2.50% in the case of LIBOR, in each case depending on the amount of the loan outstanding in relation to the borrowing base. Viper is obligated to pay a quarterly commitment fee ranging from 0.375% to 0.500% per year on the unused portion of the borrowing base, which fee is also dependent on the amount of the loan outstanding in relation to the borrowing base. Loan principal may be optionally repaid from time to time without premium or penalty (other than customary LIBOR breakage), and is required to be repaid (a) to the extent that the loan amount exceeds the borrowing base, whether due to a borrowing base redetermination or otherwise (in some cases subject to a cure period) and (b) at the maturity date of July 8, 2019. The loan is secured by substantially all of the assets of Viper and its subsidiary.

The Viper credit agreement contains various affirmative, negative and financial maintenance covenants. These covenants, among other things, limit additional indebtedness, purchases of margin stock, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of the financial ratios described below.

### **Financial covenant**

Ratio of total debt to EBITDAX

### **Required ratio**

Not greater than 4.0 to 1.0

Ratio of current assets to liabilities, as defined in the credit agreement

Not less than 1.0 to 1.0

The covenant prohibiting additional indebtedness allows for the issuance of unsecured debt of up to \$250.0 million in the form of senior unsecured notes and, in connection with any such issuance, the reduction of the borrowing base by 25% of the stated principal amount of each such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid.

As of December 31, 2016, Viper was in compliance with all financial covenants under its revolving credit facility, as then in effect. The lenders may accelerate all of the indebtedness under Viper's revolving credit



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facility upon the occurrence and during the continuance of any event of default. Viper's credit agreement contains customary events of default, including non-payment, breach of covenants, materially incorrect representations, cross-default, bankruptcy and change of control. There are no cure periods for events of default due to non-payment of principal and breaches of negative and financial covenants, but non-payment of interest and breaches of certain affirmative covenants are subject to customary cure periods. With certain specified exceptions, the terms and provisions of Viper's revolving credit facility generally may be amended with the consent of the lenders holding a majority of the outstanding loans or commitments to lend.

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**DESCRIPTION OF 2024 EXCHANGE NOTES**

Diamondback Energy, Inc. issued the 2024 Initial Notes, and will issue the 2024 Exchange Notes, under an Indenture dated October 28, 2016 (as such may be amended or supplemented from time to time, the *2024 Indenture* ) among itself, the subsidiary guarantors and Wells Fargo Bank, National Association, as Trustee. The terms of the 2024 Exchange Notes include those stated in the 2024 Indenture and those made part of the 2024 Indenture by reference to the Trust Indenture Act. The form of 2024 Exchange Notes will be identical in all material respects to that of the 2024 Initial Notes, except that the 2024 Exchange Notes have been registered under the Securities Act and, therefore, will not bear legends restricting their transfer and the registration rights will generally not apply to the 2024 Exchange Notes. The 2024 Exchange Notes will not represent new Indebtedness of the Company.

You can find the definitions of certain terms used in this description under the subheading *Certain Definitions under 2024 Indenture*. In this description, the word *the Company* refers only to Diamondback Energy, Inc. and not to any of its Subsidiaries individually, as appropriate in the context.

The following description is only a summary of the material provisions of the 2024 Indenture. We urge you to read the 2024 Indenture because it, not this description, defines your rights as holders of the 2024 Exchange Notes. You may request a copy of the 2024 Indenture at our address set forth under the heading *Where You Can Find More Information*.

The registered holder of a 2024 Exchange Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the 2024 Indenture, and all references to *holders* in this description are to registered holders of 2024 Notes.

**Brief Description of the 2024 Exchange Notes and the 2024 Note Guarantees**

***The 2024 Exchange Notes***

The 2024 Exchange Notes, like the 2024 Initial Notes, will be:

general unsecured obligations of the Company;

*pari passu* in right of payment with all existing and future senior Indebtedness of the Company;

senior in right of payment to any future subordinated Indebtedness of the Company; and

unconditionally guaranteed by the Guarantors.

***The 2024 Note Guarantees***

Initially, the 2024 Exchange Notes, like the 2024 Initial Notes, will be guaranteed by all of the Company's Subsidiaries that are Restricted Subsidiaries under the 2024 Indenture.

Each guarantee of the 2024 Exchange Notes will be:

a general unsecured obligation of that Guarantor;

*pari passu* in right of payment with all existing and future senior Indebtedness of that Guarantor; and

senior in right of payment to any future subordinated Indebtedness of that Guarantor.

The 2024 Notes and the 2024 Note Guarantees will be effectively subordinated to all borrowings and other obligations under the Credit Agreement and other secured Indebtedness to the extent of the value of the collateral securing such Indebtedness, and structurally subordinated to all indebtedness and other liabilities of our Subsidiaries that do not guarantee the 2024 Notes. The 2024 Notes will not be guaranteed by our Subsidiaries

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that are designated as Unrestricted Subsidiaries under the 2024 Indenture. Rattler, Viper, Viper's general partner and Viper's subsidiary were designated as Unrestricted Subsidiaries under the 2024 Indenture. As of December 31, 2016, Viper, an unrestricted subsidiary under the 2024 Indenture, had \$120.5 million of outstanding borrowings and \$154.5 million available for borrowing under its revolving credit facility, which is guaranteed by Viper's subsidiary. Although none of our other unrestricted subsidiaries under the 2024 Indenture had any borrowings as of December 31, 2016, Rattler, which is also an unrestricted subsidiary under the 2024 Indenture, is a guarantor of our revolving credit agreement. At December 31, 2016, our non-guarantor subsidiaries had \$2.2 million of outstanding liabilities, including trade payables, but excluding intercompany obligations, Viper's borrowings under its revolving credit facility and Viper's subsidiary's guarantee thereof, and Rattler's guarantee of our revolving credit agreement. Our non-guarantor subsidiaries generated 15% of our total revenues and \$72.6 million of our adjusted EBITDA for the year ended December 31, 2016, of which Rattler generated 0% and \$0. See *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness The Exchange Notes and the guarantees will be unsecured and effectively junior to the claims of any existing and future secured creditors to the extent of the value of the collateral pledged to such creditors* and *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness The Initial Notes are, and the Exchange Notes will be, structurally junior to indebtedness of our non-guarantor subsidiaries*.

As of the date of this prospectus, Diamondback O&G LLC and Diamondback E&P LLC are Restricted Subsidiaries under the 2024 Indenture. Under the circumstances described below under the caption *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*, the Company will be permitted to designate additional Subsidiaries as Unrestricted Subsidiaries, including in connection with a Qualified MLP IPO. The Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the 2024 Indenture. The Unrestricted Subsidiaries will not guarantee the 2024 Notes.

**Principal, Maturity and Interest**

The Company will issue the 2024 Exchange Notes with a maximum aggregate principal amount of \$500.0 million. The Company may issue additional notes under the 2024 Indenture from time to time (the *2024 Additional Notes*). Any issuance of 2024 Additional Notes is subject to all of the covenants in the 2024 Indenture, including the covenant described below under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*. The 2024 Initial Notes, the 2024 Exchange Notes and any 2024 Additional Notes subsequently issued under the 2024 Indenture will be treated as a single class for all purposes under the 2024 Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of this *Description of 2024 Exchange Notes*, references to the 2024 Notes include the 2024 Initial Notes, the 2024 Exchange Notes and any 2024 Additional Notes actually issued.

The Company will issue 2024 Notes in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000. The 2024 Notes will mature on November 1, 2024.

Interest on the 2024 Notes accrues at the rate of 4.750% per annum and is payable semi-annually in arrears on May 1 and November 1, commencing on May 1, 2017. Interest on overdue principal, interest and Special Interest, if any, will accrue at a rate that is 1.0% higher than the then applicable interest rate on the 2024 Notes. The Company will make each interest payment to the holders of record on the immediately preceding April 15 and October 15 for the 2024 Notes.

Interest on the 2024 Notes accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If an interest payment date falls on a day that is not a business day, the interest payment to be made on such interest payment date will be made on the next succeeding business day with the same force and effect as if made on such interest payment date, and no additional interest will accrue solely as a result of such delayed payment.

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### **Methods of Receiving Payments on the 2024 Notes**

The Company will make payments in respect of the 2024 Notes represented by Global Notes as specified below under the caption *Book-Entry Settlement and Clearance*. If a holder of 2024 Notes has given wire transfer instructions to the Company, the Company will pay all principal of, premium, if any, on and interest and Special Interest, if any, on, that holder's 2024 Notes in accordance with those instructions to an account in the United States. All other payments on the 2024 Notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless the Company elects to make interest payments by check mailed to the noteholders at their addresses set forth in the register of holders.

### **Paying Agent and Registrar for the 2024 Notes**

We have appointed Wells Fargo Bank, National Association, the trustee as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the holders of the 2024 Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

### **Transfer and Exchange**

A holder may transfer or exchange 2024 Notes in accordance with the provisions of the 2024 Indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of 2024 Notes. Holders will be required to pay all taxes due on transfer. The Company will not be required to transfer or exchange any 2024 Note selected for redemption. Also, the Company will not be required to transfer or exchange any 2024 Note for a period of 15 days before a selection of 2024 Notes to be redeemed or between a record date and the next succeeding interest payment date.

### **2024 Note Guarantees**

Initially, all of the 2024 Notes, including the 2024 Exchange Notes, will be guaranteed by each of the Company's Subsidiaries that is a Restricted Subsidiary under the 2024 Indenture. In the future, any Restricted Subsidiary that either (1) Guarantees any Indebtedness of the Company or any Guarantor or (2) is a Domestic Subsidiary and is an obligor with respect to any Indebtedness under any Credit Facility, in each case, will be required to guarantee the 2024 Notes under the circumstances described under *Certain Covenants Additional Note Guarantees*. These 2024 Note Guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its 2024 Note Guarantee will be limited to attempt to prevent that 2024 Note Guarantee from constituting a fraudulent conveyance under applicable law, although this limitation may not be effective to prevent the 2024 Note Guarantees from being voided in bankruptcy. See *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness The guarantees provided by the guarantors may not be enforceable and, under specific circumstances, federal and state courts may void the guarantees and require holders to return payments received from the guarantors*.

A Guarantor may not sell or otherwise dispose of, in one or more related transactions, all or substantially all of its properties or assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company, or another Guarantor, unless:

- (1) immediately after giving effect to such transaction or series of transactions, no Default or Event of Default exists; and

(2) either:

- (a) the Person acquiring the properties or assets in any such sale or other disposition or the Person formed by or surviving any such consolidation or merger (if other than the Guarantor) unconditionally assumes all the obligations of that Guarantor under its 2024 Note Guarantee, the 2024 Indenture and the 2024 registration rights agreement pursuant to a supplemental indenture substantially in the form specified in the 2024 Indenture; or

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- (b) if subject to such covenant, such transaction or series of transactions does not violate the Asset Sale provisions of the 2024 Indenture.

The 2024 Note Guarantee of a Guarantor will be automatically released:

- (1) in connection with any sale or other disposition of all or substantially all of the properties or assets of that Guarantor, including by way of merger, consolidation or otherwise, to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the Asset Sale provisions of the 2024 Indenture;
- (2) in connection with any sale or other disposition of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the Asset Sale provisions of the 2024 Indenture and the Guarantor ceases to be a Restricted Subsidiary of the Company as a result of the sale or other disposition;
- (3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the 2024 Indenture;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the 2024 Indenture as provided below under the captions *Legal Defeasance and Covenant Defeasance* and *Satisfaction and Discharge* ;
- (5) at such time as such Guarantor ceases both (a) to Guarantee any other Indebtedness of the Company or any other Guarantor (except as a result of payment under any such other Guarantee) and (b) to be a Domestic Subsidiary that is an obligor with respect to any Indebtedness under any Credit Facility; or
- (6) upon the liquidation or dissolution of such Guarantor, if no Default or Event of Default has occurred that is continuing.

See *Repurchase at the Option of Holders Asset Sales* and *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*. Also see *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness Subsidiaries that hold significant assets are not guarantors*.

Upon delivery by the Company to the trustee of an officers certificate and an opinion of counsel to the effect that any of the conditions described above has occurred, the trustee will execute any supplemental indenture or other documents reasonably requested by the Company in order to evidence the release of any Guarantor from its obligations under its 2024 Note Guarantee and the 2024 Indenture.

**Optional Redemption**

At any time prior to November 1, 2019, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2024 Notes issued under the 2024 Indenture upon not less than 30 nor more than 60 days notice, at a redemption price equal to 104.750% of the principal amount of the 2024 Notes redeemed, plus



accrued and unpaid interest and Special Interest, if any, to the date of redemption (subject to the rights of holders of 2024 Notes on the relevant record date to receive interest on the relevant interest payment date), with an amount of cash not greater than the net cash proceeds of one or more Equity Offerings; *provided* that:

- (1) at least 65% of the aggregate principal amount of 2024 Notes originally issued under the 2024 Indenture (excluding 2024 Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

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At any time prior to November 1, 2019, the Company may on any one or more occasions redeem all or a part of the 2024 Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the 2024 Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Special Interest, if any, to the date of redemption, subject to the rights of holders of 2024 Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after November 1, 2019, the Company may on any one or more occasions redeem all or a part of the 2024 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount of the 2024 Notes to be redeemed) set forth below, plus accrued and unpaid interest and Special Interest, if any, on the 2024 Notes to be redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on October 1 of the years indicated below, subject to the rights of holders of 2024 Notes on the relevant record date to receive interest on the relevant interest payment date:

**2024 Notes**

<b>Year</b>	<b>Percentage</b>
2019	103.563%
2020	102.375%
2021	101.188%
2022 and thereafter	100.000%

Unless the Company defaults in the payment of the redemption price, or the redemption is subject to satisfaction of one or more conditions precedent, and such conditions precedent are not satisfied, interest will cease to accrue on the 2024 Notes or portions thereof called for redemption on the applicable redemption date.

Except pursuant to the preceding paragraphs and the final paragraph under *Repurchase at the Option of Holders' Change of Control*, the 2024 Notes will not be redeemable at the Company's option. If an optional redemption is subject to satisfaction of one or more conditions precedent, the redemption date may be delayed up to 10 business days. If such conditions precedent are not satisfied within 10 business days of the proposed redemption date, such redemption shall not occur and the notice thereof shall be deemed rescinded.

**Mandatory Redemption**

The Company is not required to make mandatory redemption or sinking fund payments with respect to the 2024 Notes.

**Repurchase at the Option of Holders*****Change of Control***

If a Change of Control occurs, each holder of 2024 Notes will have the right to require the Company to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that holder's 2024 Notes pursuant to an offer (a *Change of Control Offer*) on the terms set forth in the 2024 Indenture. In the Change of Control Offer, the Company will offer a payment in cash (a *Change of Control Payment*) equal to 101% of the aggregate principal amount of 2024 Notes repurchased, plus accrued and unpaid interest and Special Interest, if any, on the 2024 Notes repurchased to the date of purchase (the *Change of Control Purchase Date*), subject to the rights of holders of 2024 Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days

following any Change of Control, the Company will send a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase 2024 Notes properly tendered prior to the expiration date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is sent, pursuant to the procedures required by the 2024 Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1

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under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the 2024 Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the 2024 Indenture, the Company will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under the Change of Control provisions of the 2024 Indenture by virtue of such compliance.

Promptly following the expiration of the Change of Control Offer, the Company will, to the extent lawful, accept for payment all 2024 Notes or portions of 2024 Notes properly tendered pursuant to the Change of Control Offer. Promptly after such acceptance, the Company will, on the Change of Control Purchase Date:

- (1) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all 2024 Notes or portions of 2024 Notes properly tendered; and
- (2) deliver or cause to be delivered to the trustee the 2024 Notes properly accepted together with an officers certificate stating the aggregate principal amount of 2024 Notes or portions of 2024 Notes being purchased by the Company.

The paying agent will promptly mail or wire transfer to each holder of 2024 Notes properly tendered the Change of Control Payment for such 2024 Notes (or, if all the 2024 Notes are then in global form, make such payment through the facilities of DTC), and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new 2024 Note equal in principal amount to any unpurchased portion of the 2024 Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the 2024 Indenture are applicable. Except as described above with respect to a Change of Control, the 2024 Indenture does not contain provisions that permit the holders of the 2024 Notes to require that the Company repurchase or redeem the 2024 Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the 2024 Indenture applicable to a Change of Control Offer made by the Company and purchases all 2024 Notes properly tendered and not withdrawn under the Change of Control Offer, (2) notice of redemption has been given pursuant to the 2024 Indenture as described above under the caption *Optional Redemption*, unless and until there is a default in payment of the applicable redemption price, or (3) in connection with or in contemplation of any Change of Control, the Company has made an offer to purchase (an *Alternate Offer*) any and all 2024 Notes validly tendered at a cash price equal to or higher than the Change of Control Payment and, on and after the relevant purchase date, has purchased all 2024 Notes properly tendered in accordance with the terms of such Alternate Offer. Notwithstanding anything to the contrary contained in the 2024 Indenture, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a

whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of 2024 Notes to require the Company to repurchase its 2024 Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties or assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

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In the event that holders of not less than 90% in aggregate principal amount of the outstanding 2024 Notes accept a Change of Control Offer and the Company (or any third party making such Change of Control Offer in lieu of the Company as described above) purchases all of the 2024 Notes held by such holders, the Company will have the right, upon not less than 30 nor more than 60 days prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the 2024 Notes that remain outstanding following such purchase at a redemption price equal to the Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest and Special Interest, if any, on the 2024 Notes that remain outstanding, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

***Asset Sales***

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) the Company (or a Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the aggregate consideration received in the Asset Sale by the Company or a Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this clause (2) only, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the 2024 Notes or any 2024 Note Guarantee) that are assumed by the transferee of any such assets (or an Affiliate thereof) pursuant to a customary novation or indemnity agreement that releases the Company or such Restricted Subsidiary from or indemnifies against further liability;
  - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are, within 180 days after the Asset Sale, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;
  - (c) any Capital Stock or assets of the kind referred to in clause (2) or (4) of the next paragraph of this covenant;
  - (d) any Designated Non-cash Consideration received by the Company or such Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (d) that is at that time outstanding, no greater than 5.0% of the Adjusted Consolidated Net Tangible Assets at the time of the receipt of such Designated Non-cash Consideration, with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in

value; and

- (e) with respect to any Asset Sale of Oil and Gas Properties by the Company or a Restricted Subsidiary where the Company or such Restricted Subsidiary retains an interest in such property, the costs and expenses of the Company or such Restricted Subsidiary related to the exploration, development, completion or production of such property and activities related thereto that the transferee of such property (or an Affiliate thereof) agrees to pay.

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Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Proceeds at its option to any combination of the following:

- (1) to repay, purchase, repurchase, redeem, defease or otherwise acquire, retire or terminate (a) Indebtedness and all other Obligations related thereto that are secured by a Lien or (b) Obligations under Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Company or another Restricted Subsidiary);
- (2) to acquire all or substantially all of the assets of, or any Capital Stock of, one or more other Persons primarily engaged in the Oil and Gas Business, if, after giving effect to any such acquisition of Capital Stock, such Person becomes a Restricted Subsidiary of the Company;
- (3) to make capital expenditures in respect of the Company's or any Restricted Subsidiary's Oil and Gas Business; or
- (4) to acquire assets (other than Capital Stock) that are not classified as current assets under GAAP and that are used or useful in the Oil and Gas Business.

The requirement of clauses (2) through (4) of the preceding paragraph shall be deemed to be satisfied if a bona fide binding contract committing to make the investment, acquisition or expenditure referred to therein is entered into by the Company or any Restricted Subsidiary, as the case may be, with a Person other than an Affiliate of the Company within the time period specified in the preceding paragraph and such Net Proceeds are subsequently applied in accordance with such contract within six months following the date such agreement is entered into.

The Company (or any Restricted Subsidiary) may expend or invest the Net Proceeds in any manner that is not prohibited by the 2024 Indenture, including temporarily reducing revolving credit borrowings.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute *Excess Proceeds*. When the aggregate amount of Excess Proceeds exceeds \$20.0 million, within 30 days thereafter, the Company will make an offer (an *Asset Sale Offer*) to all holders of 2024 Notes and all holders of other Indebtedness that is *pari passu* with the 2024 Notes containing provisions similar to those set forth in the 2024 Indenture with respect to offers to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem, on a *pro rata* basis, the maximum principal amount of 2024 Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Special Interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of 2024 Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the 2024 Indenture. If the aggregate principal amount of 2024 Notes and other *pari passu* Indebtedness tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the 2024 Notes and such other *pari passu* Indebtedness to be purchased, prepaid or redeemed on a *pro rata* basis (except that any 2024 Notes represented by a Note in global form will be selected by such method as DTC or its



nominee or successor may require or, where such nominee or successor is the trustee, a method that most nearly approximates pro rata selection as the trustee deems fair and appropriate unless otherwise required by law), based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by the Company so that only 2024 Notes in denominations of \$2,000, or an integral multiple of \$1,000 in excess thereof, will be purchased). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection

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with each repurchase of 2024 Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the 2024 Indenture, the Company will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under the Asset Sale provisions of the 2024 Indenture by virtue of such compliance.

The Credit Agreement contains, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale. The exercise by the holders of 2024 Notes of their right to require the Company to repurchase the 2024 Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Company or otherwise. In the event a Change of Control or Asset Sale occurs at a time when the Company is prohibited from purchasing 2024 Notes, the Company could seek the consent of its senior lenders to the purchase of 2024 Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing 2024 Notes. In that case, the Company's failure to purchase tendered 2024 Notes would constitute an Event of Default under the 2024 Indenture, which could, in turn, constitute a default under the other indebtedness. Finally, the Company's ability to pay cash to the holders of 2024 Notes upon a repurchase may be limited by the Company's then existing financial resources. See *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness Upon a change of control, we may not have the ability to raise the funds necessary to finance the change of control offer required by the Indentures, which would violate the terms of the Notes.*

All references herein to *Net Proceeds* and *Excess Proceeds* shall be deemed to mean cash in an amount equal to the amount of Net Proceeds or Excess Proceeds but not necessarily the actual cash received from the relevant Asset Sale. The Company and its Subsidiaries shall have no obligation to segregate, trace or otherwise identify Net Proceeds or Excess Proceeds (other than the amount thereof), it being agreed that cash is fungible and that the Company's obligations under this covenant may be satisfied by the application of funds from other sources.

**Selection and Notice**

If less than all of the 2024 Notes are to be redeemed at any time, the trustee will select 2024 Notes for redemption on a *pro rata* basis (or, in the case of 2024 Notes issued in global form as discussed under *Book-Entry Settlement and Clearance*, based on a method as DTC or its nominee or successor may require or, where such nominee or successor is the trustee, a method that most nearly approximates a pro rata selection as the trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements.

No 2024 Notes of \$2,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail (or when the 2024 Notes are represented by Global Notes sent electronically pursuant to the applicable procedures of DTC) at least 30 but not more than 60 days before the redemption date to each holder of 2024 Notes to be redeemed at its registered address, except that redemption notices may be sent more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the 2024 Notes or a satisfaction and discharge of the 2024 Indenture. Notices of redemption may be conditional as specified in the 2024 Indenture.

If any 2024 Note is to be redeemed in part only, the notice of redemption that relates to that 2024 Note will state the portion of the principal amount of that 2024 Note that is to be redeemed. A new 2024 Note in principal amount equal to the unredeemed portion of the original 2024 Note will be issued in the name of the holder of 2024 Notes upon cancellation of the original 2024 Note. 2024 Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on 2024 Notes or portions of 2024 Notes called for redemption.



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**Certain Covenants**

***Suspension of Covenants if Notes Rated Investment Grade***

If on any date following the date of the 2024 Indenture:

- (1) the 2024 Notes are rated Baa3 or better by Moody's and BBB- or better by S&P (or, if either such entity ceases to rate the 2024 Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any other nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency); and
  
- (2) no Default or Event of Default shall have occurred and be continuing, then, upon the Company's delivery of notice of such events to the trustee, the covenants specifically listed under the following captions in this prospectus will be suspended with respect to such 2024 Notes:
  - (a) *Repurchase at the Option of Holders Asset Sales* ;
  
  - (b) *Certain Covenants Restricted Payments* ;
  
  - (c) *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* ;
  
  - (d) *Certain Covenants Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries* ;
  
  - (e) *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries* ;
  
  - (f) *Certain Covenants Transactions with Affiliates* ; and
  
  - (g) clause (4) of the covenant described below under the caption *Certain Covenants Merger, Consolidation or Sale of Assets*.

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries under the 2024 Indenture pursuant to the covenant described below under the caption *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*.

Notwithstanding the foregoing, if the rating assigned by either such rating agency should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstated as of and from the date of such rating decline. Calculations under the reinstated *Restricted Payments* covenant will be made as if the *Restricted Payments* covenant had been in effect since the date of the 2024 Indenture except that no Default will be deemed to have

occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the 2024 Notes will ever achieve an investment grade rating or that any such rating will be maintained.

***Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends, payments or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends, payments or distributions payable to the Company or a Restricted Subsidiary of the Company);

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- (2) repurchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company (other than Equity Interests owned by the Company or any Restricted Subsidiary of the Company);
- (3) make any principal payment on or with respect to, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of the Company or any Guarantor that is contractually subordinated in right of payment to the 2024 Notes or to any 2024 Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except payments, purchases, repurchases, redemptions defeasances or other acquisitions or retirements at or within one year prior to the Stated Maturity thereof; or
- (4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as *Restricted Payments* ), unless, at the time of and after giving effect to such Restricted Payment:
  - (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
  - (b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* ; and
  - (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Start Date (all payment calculations being made as if this covenant had been in effect as of the Start Date and at all times thereafter, and excluding Restricted Payments permitted by clauses (2) through (11) of the next succeeding paragraph), is less than the sum, without duplication, of:
    - (i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from October 1, 2013 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); plus
    - (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of property or assets other than cash used or useful in the Oil and Gas Business (including Equity Interests of Persons (other than the Company or a Subsidiary of the Company) engaged primarily in the Oil and Gas Business), in each case received by the Company since the Start Date as a contribution to its

common equity capital or from the issue or sale of Qualifying Equity Interests or convertible or exchangeable Disqualified Stock or Indebtedness of the Company, in each case that has been converted into or exchanged for Qualifying Equity Interests since the Start Date; plus

- (iii) to the extent not already included in Consolidated Net Income for such period, if any Restricted Investment that was made by the Company or any of its Restricted Subsidiaries after the Start Date is sold for cash (other than to the Company or any Subsidiary of the Company) or otherwise cancelled, released, liquidated or repaid for cash, the cash return of capital or other reduction with respect to such Restricted Investment resulting from such sale, liquidation, cancellation, release or repayment (less any out-of-pocket costs incurred in connection with any such transaction); plus

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- (iv) the amount by which Indebtedness of the Company or its Restricted Subsidiaries (other than any Indebtedness which by its terms is subordinated in right of payment to the 2024 Notes or 2024 Note Guarantees) is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Start Date of any such Indebtedness of the Company or its Restricted Subsidiaries for or into Equity Interests (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property (other than such Equity Interests), distributed by the Company upon such conversion or exchange and excluding the net cash proceeds from the conversion or exchange financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary), together with the net proceeds, if any, received by the Company or any of its Restricted Subsidiaries upon such conversion or exchange; plus
  
- (v) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Start Date is redesignated as a Restricted Subsidiary pursuant to the terms of the 2024 Indenture, or any Unrestricted Subsidiary of the Company or other Person in which the Company or a Restricted Subsidiary has a Restricted Investment is merged or consolidated with or into, or transfers or otherwise disposes of all or substantially all of its properties or assets to or is liquidated into, the Company or a Restricted Subsidiary, or such Person becomes a Restricted Subsidiary, after the Start Date, the lesser of, as of the date of such redesignation or other event, (A) the Fair Market Value of the Company's Restricted Investment in such Person (or of the properties or assets disposed of, as applicable) as of the date of such redesignation, merger, consolidation, transfer, disposition or liquidation and (B) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Start Date or, in the case of any other Person, the date such Restricted Investment was originally made; plus
  
- (vi) 50% of any dividends received in cash by the Company or a Restricted Subsidiary of the Company after the Start Date from an Unrestricted Subsidiary of the Company, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

- (1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the 2024 Indenture;
  
- (2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net proceeds of Equity Interests for purposes of clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the Optional Redemption provisions of the 2024 Indenture;



- (3) the declaration and payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests on a *pro rata* basis;
- (4) the payment on or purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated in right of payment to the 2024 Notes or to any 2024 Note Guarantee in exchange for, or out of or with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;
- (5) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the purchase, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of

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the Company or any Restricted Subsidiary of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries (or their respective estates, heirs, family members, spouses, former spouses or beneficiaries under their estates or other permitted transferees) pursuant to any equity subscription agreement, stock option agreement, employee benefit plan or to satisfy obligations under any Equity Interests appreciation rights or option plan or similar arrangement, shareholders agreement or similar agreement; *provided* that the aggregate price paid for all such purchased, repurchased, redeemed, acquired or retired Equity Interests (excluding amounts representing cancellation of Indebtedness) may not exceed \$2.0 million in any calendar year, with unused amounts in any calendar year being permitted to be carried forward to succeeding calendar years plus, to the extent not previously applied or included, the net cash proceeds of key man life insurance policies received by the Company or any of its Restricted Subsidiaries after the Start Date;

- (6) the repurchase of Equity Interests deemed to occur upon the exercise, exchange or vesting of any equity compensation (including, without limitation, stock or other equity options, restricted stock, phantom stock, warrants, incentives, rights to acquire Equity Interests or other derivative securities) to the extent such Equity Interests represent a portion of the exercise or other price or cost thereof and any repurchase or other acquisition of Equity Interests made in lieu of or to satisfy withholding taxes in connection with any exercise, exchange or vesting of stock or other equity options, restricted stock, phantom stock, warrants, incentives, rights to acquire Equity Interests or other derivative securities;
- (7) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Preferred Stock of any Restricted Subsidiary of the Company issued on or after the date of the 2024 Indenture in accordance with the Fixed Charge Coverage Ratio described below under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* ;
- (8) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon or in connection with (i) the exercise of options or warrants, (ii) the conversion or exchange of Capital Stock of any such Person or (iii) a merger or consolidation involving the Company or such Restricted Subsidiary or any other transaction not prohibited by the 2024 Indenture;
- (9) the payment, repurchase, redemption, defeasance or other acquisition or retirement for value of any subordinated Indebtedness in accordance with provisions substantially similar to those described under the captions *Repurchase at the Option of Holders Change of Control* and *Repurchase at the Option of Holders Asset Sales* ; *provided* that prior to such payment, purchase, repurchase, redemption, defeasance or other acquisition, all 2024 Notes tendered by holders in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;
- (10) payments to dissenting stockholders of the Company not to exceed \$5.0 million in the aggregate made (i) pursuant to applicable law or (ii) in connection with the settlement or other satisfaction of legal claims made pursuant to or in connection with a consolidation, merger or transfer of assets in connection with a

transaction not prohibited by the 2024 Indenture; and

(11) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, Restricted Payments in an aggregate amount not to exceed \$50.0 million since the Start Date. The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment (or, in the case of a dividend, on the date of declaration) of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined, in the case of amounts under \$40.0 million, by an officer of the Company and, in the case of amounts of \$40.0 million or more, by the Board of Directors of the Company whose resolution with respect thereto will be delivered to the trustee.

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**Table of Contents*****Incurrence of Indebtedness and Issuance of Preferred Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to create, incur, issue, assume, Guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, *incur*) any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any Preferred Stock; *provided, however*, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Guarantors may incur Indebtedness (including Acquired Debt) or issue Preferred Stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such Preferred Stock is issued, as the case may be, would have been at least 2.25 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the Preferred Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or issuances of Disqualified Stock or Preferred Stock, as applicable (collectively, *Permitted Debt*):

- (1) the incurrence by the Company and any Guarantor of Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Guarantors thereunder) not to exceed the greater of (a) \$1.0 billion and (b) 35.0% of the Adjusted Consolidated Net Tangible Assets determined as of the date of such incurrence;
- (2) the incurrence by the Company and its Restricted Subsidiaries of (a) the Existing Indebtedness and (b) any Permitted Acquisition Indebtedness;
- (3) the incurrence by the Company and the Guarantors of Indebtedness represented by the 2024 Initial Notes and the related 2024 Note Guarantees issued on the date of the 2024 Indenture and the 2024 Exchange Notes and the related 2024 Note Guarantees to be issued upon consummation of 2024 Exchange Offer;
- (4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness, in each case, incurred for the purpose of financing all or any part of the purchase price, other acquisition cost or cost of design, construction, installation, development, repair or improvement of property, plant or equipment used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease, discharge or otherwise retire for value, in whole or in part, any Indebtedness incurred pursuant to this clause (4), not to exceed at any time outstanding the greater of (a) \$25.0 million and (b) 2.5% of the Adjusted Consolidated Net Tangible Assets determined as of date of such incurrence;
- (5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease,

discharge or otherwise retire for value, in whole or in part, any Indebtedness (other than intercompany Indebtedness) that was permitted by the 2024 Indenture to be incurred under the first paragraph of this covenant or clause (2), (3), (4), (5), (8), (13), (15) or (16) of this paragraph, but for purposes of this clause (5) only, the Company's 7.625% Senior Notes due 2021 issued on September 18, 2013, shall be deemed not to be Existing Indebtedness incurred under clause (2)(a) of this paragraph;

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- (6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:
  - (a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, if such Indebtedness is not unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all Obligations then due with respect to the 2024 Notes, in the case of the Company, or the 2024 Note Guarantee, in the case of a Guarantor, then the incurrence of such Indebtedness; and
  - (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company, in each case, will be deemed to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);
- (7) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of any Preferred Stock; *provided, however*, that:
  - (a) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and
  - (b) any sale or other transfer of any such Preferred Stock to a Person that is not either the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an issuance of such Preferred Stock by such Restricted Subsidiary that was not permitted by this clause (7);
- (8) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations;
- (9) the Guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to the 2024 Notes, then the Guarantee must be subordinated to the same extent as the Indebtedness guaranteed (or, at the Company's election, to a greater extent);
- (10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of self-insurance obligations and other social security or similar legislation, old age pension or public liability obligations, statutory obligations, government contracts, trade contracts, regulatory obligations, leases, utility contracts and similar obligations, bid, plugging and abandonment, appeal, reimbursement, performance, tender, surety and similar bonds and completion guarantees provided by, or for the account of, the Company or a Restricted Subsidiary in the ordinary course of business and any Guarantees, contingent reimbursement

obligations, bank guarantees or letters of credit functioning as, supporting any or issued to assure payment or performance of the foregoing bonds or obligations and workers' compensation, health, disability or other benefits, unemployment or other insurance claims in the ordinary course of business;

- (11) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds;
- (12) the incurrence by the Company or any of its Restricted Subsidiaries of in-kind obligations relating to net oil or natural gas balancing positions arising in the ordinary course of business;
- (13) any obligation arising from agreements of the Company or any Restricted Subsidiary of the Company providing for indemnification, contribution, adjustment of purchase price, earn-outs, holdbacks, deferred compensation or similar obligations, in each case, incurred or assumed in connection with the disposition or acquisition of any business, assets or Capital Stock of a Restricted Subsidiary in a transaction permitted by the 2024 Indenture;

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- (14) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of the financing of insurance premiums with the providers of such insurance or their Affiliates in the ordinary course of business;
- (15) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness representing deferred compensation to employees of the Company or any Subsidiary of the Company incurred in the ordinary course of business (including those incurred in connection with any acquisition);
- (16) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness or the issuance by the Company of any Disqualified Stock in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred or Disqualified Stock issued pursuant to this clause (16), not to exceed the greater of (a) \$75.0 million and (b) 2.5% of the Company's Adjusted Consolidated Net Tangible Assets, determined as of the date of such incurrence or issuance;
- (17) the incurrence by the Company or any of its Restricted Subsidiaries of obligations relating to net Hydrocarbon balancing positions arising in the ordinary course of business; and
- (18) the incurrence by the Company or any of its Restricted Subsidiaries of liability in respect of Indebtedness of any Unrestricted Subsidiary or any Joint Venture but only if such liability is the result of (a) the Company or any such Restricted Subsidiary being a general partner or member of, or owner of an Equity Interest in, such Unrestricted Subsidiary or Joint Venture and not as guarantor of such Indebtedness if, after giving effect to any such incurrence, the aggregate principal amount of all Indebtedness incurred under this clause (18) (a) and then outstanding does not exceed \$25.0 million, or (b) the pledge of (or a Guarantee limited in recourse solely to) Equity Interests in such Unrestricted Subsidiary or Joint Venture held by the Company or such Restricted Subsidiary to secure Non-Recourse Debt.

The Company will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the 2024 Notes and the 2024 Note Guarantee on substantially identical terms (or, at the Company's election, to a greater extent); *provided, however*, that no Indebtedness will be considered contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured, secured with different collateral or to a greater or lesser extent or priority or by virtue of structural subordination, maturity date or being guaranteed by less than all guarantors of such other Indebtedness.

For purposes of determining compliance with this Incurrence of Indebtedness and Issuance of Preferred Stock covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to divide, classify and reclassify such item of Indebtedness on the date of its incurrence, or later redivide or reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. Indebtedness under Credit Facilities outstanding on the date on which the 2024 Notes were first issued and authenticated under the 2024 Indenture will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt. The accrual of interest or dividends, the accretion of principal, accreted value or liquidation preference, the amortization of original issue discount or debt discount, the payment of interest on Indebtedness in the form of additional Indebtedness, the payment



of dividends on Preferred Stock or Disqualified Stock in the form of additional securities of the same class of Preferred Stock or Disqualified Stock, the obligation to pay a premium in respect of Indebtedness or Preferred Stock or Disqualified Stock arising in connection with the issuance of a notice of redemption or the making of a mandatory change of control offer or asset sale offer for such Indebtedness or Preferred Stock or Disqualified Stock, increases in the amount of Indebtedness outstanding solely as a result of fluctuations in exchange rates or currency values, unrealized losses or charges in respect of

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Hedging Obligations, and the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, in each case will be deemed not to be an incurrence of Indebtedness or an issuance of Preferred Stock or Disqualified Stock for purposes of this covenant; *provided* that the amount thereof is included in Fixed Charges of the Company as accrued to the extent required by the definition of such term.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the making of Investments or any other covenant, limitation or ratio in the 2024 Indenture, the U.S. dollar-equivalent of the principal amount of Indebtedness, Investment or other amount denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, such Investment was made, or such other amount was expended or incurred. Notwithstanding any other provision of the 2024 Indenture, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to the 2024 Indenture shall be deemed not to be exceeded and all other covenants, limitations and ratios in the 2024 Indenture be deemed not to be breached or exceeded, solely as a result of fluctuations in exchange rates or currency values.

## ***Liens***

The Company will not and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, unless all payments due to the holders under the 2024 Indenture and the 2024 Notes are secured on an equal and ratable basis with (or at the Company's election, prior to) the Indebtedness so secured until such time as such Indebtedness is no longer secured by a Lien.

## ***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries; *provided* that (i) the priority that any series of Preferred Stock of a Restricted Subsidiary has in receiving dividends or liquidating distributions before dividends or liquidating distributions are paid in respect of common stock of such Restricted Subsidiary shall not constitute a restriction on the ability to make dividends or distributions on Capital Stock for purposes of this covenant and (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary shall be deemed not to be a restriction on the ability to make payments with respect to such loans or advances;
- (2) make loans or advances to the Company or any of its Restricted Subsidiaries (it being understood that the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary shall be deemed not to be a restriction on the ability to make loans or advances); or
- (3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

- (1) the Credit Agreement and other agreements as in effect on the date of the 2024 Indenture and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the encumbrances and restrictions contained in such amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements

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or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend, distribution and other payment restrictions than those contained in those agreements on the date of the 2024 Indenture, as determined in good faith by the Company;

- (2) the 2024 Indenture, the 2024 Notes and the related 2024 Note Guarantees;
- (3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the encumbrances and restrictions therein are not materially more restrictive, taken as a whole, than those contained in the 2024 Indenture, the 2024 Notes and the 2024 Note Guarantees or the Credit Agreement as in effect on the date of the 2024 Indenture, whichever is more restrictive, as determined in good faith by the Company;
- (4) directly or indirectly applicable law, statute, rule, regulation, order, approval, governmental license, permit, requirement or similar restriction or any guideline, interpretation, directive, request (whether or not having the force of law) from or of, or any plan, memorandum or agreement with, any regulatory authority;
- (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was not prohibited by the terms of the 2024 Indenture to be incurred;
- (6) customary non-assignment provisions in purchase and sale or exchange agreements for Hydrocarbons, agreements of the types described in Permitted Business Investments or similar operational agreements, or in licenses, easements, leases or other contracts;
- (7) agreements governing purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;
- (8) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (9) agreements governing Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced, as determined

in good faith by the Company;

- (10) Liens permitted to be incurred under the provisions of the covenant described above under the caption *Certain Covenants Liens* that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements, shareholders' agreements, partnership agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into in the ordinary course of business, which limitation is applicable only to the assets or properties that are the subject of such agreements;
- (12) encumbrances or restrictions applicable only to a Restricted Subsidiary that is not a Domestic Subsidiary;
- (13) any agreement with respect to any property or asset acquired after the date of the 2024 Indenture (including by merger or consolidation) as in effect at the time of such acquisition (except to the extent

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such agreement was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any property or assets other than the property or assets so acquired;

(14) Hedging Obligations;

(15) encumbrances or restrictions on cash, cash equivalents or other deposits or net worth requirements imposed by customers or lessors under leases or other contracts entered into in the ordinary course of business;

(16) customary restrictions set forth in lock up agreements entered into in connection with securities offerings; or

(17) any encumbrance or restriction contained in agreements governing or relating to reserves that are the subject of any Production Payment or Reserve Sale.

In each case set forth above, notwithstanding any stated limitation on the assets or property that may be subject to such encumbrance or restriction, an encumbrance or restriction on a specified asset or property or group or type of assets or property may also apply to all improvements, additions, repairs, attachments and accessions thereto, construction thereon, assets and property affixed or appurtenant thereto, parts, replacements and substitutions therefor and all products and proceeds thereof, including dividends, distributions, interest and increases in respect thereof.

***Merger, Consolidation or Sale of Assets***

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation), or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the 2024 Notes is a corporation organized or existing under any such laws;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Company under the 2024 Notes, the 2024 Indenture and the 2024 registration rights agreement (if any obligations thereunder remain unsatisfied) pursuant to a supplemental indenture or other agreements reasonably satisfactory to the trustee;
- (3) immediately after such transaction, no Default or Event of Default exists;

- (4) immediately after giving effect to such transaction and any related financing transaction on a pro forma basis as if the same had occurred at the beginning of the applicable four-quarter period, either (a) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made, would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*, or (b) the Fixed Charge Coverage Ratio of the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made, would be equal to or greater than the Fixed Charge Coverage Ratio of the Company immediately prior to such transaction; and
- (5) the Company has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger or disposition and such supplemental indenture, if any, comply with the 2024 Indenture.

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This Merger, Consolidation or Sale of Assets covenant will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Restricted Subsidiaries. Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger or consolidation of the Company with or into, or any sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the Company's properties or assets to, an Affiliate solely for the purpose of reorganizing the Company in another jurisdiction.

***Transactions with Affiliates***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with (which term, for purposes of this covenant, shall include for the benefit of where appropriate in the context) any Affiliate of the Company involving aggregate consideration in excess of \$5.0 million (each, an *Affiliate Transaction*), unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if in the good faith judgment of the Company, no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to the Company or the relevant Restricted Subsidiary from a financial point of view; and
- (2) The Company delivers to the trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$20.0 million, an officers' certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant as determined in good faith by an officer of the Company disinterested with respect to such Affiliate Transaction; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$40.0 million, an officers' certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of the Company, if any.

The following items will be deemed not to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment or consulting agreement or arrangement, equity award, equity option or equity appreciation agreement or plan, employee benefit plan, officer or director indemnification, compensation or severance agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments, awards, grants or issuances of securities pursuant thereto;



- (2) transactions between or among the Company and/or its Restricted Subsidiaries;
- (3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (4) payment of reasonable and customary fees and other benefits and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;

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- (5) any issuance of Equity Interests of the Company to or receipt of capital contributions from Affiliates of the Company and the granting of registration and other customary rights in connection therewith;
- (6) Permitted Investments or Restricted Payments (and any other payments excluded from such definitions or their component definitions) that do not violate the provisions of the 2024 Indenture described above under the caption *Certain Covenants Restricted Payments* ;
- (7) entry into, and transactions effected in accordance with the terms of, the agreements described in the offering memorandum for the 2024 Initial Notes or that are described in filings with the SEC that are incorporated by reference in the offering memorandum for the 2024 Initial Notes, in each case as such agreements are in effect on the date of the 2024 Indenture, and any amendment, renewal, extension or replacement of any of such agreements if any such amendment, renewal, extension or replacement agreement is not materially less advantageous to the Company, taken as a whole, than the agreement so amended, renewed, extended or replaced;
- (8) loans or advances to or reimbursements of expenses incurred by employees for moving, entertainment and travel expenses and similar expenditures in the ordinary course of business permitted under clause (8) of the definition of Permitted Investments;
- (9) any transaction in which the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the trustee a letter from an accounting, appraisal, advisory or investment banking firm of national standing stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or such Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unaffiliated Person;
- (10) in the case of agreements of the types described in the defined term *Permitted Business Investments*, contracts for exploiting, exploring for, drilling, acquiring, developing, producing, operating, processing, gathering, marketing, distributing, transporting, treating, selling, storing or otherwise handling Hydrocarbons, or activities or services reasonably related or ancillary thereto, or other operational contracts, any such contracts entered into in the ordinary course of business and otherwise in compliance with the terms of the 2024 Indenture (a) that are fair to the Company and its Restricted Subsidiaries, in the good faith judgment of the Board of Directors of the Company or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party and (b) with respect to which the Company has complied with clause 2(a) of the prior paragraph;
- (11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business that, in the good faith judgment of the Board of Directors or senior management of the Company, are fair to the Company and its Restricted Subsidiaries, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;

- (12) (a) agreements with one or more Unrestricted Subsidiaries entered into in connection with a Qualified MLP IPO with respect to contributions of the Qualified MLP Assets, the assumption of liabilities by such Unrestricted Subsidiaries, tax sharing or the management, administration, and operation of such Unrestricted Subsidiaries, or the underwriting, offer and sale of securities in such offering that, in the good faith judgment of the Company, are on terms and conditions reasonably comparable to those in effect with other similarly situated publicly traded master limited partnerships or royalty trusts or otherwise fair to the Company and its Restricted Subsidiaries, from a financial point of view, in each case, as such agreements are in effect on the date of closing of a Qualified MLP IPO; (b) any amendment, restatement, replacement or other modification of any of such agreements; and (c) any agreement entered into hereafter that is similar to any such agreements or that is of a type that is customary in connection with publicly-traded master limited partnerships if, in the case of clause (b) or (c), the terms of any such amendment, restatement, replacement or other modification or future

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agreement, taken as a whole, are no less advantageous to the Company and its Restricted Subsidiaries in any material respect than the agreement so amended, restated, replaced or modified or the similar such agreement or other agreements of such type (or, if the Company is not aware of any similar agreements or other agreements of such type, that such agreement, taken as a whole, is fair to the Company and its Restricted Subsidiaries), respectively, as determined in good faith by the Company;

- (13) transactions between the Company or any of its Restricted Subsidiaries and any Person that would not otherwise constitute an Affiliate Transaction except for the fact that a director or manager of such Person is also a director or manager of the Company or a Restricted Subsidiary if such director or manager abstains from voting as a director or manager of the Company or such Restricted Subsidiary, as applicable, on such transaction;
- (14) pledges by the Company or any Restricted Subsidiary of (and Guarantees by the Company or any Restricted Subsidiary limited in recourse solely to) Equity Interests in Unrestricted Subsidiaries and Joint Ventures to secure Non-Recourse Debt, and incurrences of liabilities with respect to Customary Recourse Exceptions; and
- (15) any Affiliate Transaction with a Person in its capacity as a holder of Indebtedness or Equity Interests of the Company or any Restricted Subsidiary if such Person is treated no more favorably than the other similarly situated holders of Indebtedness or Equity Interests of the Company or such Restricted Subsidiary.

## ***Business Activities***

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than the Oil and Gas Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

## ***Additional Note Guarantees***

If, after the date of the 2024 Indenture, any Restricted Subsidiary of the Company (including any Subsidiary acquired or created after the date of the 2024 Indenture) that is not already a Guarantor (1) guarantees any Indebtedness of the Company or any Guarantor or (2) is a Domestic Subsidiary and is an obligor with respect to any Indebtedness under any Credit Facility, then, in either case, that Restricted Subsidiary will become a Guarantor by executing a supplemental indenture in substantially the form as attached as an exhibit to the 2024 Indenture and delivering an officers' certificate and an opinion of counsel satisfactory to the trustee, in each case within 30 business days after the date that Subsidiary guaranteed or became obligated with respect to such Indebtedness.

## ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if (a) no Default or Event of Default shall have occurred and be continuing immediately prior to such designation or would occur as a result thereof and (b) such Subsidiary (i) does not own any Equity Interests or Indebtedness of the Company or any Restricted Subsidiary (other than Indebtedness to be repaid or Guarantees to be released concurrently with such designation) and (ii) is not liable (as a guarantor or otherwise) with respect to any Indebtedness in connection with which the holder of such Indebtedness has recourse to any of the assets of the Company or any Restricted Subsidiary, other than (A) Indebtedness to be repaid or Guarantees to be released concurrently with such

designation and (B) liability arising out of pledges of Equity Interests in such Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation that must either reduce the amount available for Restricted Payments under the covenant described

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above under the caption *Certain Covenants Restricted Payments* or represent an Investment permitted under one or more clauses of such covenant or the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors authorizing such designation and an officers' certificate certifying that such designation complies with the preceding conditions and is permitted by the covenant described above under the caption *Certain Covenants Restricted Payments*. If, at any time, any Unrestricted Subsidiary would fail to meet the requirements set forth in clause (b) of the preceding paragraph or in clauses (1)-(3) of the definition of the term Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the 2024 Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*, the Company will be in default of such covenant.

The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if: (a) such Indebtedness is permitted under the covenant described under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*, calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period and (b) no Default or Event of Default would be in existence following such designation.

***Payments for Consent***

The Company will not, and will not permit any of its Restricted Subsidiaries to, pay or cause to be paid any consideration to or for the benefit of any holder of 2024 Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the 2024 Indenture or the 2024 Notes unless such consideration is offered to be paid and is paid to all holders of the 2024 Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Company and its Restricted Subsidiaries shall be permitted in any solicitation, offer (including any tender or exchange offer) or payment relating to any consent, waiver or amendment to exclude any category of holders (including by jurisdiction) if (a) (i) applicable law, regulatory guidance, listing requirements or common practice could reasonably be interpreted as requiring the Company or any Restricted Subsidiary to file a registration statement, prospectus or similar document in connection therewith or (ii) such solicitation, offer or payment would not be permitted under applicable law with respect to the holders in such category, and (b) each excluded holder shall have the right, in each case if such right is permitted under applicable law and will not give rise to a filing requirement of the type described in clause (a)(i), to (i) receive any applicable solicitation materials as if it were not an excluded holder and (ii) accept a payment in an amount equal to the payment such holder would have had the right to receive if it had not been an excluded holder and had accepted such offer.

***Reports***

So long as any 2024 Notes are outstanding, the Company will furnish to the holders of 2024 Notes or cause the trustee to furnish to the holders of 2024 Notes (or file or furnish, as applicable, with the SEC for public availability) within the time periods specified in the SEC's rules and regulations applicable to the Company (or, in the event the Company is not so required, which would be applicable to the Company if it were required), after giving effect to all applicable

extensions and cure periods:

- (1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if the Company were required to file reports with the SEC pursuant to Section 13 or 15(d) of the

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Exchange Act, annual audited financial statements prepared in accordance with GAAP (with footnotes to such financial statements), including the audit report on such financial statements issued by the Company's certified independent accountants, and unaudited quarterly financial statements prepared in accordance with GAAP (with condensed footnotes to such financial statements consistent with past practice), in each case, with a Management's Discussion and Analysis of Financial Condition and Results of Operations consistent with the presentation thereof in the offering memorandum relating to the issuance of the 2024 Initial Notes and a presentation of EBITDA of the Company and its Subsidiaries consistent with the presentation thereof in such offering memorandum and derived from such financial statements; and

- (2) all current reports that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports; and
- (3) if at any time the Company is not required to file reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, (a) as promptly as reasonably practicable after furnishing to the trustee the reports and financial statements required by clauses (1) and (2) of this paragraph, hold a conference call to discuss such reports and the results of operations for the relevant reporting period and (b) issue a press release to an internationally recognized wire service no fewer than three business days prior to the date of the conference call required to be held in accordance with this paragraph, announcing the time and date of such conference call and either including all information necessary to access the call or directing noteholders, prospective investors, broker dealers and securities analysts to contact the appropriate person at the Company to obtain such information.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. In addition to the foregoing, the Company will file a copy of each of the reports referred to in clauses (1) and (2) of the preceding paragraph with the SEC for public availability or, if the Company is not required to file with the SEC, or the SEC will not accept such a filing, on its website, in each case, within the time periods, after giving effect to all applicable extensions and cure periods, applicable to the Company if the Company were required to file those reports with the SEC.

If, at any time after consummation of the 2024 Exchange Offer, the Company is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, the Company will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing, provided that in such event the reports specified in the preceding paragraphs of this covenant shall not be required to contain certain disclosures relating to the Company's controls and procedures, corporate governance, code of ethics, director independence, market for the Company's equity securities and executive compensation. The Company will not take any action for the purpose of causing the SEC not to accept any such filings.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraphs will include, to the extent material, a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In addition, the Company and the Guarantors will agree that, for so long as any 2024 Notes remain outstanding, if at any time they are not filing with the SEC the reports required by the preceding paragraphs, they will furnish to the



holders of 2024 Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the 2024 Notes are not freely transferable under the Securities Act. Any such reports, information or documents filed with the SEC pursuant to its Electronic Data Gathering, Analysis and Retrieval (EDGAR) system shall be deemed filed with the trustee and furnished to the holders of the 2024 Notes and securities analysts as required pursuant to this covenant.

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Nothing contained in this covenant entitled Report will impose any duty on the Company under the Sarbanes-Oxley Act of 2002 and the related SEC rules that would not otherwise be applicable.

## **Events of Default and Remedies**

Each of the following is an *Event of Default* :

- (1) default for 30 days in the payment when due of interest and Special Interest, if any, on the 2024 Notes;
- (2) default in the payment when due (at Stated Maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the 2024 Notes;
- (3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions described under the captions *Repurchase at the Option of Holders Change of Control*, *Repurchase at the Option of Holders Asset Sales*, *Certain Covenants Restricted Payments*, *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* or *Certain Covenants Merger, Consolidation or Sale of Assets* ;
- (4) failure by the Company for 180 days after notice from the trustee or holders of at least 25% in aggregate principal amount of the 2024 Notes then outstanding to comply with the provisions described under *Certain Covenants Reports* ;
- (5) failure by the Company for 60 days after notice to the Company by the trustee or the holders of at least 25% in aggregate principal amount of the 2024 Notes then outstanding to comply with any of the other agreements in the 2024 Indenture;
- (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee existed on, or was created after, the date of the 2024 Indenture, if that default:
  - (a) is caused by a failure to pay principal of, premium, if any, on or interest, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a *Payment Default* ); or
  - (b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so

accelerated, aggregates \$50.0 million or more; *provided, however*, if, prior to any acceleration of the 2024 Notes, (i) any such Payment Default is cured or waived, (ii) any such acceleration is rescinded, or (iii) such Indebtedness is repaid in full, any Default or Event of Default (but not any acceleration of the 2024 Notes) caused by such Payment Default or acceleration shall be automatically rescinded, so long as such rescission does not conflict with any judgment, decree or applicable law;

- (7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of \$50.0 million (to the extent not covered by insurance by a reputable and creditworthy insurer as to which the insurer has not disclaimed coverage), which judgments are not paid, discharged or stayed, for a period of 60 consecutive days;
- (8) except as permitted by the 2024 Indenture, any 2024 Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its 2024 Note Guarantee; and
- (9) certain events of bankruptcy or insolvency described in the 2024 Indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

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In the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding 2024 Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 2024 Notes may declare all the 2024 Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding 2024 Notes may direct the trustee in its exercise of any trust or power under the 2024 Indenture. The trustee may withhold from holders of the 2024 Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, premium, if any, on, interest and Special Interest, if any, on the 2024 Notes.

Subject to the provisions of the 2024 Indenture relating to the duties of the trustee, in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the 2024 Indenture at the request or direction of any holders of 2024 Notes unless such holders have offered to the trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Special Interest, if any, when due, no holder of a 2024 Note may pursue any remedy with respect to the 2024 Indenture or the 2024 Notes unless:

- (1) such holder has previously given the trustee written notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding 2024 Notes make a written request to the trustee to pursue the remedy;
- (3) such holder or holders offer and, if requested, provide to the trustee security or indemnity reasonably satisfactory to the trustee against any loss, liability or expense;
- (4) the trustee does not comply with such request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) during such 60-day period, holders of a majority in aggregate principal amount of the then outstanding 2024 Notes do not give the trustee a direction inconsistent with such request.

The holders of a majority in aggregate principal amount of the then outstanding 2024 Notes by written notice to the trustee may, on behalf of the holders of all of the 2024 Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the 2024 Indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest or Special Interest, if any, on, the 2024 Notes.

The Company is required to deliver to the trustee annually a statement regarding compliance with the 2024 Indenture. Within 30 days after any officer of the Company becomes aware of any Default or Event of Default, unless such Default or Event of Default has been cured before the end of the 30-day period, the Company is required to deliver to

the trustee a statement specifying such Default or Event of Default.

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the 2024 Notes, the 2024 Indenture, the 2024 Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of 2024 Notes by accepting a 2024 Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the 2024 Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

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**Legal Defeasance and Covenant Defeasance**

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers certificate, elect to have all of its obligations discharged with respect to the outstanding 2024 Notes and all obligations of the Guarantors discharged with respect to their 2024 Note Guarantees ( *Legal Defeasance* ) except for:

- (1) the rights of holders of outstanding 2024 Notes to receive payments in respect of the principal of, premium, if any, on, or interest or Special Interest, if any, on, such 2024 Notes when such payments are due from the trust referred to below;
- (2) the Company's obligations with respect to the 2024 Notes concerning issuing temporary 2024 Notes, registration of 2024 Notes, mutilated, destroyed, lost or stolen 2024 Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the trustee under the 2024 Indenture, and the Company's and the Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the 2024 Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants (including the Company's obligation to make Change of Control Offers and Asset Sale Offers) that are described in the 2024 Indenture ( *Covenant Defeasance* ) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the 2024 Notes. In the event Covenant Defeasance occurs, all Events of Default described under *Events of Default and Remedies* (except those relating to payments on the 2024 Notes or bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the 2024 Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit or cause to be deposited with the trustee, in trust, for the benefit of the holders of the 2024 Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants (or, if two or more of any nationally recognized investment banks, appraisal firms or firms of independent accountants decline to issue such opinion after the Company has made reasonable efforts to obtain such an opinion, in the opinion of the Company's chief financial officer), to pay the principal of, premium on, if any, and interest and Special Interest, if any, on, the outstanding 2024 Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the 2024 Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2)

in the case of Legal Defeasance, the Company must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the 2024 Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding 2024 Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Company must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding 2024 Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

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- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowings);
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the 2024 Indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;
- (6) the Company must deliver to the trustee an officers certificate stating that the deposit was not made by the Company with the intent of preferring the holders of 2024 Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and
- (7) the Company must deliver to the trustee an officers certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

**Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the 2024 Indenture, the 2024 Notes or the 2024 Note Guarantees may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the then outstanding 2024 Notes (including, without limitation, the 2024 Exchange Notes and any 2024 Additional Notes) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the 2024 Notes), and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, on, or interest or Special Interest, if any, on, the 2024 Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the 2024 Indenture, the 2024 Notes or the 2024 Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding 2024 Notes (including, without limitation, the 2024 Exchange Notes and any 2024 Additional Notes) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such 2024 Notes).

Without the consent of each holder of 2024 Notes affected, an amendment, supplement or waiver may not (with respect to any 2024 Notes held by a non-consenting holder):

- (1) reduce the principal amount of 2024 Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any 2024 Note or alter or waive any of the provisions with respect to the redemption or repurchase of the 2024 Notes (except those provisions relating to the covenants described above under the caption *Repurchase at the Option of Holders* );



- (3) reduce the rate of or change the time for payment of interest, including default interest, on any 2024 Note;
- (4) waive a Default or Event of Default in the payment of principal of, premium on, if any, interest or Special Interest, if any, on, the 2024 Notes (except a rescission of acceleration of the 2024 Notes by the holders of a majority in aggregate principal amount of the then outstanding 2024 Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any 2024 Note payable in money other than that stated in the 2024 Notes;
- (6) make any change in the provisions of the 2024 Indenture relating to waivers of past Defaults or the rights of holders of 2024 Notes to receive payments of principal of, premium, if any, on, or interest or Special Interest, if any, on, the 2024 Notes (other than as permitted by clause (7) below);

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- (7) waive a redemption or repurchase payment with respect to any 2024 Note (other than a payment required by one of the covenants described above under the caption *Repurchase at the Option of Holders* );
- (8) release any Guarantor from any of its obligations under its 2024 Note Guarantee or the 2024 Indenture, except in accordance with the terms of the 2024 Indenture; or
- (9) make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the preceding, without the consent of any holder of 2024 Notes, the Company, the Guarantors and the trustee may amend or supplement the 2024 Indenture, the 2024 Notes or the 2024 Note Guarantees:

- (1) to cure any ambiguity, omission, mistake, defect or inconsistency;
- (2) to provide for uncertificated 2024 Notes in addition to or in place of certificated 2024 Notes;
- (3) to provide for the assumption of the Company's or a Guarantor's obligations to holders of 2024 Notes and 2024 Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;
- (4) to make any change that would provide any additional rights or benefits to the holders of 2024 Notes or that does not adversely affect the legal rights under the 2024 Indenture of any holder;
- (5) to comply with requirements of the SEC in order to effect or maintain the qualification of the 2024 Indenture under the Trust Indenture Act;
- (6) to conform the text of the 2024 Indenture, the 2024 Notes or the 2024 Note Guarantees to any provision of the *Description of Notes* section set forth in the offering memorandum relating to the issuance of the 2024 Initial Notes;
- (7) to provide for the issuance of 2024 Additional Notes in accordance with the limitations set forth in the 2024 Indenture as of the date of the 2024 Indenture;
- (8) to secure the 2024 Notes or the 2024 Note Guarantees pursuant to the requirements of the covenant described above under the subheading *Certain Covenants Liens* ;
- (9) to add any additional Guarantor or to evidence the release of any Guarantor from its 2024 Note Guarantee, in each case as provided in the 2024 Indenture;

(10) to evidence or provide for the acceptance of appointment under the 2024 Indenture of a successor trustee; or

(11) to provide for the conversion, transfer or redomestication of the Company in accordance with the third paragraph of the covenant Merger, Consolidation or Sale of Assets.

The consent of the holders is not necessary under the 2024 Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver. After an amendment, supplement or waiver under the 2024 Indenture requiring the approval of the holders becomes effective, the Company will send to the applicable holders a notice briefly describing the amendment, supplement or waiver. However, the failure to give such notice, or any defect in the notice, will not impair or affect the validity of the amendment, supplement or waiver.

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**Satisfaction and Discharge**

The 2024 Indenture will be discharged and will cease to be of further effect as to all 2024 Notes issued thereunder (except as to surviving rights of registration of transfer or exchange of the 2024 Notes and as otherwise specified in the 2024 Indenture), when:

- (1) either:
  - (a) all 2024 Notes that have been authenticated, except lost, stolen or destroyed 2024 Notes that have been replaced or paid and 2024 Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the trustee for cancellation; or
  - (b) all 2024 Notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the sending of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient (in the case of Government Securities, (x) in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm or (y) if no such opinion in the immediately preceding clause (x) can be reasonably obtained, in the opinion of the chief financial officer of the Company), without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the 2024 Notes not delivered to the trustee for cancellation for principal of, premium, if any, on, or interest and Special Interest, if any, on, the 2024 Notes to the date of Stated Maturity or redemption;
- (2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);
- (3) the Company has paid or caused to be paid all other sums payable by the Company under the 2024 Indenture; and
- (4) the Company has delivered irrevocable instructions to the trustee to apply the deposited money toward the payment of the 2024 Notes at Stated Maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an officers certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

### **Concerning the Trustee**

Wells Fargo Bank, National Association, or Wells Fargo, is the trustee under the 2024 Indenture.

If the trustee becomes a creditor of the Company or any Guarantor, the 2024 Indenture will limit the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Trust Indenture Act) after a Default has occurred and is continuing it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if the 2024 Indenture has been qualified under the Trust Indenture Act) or resign.

The holders of a majority in aggregate principal amount of the then outstanding 2024 Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to

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the trustee under the 2024 Indenture, subject to certain exceptions. In case an Event of Default has occurred and is continuing, the trustee will be required, in the exercise of its powers, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the 2024 Indenture at the request of any holder of 2024 Notes, unless such holder has offered to the trustee reasonable indemnity or security reasonably satisfactory to it against any loss, liability or expense.

Wells Fargo is the administrative agent, sole book runner, lead arranger and a lender under our revolving credit facility and the administrative agent, sole book runner, lead arranger and a lender under Viper's secured revolving credit facility.

## **Governing Law**

The 2024 Indenture, the 2024 Notes and the 2024 Note Guarantees are governed by, and will be construed in accordance with, the laws of the State of New York.

## **Certain Definitions under 2024 Indenture**

Set forth below are certain defined terms used in the 2024 Indenture. Reference is made to the 2024 Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*Acquired Debt* means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

*Adjusted Consolidated Net Tangible Assets* means (without duplication), as of the date of determination,

- (1) the sum of:

- (a) the discounted future net revenues from proved oil and natural gas reserves of the Company and its Restricted Subsidiaries calculated in accordance with SEC guidelines (before any state or federal or other income taxes) as estimated in the Company's most recently prepared reserve report, which reserve report is prepared or reviewed by independent petroleum engineers as to proved reserves accounting for at least 80% of all such discounted future net revenues and by the Company's petroleum engineers with respect to any other proved reserves covered by such report, as increased by, as of the date of determination, the estimated discounted future net revenues from:

- (i) estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries acquired since the date of such most recently prepared reserve report, and
  
- (ii) estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries attributable to extensions, discoveries and other additions and upward revisions of estimates of proved oil and natural gas reserves (including previously estimated development costs incurred during the period and the accretion of discount since the prior period end) since the date of such most recently prepared reserve report due to exploration, development or exploitation, production or other activities which would, in accordance with standard industry practice, cause such revisions,

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and *decreased by*, as of the date of determination, the discounted future net revenue attributable to:

- (iii) estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries reflected in such reserve report produced or disposed of since the date of such most recently prepared reserve report, and
- (iv) reductions in estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries reflected in such reserve report attributable to downward revisions of estimates of proved oil and natural gas reserves since the date of such most recently prepared reserve report due to changes in geological conditions or other factors which would, in accordance with standard industry practice, cause such revisions;

in the case of the preceding clauses (i) through (iv), calculated on a pre-tax basis and in accordance with SEC guidelines (utilizing the prices utilized in such most recently prepared reserve report) and estimated by the Company's petroleum engineers or any independent petroleum engineers engaged by the Company for that purpose;

- (b) the capitalized costs that are attributable to Oil and Gas Properties of the Company and its Restricted Subsidiaries to which no proved oil and natural gas reserves are attributable, based on the Company's books and records as of a date no earlier than the last day of the Company's most recent quarterly or annual period for which internal financial statements are available;
- (c) the Consolidated Net Working Capital of the Company and its Restricted Subsidiaries as of a date no earlier than the last day of the Company's most recent quarterly or annual period for which internal financial statements are available; and
- (d) the greater of: (i) the net book value and (ii) the appraised value, as estimated by independent appraisers, of other assets (including Investments in Unrestricted Subsidiaries and Persons not constituting a Subsidiary), in each case, of the Company and its Restricted Subsidiaries as of a date no earlier than the last day of the Company's most recent quarterly or annual period for which internal financial statements are available; *provided* that if no such appraisal has been performed, the Company shall not be required to obtain such an appraisal and only clause (d)(i) of this definition shall apply,

*minus*, to the extent not otherwise taken into account in the immediately preceding clause (a),

(2) the sum of:

- (a) minority interests,
- (b) to the extent not otherwise taken into account in determining Adjusted Consolidated Net Tangible Assets, any net gas balancing liabilities of the Company and its Restricted Subsidiaries as of the last



day of the Company's most recent annual or quarterly period for which internal financial statements are available;

- (c) to the extent included in clause (1)(a) above, the discounted future net revenues, calculated in accordance with SEC guidelines (utilizing the prices utilized in the Company's year-end reserve report), attributable to reserves that are required to be delivered to third parties to fully satisfy the obligations of the Company and its Restricted Subsidiaries with respect to Volumetric Production Payments on the schedules specified with respect thereto; and
- (d) the discounted future net revenues, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments that, based on the estimates of production and price assumptions included in determining the discounted future net revenues specified in (1)(a) above, would be necessary to fully satisfy the payment obligations of the Company and its Restricted Subsidiaries with respect to Dollar-Denominated Production Payments on the schedules specified with respect thereto.

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If the Company changes its method of accounting from the full cost method to the successful efforts method or a similar method of accounting, Adjusted Consolidated Net Tangible Assets will continue to be calculated as if the Company were still using the full cost method of accounting.

*Affiliate* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, control, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms controlling, controlled by and under common control with have correlative meanings. Unless otherwise specified or the context shall otherwise require, each reference to an Affiliate will refer to an Affiliate of the Company.

*Applicable Premium* means with respect to any 2024 Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of the 2024 Note; and
- (2) the excess of:
  - (a) the present value at such redemption date of (i) the redemption price of the 2024 Note at November 1, 2019 (such redemption price being set forth in the table appearing above under the caption *Optional Redemption* ) plus (ii) all required interest payments due on the 2024 Note through November 1, 2019 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), over
  - (b) the principal amount of the 2024 Note.

*Asset Coverage Ratio* means, as of any date of determination, the ratio of (a) Adjusted Consolidated Net Tangible Assets to (b) the aggregate principal amount of all Indebtedness under clauses (1) through (5) of the definition thereof of the Company and its Restricted Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

*Asset Sale* means:

- (1) the sale, lease, conveyance, transfer or other disposition (each, a *disposition* ) of any assets by the Company or any of the Company's Restricted Subsidiaries; *provided* that the disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the 2024 Indenture described above under the caption *Repurchase at the Option of Holders Change of Control* and/or the provisions described above under the caption *Certain Covenants Merger, Consolidation or Sale of Assets* and not by the provisions of the Asset Sale covenant; and

- (2) the issuance of Equity Interests by any of the Company's Restricted Subsidiaries or any Unrestricted Subsidiary in connection with a Qualified MLP IPO or the sale by the Company or any of the Company's Restricted Subsidiaries of Equity Interests in any of the Company's Subsidiaries.

Notwithstanding the preceding, each of the following items will be deemed not to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets, properties or Equity Interests having a Fair Market Value of less than \$10.0 million;
- (2) a disposition of assets between or among the Company and its Restricted Subsidiaries;

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- (3) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Company or an Unrestricted Subsidiary of the Company in connection with a Qualified MLP IPO to the Company or to a Restricted Subsidiary of the Company;
- (4) the sale, lease or other disposition of equipment, inventory, products, services or accounts receivable or other assets or properties in the ordinary course of business and any sale, lease or other disposition of damaged, worn-out or obsolete assets or properties in the ordinary course of business (including the abandonment or other disposition of licenses and sublicenses of software, intellectual property or other general intangibles that are, as determined in good faith by the Company, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its Restricted Subsidiaries taken as whole);
- (5) licenses and sublicenses by the Company or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;
- (6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims;
- (7) the granting, creation or perfection of Liens not prohibited by the covenant described above under the caption *Certain Covenants Liens*, dispositions in connection with Permitted Liens and the exercise by any Person in whose favor a Permitted Lien is granted of any of its rights in respect of that Permitted Lien;
- (8) the disposition of cash or Cash Equivalents or other financial instruments (other than Oil and Gas Hedging Contracts);
- (9) a Restricted Payment that does not violate the covenant described above under the caption *Certain Covenants Restricted Payments* or a Permitted Investment, or any disposition excluded from such definitions or their component definitions;
- (10) a disposition of Hydrocarbons, sand or other mineral products in the ordinary course of business;
- (11) an Asset Swap;
- (12) dispositions of crude oil and natural gas properties or direct or indirect interests in real property, *provided* that at the time of any such disposition such properties do not have associated with them any proved reserves;
- (13) any Production Payments and Reserve Sales; *provided* that any such Production Payments and Reserve Sales, other than incentive compensation programs on terms that are reasonably customary in the Oil and

Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Restricted Subsidiary, shall have been created, incurred, issued, assumed or Guaranteed in connection with the financing of, and within 60 days after the acquisition of, the property that is subject thereto;

- (14) issuances and sales of directors' qualifying shares and other Capital Stock in Restricted Subsidiaries issued to foreign governments, foreign individuals or other third parties to the extent required by applicable law;
- (15) farmouts of undeveloped oil and gas properties, deemed transfers of working interests under any joint operating agreement as the result of electing (or being deemed to have elected) not to participate in the drilling operations for a new well and assignments under pooling or unitization agreements or other similar contracts that are customary in the Oil and Gas Business;
- (16) the disposition of assets or Equity Interest received in settlement of debts as a result of foreclosure, perfection or enforcement of any Lien or debt; and
- (17) any disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary. *Asset Sale Offer* has the meaning assigned to that term in the 2024 Indenture.

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*Asset Swap* means any substantially contemporaneous (and in any event occurring within 180 days of each other) purchase and sale or exchange of any assets or properties used or useful in the Oil and Gas Business between the Company or any of its Restricted Subsidiaries and another Person; *provided*, that the Fair Market Value of the properties or assets traded or exchanged by the Company or such Restricted Subsidiary (together with any cash or Cash Equivalents) is reasonably equivalent as determined in good faith by the Company, to the Fair Market Value of the properties or assets (together with any cash or Cash Equivalents) to be received by the Company or such Restricted Subsidiary, and *provided further* that any net cash or Cash Equivalents received must be applied in accordance with the provisions described above under the caption *Repurchase at the Option of Holders Asset Sales* if then in effect, as if the Asset Swap were an Asset Sale.

*Attributable Debt* in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided, however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of Capital Lease Obligation.

*Beneficial Owner* has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular person (as that term is used in Section 13(d)(3) of the Exchange Act), such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms *Beneficially Owns* and *Beneficially Owned* have a corresponding meaning.

*Board of Directors* means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the Board of Directors of a general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

*Capital Lease Obligation* means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty. Notwithstanding the foregoing, any lease (whether entered into before or after the date of the 2024 Indenture) that would have been classified as an operating lease pursuant to GAAP as in effect on the date of the 2024 Indenture will be deemed not to represent a Capital Lease Obligation. For purposes of the covenant described above under the

caption *Certain Covenants Liens* , a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

*Capital Stock* means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

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- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities exercisable for, exchangeable for, or convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

*Cash Equivalents* means:

- (1) United States dollars;
- (2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than twelve months from the date of acquisition;
- (3) certificates of deposit and eurodollar time deposits with maturities of twelve months or less from the date of acquisition, bankers' acceptances with maturities not exceeding twelve months and overnight and demand bank deposits, in each case, with any lender party to the Credit Agreement or with any domestic commercial bank having capital and surplus in excess of \$500.0 million and a Thomson Bank Watch Rating of B or better;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (5) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within nine months after the date of acquisition;
- (6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and
- (7) with respect to any Subsidiary of the Company conducting business in whole or in part outside of the United States, Investments denominated in the currency of any member of the Organisation for Economic Co-operation and Development.

*Change of Control* means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person (including any person as that term is used in Section 13(d)(3) of the Exchange Act) other than a Qualifying Owner;



- (2) the adoption of a plan relating to the liquidation or dissolution of the Company; or
  
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any person (as defined above)), excluding the Qualifying Owners, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares, units or the like.

Notwithstanding the preceding, a conversion of the Company or any of its Restricted Subsidiaries from a limited partnership, corporation, limited liability company or other form of entity to a limited liability company, corporation, limited partnership or other form of entity (including by way of merger, consolidation, amalgamation or liquidation) or an exchange of all of the outstanding Equity Interests in one form of entity for Equity Interests in another form of entity or the transfer or redomestication of the Company to or in another jurisdiction shall not constitute a Change of Control, so long as following such conversion, exchange, transfer or redomestication the persons (as that term is used in Section 13(d)(3) of the Exchange Act) who Beneficially Owned the Capital Stock of the Company immediately prior to such transactions, together with Qualifying

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Owners, Beneficially Own in the aggregate more than 50% of the Voting Stock of such entity, or Beneficially Own sufficient Equity Interests in such entity to elect a majority of its directors, managers, trustees or other persons serving in a similar capacity for such entity or its general partner, as applicable, and, in either case no person (other than a Qualifying Owner) Beneficially Owns more than 50% of the Voting Stock of such entity or its general partner, as applicable.

*Change of Control Offer* has the meaning assigned to that term under the caption *Repurchase at the Option of Holders Change of Control*.

*Consolidated Cash Flow* means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

- (1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with any Asset Sale, or the disposition of securities or the early extinguishment of Indebtedness, to the extent such losses were deducted in computing such Consolidated Net Income; plus
- (2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus
- (3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; plus
- (4) depreciation, depletion, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period), impairment and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, depletion, amortization, impairment and other non-cash charges or expenses were deducted in computing such Consolidated Net Income; plus
- (5) if such Person accounts for its oil and gas operations using successful efforts or a similar method of accounting, consolidated exploration expense of such Person and its Restricted Subsidiaries; plus
- (6) any reasonable expenses and charges related to any Investment, acquisition, disposition, Equity Offering, recapitalization, or issuance or incurrence or repayment of Indebtedness permitted under the 2024 Indenture (in each case, whether or not successful); plus
- (7) dividends and distributions received in cash by the Company or a Restricted Subsidiary of the Company from a Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting (including an Unrestricted Subsidiary), to the extent that such dividends or distributions were not otherwise

included in the Consolidated Net Income of the Company for such period; minus

- (8) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business; and minus
  
- (9) to the extent increasing such Consolidated Net Income for such period, the sum of (a) the amount of deferred revenues that are amortized during such period and are attributable to reserves that are subject to Volumetric Production Payments and (b) amounts recorded in accordance with GAAP as repayments of principal and interest pursuant to Dollar-Denominated Production Payments, in each case, on a consolidated basis and determined in accordance with GAAP.

*Consolidated Net Income* means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis

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determined in accordance with GAAP and without any reduction in respect of preferred stock dividends; *provided* that to the extent such items are otherwise included in the calculation of net income:

- (1) all extraordinary gains (or losses) and all gains (or losses) realized in connection with any Asset Sale or the disposition of securities or the early extinguishment of Indebtedness, together with any related provision for taxes on any such gain, will be excluded;
- (2) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person (or, in the case of a loss for such period, only to the extent of the aggregate cash or fair market value of property contributed to such Person by the Company or any Restricted Subsidiary during such period);
- (3) solely for the purpose of determining the amount available for Restricted Payments under clause (4)(c) of the first paragraph of the covenant described under the caption *Certain Covenants Restricted Payments*, the net income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that net income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, partners or members;
- (4) the cumulative effect of a change in accounting principles will be excluded;
- (5) unrealized losses and gains under derivative instruments, including, without limitation those resulting from the application of Financial Accounting Standards Board Accounting Standards Codification 815 ( *FASB ASC 815* ) will be excluded;
- (6) any asset impairment, write-off or writedown on or related to Oil and Gas Properties under GAAP or SEC guidelines will be excluded;
- (7) non-cash charges relating to grants of performance shares, stock options, stock awards, stock purchase agreements or management compensation plans for officers, directors, employees or consultants of the Company or a Restricted Subsidiary of the Company (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period) to the extent that such non-cash charges are deducted in computing such Consolidated Net Income will be excluded; provided that if the Company or any Restricted Subsidiary of the Company makes a cash payment in respect of a non-cash charge in any period, such cash payment shall (without duplication) be deducted from the Consolidated Net Income of the Company for such period; and

(8) gains and losses due to fluctuations in exchange rates or currency values will be excluded.

*Consolidated Net Working Capital* means (a) all current assets of the Company and its Restricted Subsidiaries except current assets from Oil and Gas Hedging Contracts, less (b) all current liabilities of the Company and its Restricted Subsidiaries, except (i) current liabilities included in Indebtedness, (ii) current liabilities associated with asset retirement obligations relating to oil and gas properties and (iii) any current liabilities from Oil and Gas Hedging Contracts, in each case as set forth in the consolidated financial statements of the Company prepared in accordance with GAAP (excluding any adjustments made pursuant to FASB ASC 815).

*continuing* means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

*Credit Agreement* means that certain Second Amended and Restated Credit Agreement, dated as of November 1, 2013, as amended to the date of the 2024 Indenture, by and among Diamondback O&G LLC, as

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borrower, Wells Fargo Bank, N.A., as administrative agent, and certain financial institutions, as lenders, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

*Credit Facilities* means one or more debt facilities (including, without limitation, the Credit Agreement), indentures or commercial paper facilities, secured or unsecured capital market financings or other debt issuances, in each case, with banks or other institutional lenders or institutional investors or other lenders or credit providers providing for revolving credit loans, term loans, capital market financings, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other borrowings or debt issuances, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including refinancing with any capital markets transaction or otherwise by means of sales of debt securities to institutional investors) in whole or in part from time to time.

*Currency Agreement* means any foreign exchange contract, currency swap agreement or other financial agreement or arrangement with respect to currency values designed to protect the Company or any of its Subsidiaries against fluctuations in currency values.

*Customary Recourse Exceptions* means with respect to any Non-Recourse Debt, exclusions from the exculpation provisions with respect to such Non-Recourse Debt for the voluntary bankruptcy of a Person, fraud, misapplication of cash, environmental claims, waste, willful destruction and other circumstances customarily excluded by lenders from exculpation provisions or included in separate indemnification agreements in non-recourse financings.

*Default* means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

*Designated Non-cash Consideration* means non-cash consideration received by the Company or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers Certificate, less the amount of cash or Cash Equivalents received in connection with a subsequent sale or other disposition of or collection on such Designated Non-cash Consideration.

*Disqualified Stock* means 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, in each case, at the option of the holder of the Capital Stock), 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 of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the 2024 Notes mature. Notwithstanding the preceding sentence, (i) any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption *Certain Covenants Restricted Payments* and (ii) any Capital Stock issued pursuant to any plan of the Company or any of its Affiliates for the benefit of one or more employees will not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or any of its Affiliates in order to satisfy applicable contractual, statutory or regulatory obligations. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the 2024 Indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any

mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

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*Dollar-Denominated Production Payments* means production payment obligations recorded as liabilities in accordance with GAAP, together with all undertakings and obligations in connection therewith.

*Domestic Subsidiary* means any Restricted Subsidiary of the Company that was formed under the laws of the United States or any state of the United States or the District of Columbia.

*Equity Interests* of any Person means (1) any and all Capital Stock of such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such Capital Stock of such Person, but excluding from all of the foregoing any debt securities exercisable for, exchangeable for or convertible into Equity Interests, regardless of whether such debt securities include any right of participation with Equity Interests.

*Equity Offering* means a sale of Equity Interests of the Company (other than Disqualified Stock and other than to a Subsidiary of the Company) made for cash on a primary basis by the Company after the date of the 2024 Indenture.

*Exchange Act* means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

*Existing Indebtedness* means all Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of the 2024 Indenture, until such amounts are repaid.

*Fair Market Value* means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company in the case of amounts of \$40.0 million or more and otherwise by an officer of the Company (unless otherwise provided in the 2024 Indenture).

*Fixed Charge Coverage Ratio* means with respect to any specified Person for any four-quarter reference period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the *Calculation Date*), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions or Investments that have been made, or contributions received, by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect as if they had occurred on the



first day of the four-quarter reference period and any Consolidated Cash Flow for such period will be calculated giving pro forma effect to any operating improvements or cost savings that have occurred or are reasonably expected to occur within one year of the closing of such acquisition in the reasonable judgment of the principal accounting officer or chief financial officer

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of the Company as certified in an officers certificate delivered to the trustee (regardless of whether those operating improvements or cost savings could then be reflected in pro forma financial statements prepared in accordance with Regulation S-X under the Securities Act or any other regulation or policy of the SEC related thereto);

- (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses or Investments (and ownership interests therein) disposed of on or prior to the Calculation Date, will be excluded;
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses or Investments (and ownership interests therein) disposed of on or prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date of 12 months or more, or, if the remaining term is less than 12 months, taking such Hedging Obligation into account on a proportional basis).

*Fixed Charges* means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (excluding (i) write-off of deferred financing costs and (ii) accretion of interest charges on future plugging and abandonment obligations, future retirement benefits and other obligations that do not constitute Indebtedness, but including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers acceptance financings), and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; plus
- (2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus

- (3) any interest expense on Indebtedness of another Person (other than Non-Recourse Debt of any Unrestricted Subsidiary or Joint Venture) that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus
  
- (4) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of such Person or any series of Preferred Stock of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company,  
in each case, on a consolidated basis and determined in accordance with GAAP.

*GAAP* means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and

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pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of the 2024 Indenture.

*Government Securities* means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

*Guarantee* means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise). When used as a verb, *Guarantee* has a correlative meaning.

*Guarantors* means any Restricted Subsidiary of the Company that Guarantees the 2024 Notes in accordance with the provisions of the 2024 Indenture, and their respective successors and assigns, in each case, until the 2024 Note Guarantee of such Person has been released in accordance with the provisions of the 2024 Indenture.

*Hedging Obligations* means, with respect to any specified Person, the obligations of such Person under any Interest Rate Agreement, Oil and Gas Hedging Contract or Currency Agreement.

*Hydrocarbons* means oil, natural gas, casing head gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all constituents, elements or compounds thereof, and other minerals or products commonly created, recovered or produced in association therewith or refined or processed therefrom.

*Indebtedness* means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of bankers' acceptances;
- (4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or
- (6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person (excluding the footnotes thereto) prepared in accordance with GAAP. In addition, the term **Indebtedness** includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person (including, with respect to any Production Payment, any warranties or guarantees of production or payment by such Person with respect to such Production Payment, but excluding other contractual obligations of such Person with respect to such Production Payment). Subject to the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be Indebtedness.

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In addition, Indebtedness of any Person shall include Indebtedness described in the preceding paragraph that would not appear as a liability on the balance sheet of such Person (excluding footnotes thereto) if:

- (1) such Indebtedness is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a *Joint Venture* );
- (2) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a *Joint Venture General Partner* ); and
- (3) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount equal to the least of (i) the net assets of the Joint Venture General Partner, (ii) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person and (iii) the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced by a writing and is for a determinable amount; and the related interest expense shall be included in Fixed Charges to the extent actually paid by such Person or its Restricted Subsidiaries.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
  - (a) the Fair Market Value of such assets at the date of determination; and
  - (b) the amount of the Indebtedness of the other Person.

Notwithstanding the foregoing, Indebtedness shall not include (i) accrued expenses and royalties arising in the ordinary course of business, (ii) obligations to satisfy customer prepayment arrangements arising in the ordinary course of business, (iii) asset retirement obligations, (iv) obligations in respect of environmental reclamation or site rehabilitation, (v) obligations under farm-in and farm-out agreements or operating agreements, (vi) workers compensation obligations (including superannuation, pensions and retiree medical care) that are not overdue by more than 90 days, (vii) obligations arising out of the endorsement of negotiable instruments for collection in the ordinary course of business, (viii) customary indemnification obligations and (ix) Customary Recourse Exceptions.

*Interest Rate Agreement* means any interest rate swap agreement (whether from fixed to floating or from floating to fixed), interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect the Company or any of its Subsidiaries against fluctuations in interest rates.

*Investments* means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, payroll, travel and similar advances to officers, employees, directors, consultants and others made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities (excluding any interest in an oil or natural gas leasehold to the extent constituting a security under applicable law), together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company (other than the sale or other disposition of all of the

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outstanding Capital Stock of such Subsidiary), the Company will be deemed to have made an Investment on the date of any such sale or disposition in an amount equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption *Certain Covenants Restricted Payments*. The acquisition by the Company or any Restricted Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption *Certain Covenants Restricted Payments*. Except as otherwise provided in the 2024 Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value or write-ups, write-downs or write-offs with respect to such Investment.

*Lien* means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

*Moody's* means Moody's Investors Service, Inc., and any successor to the ratings business thereof.

*Net Proceeds* means cash in an amount equal to the aggregate cash proceeds and Cash Equivalents received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale) and including any cash proceeds received by an Unrestricted Subsidiary in respect of any issuance of Equity Interests by such Unrestricted Subsidiary that constitutes an Asset Sale, net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting, investment banking, underwriting, advisory and consulting fees, title and recording tax expenses and sales commissions, severance and associated costs, expenses and charges of personnel and any relocation expenses relating to the properties or assets subject to or incurred as a result of the Asset Sale, commissions, discounts and expenses incurred as a result of the Asset Sale, and taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness (and all other Obligations related thereto), other than revolving credit Indebtedness under a Credit Facility, secured by a Lien on the properties or assets that were the subject of such Asset Sale, and any reserve for sale price adjustment, indemnification or retained liability obligations in respect of such assets or such Asset Sale established in accordance with GAAP, and all distributions and other payments required to be made to minority interest holders in Subsidiaries or to holders of royalty or similar interests as a result of such Asset Sale (and, in the case of an issuance of Equity Interests by an Unrestricted Subsidiary that constitutes an Asset Sale, such additional amount as the Board of Directors of the Company, in good faith, shall determine to be reasonably necessary for the ordinary course operation of such Unrestricted Subsidiary).

*Non-Recourse Debt* means Indebtedness:

- (1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise except, in each case for (i) Customary Recourse Exceptions and (ii) the pledge of (or a Guarantee limited in recourse solely to) the Equity Interests of such Unrestricted Subsidiary or Joint Venture); and



- (2) as to which the lenders have been notified in writing that they will not have any recourse to the Capital Stock or assets of the Company or any of its Restricted Subsidiaries, other than as contemplated by clause (1) of this definition.

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*2024 Note Guarantee* means any Guarantee by any Guarantor of the Company's obligations under the 2024 Indenture and the 2024 Notes, as provided in the 2024 Indenture or a supplemental indenture.

*Obligations* means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

*Oil and Gas Business* means (i) the acquisition, exploration, development, production, operation, mining and disposition of interests in Hydrocarbons, sand and other minerals, (ii) the gathering, distributing, marketing, treating, processing (but not refining), storage, selling, transporting and other handling of any production from such interests or properties, (iii) any business relating to the exploration for or development, production, treatment, processing (but not refining), storage, transportation or marketing of Hydrocarbons, sand, minerals or other products commonly created, used, recovered or produced in the conduct of the activities described in clauses (i) and (ii) of this definition, (iv) oilfield sales and services and any other business providing assets or services used or useful in connection with the activities described in clause (i) of this definition, including the sale, leasing, ownership or operation of drilling rigs, fracturing units or other assets used or useful in any such business and (v) any activity, as determined in good faith by the Company, that is ancillary to or necessary or appropriate for the activities described in clauses (i) through (iv) of this definition.

*Oil and Gas Hedging Contracts* means any puts, cap transactions, floor transactions, collar transactions, forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement in respect of Hydrocarbons (or related revenues or costs, including basis) to be used, produced, processed or sold by the Company or any of its Subsidiaries that are customary in the Oil and Gas Business and designed to protect such Person against fluctuations in Hydrocarbon prices.

*Oil and Gas Properties* means all properties, including equity or other ownership interest therein, owned by such Person or any of its Restricted Subsidiaries which contain or are believed to contain proved oil and gas reserves as defined in Rule 4-10 of Regulation S-X promulgated under the Securities Act.

*ordinary course of business* means, with respect to any activity involving the Company or any Restricted Subsidiary, performing or engaging in such activity in the ordinary course of business of the Company or such Restricted Subsidiary or in such manner as is or shall have become customary in the Oil and Gas Business, either generally or in the particular geographical location or industry segment in which such activity is performed or engaged in, in each case as determined in good faith by the Company.

*Permitted Acquisition Indebtedness* means Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries to the extent such Indebtedness or Disqualified Stock was Indebtedness or Disqualified Stock of any other Person existing at the time (a) such Person became a Restricted Subsidiary of the Company or (b) such Person was merged or consolidated with or into the Company or any of its Restricted Subsidiaries, *provided* that on the date such Person became a Restricted Subsidiary or the date such Person was merged or consolidated with or into the Company or any of its Restricted Subsidiaries, as applicable, either

- (1) immediately after giving effect to such transaction and any related financing transaction on a pro forma basis as if the same had occurred at the beginning of the applicable four-quarter period, the Company or such Person (if the Company is not the survivor in the transaction) would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption *Certain Covenants Incurrence of Indebtedness and*

*Issuance of Preferred Stock, or*

- (2) immediately after giving effect to such transaction and any related financing transaction on a pro forma basis as if the same had occurred at the beginning of the applicable four-quarter period, the Fixed Charge Coverage Ratio of the Company or such Person (if the Company is not the survivor in the transaction) would be equal to or greater than the Fixed Charge Coverage Ratio of the Company immediately prior to such transaction.

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If such Person was entitled to borrow under a revolving credit commitment at the time such Person became a Restricted Subsidiary of the Company or such Person was merged or consolidated with or into the Company or any of its Restricted Subsidiaries, the Company may elect to treat all or any portion of the undrawn amount of such revolving credit commitment as Indebtedness of such Person existing at such time.

*Permitted Business Investments* means Investments made in the ordinary course of, or of a nature that is or shall have become customary in, the Oil and Gas Business as a means of actively exploiting, exploring for, acquiring, developing, producing, operating, mining, processing, gathering, marketing, distributing, treating, selling, transporting, storing or otherwise handling Hydrocarbons, sand and other minerals and properties that contain or are believed to contain Hydrocarbons, sand and other minerals, through agreements, transactions, interests or arrangements that permit one to share risks or costs, comply with regulatory requirements regarding local ownership or satisfy other objectives customarily achieved through the conduct of such activities jointly with third parties, either generally or in the particular geographical location or industry segment in which such Investment is made, in each case as determined in good faith by the Company, including, without limitation, (i) ownership interests in properties that contain or are believed to contain Hydrocarbons, sand and other minerals or any interest therein or gathering, transportation, processing, storage or related systems or ancillary real property interests, in each case either directly or through entities the primary business of which is to own or operate any of the foregoing, (ii) entry into and Investments in the form of or pursuant to operating agreements, working interests, royalty interests, mineral leases, contracts for the sale, transportation or exchange of oil and natural gas, production sharing agreements, production, sales and marketing agreements, processing agreements, farm-in agreements, farm-out agreements, developments agreements, area of mutual interest agreements, unitization agreements, pooling agreements, joint bidding agreements, service contracts, joint venture agreements, partnership agreements (whether general or limited), limited liability company agreements, subscription agreements, stock purchase agreements, stockholder agreements and other similar agreements with third parties, incentive compensation programs for geologists, geophysicists and other providers of technical services, and other similar or customary agreements, and (iii) direct or indirect ownership interests in drilling rigs, fracturing units and other related equipment.

*Permitted Investments* means:

- (1) any Investment in the Company or in any of its Restricted Subsidiaries;
- (2) any Investment in cash and Cash Equivalents;
- (3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary of the Company; or
  - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its properties or assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

- (4) any Investment made as a result of the receipt of non-cash consideration from (a) an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption *Repurchase at the Option of Holders Asset Sales*, or (b) a transaction excluded from the definition of Asset Sale, including an Asset Swap;
- (5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;
- (6) any Investments received in compromise or resolution of, or upon satisfaction of judgments with respect to, (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or (b) litigation, arbitration or other disputes;

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- (7) Investments represented by Hedging Obligations;
- (8) loans or advances to officers, directors or employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed \$2.0 million at any one time outstanding;
- (9) repurchases of the 2024 Notes;
- (10) any Guarantee permitted to be incurred by the covenant entitled *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* ;
- (11) any Investment existing on, or made pursuant to a binding commitment existing on, the date of the 2024 Indenture and any Investment consisting of an extension, modification, conversion, exchange, or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the 2024 Indenture; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date of the 2024 Indenture or (b) as otherwise permitted under the 2024 Indenture;
- (12) Investments acquired after the date of the 2024 Indenture as a result of the acquisition by the Company or any Restricted Subsidiary of the Company of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption *Certain Covenants Merger, Consolidation or Sale of Assets* after the date of the 2024 Indenture to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;
- (13) Permitted Business Investments;
- (14) receivables owing to the Company or any Restricted Subsidiary of the Company created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary of the Company deems reasonable under the circumstances;
- (15) Investments constituting prepaid expenses or advances or extensions of credit to customers or suppliers in the ordinary course of business;
- (16) endorsements of negotiable instruments and documents in the ordinary course of business;

- (17) Investments in the form of pledges or deposits made in the ordinary course of business and constituting Permitted Liens;
  
- (18) the contribution, directly or indirectly, to the capital of any Unrestricted Subsidiary of all or any portion of the Qualified MLP Assets (including the deemed Investment of the Qualified MLP Assets held by a Subsidiary upon its designation as an Unrestricted Subsidiary); provided, that (i) such Investment is made in connection with a Qualified MLP IPO, (ii) the Company or any Guarantor receives substantially all of the Net Proceeds from such offering on or promptly following the closing of such offering, (iii) the aggregate book value of all Qualified MLP Assets contributed, at the time of such contribution, does not exceed the greater of \$200.0 million and 6.5% of Adjusted Consolidated Net Tangible Assets determined as of the date of such contribution, and (iv) the Asset Coverage Ratio at the time of such contribution or designation, after giving pro forma effect to the Qualified MLP IPO and the application of the net proceeds therefrom, is at least 1.5 to 1.0;
  
- (19) the contribution of the Capital Stock of any Unrestricted Subsidiary to the capital of any other Unrestricted Subsidiary which is wholly owned by the Company or any Restricted Subsidiary;
  
- (20) Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together

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with all other Investments made pursuant to this clause (20) that are at the time outstanding that do not exceed the greater of (a) \$50.0 million and (b) 2.5% of Adjusted Consolidated Net Tangible Assets determined as of the date such Investment is made; and

- (21) professional or advisory, administrative, management, treasury or similar services, indemnification, insurance, officers and directors fees and expenses, registration fees, and other like expenses paid or provided for the benefit of any Joint Venture or Unrestricted Subsidiary pursuant to arrangements not involving the incurrence of Indebtedness that comply with the covenants described under the caption *Certain Covenants Transactions with Affiliates*.

*Permitted Liens* means:

- (1) Liens on assets of the Company or any Guarantor securing Indebtedness and other Obligations under Credit Facilities that were permitted by the terms of the 2024 Indenture to be incurred pursuant to clause (1) of the definition of Permitted Debt and/or securing Hedging Obligations related thereto and/or securing Obligations with regard to Treasury Management Arrangements;
- (2) Liens in favor of the Company or the Guarantors;
- (3) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Company or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company;
- (4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of such acquisition;
- (5) Liens to secure the performance of statutory or regulatory obligations, insurance, surety or appeal bonds, workers compensation obligations, bid, plugging and abandonment and performance bonds or other obligations of a like nature incurred in the ordinary course of business or otherwise described in clause (10) of the definition of Permitted Debt (including Liens to secure letters of credit issued to assure payment of such obligations);
- (6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the definition of Permitted Debt covering only the assets acquired with or financed by such Indebtedness;
- (7) Liens existing on the date of the 2024 Indenture;



- (8) Liens created for the benefit of (or to secure) the 2024 Notes (or the 2024 Note Guarantees);
  
- (9) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the 2024 Indenture; *provided, however*, that:
  - (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien; and
  
  - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay accrued interest and any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
  
- (10) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

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- (11) filing of Uniform Commercial Code financing statements as a precautionary measure in connection with operating leases;
- (12) bankers' Liens, rights of setoff, rights of revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (13) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (14) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (15) grants of software and other technology licenses in the ordinary course of business;
- (16) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (17) Liens in respect of Production Payments and Reserve Sales; *provided*, that such Liens are limited to the property that is subject to such Production Payments and Reserve Sales;
- (18) Liens arising under oil and gas leases or subleases, assignments, farm-out agreements, farm-in agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of Hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, joint venture agreements, partnership agreements, operating agreements, royalties, working interests, net profits interests, joint interest billing arrangements, participation agreements, production sales contracts, area of mutual interest agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, licenses, sublicenses and other agreements that are customary in the Oil and Gas Business; *provided, however*, in all instances that such Liens are limited to the assets that are the subject of the relevant agreement, program, order or contract;
- (19) Liens to secure performance of Hedging Obligations of the Company or any of its Restricted Subsidiaries;
- (20) Liens imposed by law, including landlords', carriers', warehousemen's, mechanics', materialmen's and repairmen's Liens, or related contracts in the ordinary course of business, in each case for sums not overdue for more than 60 days (or which, if due and payable, are being contested in good faith by appropriate

proceedings provided appropriate reserves required pursuant to GAAP have been made in respect thereof);

- (21) Liens for taxes, assessments or other governmental charges not overdue for more than 30 days (or which, if so overdue, are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to GAAP have been made in respect thereof) or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on the Company and the Restricted Subsidiaries of the Company taken as a whole;
  
- (22) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary of the Company in the ordinary course of its business; *provided, however*, that such letters of credit do not constitute Indebtedness;
  
- (23) survey exceptions, encumbrances, ground leases, easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations of, or rights of others for, licenses, rights-of-way,

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roads, pipelines, transmission liens, transportation liens, distribution lines for the removal of gas, oil, coal or other minerals or timber, sewers, electric lines, telegraph and telephone lines and other similar purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, Liens related to surface leases and surface operations, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of the Company or any Restricted Subsidiary of the Company or to the ownership of its properties that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company or any Restricted Subsidiary of the Company;

- (24) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) that do not materially interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary of the Company;
- (25) any interest or title of a lessor under any operating lease;
- (26) Liens on pipelines or pipeline facilities that arise by operation of law;
- (27) Liens arising under the 2024 Indenture in favor of the trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness permitted to be incurred under the 2024 Indenture, *provided*, that such Liens are solely for the benefit of the trustees, agents, or representatives in their capacities as such and not for the benefit of the holders of such Indebtedness;
- (28) Liens (a) on advances of cash or Cash Equivalents in favor of the seller of any property to be acquired by the Company or any Restricted Subsidiary of the Company under clause (3) of the definition of Permitted Investment to be applied against the purchase price for such Investment, (b) consisting of an agreement to dispose of any property in a disposition permitted under the 2024 Indenture and (c) on cash earnest money deposits made by the Company or any Restricted Subsidiary of the Company in connection with any letter of intent or purchase agreement permitted under the 2024 Indenture;
- (29) Liens incurred by the Company or any Restricted Subsidiary of the Company with respect to Indebtedness and other obligations at any one time outstanding that do not exceed in aggregate principal or face amount the greater of (a) \$75.0 million and (b) 2.25% of Adjusted Consolidated Net Tangible Assets determined as of the date such Lien is granted or, if later, the date such Indebtedness or other obligation is incurred;
- (30) any Lien renewing, extending, refinancing, replacing, or refunding a Lien permitted by this definition, provided that (a) the principal amount of the Indebtedness secured by such Lien is not increased except by an amount equal to accrued interest and a reasonable premium or other reasonable amount paid, and fees, costs and expenses reasonably incurred, in connection therewith and by an amount equal to any existing commitments unutilized thereunder and (b) no assets encumbered by any such Lien other than the assets permitted to be encumbered immediately prior to such renewal, extension, refinancing, replacement or

refunding are encumbered thereby;

- (31) Liens arising from the deposit of funds or securities in trust for the purpose of decreasing, discharging, redeeming or defeasing Indebtedness if such deposit of funds or securities and such decreasing, discharging, redeeming or defeasing of Indebtedness are not prohibited under the covenant described under the caption *Certain Covenants Restricted Payments* ;
- (32) Liens (other than Liens securing Indebtedness) on, or related to, properties or assets to secure all or part of the costs incurred in the ordinary course of business for the exploration, drilling, development, production, processing, gathering, transportation, marketing or storage, plugging, abandonment or operation thereof; and
- (33) (a) Liens on Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary, and  
(b) Liens on Equity Interests in Joint Ventures to secure Non-Recourse Debt.

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In each case set forth above, notwithstanding any stated limitation on the assets or property that may be subject to such Lien, a Permitted Lien on a specified asset or property or group or type of assets or property may include Liens on all improvements, additions, repairs, attachments and accessions thereto, construction thereon, assets and property affixed or appurtenant thereto, parts, replacements and substitutions therefor and all products and proceeds thereof, including dividends, distributions, interest and increases in respect thereof.

*Permitted Refinancing Indebtedness* means any Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries incurred or issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, defease, discharge or otherwise retire for value other Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness or Disqualified Stock extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value (plus all accrued interest on the Indebtedness or accrued and unpaid dividends on the Disqualified Stock, as the case may be, and the amount of all fees, costs and expenses, including premiums, incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has (a) a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value and (b) a final maturity date that is (i) later than the final maturity date of the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value or (ii) more than 90 days after the final maturity date of the 2024 Notes;
- (3) if the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value is subordinated in right of payment to the 2024 Notes or the 2024 Note Guarantees, such Permitted Refinancing Indebtedness is contractually subordinated or otherwise junior in right of payment to the 2024 Notes or the 2024 Note Guarantees, as applicable, on terms at least as favorable to the holders of 2024 Notes as those contained in the documentation governing the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value, as determined in good faith by the Company; and
- (4) such Indebtedness is not incurred (other than by way of a Guarantee) by a Restricted Subsidiary of the Company that is not a Guarantor if the Company is the issuer or other primary obligor on the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged.

*Person* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

*Preferred Stock* means, with respect to any Person, any and all preferred or preference stock or other similar Equity Interests (however designated) of such Person whether outstanding or issued after the date of the 2024 Indenture.

*Production Payments* means Dollar-Denominated Production Payments and Volumetric Production Payments, collectively.

*Production Payments and Reserve Sales* means the grant or transfer by the Company or any of its Restricted Subsidiaries to any Person of a royalty, overriding royalty, net profits interest, Production Payment, partnership or other interest in Oil and Gas Properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties where the holder of such interest has recourse solely to such production or proceeds of production, subject to the obligation of the grantor

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or transferor to operate and maintain, or cause the subject interests to be operated and maintained, in a reasonably prudent manner or other customary standard or subject to the obligation of the grantor or transferor to indemnify for environmental, title or other matters customary in the Oil and Gas Business, including any such grants or transfers pursuant to incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists or other providers of technical services to the Company or any of its Restricted Subsidiaries.

*Qualified MLP Assets* means assets used in the gathering, distributing, marketing, treating, processing, transporting of, or storage, disposal, or other handling of, Hydrocarbons, water, or other products or substances commonly created, used, recovered, produced or processed in the conduct of the Oil and Gas Business, including production, compression, pumping, treatment and disposal facilities, gathering lines and systems, and other assets commonly considered midstream assets or useful in connection with the conduct of midstream operations.

*Qualified MLP IPO* means the initial registered public offering of Capital Stock of an Unrestricted Subsidiary of the Company that is treated as a partnership for U.S. federal income tax purposes.

*Qualifying Equity Interests* means Equity Interests of the Company other than Disqualified Stock and Equity Interests of the Company sold to a Subsidiary or an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan, option plan or similar trust is financed by loans from or Guaranteed by the Company or any Restricted Subsidiary (unless such loans have been repaid with cash on or prior to the date of determination).

*Qualifying Owners* means each of: (i) Wexford Capital, LLC and any Affiliated funds and investment vehicles and holding companies directly or indirectly owned, controlled or managed by Wexford Capital, LLC or any other Person that is a Qualifying Owner or (ii) any general partner, managing member or managing partner of any of the Persons described in clause (i) above.

*Restricted Investment* means an Investment other than a Permitted Investment.

*Restricted Subsidiary* of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

*S&P* means Standard & Poor's Ratings Services, and any successor to the ratings business thereof.

*SEC* means the Securities and Exchange Commission.

*Significant Subsidiary* means any Restricted Subsidiary that would be a significant subsidiary as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the 2024 Indenture.

*Special Interest* has the meaning assigned to that term pursuant to the 2024 registration rights agreement.

*Start Date* means September 18, 2013.

*Stated Maturity* means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof. Unless otherwise specified or implied by the context, *Stated Maturity* means the Stated Maturity of the principal of the 2024 Notes.





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*Subsidiary* means, with respect to any specified Person:

- (1) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than 50% of the total voting power of its Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

Unless otherwise specified or the context shall otherwise require, each reference to a *Subsidiary* will refer to a Subsidiary of the Company.

*Treasury Management Arrangement* means any agreement or other arrangement governing the provision of treasury or cash management services, including deposit accounts, overdraft, credit or debit card, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services and other cash management services.

*Treasury Rate* means, as of any redemption date, the yield to maturity as of the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to November 1, 2019; *provided, however*, that if the period from the redemption date to November 1, 2019 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Company will (a) calculate the Treasury Rate on the second business day preceding the applicable redemption date and (b) prior to such redemption date file with the trustee an officers' certificate setting forth the Applicable Premium and the Treasury Rate and showing the calculation of each in reasonable detail.

*Unrestricted Subsidiary* means any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only if at the time of such designation such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company that is prohibited by the covenant described above under the caption *Certain Covenants Transactions with Affiliates*; and

- (3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results other than any such obligation arising out of liability with respect to Customary Recourse Exceptions.

Notwithstanding the foregoing and notwithstanding the provisions of the covenant described above under the caption *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*, (i) Viper Energy Partners LLC, Viper Energy Partners GP LLC, Viper Energy Partners LP and Rattler Midstream LLC shall be Unrestricted Subsidiaries as of the date of the 2024 Indenture and (ii) all Subsidiaries of an Unrestricted Subsidiary shall also be Unrestricted Subsidiaries.

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*Volumetric Production Payments* means production payment obligations recorded as deferred revenue in accordance with GAAP, together with all undertakings and obligations in connection therewith.

*Voting Stock* of any specified Person as of any date means the Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of Capital Stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors of such Person; *provided* that with respect to a limited partnership or other entity that does not have a Board of Directors, Voting Stock means the Capital Stock of the general partner of such limited partnership or other business entity with the ultimate authority to manage the business and operations of such Person.

*Weighted Average Life to Maturity* means, when applied to any Indebtedness or Disqualified Stock at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, redemption or similar payment including payment at final maturity, in respect of the Indebtedness or Disqualified Stock, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
  
- (2) the then outstanding aggregate principal amount of such Indebtedness or Disqualified Stock.

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**DESCRIPTION OF 2025 EXCHANGE NOTES**

Diamondback Energy, Inc. issued the 2025 Initial Notes, and will issue the 2025 Exchange Notes, under an Indenture dated December 20, 2016 (as such may be amended or supplemented from time to time, the *2025 Indenture* ) among itself, the subsidiary guarantors and Wells Fargo Bank, National Association, as Trustee. The terms of the 2025 Exchange Notes include those stated in the 2025 Indenture and those made part of the 2025 Indenture by reference to the Trust Indenture Act. The form of 2025 Exchange Notes will be identical in all material respects to that of the 2025 Initial Notes except that the 2025 Exchange Notes have been registered under the Securities Act and, therefore, will not bear legends restricting their transfer and the registration rights will generally not apply to the 2025 Exchange Notes. The 2025 Exchange Notes will not represent new Indebtedness of the Company.

You can find the definitions of certain terms used in this description under the subheading *Certain Definitions under 2025 Indenture*. In this description, the word *the Company* refers only to Diamondback Energy, Inc. and not to any of its Subsidiaries individually, as appropriate in the context.

The following description is only a summary of the material provisions of the 2025 Indenture. We urge you to read the 2025 Indenture because it, not this description, defines your rights as holders of the 2025 Exchange Notes. You may request a copy of the Indenture governing the 2025 Notes at our address set forth under the heading *Where You Can Find More Information*.

The registered holder of a 2025 Exchange Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the 2025 Indenture, and all references to *holders* in this description are to registered holders of 2025 Notes.

**Brief Description of the 2025 Exchange Notes and the 2025 Note Guarantees**

***The 2025 Exchange Notes***

The 2025 Exchange Notes, like the 2025 Initial Notes, will be:

general unsecured obligations of the Company;

*pari passu* in right of payment with all existing and future senior Indebtedness of the Company;

senior in right of payment to any future subordinated Indebtedness of the Company; and

unconditionally guaranteed by the Guarantors.

***The 2025 Note Guarantees***

Initially, the 2025 Exchange Notes, like the 2025 Initial Notes, will be guaranteed by all of the Company's Subsidiaries that are Restricted Subsidiaries under the 2025 Indenture.

Each guarantee of the 2025 Exchange Notes will be:

a general unsecured obligation of that Guarantor;

*pari passu* in right of payment with all existing and future senior Indebtedness of that Guarantor; and

senior in right of payment to any future subordinated Indebtedness of that Guarantor.

The 2025 Notes and the 2025 Note Guarantees will be effectively subordinated to all borrowings and other obligations under the Credit Agreement and other secured Indebtedness to the extent of the value of the collateral securing such Indebtedness, and structurally subordinated to all indebtedness and other liabilities of our Subsidiaries that do not guarantee the 2025 Notes. The 2025 Notes will not be guaranteed by our Subsidiaries

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that are designated as Unrestricted Subsidiaries under the 2025 Indenture. Rattler, Viper, Viper's general partner and Viper's subsidiary were designated as Unrestricted Subsidiaries under the 2025 Indenture. As of December 31, 2016, Viper, an unrestricted subsidiary under the 2025 Indenture, had \$120.5 million of outstanding borrowings and \$154.5 million available for borrowing under its revolving credit facility, which is guaranteed by Viper's subsidiary. Although none of our other unrestricted subsidiaries under the 2025 Indenture had any borrowings as of December 31, 2016, Rattler, which is also an unrestricted subsidiary under the 2025 Indenture, is a guarantor of our revolving credit agreement. At December 31, 2016, our non-guarantor subsidiaries had \$2.2 million of outstanding liabilities, including trade payables, but excluding intercompany obligations, Viper's borrowings under its revolving credit facility and Viper's subsidiary's guarantee thereof, and Rattler's guarantee of our revolving credit agreement. Our non-guarantor subsidiaries generated 15% of our total revenues and \$72.6 million of our adjusted EBITDA for the year ended December 31, 2016, of which Rattler generated 0% and \$0. See *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness The Exchange Notes and the guarantees will be unsecured and effectively junior to the claims of any existing and future secured creditors to the extent of the value of the collateral pledged to such creditors* and *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness The Initial Notes are, and the Exchange Notes will be, structurally junior to indebtedness of our non-guarantor subsidiaries*.

As of the date of this prospectus, Diamondback O&G LLC and Diamondback E&P LLC are Restricted Subsidiaries under the 2025 Indenture. Under the circumstances described below under the caption *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*, the Company will be permitted to designate additional Subsidiaries as Unrestricted Subsidiaries, including in connection with a Qualified MLP IPO. The Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the 2025 Indenture. The Unrestricted Subsidiaries will not guarantee the 2025 Notes.

**Principal, Maturity and Interest**

The Company will issue the 2025 Exchange Notes with a maximum aggregate principal amount of \$500.0 million. The Company may issue additional notes under the 2025 Indenture from time to time (the *2025 Additional Notes*). Any issuance of 2025 Additional Notes is subject to all of the covenants in the 2025 Indenture, including the covenant described below under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*. The 2025 Initial Notes, the 2025 Exchange Notes and any 2025 Additional Notes subsequently issued under the 2025 Indenture will be treated as a single class for all purposes under the 2025 Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless the context otherwise requires, for all purposes of this *Description of 2025 Exchange Notes*, references to the 2025 Notes include the 2025 Initial Notes, the 2025 Exchange Notes and any 2025 Additional Notes actually issued.

The Company will issue 2025 Notes in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000. The 2025 Notes will mature on May 31, 2025.

Interest on the 2025 Notes accrues at the rate of 5.375% per annum and is payable semi-annually in arrears on May 31 and November 30, commencing on May 31, 2017. Interest on overdue principal, interest and Special Interest, if any, will accrue at a rate that is 1.0% higher than the then applicable interest rate on the 2025 Notes. The Company will make each interest payment to the holders of record on the immediately preceding May 15 and November 15 for the 2025 Notes.

Interest on the 2025 Notes accrues from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If an interest payment date falls on a day that is not a business day, the interest payment to be made on such interest payment date will be made on the next succeeding business day with the same force and effect as if made on such interest payment date, and no additional interest will accrue solely as a result of such delayed payment.



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### **Methods of Receiving Payments on the 2025 Notes**

The Company will make payments in respect of the 2025 Notes represented by Global Notes as specified below under the caption *Book-Entry Settlement and Clearance*. If a holder of 2025 Notes has given wire transfer instructions to the Company, the Company will pay all principal of, premium, if any, on and interest and Special Interest, if any, on, that holder's 2025 Notes in accordance with those instructions to an account in the United States. All other payments on the 2025 Notes will be made at the office or agency of the paying agent and registrar within the City and State of New York unless the Company elects to make interest payments by check mailed to the noteholders at their addresses set forth in the register of holders.

### **Paying Agent and Registrar for the 2025 Notes**

We have appointed Wells Fargo Bank, National Association, the trustee as paying agent and registrar. The Company may change the paying agent or registrar without prior notice to the holders of the 2025 Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

### **Transfer and Exchange**

A holder may transfer or exchange 2025 Notes in accordance with the provisions of the 2025 Indenture. The registrar and the trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of 2025 Notes. Holders will be required to pay all taxes due on transfer. The Company will not be required to transfer or exchange any 2025 Note selected for redemption. Also, the Company will not be required to transfer or exchange any 2025 Note for a period of 15 days before a selection of 2025 Notes to be redeemed or between a record date and the next succeeding interest payment date.

### **2025 Note Guarantees**

Initially, all of the 2025 Notes, including the 2025 Exchange Notes, will be guaranteed by each of the Company's Subsidiaries that is a Restricted Subsidiary under the 2025 Indenture. In the future, any Restricted Subsidiary that either (1) Guarantees any Indebtedness of the Company or any Guarantor or (2) is a Domestic Subsidiary and is an obligor with respect to any Indebtedness under any Credit Facility, in each case, will be required to guarantee the 2025 Notes under the circumstances described under *Certain Covenants Additional Note Guarantees*. These 2025 Note Guarantees will be joint and several obligations of the Guarantors. The obligations of each Guarantor under its 2025 Note Guarantee will be limited to attempt to prevent that 2025 Note Guarantee from constituting a fraudulent conveyance under applicable law, although this limitation may not be effective to prevent the 2025 Note Guarantees from being voided in bankruptcy. See *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness The guarantees provided by the guarantors may not be enforceable and, under specific circumstances, federal and state courts may void the guarantees and require holders to return payments received from the guarantors*.

A Guarantor may not sell or otherwise dispose of, in one or more related transactions, all or substantially all of its properties or assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company, or another Guarantor, unless:

- (1) immediately after giving effect to such transaction or series of transactions, no Default or Event of Default exists; and

(2) either:

- (a) the Person acquiring the properties or assets in any such sale or other disposition or the Person formed by or surviving any such consolidation or merger (if other than the Guarantor) unconditionally assumes all the obligations of that Guarantor under its 2025 Note Guarantee, the 2025 Indenture and the 2025 registration rights agreement pursuant to a supplemental indenture substantially in the form specified in the 2025 Indenture; or

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- (b) if subject to such covenant, such transaction or series of transactions does not violate the Asset Sale provisions of the 2025 Indenture.

The 2025 Note Guarantee of a Guarantor will be automatically released:

- (1) in connection with any sale or other disposition of all or substantially all of the properties or assets of that Guarantor, including by way of merger, consolidation or otherwise, to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the Asset Sale provisions of the 2025 Indenture;
- (2) in connection with any sale or other disposition of the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if the sale or other disposition does not violate the Asset Sale provisions of the 2025 Indenture and the Guarantor ceases to be a Restricted Subsidiary of the Company as a result of the sale or other disposition;
- (3) if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the 2025 Indenture;
- (4) upon legal defeasance, covenant defeasance or satisfaction and discharge of the 2025 Indenture as provided below under the captions *Legal Defeasance and Covenant Defeasance* and *Satisfaction and Discharge* ;
- (5) at such time as such Guarantor ceases both (a) to Guarantee any other Indebtedness of the Company or any other Guarantor (except as a result of payment under any such other Guarantee) and (b) to be a Domestic Subsidiary that is an obligor with respect to any Indebtedness under any Credit Facility; or
- (6) upon the liquidation or dissolution of such Guarantor, if no Default or Event of Default has occurred that is continuing.

See *Repurchase at the Option of Holders Asset Sales* and *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*. Also see *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness Subsidiaries that hold significant assets are not guarantors*.

Upon delivery by the Company to the trustee of an officers certificate and an opinion of counsel to the effect that any of the conditions described above has occurred, the trustee will execute any supplemental indenture or other documents reasonably requested by the Company in order to evidence the release of any Guarantor from its obligations under its 2025 Note Guarantee and the 2025 Indenture.

**Optional Redemption**

At any time prior to May 31, 2020, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2025 Notes issued under the 2025 Indenture upon not less than 30 nor more than 60 days notice, at a redemption price equal to 105.375% of the principal amount of the 2025 Notes redeemed, plus

accrued and unpaid interest and Special Interest, if any, to the date of redemption (subject to the rights of holders of 2025 Notes on the relevant record date to receive interest on the relevant interest payment date), with an amount of cash not greater than the net cash proceeds of one or more Equity Offerings; *provided* that:

- (1) at least 65% of the aggregate principal amount of 2025 Notes originally issued under the 2025 Indenture (excluding 2025 Notes held by the Company and its Subsidiaries) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 120 days of the date of the closing of such Equity Offering.

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At any time prior to May 31, 2020, the Company may on any one or more occasions redeem all or a part of the 2025 Notes upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the 2025 Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest and Special Interest, if any, to the date of redemption, subject to the rights of holders of 2025 Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after May 31, 2020, the Company may on any one or more occasions redeem all or a part of the 2025 Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount of the 2025 Notes to be redeemed) set forth below, plus accrued and unpaid interest and Special Interest, if any, on the 2025 Notes to be redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on May 31 of the years indicated below, subject to the rights of holders of 2025 Notes on the relevant record date to receive interest on the relevant interest payment date:

**2025 Notes**

<b>Year</b>	<b>Percentage</b>
2020	104.031%
2021	102.688%
2022	101.344%
2023 and thereafter	100.000%

Unless the Company defaults in the payment of the redemption price, or the redemption is subject to satisfaction of one or more conditions precedent, and such conditions precedent are not satisfied, interest will cease to accrue on the 2025 Notes or portions thereof called for redemption on the applicable redemption date.

Except pursuant to the preceding paragraphs and the final paragraph under *Repurchase at the Option of Holders' Change of Control*, the 2025 Notes will not be redeemable at the Company's option. If an optional redemption is subject to satisfaction of one or more conditions precedent, the redemption date may be delayed up to 10 business days. If such conditions precedent are not satisfied within 10 business days of the proposed redemption date, such redemption shall not occur and the notice thereof shall be deemed rescinded.

**Mandatory Redemption**

The Company is not required to make mandatory redemption or sinking fund payments with respect to the 2025 Notes.

**Repurchase at the Option of Holders*****Change of Control***

If a Change of Control occurs, each holder of 2025 Notes will have the right to require the Company to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess thereof) of that holder's 2025 Notes pursuant to an offer (a *Change of Control Offer*) on the terms set forth in the 2025 Indenture. In the Change of Control Offer, the Company will offer a payment in cash (a *Change of Control Payment*) equal to 101% of the aggregate principal amount of 2025 Notes repurchased, plus accrued and unpaid interest and Special Interest, if any, on the 2025 Notes repurchased to the date of purchase (the *Change of Control Purchase Date*), subject to the rights of holders of 2025 Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days

following any Change of Control, the Company will send a notice to each holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase 2025 Notes properly tendered prior to the expiration date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is sent, pursuant to the procedures required by the 2025 Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the 2025 Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control

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provisions of the 2025 Indenture, the Company will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under the Change of Control provisions of the 2025 Indenture by virtue of such compliance.

Promptly following the expiration of the Change of Control Offer, the Company will, to the extent lawful, accept for payment all 2025 Notes or portions of 2025 Notes properly tendered pursuant to the Change of Control Offer.

Promptly after such acceptance, the Company will, on the Change of Control Purchase Date:

- (1) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all 2025 Notes or portions of 2025 Notes properly tendered; and
- (2) deliver or cause to be delivered to the trustee the 2025 Notes properly accepted together with an officers certificate stating the aggregate principal amount of 2025 Notes or portions of 2025 Notes being purchased by the Company.

The paying agent will promptly mail or wire transfer to each holder of 2025 Notes properly tendered the Change of Control Payment for such 2025 Notes (or, if all the 2025 Notes are then in global form, make such payment through the facilities of DTC), and the trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new 2025 Note equal in principal amount to any unpurchased portion of the 2025 Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the 2025 Indenture are applicable. Except as described above with respect to a Change of Control, the 2025 Indenture does not contain provisions that permit the holders of the 2025 Notes to require that the Company repurchase or redeem the 2025 Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the time and otherwise in compliance with the requirements set forth in the 2025 Indenture applicable to a Change of Control Offer made by the Company and purchases all 2025 Notes properly tendered and not withdrawn under the Change of Control Offer, (2) notice of redemption has been given pursuant to the 2025 Indenture as described above under the caption *Optional Redemption*, unless and until there is a default in payment of the applicable redemption price, or (3) in connection with or in contemplation of any Change of Control, the Company has made an offer to purchase (an *Alternate Offer*) any and all 2025 Notes validly tendered at a cash price equal to or higher than the Change of Control Payment and, on and after the relevant purchase date, has purchased all 2025 Notes properly tendered in accordance with the terms of such Alternate Offer. Notwithstanding anything to the contrary contained in the 2025 Indenture, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase *substantially all*, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of 2025 Notes to require the Company to repurchase its 2025 Notes as a result of a sale, lease, transfer, conveyance or other disposition of less

than all of the properties or assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

In the event that holders of not less than 90% in aggregate principal amount of the outstanding 2025 Notes accept a Change of Control Offer and the Company (or any third party making such Change of Control Offer in lieu of the Company as described above) purchases all of the 2025 Notes held by such holders, the Company will



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have the right, upon not less than 30 nor more than 60 days prior notice, given not more than 30 days following the purchase pursuant to the Change of Control Offer described above, to redeem all of the 2025 Notes that remain outstanding following such purchase at a redemption price equal to the Change of Control Payment plus, to the extent not included in the Change of Control Payment, accrued and unpaid interest and Special Interest, if any, on the 2025 Notes that remain outstanding, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

***Asset Sales***

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) the Company (or a Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (measured as of the date of the definitive agreement with respect to such Asset Sale) of the assets or Equity Interests issued or sold or otherwise disposed of; and
- (2) at least 75% of the aggregate consideration received in the Asset Sale by the Company or a Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this clause (2) only, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the 2025 Notes or any 2025 Note Guarantee) that are assumed by the transferee of any such assets (or an Affiliate thereof) pursuant to a customary novation or indemnity agreement that releases the Company or such Restricted Subsidiary from or indemnifies against further liability;
  - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are, within 180 days after the Asset Sale, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;
  - (c) any Capital Stock or assets of the kind referred to in clause (2) or (4) of the next paragraph of this covenant;
  - (d) any Designated Non-cash Consideration received by the Company or such Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (d) that is at that time outstanding, no greater than 5.0% of the Adjusted Consolidated Net Tangible Assets at the time of the receipt of such Designated Non-cash Consideration, with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value; and

- (e) with respect to any Asset Sale of Oil and Gas Properties by the Company or a Restricted Subsidiary where the Company or such Restricted Subsidiary retains an interest in such property, the costs and expenses of the Company or such Restricted Subsidiary related to the exploration, development, completion or production of such property and activities related thereto that the transferee of such property (or an Affiliate thereof) agrees to pay.

Within 360 days after the receipt of any Net Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Proceeds at its option to any combination of the following:

- (1) to repay, purchase, repurchase, redeem, defease or otherwise acquire, retire or terminate (a) Indebtedness and all other Obligations related thereto that are secured by a Lien or (b) Obligations under Indebtedness of a Restricted Subsidiary that is not a Guarantor (other than Indebtedness owed to the Company or another Restricted Subsidiary);

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- (2) to acquire all or substantially all of the assets of, or any Capital Stock of, one or more other Persons primarily engaged in the Oil and Gas Business, if, after giving effect to any such acquisition of Capital Stock, such Person becomes a Restricted Subsidiary of the Company;
- (3) to make capital expenditures in respect of the Company's or any Restricted Subsidiary's Oil and Gas Business; or
- (4) to acquire assets (other than Capital Stock) that are not classified as current assets under GAAP and that are used or useful in the Oil and Gas Business.

The requirement of clauses (2) through (4) of the preceding paragraph shall be deemed to be satisfied if a bona fide binding contract committing to make the investment, acquisition or expenditure referred to therein is entered into by the Company or any Restricted Subsidiary, as the case may be, with a Person other than an Affiliate of the Company within the time period specified in the preceding paragraph and such Net Proceeds are subsequently applied in accordance with such contract within six months following the date such agreement is entered into.

The Company (or any Restricted Subsidiary) may expend or invest the Net Proceeds in any manner that is not prohibited by the 2025 Indenture, including temporarily reducing revolving credit borrowings.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute *Excess Proceeds*. When the aggregate amount of Excess Proceeds exceeds \$20.0 million, within 30 days thereafter, the Company will make an offer (an *Asset Sale Offer*) to all holders of 2025 Notes and all holders of other Indebtedness that is *pari passu* with the 2025 Notes containing provisions similar to those set forth in the 2025 Indenture with respect to offers to purchase, prepay or redeem with the proceeds of sales of assets to purchase, prepay or redeem, on a *pro rata* basis, the maximum principal amount of 2025 Notes and such other *pari passu* Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Special Interest, if any, to the date of purchase, prepayment or redemption, subject to the rights of holders of 2025 Notes on the relevant record date to receive interest due on the relevant interest payment date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the 2025 Indenture. If the aggregate principal amount of 2025 Notes and other *pari passu* Indebtedness tendered in (or required to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds, the trustee will select the 2025 Notes and such other *pari passu* Indebtedness to be purchased, prepaid or redeemed on a *pro rata* basis (except that any 2025 Notes represented by a Note in global form will be selected by such method as DTC or its nominee or successor may require or, where such nominee or successor is the trustee, a method that most nearly approximates *pro rata* selection as the trustee deems fair and appropriate unless otherwise required by law), based on the amounts tendered or required to be prepaid or redeemed (with such adjustments as may be deemed appropriate by the Company so that only 2025 Notes in denominations of \$2,000, or an integral multiple of \$1,000 in excess thereof, will be purchased). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of 2025 Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the 2025 Indenture, the Company will comply with the applicable securities laws and regulations and will be deemed not to have breached its obligations under the Asset Sale provisions of the

2025 Indenture by virtue of such compliance.

The Credit Agreement contains, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control or an Asset Sale. The exercise by the holders of 2025

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Notes of their right to require the Company to repurchase the 2025 Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Company or otherwise. In the event a Change of Control or Asset Sale occurs at a time when the Company is prohibited from purchasing 2025 Notes, the Company could seek the consent of its senior lenders to the purchase of 2025 Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing 2025 Notes. In that case, the Company's failure to purchase tendered 2025 Notes would constitute an Event of Default under the 2025 Indenture, which could, in turn, constitute a default under the other indebtedness. Finally, the Company's ability to pay cash to the holders of 2025 Notes upon a repurchase may be limited by the Company's then existing financial resources. See *Risk Factors Risks Related to the Exchange Notes and Our Other Indebtedness Upon a change of control, we may not have the ability to raise the funds necessary to finance the change of control offer required by the Indentures, which would violate the terms of the Notes.*

All references herein to *Net Proceeds* and *Excess Proceeds* shall be deemed to mean cash in an amount equal to the amount of Net Proceeds or Excess Proceeds but not necessarily the actual cash received from the relevant Asset Sale. The Company and its Subsidiaries shall have no obligation to segregate, trace or otherwise identify Net Proceeds or Excess Proceeds (other than the amount thereof), it being agreed that cash is fungible and that the Company's obligations under this covenant may be satisfied by the application of funds from other sources.

## **Selection and Notice**

If less than all of the 2025 Notes are to be redeemed at any time, the trustee will select 2025 Notes for redemption on a *pro rata* basis (or, in the case of 2025 Notes issued in global form as discussed under *Book-Entry Settlement and Clearance*, based on a method as DTC or its nominee or successor may require or, where such nominee or successor is the trustee, a method that most nearly approximates a pro rata selection as the trustee deems fair and appropriate) unless otherwise required by law or applicable stock exchange or depositary requirements.

No 2025 Notes of \$2,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail (or when the 2025 Notes are represented by Global Notes sent electronically pursuant to the applicable procedures of DTC) at least 30 but not more than 60 days before the redemption date to each holder of 2025 Notes to be redeemed at its registered address, except that redemption notices may be sent more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the 2025 Notes or a satisfaction and discharge of the 2025 Indenture. Notices of redemption may be conditional as specified in the 2025 Indenture.

If any 2025 Note is to be redeemed in part only, the notice of redemption that relates to that 2025 Note will state the portion of the principal amount of that 2025 Note that is to be redeemed. A new 2025 Note in principal amount equal to the unredeemed portion of the original 2025 Note will be issued in the name of the holder of 2025 Notes upon cancellation of the original 2025 Note. 2025 Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on 2025 Notes or portions of 2025 Notes called for redemption.

## **Certain Covenants**

### ***Suspension of Covenants if Notes Rated Investment Grade***

If on any date following the date of the 2025 Indenture:

- (1) the 2025 Notes are rated Baa3 or better by Moody's and BBB- or better by S&P (or, if either such entity ceases to rate the 2025 Notes for reasons outside of the control of the Company, the equivalent

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investment grade credit rating from any other nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act selected by the Company as a replacement agency); and

(2) no Default or Event of Default shall have occurred and be continuing, then, upon the Company's delivery of notice of such events to the trustee, the covenants specifically listed under the following captions in this prospectus will be suspended with respect to such 2025 Notes:

- (a) *Repurchase at the Option of Holders Asset Sales* ;
- (b) *Certain Covenants Restricted Payments* ;
- (c) *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* ;
- (d) *Certain Covenants Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries* ;
- (e) *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries* ;
- (f) *Certain Covenants Transactions with Affiliates* ; and
- (g) clause (4) of the covenant described below under the caption *Certain Covenants Merger, Consolidation or Sale of Assets*.

During any period that the foregoing covenants have been suspended, the Company's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries under the 2025 Indenture pursuant to the covenant described below under the caption *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*.

Notwithstanding the foregoing, if the rating assigned by either such rating agency should subsequently decline to below Baa3 or BBB-, respectively, the foregoing covenants will be reinstated as of and from the date of such rating decline. Calculations under the reinstated *Restricted Payments* covenant will be made as if the *Restricted Payments* covenant had been in effect since the date of the 2025 Indenture except that no Default will be deemed to have occurred solely by reason of a *Restricted Payment* made while that covenant was suspended.

There can be no assurance that the 2025 Notes will ever achieve an investment grade rating or that any such rating will be maintained.

***Restricted Payments***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends, payments or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends, payments or distributions payable to the Company or a Restricted Subsidiary of the Company);
  
- (2) repurchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company (other than Equity Interests owned by the Company or any Restricted Subsidiary of the Company);



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- (3) make any principal payment on or with respect to, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to the scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of the Company or any Guarantor that is contractually subordinated in right of payment to the 2025 Notes or to any 2025 Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except payments, purchases, repurchases, redemptions defeasances or other acquisitions or retirements at or within one year prior to the Stated Maturity thereof; or
- (4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as *Restricted Payments* ), unless, at the time of and after giving effect to such Restricted Payment:
- (a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* ; and
- (c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the Start Date (all payment calculations being made as if this covenant had been in effect as of the Start Date and at all times thereafter, and excluding Restricted Payments permitted by clauses (2) through (11) of the next succeeding paragraph), is less than the sum, without duplication, of:
- (i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from October 1, 2013 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); plus
- (ii) 100% of the aggregate net cash proceeds and the Fair Market Value of property or assets other than cash used or useful in the Oil and Gas Business (including Equity Interests of Persons (other than the Company or a Subsidiary of the Company) engaged primarily in the Oil and Gas Business), in each case received by the Company since the Start Date as a contribution to its common equity capital or from the issue or sale of Qualifying Equity Interests or convertible or exchangeable Disqualified Stock or Indebtedness of the Company, in each case that has been converted into or exchanged for Qualifying Equity Interests since the Start Date; plus
- (iii)

to the extent not already included in Consolidated Net Income for such period, if any Restricted Investment that was made by the Company or any of its Restricted Subsidiaries after the Start Date is sold for cash (other than to the Company or any Subsidiary of the Company) or otherwise cancelled, released, liquidated or repaid for cash, the cash return of capital or other reduction with respect to such Restricted Investment resulting from such sale, liquidation, cancellation, release or repayment (less any out-of-pocket costs incurred in connection with any such transaction); plus

- (iv) the amount by which Indebtedness of the Company or its Restricted Subsidiaries (other than any Indebtedness which by its terms is subordinated in right of payment to the 2025 Notes or 2025 Note Guarantees) is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Start Date of any such Indebtedness of the Company or its Restricted Subsidiaries for or into Equity Interests

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(other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property (other than such Equity Interests), distributed by the Company upon such conversion or exchange and excluding the net cash proceeds from the conversion or exchange financed, directly or indirectly, using funds borrowed from the Company or any Subsidiary), together with the net proceeds, if any, received by the Company or any of its Restricted Subsidiaries upon such conversion or exchange; plus

- (v) to the extent that any Unrestricted Subsidiary of the Company designated as such after the Start Date is redesignated as a Restricted Subsidiary pursuant to the terms of the 2025 Indenture, or any Unrestricted Subsidiary of the Company or other Person in which the Company or a Restricted Subsidiary has a Restricted Investment is merged or consolidated with or into, or transfers or otherwise disposes of all or substantially all of its properties or assets to or is liquidated into, the Company or a Restricted Subsidiary, or such Person becomes a Restricted Subsidiary, after the Start Date, the lesser of, as of the date of such redesignation or other event, (A) the Fair Market Value of the Company's Restricted Investment in such Person (or of the properties or assets disposed of, as applicable) as of the date of such redesignation, merger, consolidation, transfer, disposition or liquidation and (B) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Start Date or, in the case of any other Person, the date such Restricted Investment was originally made; plus
- (vi) 50% of any dividends received in cash by the Company or a Restricted Subsidiary of the Company after the Start Date from an Unrestricted Subsidiary of the Company, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Company for such period.

The preceding provisions will not prohibit:

- (1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the 2025 Indenture;
- (2) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will not be considered to be net proceeds of Equity Interests for purposes of clause (c)(ii) of the preceding paragraph and will not be considered to be net cash proceeds from an Equity Offering for purposes of the Optional Redemption provisions of the 2025 Indenture;
- (3) the declaration and payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the holders of its Equity Interests on a *pro rata* basis;

- (4) the payment on or purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Company or any Guarantor that is contractually subordinated in right of payment to the 2025 Notes or to any 2025 Note Guarantee in exchange for, or out of or with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;
  
- (5) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the purchase, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries (or their respective estates, heirs, family members, spouses, former spouses or beneficiaries under their estates or other permitted transferees) pursuant to any equity subscription agreement, stock option agreement, employee benefit

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plan or to satisfy obligations under any Equity Interests appreciation rights or option plan or similar arrangement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such purchased, repurchased, redeemed, acquired or retired Equity Interests (excluding amounts representing cancellation of Indebtedness) may not exceed \$2.0 million in any calendar year, with unused amounts in any calendar year being permitted to be carried forward to succeeding calendar years plus, to the extent not previously applied or included, the net cash proceeds of key man life insurance policies received by the Company or any of its Restricted Subsidiaries after the Start Date;

- (6) the repurchase of Equity Interests deemed to occur upon the exercise, exchange or vesting of any equity compensation (including, without limitation, stock or other equity options, restricted stock, phantom stock, warrants, incentives, rights to acquire Equity Interests or other derivative securities) to the extent such Equity Interests represent a portion of the exercise or other price or cost thereof and any repurchase or other acquisition of Equity Interests made in lieu of or to satisfy withholding taxes in connection with any exercise, exchange or vesting of stock or other equity options, restricted stock, phantom stock, warrants, incentives, rights to acquire Equity Interests or other derivative securities;
- (7) so long as no Default or Event of Default has occurred and is continuing or would result therefrom, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or any Preferred Stock of any Restricted Subsidiary of the Company issued on or after the date of the 2025 Indenture in accordance with the Fixed Charge Coverage Ratio described below under the caption Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock ;
- (8) payments of cash, dividends, distributions, advances or other Restricted Payments by the Company or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon or in connection with (i) the exercise of options or warrants, (ii) the conversion or exchange of Capital Stock of any such Person or (iii) a merger or consolidation involving the Company or such Restricted Subsidiary or any other transaction not prohibited by the 2025 Indenture;
- (9) the payment, repurchase, redemption, defeasance or other acquisition or retirement for value of any subordinated Indebtedness in accordance with provisions substantially similar to those described under the captions *Repurchase at the Option of Holders Change of Control and Repurchase at the Option of Holders Asset Sales* ; *provided* that prior to such payment, purchase, repurchase, redemption, defeasance or other acquisition, all 2025 Notes tendered by holders in connection with a Change of Control Offer or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;
- (10) payments to dissenting stockholders of the Company not to exceed \$5.0 million in the aggregate made (i) pursuant to applicable law or (ii) in connection with the settlement or other satisfaction of legal claims made pursuant to or in connection with a consolidation, merger or transfer of assets in connection with a transaction not prohibited by the 2025 Indenture; and

(11)

so long as no Default or Event of Default has occurred and is continuing or would result therefrom, Restricted Payments in an aggregate amount not to exceed \$50.0 million since the Start Date. The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment (or, in the case of a dividend, on the date of declaration) of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined, in the case of amounts under \$40.0 million, by an officer of the Company and, in the case of amounts of \$40.0 million or more, by the Board of Directors of the Company whose resolution with respect thereto will be delivered to the trustee.

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**Table of Contents*****Incurrence of Indebtedness and Issuance of Preferred Stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to create, incur, issue, assume, Guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, *incur* ) any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any Preferred Stock; *provided, however*, that the Company may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, and the Guarantors may incur Indebtedness (including Acquired Debt) or issue Preferred Stock, if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock or such Preferred Stock is issued, as the case may be, would have been at least 2.25 to 1.00, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred or the Disqualified Stock or the Preferred Stock had been issued, as the case may be, at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness or issuances of Disqualified Stock or Preferred Stock, as applicable (collectively, *Permitted Debt* ):

- (1) the incurrence by the Company and any Guarantor of Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Guarantors thereunder) not to exceed the greater of (a) \$1.3 billion and (b) 35.0% of the Adjusted Consolidated Net Tangible Assets determined as of the date of such incurrence;
- (2) the incurrence by the Company and its Restricted Subsidiaries of (a) the Existing Indebtedness and (b) any Permitted Acquisition Indebtedness;
- (3) the incurrence by the Company and the Guarantors of Indebtedness represented by the 2025 Initial Notes and the related 2025 Note Guarantees issued on the date of the 2025 Indenture and the 2025 Exchange Notes and the related 2025 Note Guarantees to be issued upon consummation of 2025 Exchange Offer;
- (4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations or other Indebtedness, in each case, incurred for the purpose of financing all or any part of the purchase price, other acquisition cost or cost of design, construction, installation, development, repair or improvement of property, plant or equipment used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease, discharge or otherwise retire for value, in whole or in part, any Indebtedness incurred pursuant to this clause (4), not to exceed at any time outstanding the greater of (a) \$50.0 million and (b) 2.5% of the Adjusted Consolidated Net Tangible Assets determined as of date of such incurrence;
- (5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease,

discharge or otherwise retire for value, in whole or in part, any Indebtedness (other than intercompany Indebtedness) that was permitted by the 2025 Indenture to be incurred under the first paragraph of this covenant or clause (2), (3), (4), (5), (8), (13), (15) or (16) of this paragraph;

- (6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; *provided, however*, that:
  - (a) if the Company or any Guarantor is the obligor on such Indebtedness and the payee is not the Company or a Guarantor, if such Indebtedness is not unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all Obligations then due with respect to the



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2025 Notes, in the case of the Company, or the 2025 Note Guarantee, in the case of a Guarantor, then the incurrence of such Indebtedness; and

- (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company, in each case, will be deemed to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);
- (7) the issuance by any of the Company's Restricted Subsidiaries to the Company or to any of its Restricted Subsidiaries of any Preferred Stock; *provided, however*, that:
- (a) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and
  - (b) any sale or other transfer of any such Preferred Stock to a Person that is not either the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an issuance of such Preferred Stock by such Restricted Subsidiary that was not permitted by this clause (7);
- (8) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations;
- (9) the Guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to the 2025 Notes, then the Guarantee must be subordinated to the same extent as the Indebtedness guaranteed (or, at the Company's election, to a greater extent);
- (10) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of self-insurance obligations and other social security or similar legislation, old age pension or public liability obligations, statutory obligations, government contracts, trade contracts, regulatory obligations, leases, utility contracts and similar obligations, bid, plugging and abandonment, appeal, reimbursement, performance, tender, surety and similar bonds and completion guarantees provided by, or for the account of, the Company or a Restricted Subsidiary in the ordinary course of business and any Guarantees, contingent reimbursement obligations, bank guarantees or letters of credit functioning as, supporting any or issued to assure payment or performance of the foregoing bonds or obligations and workers' compensation, health, disability or other benefits, unemployment or other insurance claims in the ordinary course of business;
- (11) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn

against insufficient funds;

- (12) the incurrence by the Company or any of its Restricted Subsidiaries of in-kind obligations relating to net oil or natural gas balancing positions arising in the ordinary course of business;
- (13) any obligation arising from agreements of the Company or any Restricted Subsidiary of the Company providing for indemnification, contribution, adjustment of purchase price, earn-outs, holdbacks, deferred compensation or similar obligations, in each case, incurred or assumed in connection with the disposition or acquisition of any business, assets or Capital Stock of a Restricted Subsidiary in a transaction permitted by the 2025 Indenture;
- (14) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in respect of the financing of insurance premiums with the providers of such insurance or their Affiliates in the ordinary course of business;
- (15) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness representing deferred compensation to employees of the Company or any Subsidiary of the Company incurred in the ordinary course of business (including those incurred in connection with any acquisition);

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- (16) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness or the issuance by the Company of any Disqualified Stock in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred or Disqualified Stock issued pursuant to this clause (16), not to exceed the greater of (a) \$150.0 million and (b) 4.0% of the Company's Adjusted Consolidated Net Tangible Assets, determined as of the date of such incurrence or issuance;
- (17) the incurrence by the Company or any of its Restricted Subsidiaries of obligations relating to net Hydrocarbon balancing positions arising in the ordinary course of business; and
- (18) the incurrence by the Company or any of its Restricted Subsidiaries of liability in respect of Indebtedness of any Unrestricted Subsidiary or any Joint Venture but only if such liability is the result of (a) the Company or any such Restricted Subsidiary being a general partner or member of, or owner of an Equity Interest in, such Unrestricted Subsidiary or Joint Venture and not as guarantor of such Indebtedness if, after giving effect to any such incurrence, the aggregate principal amount of all Indebtedness incurred under this clause (18) (a) and then outstanding does not exceed \$25.0 million, or (b) the pledge of (or a Guarantee limited in recourse solely to) Equity Interests in such Unrestricted Subsidiary or Joint Venture held by the Company or such Restricted Subsidiary to secure Non-Recourse Debt.

The Company will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the 2025 Notes and the 2025 Note Guarantee on substantially identical terms (or, at the Company's election, to a greater extent); *provided, however*, that no Indebtedness will be considered contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured, secured with different collateral or to a greater or lesser extent or priority or by virtue of structural subordination, maturity date or being guaranteed by less than all guarantors of such other Indebtedness.

For purposes of determining compliance with this Incurrence of Indebtedness and Issuance of Preferred Stock covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (18) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to divide, classify and reclassify such item of Indebtedness on the date of its incurrence, or later redivide or reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant. Indebtedness under Credit Facilities outstanding on the date on which the 2025 Notes were first issued and authenticated under the 2025 Indenture will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt. The accrual of interest or dividends, the accretion of principal, accreted value or liquidation preference, the amortization of original issue discount or debt discount, the payment of interest on Indebtedness in the form of additional Indebtedness, the payment of dividends on Preferred Stock or Disqualified Stock in the form of additional securities of the same class of Preferred Stock or Disqualified Stock, the obligation to pay a premium in respect of Indebtedness or Preferred Stock or Disqualified Stock arising in connection with the issuance of a notice of redemption or the making of a mandatory change of control offer or asset sale offer for such Indebtedness or Preferred Stock or Disqualified Stock, increases in the amount of Indebtedness outstanding solely as a result of fluctuations in exchange rates or currency values, unrealized losses or charges in respect of Hedging Obligations, and the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, in each case will be deemed not to be an incurrence of Indebtedness or an issuance of Preferred Stock or Disqualified Stock for purposes of this covenant; *provided* that the amount thereof is included in Fixed Charges of the Company as accrued to the extent required by the definition of such term.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the making of Investments or any other covenant, limitation or ratio in the 2025 Indenture, the U.S. dollar-equivalent of the principal amount of Indebtedness, Investment or other amount denominated in a foreign

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currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, such Investment was made, or such other amount was expended or incurred. Notwithstanding any other provision of the 2025 Indenture, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to the 2025 Indenture shall be deemed not to be exceeded and all other covenants, limitations and ratios in the 2025 Indenture be deemed not to be breached or exceeded, solely as a result of fluctuations in exchange rates or currency values.

### ***Liens***

The Company will not and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind (other than Permitted Liens) securing Indebtedness upon any of their property or assets, now owned or hereafter acquired, unless all payments due to the holders under the 2025 Indenture and the 2025 Notes are secured on an equal and ratable basis with (or at the Company's election, prior to) the Indebtedness so secured until such time as such Indebtedness is no longer secured by a Lien.

### ***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries; *provided* that (i) the priority that any series of Preferred Stock of a Restricted Subsidiary has in receiving dividends or liquidating distributions before dividends or liquidating distributions are paid in respect of common stock of such Restricted Subsidiary shall not constitute a restriction on the ability to make dividends or distributions on Capital Stock for purposes of this covenant and (ii) the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary shall be deemed not to be a restriction on the ability to make payments with respect to such loans or advances;
- (2) make loans or advances to the Company or any of its Restricted Subsidiaries (it being understood that the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness incurred by the Company or any Restricted Subsidiary shall be deemed not to be a restriction on the ability to make loans or advances); or
- (3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries. However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:
  - (1) the Credit Agreement and other agreements as in effect on the date of the 2025 Indenture and any amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that the encumbrances and restrictions contained in such amendments, restatements, modifications, renewals, increases, supplements, refundings, replacements or

refinancings are not materially more restrictive, taken as a whole, with respect to such dividend, distribution and other payment restrictions than those contained in those agreements on the date of the 2025 Indenture, as determined in good faith by the Company;

- (2) the 2025 Indenture, the 2025 Notes and the related 2025 Note Guarantees;
- (3) agreements governing other Indebtedness permitted to be incurred under the provisions of the covenant described above under the caption Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock and any amendments, restatements, modifications, renewals, increases, supplements,

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refundings, replacements or refinancings of those agreements; *provided* that the encumbrances and restrictions therein are not materially more restrictive, taken as a whole, than those contained in the 2025 Indenture, the 2025 Notes and the 2025 Note Guarantees or the Credit Agreement as in effect on the date of the 2025 Indenture, whichever is more restrictive, as determined in good faith by the Company;

- (4) directly or indirectly applicable law, statute, rule, regulation, order, approval, governmental license, permit, requirement or similar restriction or any guideline, interpretation, directive, request (whether or not having the force of law) from or of, or any plan, memorandum or agreement with, any regulatory authority;
- (5) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; *provided* that, in the case of Indebtedness, such Indebtedness was not prohibited by the terms of the 2025 Indenture to be incurred;
- (6) customary non-assignment provisions in purchase and sale or exchange agreements for Hydrocarbons, agreements of the types described in Permitted Business Investments or similar operational agreements, or in licenses, easements, leases or other contracts;
- (7) agreements governing purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;
- (8) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;
- (9) agreements governing Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced, as determined in good faith by the Company;
- (10) Liens permitted to be incurred under the provisions of the covenant described above under the caption Certain Covenants Liens that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements, shareholders agreements, partnership agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment) entered into in the ordinary course of business, which limitation is applicable only to the assets

or properties that are the subject of such agreements;

(12) encumbrances or restrictions applicable only to a Restricted Subsidiary that is not a Domestic Subsidiary;

(13) any agreement with respect to any property or asset acquired after the date of the 2025 Indenture (including by merger or consolidation) as in effect at the time of such acquisition (except to the extent such agreement was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any property or assets other than the property or assets so acquired;

(14) Hedging Obligations;

(15) encumbrances or restrictions on cash, cash equivalents or other deposits or net worth requirements imposed by customers or lessors under leases or other contracts entered into in the ordinary course of business;



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(16) customary restrictions set forth in lock up agreements entered into in connection with securities offerings; or

(17) any encumbrance or restriction contained in agreements governing or relating to reserves that are the subject of any Production Payment or Reserve Sale.

In each case set forth above, notwithstanding any stated limitation on the assets or property that may be subject to such encumbrance or restriction, an encumbrance or restriction on a specified asset or property or group or type of assets or property may also apply to all improvements, additions, repairs, attachments and accessions thereto, construction thereon, assets and property affixed or appurtenant thereto, parts, replacements and substitutions therefor and all products and proceeds thereof, including dividends, distributions, interest and increases in respect thereof.

***Merger, Consolidation or Sale of Assets***

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation), or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of its properties or assets, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organized or existing under the laws of the United States, any state of the United States or the District of Columbia; and, if such entity is not a corporation, a co-obligor of the 2025 Notes is a corporation organized or existing under any such laws;
- (2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance or other disposition has been made assumes all the obligations of the Company under the 2025 Notes, the 2025 Indenture and the 2025 registration rights agreement (if any obligations thereunder remain unsatisfied) pursuant to a supplemental indenture or other agreements reasonably satisfactory to the trustee;
- (3) immediately after such transaction, no Default or Event of Default exists;
- (4) immediately after giving effect to such transaction and any related financing transaction on a pro forma basis as if the same had occurred at the beginning of the applicable four-quarter period, either (a) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made, would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*, or (b) the Fixed Charge Coverage Ratio of the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made, would be equal to or greater than the Fixed Charge Coverage Ratio of the Company immediately prior to such transaction; and

- (5) the Company has delivered to the trustee an officers' certificate and an opinion of counsel, each stating that such consolidation, merger or disposition and such supplemental indenture, if any, comply with the 2025 Indenture.

This Merger, Consolidation or Sale of Assets covenant will not apply to any sale, assignment, transfer, conveyance, lease or other disposition of assets between or among the Company and its Restricted Subsidiaries. Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger or consolidation of the Company with or into, or any sale, assignment, transfer, conveyance, lease or other disposition of all or substantially all of the Company's properties or assets to, an Affiliate solely for the purpose of reorganizing the Company in another jurisdiction.

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***Transactions with Affiliates***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with (which term, for purposes of this covenant, shall include for the benefit of where appropriate in the context) any Affiliate of the Company involving aggregate consideration in excess of \$5.0 million (each, an *Affiliate Transaction* ), unless:

- (1) the Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if in the good faith judgment of the Company, no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to the Company or the relevant Restricted Subsidiary from a financial point of view; and
- (2) The Company delivers to the trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$20.0 million, an officers certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant as determined in good faith by an officer of the Company disinterested with respect to such Affiliate Transaction; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of \$40.0 million, an officers certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of the Company, if any.

The following items will be deemed not to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment or consulting agreement or arrangement, equity award, equity option or equity appreciation agreement or plan, employee benefit plan, officer or director indemnification, compensation or severance agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and payments, awards, grants or issuances of securities pursuant thereto;
- (2) transactions between or among the Company and/or its Restricted Subsidiaries;
- (3) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest

in, or controls, such Person;

- (4) payment of reasonable and customary fees and other benefits and reimbursements of expenses (pursuant to indemnity arrangements or otherwise) of officers, directors, employees or consultants of the Company or any of its Restricted Subsidiaries;
- (5) any issuance of Equity Interests of the Company to or receipt of capital contributions from Affiliates of the Company and the granting of registration and other customary rights in connection therewith;
- (6) Permitted Investments or Restricted Payments (and any other payments excluded from such definitions or their component definitions) that do not violate the provisions of the 2025 Indenture described above under the caption *Certain Covenants Restricted Payments* ;
- (7) entry into, and transactions effected in accordance with the terms of, the agreements described in the offering memorandum for the 2025 Initial Notes or that are described in filings with the SEC that are incorporated by reference in the offering memorandum for the 2025 Initial Notes, in each case as such

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agreements are in effect on the date of the 2025 Indenture, and any amendment, renewal, extension or replacement of any of such agreements if any such amendment, renewal, extension or replacement agreement is not materially less advantageous to the Company, taken as a whole, than the agreement so amended, renewed, extended or replaced;

- (8) loans or advances to or reimbursements of expenses incurred by employees for moving, entertainment and travel expenses and similar expenditures in the ordinary course of business permitted under clause (8) of the definition of Permitted Investments;
- (9) any transaction in which the Company or any of its Restricted Subsidiaries, as the case may be, delivers to the trustee a letter from an accounting, appraisal, advisory or investment banking firm of national standing stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or such Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unaffiliated Person;
- (10) in the case of agreements of the types described in the defined term Permitted Business Investments, contracts for exploiting, exploring for, drilling, acquiring, developing, producing, operating, processing, gathering, marketing, distributing, transporting, treating, selling, storing or otherwise handling Hydrocarbons, or activities or services reasonably related or ancillary thereto, or other operational contracts, any such contracts entered into in the ordinary course of business and otherwise in compliance with the terms of the 2025 Indenture (a) that are fair to the Company and its Restricted Subsidiaries, in the good faith judgment of the Board of Directors of the Company or the senior management thereof, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated party and (b) with respect to which the Company has complied with clause 2(a) of the prior paragraph;
- (11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business that, in the good faith judgment of the Board of Directors or senior management of the Company, are fair to the Company and its Restricted Subsidiaries, or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person;
- (12) (a) agreements with one or more Unrestricted Subsidiaries entered into in connection with a Qualified MLP IPO with respect to contributions of the Qualified MLP Assets, the assumption of liabilities by such Unrestricted Subsidiaries, tax sharing or the management, administration, and operation of such Unrestricted Subsidiaries, or the underwriting, offer and sale of securities in such offering that, in the good faith judgment of the Company, are on terms and conditions reasonably comparable to those in effect with other similarly situated publicly traded master limited partnerships or royalty trusts or otherwise fair to the Company and its Restricted Subsidiaries, from a financial point of view, in each case, as such agreements are in effect on the date of closing of a Qualified MLP IPO; (b) any amendment, restatement, replacement or other modification of any of such agreements; and (c) any agreement entered into hereafter that is similar to any such agreements or that is of a type that is customary in connection with publicly-traded master limited partnerships if, in the case of clause (b) or (c), the terms of any such amendment, restatement, replacement or other modification or future agreement, taken as a whole, are no less advantageous to the Company and its

Restricted Subsidiaries in any material respect than the agreement so amended, restated, replaced or modified or the similar such agreement or other agreements of such type (or, if the Company is not aware of any similar agreements or other agreements of such type, that such agreement, taken as a whole, is fair to the Company and its Restricted Subsidiaries), respectively, as determined in good faith by the Company;

- (13) transactions between the Company or any of its Restricted Subsidiaries and any Person that would not otherwise constitute an Affiliate Transaction except for the fact that a director or manager of such Person is also a director or manager of the Company or a Restricted Subsidiary if such director or manager abstains from voting as a director or manager of the Company or such Restricted Subsidiary, as applicable, on such transaction;

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(14) pledges by the Company or any Restricted Subsidiary of (and Guarantees by the Company or any Restricted Subsidiary limited in recourse solely to) Equity Interests in Unrestricted Subsidiaries and Joint Ventures to secure Non-Recourse Debt, and incurrences of liabilities with respect to Customary Recourse Exceptions; and

(15) any Affiliate Transaction with a Person in its capacity as a holder of Indebtedness or Equity Interests of the Company or any Restricted Subsidiary if such Person is treated no more favorably than the other similarly situated holders of Indebtedness or Equity Interests of the Company or such Restricted Subsidiary.

***Business Activities***

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than the Oil and Gas Business, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

***Additional Note Guarantees***

If, after the date of the 2025 Indenture, any Restricted Subsidiary of the Company (including any Subsidiary acquired or created after the date of the 2025 Indenture) that is not already a Guarantor (1) guarantees any Indebtedness of the Company or any Guarantor or (2) is a Domestic Subsidiary and is an obligor with respect to any Indebtedness under any Credit Facility, then, in either case, that Restricted Subsidiary will become a Guarantor by executing a supplemental indenture in substantially the form as attached as an exhibit to the 2025 Indenture and delivering an officers' certificate and an opinion of counsel satisfactory to the trustee, in each case within 30 business days after the date that Subsidiary guaranteed or became obligated with respect to such Indebtedness.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if (a) no Default or Event of Default shall have occurred and be continuing immediately prior to such designation or would occur as a result thereof and (b) such Subsidiary (i) does not own any Equity Interests or Indebtedness of the Company or any Restricted Subsidiary (other than Indebtedness to be repaid or Guarantees to be released concurrently with such designation) and (ii) is not liable (as a guarantor or otherwise) with respect to any Indebtedness in connection with which the holder of such Indebtedness has recourse to any of the assets of the Company or any Restricted Subsidiary, other than (A) Indebtedness to be repaid or Guarantees to be released concurrently with such designation and (B) liability arising out of pledges of Equity Interests in such Unrestricted Subsidiary. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation that must either reduce the amount available for Restricted Payments under the covenant described above under the caption *Certain Covenants Restricted Payments* or represent an Investment permitted under one or more clauses of such covenant or the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors authorizing such designation and an officers' certificate certifying that such designation complies with the preceding conditions and is permitted by the covenant described above under the caption *Certain Covenants Restricted Payments*. If, at any time, any

Unrestricted Subsidiary would fail to meet the requirements set forth in clause (b) of the preceding paragraph or in clauses (1)-(3) of the definition of the term Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the 2025 Indenture and any Indebtedness of such



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Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*, the Company will be in default of such covenant.

The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if: (a) such Indebtedness is permitted under the covenant described under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*, calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period and (b) no Default or Event of Default would be in existence following such designation.

***Payments for Consent***

The Company will not, and will not permit any of its Restricted Subsidiaries to, pay or cause to be paid any consideration to or for the benefit of any holder of 2025 Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the 2025 Indenture or the 2025 Notes unless such consideration is offered to be paid and is paid to all holders of the 2025 Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Company and its Restricted Subsidiaries shall be permitted in any solicitation, offer (including any tender or exchange offer) or payment relating to any consent, waiver or amendment to exclude any category of holders (including by jurisdiction) if (a) (i) applicable law, regulatory guidance, listing requirements or common practice could reasonably be interpreted as requiring the Company or any Restricted Subsidiary to file a registration statement, prospectus or similar document in connection therewith or (ii) such solicitation, offer or payment would not be permitted under applicable law with respect to the holders in such category, and (b) each excluded holder shall have the right, in each case if such right is permitted under applicable law and will not give rise to a filing requirement of the type described in clause (a)(i), to (i) receive any applicable solicitation materials as if it were not an excluded holder and (ii) accept a payment in an amount equal to the payment such holder would have had the right to receive if it had not been an excluded holder and had accepted such offer.

***Reports***

So long as any 2025 Notes are outstanding, the Company will furnish to the holders of 2025 Notes or cause the trustee to furnish to the holders of 2025 Notes (or file or furnish, as applicable, with the SEC for public availability) within the time periods specified in the SEC's rules and regulations applicable to the Company (or, in the event the Company is not so required, which would be applicable to the Company if it were required), after giving effect to all applicable extensions and cure periods:

- (1) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if the Company were required to file reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, annual audited financial statements prepared in accordance with GAAP (with footnotes to such financial statements), including the audit report on such financial statements issued by the Company's certified independent accountants, and unaudited quarterly financial statements prepared in accordance with GAAP (with condensed footnotes to such financial statements consistent with past practice), in each case, with a Management's Discussion and Analysis of Financial Condition and Results of Operations consistent with the

presentation thereof in the offering memorandum relating to the issuance of the 2025 Initial Notes and a presentation of EBITDA of the Company and its Subsidiaries consistent with the presentation thereof in such offering memorandum and derived from such financial statements; and

- (2) all current reports that would be required to be filed with the SEC on Form 8-K if the Company were required to file such reports; and

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- (3) if at any time the Company is not required to file reports with the SEC pursuant to Section 13 or 15(d) of the Exchange Act, (a) as promptly as reasonably practicable after furnishing to the trustee the reports and financial statements required by clauses (1) and (2) of this paragraph, hold a conference call to discuss such reports and the results of operations for the relevant reporting period and (b) issue a press release to an internationally recognized wire service no fewer than three business days prior to the date of the conference call required to be held in accordance with this paragraph, announcing the time and date of such conference call and either including all information necessary to access the call or directing noteholders, prospective investors, broker dealers and securities analysts to contact the appropriate person at the Company to obtain such information.

All such reports will be prepared in all material respects in accordance with all of the rules and regulations applicable to such reports. In addition to the foregoing, the Company will file a copy of each of the reports referred to in clauses (1) and (2) of the preceding paragraph with the SEC for public availability or, if the Company is not required to file with the SEC, or the SEC will not accept such a filing, on its website, in each case, within the time periods, after giving effect to all applicable extensions and cure periods, applicable to the Company if the Company were required to file those reports with the SEC.

If, at any time after consummation of the 2025 Exchange Offer, the Company is no longer subject to the periodic reporting requirements of the Exchange Act for any reason, the Company will nevertheless continue filing the reports specified in the preceding paragraphs of this covenant with the SEC within the time periods specified above unless the SEC will not accept such a filing, provided that in such event the reports specified in the preceding paragraphs of this covenant shall not be required to contain certain disclosures relating to the Company's controls and procedures, corporate governance, code of ethics, director independence, market for the Company's equity securities and executive compensation. The Company will not take any action for the purpose of causing the SEC not to accept any such filings.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries, then the quarterly and annual financial information required by the preceding paragraphs will include, to the extent material, a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In addition, the Company and the Guarantors will agree that, for so long as any 2025 Notes remain outstanding, if at any time they are not filing with the SEC the reports required by the preceding paragraphs, they will furnish to the holders of 2025 Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the 2025 Notes are not freely transferable under the Securities Act. Any such reports, information or documents filed with the SEC pursuant to its Electronic Data Gathering, Analysis and Retrieval (EDGAR) system shall be deemed filed with the trustee and furnished to the holders of the 2025 Notes and securities analysts as required pursuant to this covenant.

Nothing contained in this covenant entitled Report will impose any duty on the Company under the Sarbanes-Oxley Act of 2002 and the related SEC rules that would not otherwise be applicable.

**Events of Default and Remedies**

Each of the following is an *Event of Default* :

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- (1) default for 30 days in the payment when due of interest and Special Interest, if any, on the 2025 Notes;
- (2) default in the payment when due (at Stated Maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the 2025 Notes;

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- (3) failure by the Company or any of its Restricted Subsidiaries to comply with the provisions described under the captions *Repurchase at the Option of Holders Change of Control*, *Repurchase at the Option of Holders Asset Sales*, *Certain Covenants Restricted Payments*, *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* or *Certain Covenants Merger, Consolidation or Sale of Assets* ;
- (4) failure by the Company for 180 days after notice from the trustee or holders of at least 25% in aggregate principal amount of the 2025 Notes then outstanding to comply with the provisions described under *Certain Covenants Reports* ;
- (5) failure by the Company for 60 days after notice to the Company by the trustee or the holders of at least 25% in aggregate principal amount of the 2025 Notes then outstanding to comply with any of the other agreements in the 2025 Indenture;
- (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or Guarantee existed on, or was created after, the date of the 2025 Indenture, if that default:
  - (a) is caused by a failure to pay principal of, premium, if any, on or interest, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a *Payment Default* ); or
  - (b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$50.0 million or more; *provided, however*, if, prior to any acceleration of the 2025 Notes, (i) any such Payment Default is cured or waived, (ii) any such acceleration is rescinded, or (iii) such Indebtedness is repaid in full, any Default or Event of Default (but not any acceleration of the 2025 Notes) caused by such Payment Default or acceleration shall be automatically rescinded, so long as such rescission does not conflict with any judgment, decree or applicable law;
- (7) failure by the Company or any of its Restricted Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of \$50.0 million (to the extent not covered by insurance by a reputable and creditworthy insurer as to which the insurer has not disclaimed coverage), which judgments are not paid, discharged or stayed, for a period of 60 consecutive days;
- (8) except as permitted by the 2025 Indenture, any 2025 Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its 2025 Note Guarantee;

and

- (9) certain events of bankruptcy or insolvency described in the 2025 Indenture with respect to the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of its Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding 2025 Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 2025 Notes may declare all the 2025 Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding 2025 Notes may direct the trustee in its exercise of any trust or power under the 2025 Indenture. The trustee may

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withhold from holders of the 2025 Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, premium, if any, on, interest and Special Interest, if any, on the 2025 Notes.

Subject to the provisions of the 2025 Indenture relating to the duties of the trustee, in case an Event of Default occurs and is continuing, the trustee will be under no obligation to exercise any of the rights or powers under the 2025 Indenture at the request or direction of any holders of 2025 Notes unless such holders have offered to the trustee reasonable indemnity or security against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Special Interest, if any, when due, no holder of a 2025 Note may pursue any remedy with respect to the 2025 Indenture or the 2025 Notes unless:

- (1) such holder has previously given the trustee written notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding 2025 Notes make a written request to the trustee to pursue the remedy;
- (3) such holder or holders offer and, if requested, provide to the trustee security or indemnity reasonably satisfactory to the trustee against any loss, liability or expense;
- (4) the trustee does not comply with such request within 60 days after receipt of the request and the offer of security or indemnity; and
- (5) during such 60-day period, holders of a majority in aggregate principal amount of the then outstanding 2025 Notes do not give the trustee a direction inconsistent with such request.

The holders of a majority in aggregate principal amount of the then outstanding 2025 Notes by written notice to the trustee may, on behalf of the holders of all of the 2025 Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the 2025 Indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest or Special Interest, if any, on, the 2025 Notes.

The Company is required to deliver to the trustee annually a statement regarding compliance with the 2025 Indenture. Within 30 days after any officer of the Company becomes aware of any Default or Event of Default, unless such Default or Event of Default has been cured before the end of the 30-day period, the Company is required to deliver to the trustee a statement specifying such Default or Event of Default.

## **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the 2025 Notes, the 2025 Indenture, the 2025 Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of 2025 Notes by accepting a 2025 Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the 2025 Notes. The waiver may not be effective to waive liabilities under the

federal securities laws.

### **Legal Defeasance and Covenant Defeasance**

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers certificate, elect to have all of its obligations discharged with respect to the outstanding 2025 Notes and all obligations of the Guarantors discharged with respect to their 2025 Note Guarantees ( *Legal Defeasance* ) except for:

- (1) the rights of holders of outstanding 2025 Notes to receive payments in respect of the principal of, premium, if any, on, or interest or Special Interest, if any, on, such 2025 Notes when such payments are due from the trust referred to below;



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- (2) the Company's obligations with respect to the 2025 Notes concerning issuing temporary 2025 Notes, registration of 2025 Notes, mutilated, destroyed, lost or stolen 2025 Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the trustee under the 2025 Indenture, and the Company's and the Guarantors' obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the 2025 Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors released with respect to certain covenants (including the Company's obligation to make Change of Control Offers and Asset Sale Offers) that are described in the 2025 Indenture ( "*Covenant Defeasance* ") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the 2025 Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*Events of Default and Remedies*" (except those relating to payments on the 2025 Notes or bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the 2025 Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit or cause to be deposited with the trustee, in trust, for the benefit of the holders of the 2025 Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants (or, if two or more of any nationally recognized investment banks, appraisal firms or firms of independent accountants decline to issue such opinion after the Company has made reasonable efforts to obtain such an opinion, in the opinion of the Company's chief financial officer), to pay the principal of, premium on, if any, and interest and Special Interest, if any, on, the outstanding 2025 Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the 2025 Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Company must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date of the 2025 Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding 2025 Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company must deliver to the trustee an opinion of counsel reasonably acceptable to the trustee confirming that the holders of the outstanding 2025 Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as

would have been the case if such Covenant Defeasance had not occurred;

- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowings);
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the 2025 Indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

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- (6) the Company must deliver to the trustee an officers certificate stating that the deposit was not made by the Company with the intent of preferring the holders of 2025 Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and
- (7) the Company must deliver to the trustee an officers certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

**Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the 2025 Indenture, the 2025 Notes or the 2025 Note Guarantees may be amended or supplemented with the consent of the holders of a majority in aggregate principal amount of the then outstanding 2025 Notes (including, without limitation, the 2025 Exchange Notes and any 2025 Additional Notes) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the 2025 Notes), and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, on, or interest or Special Interest, if any, on, the 2025 Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the 2025 Indenture, the 2025 Notes or the 2025 Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding 2025 Notes (including, without limitation, the 2025 Exchange Notes and any 2025 Additional Notes) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, such 2025 Notes).

Without the consent of each holder of 2025 Notes affected, an amendment, supplement or waiver may not (with respect to any 2025 Notes held by a non-consenting holder):

- (1) reduce the principal amount of 2025 Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any 2025 Note or alter or waive any of the provisions with respect to the redemption or repurchase of the 2025 Notes (except those provisions relating to the covenants described above under the caption *Repurchase at the Option of Holders* );
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any 2025 Note;
- (4) waive a Default or Event of Default in the payment of principal of, premium on, if any, interest or Special Interest, if any, on, the 2025 Notes (except a rescission of acceleration of the 2025 Notes by the holders of a majority in aggregate principal amount of the then outstanding 2025 Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any 2025 Note payable in money other than that stated in the 2025 Notes;

- (6) make any change in the provisions of the 2025 Indenture relating to waivers of past Defaults or the rights of holders of 2025 Notes to receive payments of principal of, premium, if any, on, or interest or Special Interest, if any, on, the 2025 Notes (other than as permitted by clause (7) below);
- (7) waive a redemption or repurchase payment with respect to any 2025 Note (other than a payment required by one of the covenants described above under the caption *Repurchase at the Option of Holders* );
- (8) release any Guarantor from any of its obligations under its 2025 Note Guarantee or the 2025 Indenture, except in accordance with the terms of the 2025 Indenture; or
- (9) make any change in the preceding amendment, supplement and waiver provisions.

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Notwithstanding the preceding, without the consent of any holder of 2025 Notes, the Company, the Guarantors and the trustee may amend or supplement the 2025 Indenture, the 2025 Notes or the 2025 Note Guarantees:

- (1) to cure any ambiguity, omission, mistake, defect or inconsistency;
- (2) to provide for uncertificated 2025 Notes in addition to or in place of certificated 2025 Notes;
- (3) to provide for the assumption of the Company's or a Guarantor's obligations to holders of 2025 Notes and 2025 Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Guarantor's assets, as applicable;
- (4) to make any change that would provide any additional rights or benefits to the holders of 2025 Notes or that does not adversely affect the legal rights under the 2025 Indenture of any holder;
- (5) to comply with requirements of the SEC in order to effect or maintain the qualification of the 2025 Indenture under the Trust Indenture Act;
- (6) to conform the text of the 2025 Indenture, the 2025 Notes or the 2025 Note Guarantees to any provision of the *Description of Notes* section set forth in the offering memorandum relating to the issuance of the 2025 Initial Notes;
- (7) to provide for the issuance of 2025 Additional Notes in accordance with the limitations set forth in the 2025 Indenture as of the date of the 2025 Indenture;
- (8) to secure the 2025 Notes or the 2025 Note Guarantees pursuant to the requirements of the covenant described above under the subheading *Certain Covenants Liens* ;
- (9) to add any additional Guarantor or to evidence the release of any Guarantor from its 2025 Note Guarantee, in each case as provided in the 2025 Indenture;
- (10) to evidence or provide for the acceptance of appointment under the 2025 Indenture of a successor trustee; or
- (11) to provide for the conversion, transfer or redomestication of the Company in accordance with the third paragraph of the covenant *Merger, Consolidation or Sale of Assets*.

The consent of the holders is not necessary under the 2025 Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment,

supplement or waiver. After an amendment, supplement or waiver under the 2025 Indenture requiring the approval of the holders becomes effective, the Company will send to the applicable holders a notice briefly describing the amendment, supplement or waiver. However, the failure to give such notice, or any defect in the notice, will not impair or affect the validity of the amendment, supplement or waiver.

### **Satisfaction and Discharge**

The 2025 Indenture will be discharged and will cease to be of further effect as to all 2025 Notes issued thereunder (except as to surviving rights of registration of transfer or exchange of the 2025 Notes and as otherwise specified in the 2025 Indenture), when:

- (1) either:
  - (a) all 2025 Notes that have been authenticated, except lost, stolen or destroyed 2025 Notes that have been replaced or paid and 2025 Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the trustee for cancellation; or
  - (b) all 2025 Notes that have not been delivered to the trustee for cancellation have become due and payable by reason of the sending of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to

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be deposited with the trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient (in the case of Government Securities, (x) in the opinion of a nationally recognized firm of independent public accountants or a nationally recognized investment banking firm or (y) if no such opinion in the immediately preceding clause (x) can be reasonably obtained, in the opinion of the chief financial officer of the Company), without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the 2025 Notes not delivered to the trustee for cancellation for principal of, premium, if any, on, or interest and Special Interest, if any, on, the 2025 Notes to the date of Stated Maturity or redemption;

- (2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);
- (3) the Company has paid or caused to be paid all other sums payable by the Company under the 2025 Indenture; and
- (4) the Company has delivered irrevocable instructions to the trustee to apply the deposited money toward the payment of the 2025 Notes at Stated Maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an officers' certificate and an opinion of counsel to the trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

**Concerning the Trustee**

Wells Fargo Bank, National Association, or Wells Fargo, is the trustee under the 2025 Indenture.

If the trustee becomes a creditor of the Company or any Guarantor, the 2025 Indenture will limit the right of the trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Trust Indenture Act) after a Default has occurred and is continuing it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee (if the 2025 Indenture has been qualified under the Trust Indenture Act) or resign.

The holders of a majority in aggregate principal amount of the then outstanding 2025 Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the trustee under the 2025 Indenture, subject to certain exceptions. In case an Event of Default has occurred and is continuing, the trustee will be required, in the exercise of its powers, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the 2025 Indenture at the request of any holder of 2025 Notes, unless such holder has offered to the trustee

reasonable indemnity or security reasonably satisfactory to it against any loss, liability or expense.

Wells Fargo is the administrative agent, sole book runner, lead arranger and a lender under our revolving credit facility and the administrative agent, sole book runner, lead arranger and a lender under Viper's secured revolving credit facility.



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### **Governing Law**

The 2025 Indenture, the 2025 Notes and the 2025 Note Guarantees are governed by, and will be construed in accordance with, the laws of the State of New York.

### **Certain Definitions under 2025 Indenture**

Set forth below are certain defined terms used in the 2025 Indenture. Reference is made to the 2025 Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

*Acquired Debt* means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

*Adjusted Consolidated Net Tangible Assets* means (without duplication), as of the date of determination,

- (1) the sum of:

- (a) the discounted future net revenues from proved oil and natural gas reserves of the Company and its Restricted Subsidiaries calculated in accordance with SEC guidelines (before any state or federal or other income taxes) as estimated in the Company's most recently prepared reserve report, which reserve report is prepared or reviewed by independent petroleum engineers as to proved reserves accounting for at least 80% of all such discounted future net revenues and by the Company's petroleum engineers with respect to any other proved reserves covered by such report, as increased by, as of the date of determination, the estimated discounted future net revenues from:
  - (i) estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries acquired since the date of such most recently prepared reserve report, and
  - (ii) estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries attributable to extensions, discoveries and other additions and upward revisions of estimates of proved oil and natural gas reserves (including previously estimated development costs incurred during the period and the accretion of discount since the prior period end) since the date of such most recently prepared reserve report due to exploration, development or exploitation, production or other activities which would, in accordance with standard industry practice, cause such

revisions,  
and *decreased by*, as of the date of determination, the discounted future net revenue attributable to:

- (iii) estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries reflected in such reserve report produced or disposed of since the date of such most recently prepared reserve report, and
- (iv) reductions in estimated proved oil and natural gas reserves of the Company and its Restricted Subsidiaries reflected in such reserve report attributable to downward revisions of estimates of proved oil and natural gas reserves since the date of such most recently prepared reserve report due to changes in geological conditions or other factors which would, in accordance with standard industry practice, cause such revisions;

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in the case of the preceding clauses (i) through (iv), calculated on a pre-tax basis and in accordance with SEC guidelines (utilizing the prices utilized in such most recently prepared reserve report) and estimated by the Company's petroleum engineers or any independent petroleum engineers engaged by the Company for that purpose;

- (b) the capitalized costs that are attributable to Oil and Gas Properties of the Company and its Restricted Subsidiaries to which no proved oil and natural gas reserves are attributable, based on the Company's books and records as of a date no earlier than the last day of the Company's most recent quarterly or annual period for which internal financial statements are available;
- (c) the Consolidated Net Working Capital of the Company and its Restricted Subsidiaries as of a date no earlier than the last day of the Company's most recent quarterly or annual period for which internal financial statements are available; and
- (d) the greater of: (i) the net book value and (ii) the appraised value, as estimated by independent appraisers, of other assets (including Investments in Unrestricted Subsidiaries and Persons not constituting a Subsidiary), in each case, of the Company and its Restricted Subsidiaries as of a date no earlier than the last day of the Company's most recent quarterly or annual period for which internal financial statements are available; *provided* that if no such appraisal has been performed, the Company shall not be required to obtain such an appraisal and only clause (d)(i) of this definition shall apply, *minus*, to the extent not otherwise taken into account in the immediately preceding clause (a),

(2) the sum of:

- (a) minority interests,
- (b) to the extent not otherwise taken into account in determining Adjusted Consolidated Net Tangible Assets, any net gas balancing liabilities of the Company and its Restricted Subsidiaries as of the last day of the Company's most recent annual or quarterly period for which internal financial statements are available;
- (c) to the extent included in clause (1)(a) above, the discounted future net revenues, calculated in accordance with SEC guidelines (utilizing the prices utilized in the Company's year-end reserve report), attributable to reserves that are required to be delivered to third parties to fully satisfy the obligations of the Company and its Restricted Subsidiaries with respect to Volumetric Production Payments on the schedules specified with respect thereto; and
- (d) the discounted future net revenues, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments that, based on the estimates of

production and price assumptions included in determining the discounted future net revenues specified in (1)(a) above, would be necessary to fully satisfy the payment obligations of the Company and its Restricted Subsidiaries with respect to Dollar-Denominated Production Payments on the schedules specified with respect thereto.

If the Company changes its method of accounting from the full cost method to the successful efforts method or a similar method of accounting, Adjusted Consolidated Net Tangible Assets will continue to be calculated as if the Company were still using the full cost method of accounting.

*Affiliate* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, control, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms controlling, controlled by and under common control with have correlative meanings. Unless otherwise specified or the context shall otherwise require, each reference to an Affiliate will refer to an Affiliate of the Company.

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*Applicable Premium* means with respect to any 2025 Note on any redemption date, the greater of:

- (1) 1.0% of the principal amount of the 2025 Note; and
- (2) the excess of:
  - (a) the present value at such redemption date of (i) the redemption price of the 2025 Note at May 31, 2020 (such redemption price being set forth in the table appearing above under the caption *Optional Redemption* ) plus (ii) all required interest payments due on the 2025 Note through May 31, 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), over
  - (b) the principal amount of the 2025 Note.

*Asset Coverage Ratio* means, as of any date of determination, the ratio of (a) Adjusted Consolidated Net Tangible Assets to (b) the aggregate principal amount of all Indebtedness under clauses (1) through (5) of the definition thereof of the Company and its Restricted Subsidiaries at such date, determined on a consolidated basis in accordance with GAAP.

*Asset Sale* means:

- (1) the sale, lease, conveyance, transfer or other disposition (each, a *disposition* ) of any assets by the Company or any of the Company's Restricted Subsidiaries; *provided* that the disposition of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the 2025 Indenture described above under the caption *Repurchase at the Option of Holders Change of Control* and/or the provisions described above under the caption *Certain Covenants Merger, Consolidation or Sale of Assets* and not by the provisions of the Asset Sale covenant; and
  - (2) the issuance of Equity Interests by any of the Company's Restricted Subsidiaries or any Unrestricted Subsidiary in connection with a Qualified MLP IPO or the sale by the Company or any of the Company's Restricted Subsidiaries of Equity Interests in any of the Company's Subsidiaries.
- Notwithstanding the preceding, each of the following items will be deemed not to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets, properties or Equity Interests having a Fair Market Value of less than \$20.0 million;

- (2) a disposition of assets between or among the Company and its Restricted Subsidiaries;
- (3) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Company or an Unrestricted Subsidiary of the Company in connection with a Qualified MLP IPO to the Company or to a Restricted Subsidiary of the Company;
- (4) the sale, lease or other disposition of equipment, inventory, products, services or accounts receivable or other assets or properties in the ordinary course of business and any sale, lease or other disposition of damaged, worn-out or obsolete assets or properties in the ordinary course of business (including the abandonment or other disposition of licenses and sublicenses of software, intellectual property or other general intangibles that are, as determined in good faith by the Company, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its Restricted Subsidiaries taken as whole);
- (5) licenses and sublicenses by the Company or any of its Restricted Subsidiaries of software or intellectual property in the ordinary course of business;
- (6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims;

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- (7) the granting, creation or perfection of Liens not prohibited by the covenant described above under the caption *Certain Covenants Liens*, dispositions in connection with Permitted Liens and the exercise by any Person in whose favor a Permitted Lien is granted of any of its rights in respect of that Permitted Lien;
- (8) the disposition of cash or Cash Equivalents or other financial instruments (other than Oil and Gas Hedging Contracts);
- (9) a Restricted Payment that does not violate the covenant described above under the caption *Certain Covenants Restricted Payments* or a Permitted Investment, or any disposition excluded from such definitions or their component definitions;
- (10) a disposition of Hydrocarbons, sand or other mineral products in the ordinary course of business;
- (11) an Asset Swap;
- (12) dispositions of crude oil and natural gas properties or direct or indirect interests in real property, *provided* that at the time of any such disposition such properties do not have associated with them any proved reserves;
- (13) any Production Payments and Reserve Sales; *provided* that any such Production Payments and Reserve Sales, other than incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Restricted Subsidiary, shall have been created, incurred, issued, assumed or Guaranteed in connection with the financing of, and within 60 days after the acquisition of, the property that is subject thereto;
- (14) issuances and sales of directors qualifying shares and other Capital Stock in Restricted Subsidiaries issued to foreign governments, foreign individuals or other third parties to the extent required by applicable law;
- (15) farmouts of undeveloped oil and gas properties, deemed transfers of working interests under any joint operating agreement as the result of electing (or being deemed to have elected) not to participate in the drilling operations for a new well and assignments under pooling or unitization agreements or other similar contracts that are customary in the Oil and Gas Business;
- (16) the disposition of assets or Equity Interest received in settlement of debts as a result of foreclosure, perfection or enforcement of any Lien or debt; and
- (17) any disposition of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary. *Asset Sale Offer* has the meaning assigned to that term in the 2025 Indenture.

*Asset Swap* means any substantially contemporaneous (and in any event occurring within 180 days of each other) purchase and sale or exchange of any assets or properties used or useful in the Oil and Gas Business between the Company or any of its Restricted Subsidiaries and another Person; *provided*, that the Fair Market Value of the properties or assets traded or exchanged by the Company or such Restricted Subsidiary (together with any cash or Cash Equivalents) is reasonably equivalent as determined in good faith by the Company, to the Fair Market Value of the properties or assets (together with any cash or Cash Equivalents) to be received by the Company or such Restricted Subsidiary, and *provided further* that any net cash or Cash Equivalents received must be applied in accordance with the provisions described above under the caption *Repurchase at the Option of Holders Asset Sales* if then in effect, as if the Asset Swap were an Asset Sale.

*Attributable Debt* in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to



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the rate of interest implicit in such transaction, determined in accordance with GAAP; *provided, however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of Capital Lease Obligation.

*Beneficial Owner* has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular person (as that term is used in Section 13(d)(3) of the Exchange Act), such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms *Beneficially Owns* and *Beneficially Owned* have a corresponding meaning.

*Board of Directors* means:

- (1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the Board of Directors of a general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

*Capital Lease Obligation* means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty. Notwithstanding the foregoing, any lease (whether entered into before or after the date of the 2025 Indenture) that would have been classified as an operating lease pursuant to GAAP as in effect on the date of the 2025 Indenture will be deemed not to represent a Capital Lease Obligation. For purposes of the covenant described above under the caption *Certain Covenants Liens*, a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

*Capital Stock* means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities exercisable for, exchangeable for, or convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

*Cash Equivalents* means:

- (1) United States dollars;
- (2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government (*provided* that the full faith and credit of the United States is pledged in support of those securities) having maturities of not more than twelve months from the date of acquisition;

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- (3) certificates of deposit and eurodollar time deposits with maturities of twelve months or less from the date of acquisition, bankers' acceptances with maturities not exceeding twelve months and overnight and demand bank deposits, in each case, with any lender party to the Credit Agreement or with any domestic commercial bank having capital and surplus in excess of \$500.0 million and a Thomson Bank Watch Rating of B or better;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (5) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within nine months after the date of acquisition;
- (6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition; and
- (7) with respect to any Subsidiary of the Company conducting business in whole or in part outside of the United States, Investments denominated in the currency of any member of the Organisation for Economic Co-operation and Development.

*Change of Control* means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person (including any person as that term is used in Section 13(d)(3) of the Exchange Act) other than a Qualifying Owner;
- (2) the adoption of a plan relating to the liquidation or dissolution of the Company; or
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any person (as defined above)), excluding the Qualifying Owners, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares, units or the like.

Notwithstanding the preceding, a conversion of the Company or any of its Restricted Subsidiaries from a limited partnership, corporation, limited liability company or other form of entity to a limited liability company, corporation, limited partnership or other form of entity (including by way of merger, consolidation, amalgamation or liquidation) or an exchange of all of the outstanding Equity Interests in one form of entity for Equity Interests in another form of entity or the transfer or redomestication of the Company to or in another jurisdiction shall not constitute a Change of Control, so long as following such conversion, exchange, transfer or redomestication the persons (as that term is used in Section 13(d)(3) of the Exchange Act) who Beneficially Owned the Capital Stock of the Company immediately prior to such transactions, together with Qualifying Owners, Beneficially Own in the aggregate more than 50% of the

Voting Stock of such entity, or Beneficially Own sufficient Equity Interests in such entity to elect a majority of its directors, managers, trustees or other persons serving in a similar capacity for such entity or its general partner, as applicable, and, in either case no person (other than a Qualifying Owner) Beneficially Owns more than 50% of the Voting Stock of such entity or its general partner, as applicable.

*Change of Control Offer* has the meaning assigned to that term under the caption *Repurchase at the Option of Holders Change of Control*.

*Consolidated Cash Flow* means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

- (1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with any Asset Sale, or the disposition of securities or the early extinguishment of Indebtedness, to the extent such losses were deducted in computing such Consolidated Net Income; plus

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- (2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; plus
  - (3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; plus
  - (4) depreciation, depletion, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period), impairment and other non-cash charges and expenses (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, depletion, amortization, impairment and other non-cash charges or expenses were deducted in computing such Consolidated Net Income; plus
  - (5) if such Person accounts for its oil and gas operations using successful efforts or a similar method of accounting, consolidated exploration expense of such Person and its Restricted Subsidiaries; plus
  - (6) any reasonable expenses and charges related to any Investment, acquisition, disposition, Equity Offering, recapitalization, or issuance or incurrence or repayment of Indebtedness permitted under the 2025 Indenture (in each case, whether or not successful); plus
  - (7) dividends and distributions received in cash by the Company or a Restricted Subsidiary of the Company from a Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting (including an Unrestricted Subsidiary), to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such period; minus
  - (8) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business; and minus
  - (9) to the extent increasing such Consolidated Net Income for such period, the sum of (a) the amount of deferred revenues that are amortized during such period and are attributable to reserves that are subject to Volumetric Production Payments and (b) amounts recorded in accordance with GAAP as repayments of principal and interest pursuant to Dollar-Denominated Production Payments,
- in each case, on a consolidated basis and determined in accordance with GAAP.

*Consolidated Net Income* means, with respect to any specified Person for any period, the aggregate of the net income (loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis determined in accordance with GAAP and without any reduction in respect of preferred stock dividends; *provided* that to the extent such items are otherwise included in the calculation of net income:

- (1) all extraordinary gains (or losses) and all gains (or losses) realized in connection with any Asset Sale or the disposition of securities or the early extinguishment of Indebtedness, together with any related provision for taxes on any such gain, will be excluded;
- (2) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person (or, in the case of a loss for such period, only to the extent of the aggregate cash or fair market value of property contributed to such Person by the Company or any Restricted Subsidiary during such period);
- (3) solely for the purpose of determining the amount available for Restricted Payments under clause (4)(c) of the first paragraph of the covenant described under the caption *Certain Covenants Restricted Payments*, the net income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that net

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income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, partners or members;

- (4) the cumulative effect of a change in accounting principles will be excluded;
- (5) unrealized losses and gains under derivative instruments, including, without limitation those resulting from the application of Financial Accounting Standards Board Accounting Standards Codification 815 ( *FASB ASC 815* ) will be excluded;
- (6) any asset impairment, write-off or writedown on or related to Oil and Gas Properties under GAAP or SEC guidelines will be excluded;
- (7) non-cash charges relating to grants of performance shares, stock options, stock awards, stock purchase agreements or management compensation plans for officers, directors, employees or consultants of the Company or a Restricted Subsidiary of the Company (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period) to the extent that such non-cash charges are deducted in computing such Consolidated Net Income will be excluded; provided that if the Company or any Restricted Subsidiary of the Company makes a cash payment in respect of a non-cash charge in any period, such cash payment shall (without duplication) be deducted from the Consolidated Net Income of the Company for such period; and
- (8) gains and losses due to fluctuations in exchange rates or currency values will be excluded.

*Consolidated Net Working Capital* means (a) all current assets of the Company and its Restricted Subsidiaries except current assets from Oil and Gas Hedging Contracts, less (b) all current liabilities of the Company and its Restricted Subsidiaries, except (i) current liabilities included in Indebtedness, (ii) current liabilities associated with asset retirement obligations relating to oil and gas properties and (iii) any current liabilities from Oil and Gas Hedging Contracts, in each case as set forth in the consolidated financial statements of the Company prepared in accordance with GAAP (excluding any adjustments made pursuant to FASB ASC 815).

*continuing* means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

*Credit Agreement* means that certain Second Amended and Restated Credit Agreement, dated as of November 1, 2013, as amended to the date of the 2025 Indenture, by and among Diamondback O&G LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and certain financial institutions, as lenders, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

*Credit Facilities* means one or more debt facilities (including, without limitation, the Credit Agreement), indentures or commercial paper facilities, secured or unsecured capital market financings or other debt issuances, in each case, with banks or other institutional lenders or institutional investors or other lenders or credit providers providing for revolving credit loans, term loans, capital market financings, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other borrowings or debt issuances, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (including refinancing with any capital markets transaction or otherwise by means of sales of debt securities to institutional investors) in whole or in part from time to time.



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*Currency Agreement* means any foreign exchange contract, currency swap agreement or other financial agreement or arrangement with respect to currency values designed to protect the Company or any of its Subsidiaries against fluctuations in currency values.

*Customary Recourse Exceptions* means with respect to any Non-Recourse Debt, exclusions from the exculpation provisions with respect to such Non-Recourse Debt for the voluntary bankruptcy of a Person, fraud, misapplication of cash, environmental claims, waste, willful destruction and other circumstances customarily excluded by lenders from exculpation provisions or included in separate indemnification agreements in non-recourse financings.

*Default* means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

*Designated Non-cash Consideration* means non-cash consideration received by the Company or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers Certificate, less the amount of cash or Cash Equivalents received in connection with a subsequent sale or other disposition of or collection on such Designated Non-cash Consideration.

*Disqualified Stock* means 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, in each case, at the option of the holder of the Capital Stock), 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 of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the 2025 Notes mature. Notwithstanding the preceding sentence, (i) any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption *Certain Covenants Restricted Payments* and (ii) any Capital Stock issued pursuant to any plan of the Company or any of its Affiliates for the benefit of one or more employees will not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or any of its Affiliates in order to satisfy applicable contractual, statutory or regulatory obligations. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the 2025 Indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

*Dollar-Denominated Production Payments* means production payment obligations recorded as liabilities in accordance with GAAP, together with all undertakings and obligations in connection therewith.

*Domestic Subsidiary* means any Restricted Subsidiary of the Company that was formed under the laws of the United States or any state of the United States or the District of Columbia.

*Equity Interests* of any Person means (1) any and all Capital Stock of such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such Capital Stock of such Person, but excluding from all of the foregoing any debt securities exercisable for, exchangeable for or convertible into Equity Interests, regardless of whether such debt securities include any right of participation with Equity Interests.

*Equity Offering* means a sale of Equity Interests of the Company (other than Disqualified Stock and other than to a Subsidiary of the Company) made for cash on a primary basis by the Company after the date of the 2025 Indenture.



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*Exchange Act* means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

*Existing Indebtedness* means all Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of the 2025 Indenture, until such amounts are repaid.

*Fair Market Value* means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company in the case of amounts of \$40.0 million or more and otherwise by an officer of the Company (unless otherwise provided in the 2025 Indenture).

*Fixed Charge Coverage Ratio* means with respect to any specified Person for any four-quarter reference period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the *Calculation Date*), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions or Investments that have been made, or contributions received, by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given pro forma effect as if they had occurred on the first day of the four-quarter reference period and any Consolidated Cash Flow for such period will be calculated giving pro forma effect to any operating improvements or cost savings that have occurred or are reasonably expected to occur within one year of the closing of such acquisition in the reasonable judgment of the principal accounting officer or chief financial officer of the Company as certified in an officers certificate delivered to the trustee (regardless of whether those operating improvements or cost savings could then be reflected in pro forma financial statements prepared in accordance with Regulation S-X under the Securities Act or any other regulation or policy of the SEC related thereto);
- (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses or Investments (and ownership interests therein) disposed of on or prior to the Calculation Date, will be excluded;
- (3)

the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses or Investments (and ownership interests therein) disposed of on or prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

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- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Calculation Date of 12 months or more, or, if the remaining term is less than 12 months, taking such Hedging Obligation into account on a proportional basis).

*Fixed Charges* means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (excluding (i) write-off of deferred financing costs and (ii) accretion of interest charges on future plugging and abandonment obligations, future retirement benefits and other obligations that do not constitute Indebtedness, but including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers acceptance financings), and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; plus
- (2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; plus
- (3) any interest expense on Indebtedness of another Person (other than Non-Recourse Debt of any Unrestricted Subsidiary or Joint Venture) that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such Guarantee or Lien is called upon; plus
- (4) all dividends, whether paid or accrued and whether or not in cash, on any series of Disqualified Stock of such Person or any series of Preferred Stock of its Restricted Subsidiaries, other than dividends on Equity Interests payable solely in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company,

in each case, on a consolidated basis and determined in accordance with GAAP.

*GAAP* means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the date of the 2025 Indenture.

*Government Securities* means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

*Guarantee* means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise). When used as a verb, *Guarantee* has a correlative meaning.

*Guarantors* means any Restricted Subsidiary of the Company that Guarantees the 2025 Notes in accordance with the provisions of the 2025 Indenture, and their respective successors and assigns, in each case, until the 2025 Note Guarantee of such Person has been released in accordance with the provisions of the 2025 Indenture.

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*Hedging Obligations* means, with respect to any specified Person, the obligations of such Person under any Interest Rate Agreement, Oil and Gas Hedging Contract or Currency Agreement.

*Hydrocarbons* means oil, natural gas, casing head gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all constituents, elements or compounds thereof, and other minerals or products commonly created, recovered or produced in association therewith or refined or processed therefrom.

*Indebtedness* means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
  - (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
  - (3) in respect of bankers' acceptances;
  - (4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;
  - (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed; or
  - (6) representing any Hedging Obligations,
- if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person (excluding the footnotes thereto) prepared in accordance with GAAP. In addition, the term *Indebtedness* includes all *Indebtedness* of others secured by a Lien on any asset of the specified Person (whether or not such *Indebtedness* is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any *Indebtedness* of any other Person (including, with respect to any Production Payment, any warranties or guarantees of production or payment by such Person with respect to such Production Payment, but excluding other contractual obligations of such Person with respect to such Production Payment). Subject to the preceding sentence, neither Dollar-Denominated Production Payments nor Volumetric Production Payments shall be deemed to be *Indebtedness*.

In addition, *Indebtedness* of any Person shall include *Indebtedness* described in the preceding paragraph that would not appear as a liability on the balance sheet of such Person (excluding footnotes thereto) if:

- (1) such *Indebtedness* is the obligation of a partnership or joint venture that is not a Restricted Subsidiary (a *Joint Venture* );

- (2) such Person or a Restricted Subsidiary of such Person is a general partner of the Joint Venture (a *Joint Venture General Partner* ); and
  
- (3) there is recourse, by contract or operation of law, with respect to the payment of such Indebtedness to property or assets of such Person or a Restricted Subsidiary of such Person; and then such Indebtedness shall be included in an amount equal to the least of (i) the net assets of the Joint Venture General Partner, (ii) the amount of such obligations to the extent that there is recourse, by contract or operation of law, to the property or assets of such Person or a Restricted Subsidiary of such Person and (iii) the actual amount of such Indebtedness that is recourse to such Person or a Restricted Subsidiary of such Person, if the Indebtedness is evidenced by a writing and is for a determinable amount; and the related interest expense shall be included in Fixed Charges to the extent actually paid by such Person or its Restricted Subsidiaries.



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The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
  - (a) the Fair Market Value of such assets at the date of determination; and
  - (b) the amount of the Indebtedness of the other Person.

Notwithstanding the foregoing, Indebtedness shall not include (i) accrued expenses and royalties arising in the ordinary course of business, (ii) obligations to satisfy customer prepayment arrangements arising in the ordinary course of business, (iii) asset retirement obligations, (iv) obligations in respect of environmental reclamation or site rehabilitation, (v) obligations under farm-in and farm-out agreements or operating agreements, (vi) workers compensation obligations (including superannuation, pensions and retiree medical care) that are not overdue by more than 90 days, (vii) obligations arising out of the endorsement of negotiable instruments for collection in the ordinary course of business, (viii) customary indemnification obligations and (ix) Customary Recourse Exceptions.

*Interest Rate Agreement* means any interest rate swap agreement (whether from fixed to floating or from floating to fixed), interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect the Company or any of its Subsidiaries against fluctuations in interest rates.

*Investments* means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, payroll, travel and similar advances to officers, employees, directors, consultants and others made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities (excluding any interest in an oil or natural gas leasehold to the extent constituting a security under applicable law), together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company (other than the sale or other disposition of all of the outstanding Capital Stock of such Subsidiary), the Company will be deemed to have made an Investment on the date of any such sale or disposition in an amount equal to the Fair Market Value of the Company's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption *Certain Covenants Restricted Payments*. The acquisition by the Company or any Restricted Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Restricted Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption *Certain Covenants Restricted Payments*. Except as otherwise provided in the 2025

Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value or write-ups, write-downs or write-offs with respect to such Investment.

*Lien* means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

*Moody's* means Moody's Investors Service, Inc., and any successor to the ratings business thereof.

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*Net Proceeds* means cash in an amount equal to the aggregate cash proceeds and Cash Equivalents received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash or Cash Equivalents received upon the sale or other disposition of any non-cash consideration received in any Asset Sale) and including any cash proceeds received by an Unrestricted Subsidiary in respect of any issuance of Equity Interests by such Unrestricted Subsidiary that constitutes an Asset Sale, net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting, investment banking, underwriting, advisory and consulting fees, title and recording tax expenses and sales commissions, severance and associated costs, expenses and charges of personnel and any relocation expenses relating to the properties or assets subject to or incurred as a result of the Asset Sale, commissions, discounts and expenses incurred as a result of the Asset Sale, and taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness (and all other Obligations related thereto), other than revolving credit Indebtedness under a Credit Facility, secured by a Lien on the properties or assets that were the subject of such Asset Sale, and any reserve for sale price adjustment, indemnification or retained liability obligations in respect of such assets or such Asset Sale established in accordance with GAAP, and all distributions and other payments required to be made to minority interest holders in Subsidiaries or to holders of royalty or similar interests as a result of such Asset Sale (and, in the case of an issuance of Equity Interests by an Unrestricted Subsidiary that constitutes an Asset Sale, such additional amount as the Board of Directors of the Company, in good faith, shall determine to be reasonably necessary for the ordinary course operation of such Unrestricted Subsidiary).

*Non-Recourse Debt* means Indebtedness:

- (1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable as a guarantor or otherwise except, in each case for (i) Customary Recourse Exceptions and (ii) the pledge of (or a Guarantee limited in recourse solely to) the Equity Interests of such Unrestricted Subsidiary or Joint Venture); and
- (2) as to which the lenders have been notified in writing that they will not have any recourse to the Capital Stock or assets of the Company or any of its Restricted Subsidiaries, other than as contemplated by clause (1) of this definition.

*2025 Note Guarantee* means any Guarantee by any Guarantor of the Company's obligations under the 2025 Indenture and the 2025 Notes, as provided in the 2025 Indenture or a supplemental indenture.

*Obligations* means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

*Oil and Gas Business* means (i) the acquisition, exploration, development, production, operation, mining and disposition of interests in Hydrocarbons, sand and other minerals, (ii) the gathering, distributing, marketing, treating, processing (but not refining), storage, selling, transporting and other handling of any production from such interests or properties, (iii) any business relating to the exploration for or development, production, treatment, processing (but not refining), storage, transportation or marketing of Hydrocarbons, sand, minerals or other products commonly created, used, recovered or produced in the conduct of the activities described in clauses (i) and (ii) of this definition, (iv) oilfield sales and services and any other business providing assets or services used or useful in connection with the activities described in clause (i) of this definition, including the sale, leasing, ownership or operation of drilling rigs, fracturing units or other assets used or useful in any such business and (v) any activity, as determined in good

faith by the Company, that is ancillary to or necessary or appropriate for the activities described in clauses (i) through (iv) of this definition.

*Oil and Gas Hedging Contracts* means any puts, cap transactions, floor transactions, collar transactions, forward contract, commodity swap agreement, commodity option agreement or other similar agreement or

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arrangement in respect of Hydrocarbons (or related revenues or costs, including basis) to be used, produced, processed or sold by the Company or any of its Subsidiaries that are customary in the Oil and Gas Business and designed to protect such Person against fluctuations in Hydrocarbon prices.

*Oil and Gas Properties* means all properties, including equity or other ownership interest therein, owned by such Person or any of its Restricted Subsidiaries which contain or are believed to contain proved oil and gas reserves as defined in Rule 4-10 of Regulation S-X promulgated under the Securities Act.

*ordinary course of business* means, with respect to any activity involving the Company or any Restricted Subsidiary, performing or engaging in such activity in the ordinary course of business of the Company or such Restricted Subsidiary or in such manner as is or shall have become customary in the Oil and Gas Business, either generally or in the particular geographical location or industry segment in which such activity is performed or engaged in, in each case as determined in good faith by the Company.

*Permitted Acquisition Indebtedness* means Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries to the extent such Indebtedness or Disqualified Stock was Indebtedness or Disqualified Stock of any other Person existing at the time (a) such Person became a Restricted Subsidiary of the Company or (b) such Person was merged or consolidated with or into the Company or any of its Restricted Subsidiaries, *provided* that on the date such Person became a Restricted Subsidiary or the date such Person was merged or consolidated with or into the Company or any of its Restricted Subsidiaries, as applicable, either

- (1) immediately after giving effect to such transaction and any related financing transaction on a pro forma basis as if the same had occurred at the beginning of the applicable four-quarter period, the Company or such Person (if the Company is not the survivor in the transaction) would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock*, or
- (2) immediately after giving effect to such transaction and any related financing transaction on a pro forma basis as if the same had occurred at the beginning of the applicable four-quarter period, the Fixed Charge Coverage Ratio of the Company or such Person (if the Company is not the survivor in the transaction) would be equal to or greater than the Fixed Charge Coverage Ratio of the Company immediately prior to such transaction.

If such Person was entitled to borrow under a revolving credit commitment at the time such Person became a Restricted Subsidiary of the Company or such Person was merged or consolidated with or into the Company or any of its Restricted Subsidiaries, the Company may elect to treat all or any portion of the undrawn amount of such revolving credit commitment as Indebtedness of such Person existing at such time.

*Permitted Business Investments* means Investments made in the ordinary course of, or of a nature that is or shall have become customary in, the Oil and Gas Business as a means of actively exploiting, exploring for, acquiring, developing, producing, operating, mining, processing, gathering, marketing, distributing, treating, selling, transporting, storing or otherwise handling Hydrocarbons, sand and other minerals and properties that contain or are believed to contain Hydrocarbons, sand and other minerals, through agreements, transactions, interests or arrangements that permit one to share risks or costs, comply with regulatory requirements regarding local ownership or satisfy other objectives customarily achieved through the conduct of such activities jointly with third parties, either

generally or in the particular geographical location or industry segment in which such Investment is made, in each case as determined in good faith by the Company, including, without limitation, (i) ownership interests in properties that contain or are believed to contain Hydrocarbons, sand and other minerals or any interest therein or gathering, transportation, processing, storage or related systems or ancillary real property interests, in each case either directly or through entities the primary business of which is to own or operate any of the foregoing, (ii) entry into and Investments in the form of or pursuant to operating agreements, working interests, royalty interests, mineral leases, contracts for the sale, transportation or exchange of oil and

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natural gas, production sharing agreements, production, sales and marketing agreements, processing agreements, farm-in agreements, farm-out agreements, developments agreements, area of mutual interest agreements, unitization agreements, pooling agreements, joint bidding agreements, service contracts, joint venture agreements, partnership agreements (whether general or limited), limited liability company agreements, subscription agreements, stock purchase agreements, stockholder agreements and other similar agreements with third parties, incentive compensation programs for geologists, geophysicists and other providers of technical services, and other similar or customary agreements, and (iii) direct or indirect ownership interests in drilling rigs, fracturing units and other related equipment.

*Permitted Investments* means:

- (1) any Investment in the Company or in any of its Restricted Subsidiaries;
- (2) any Investment in cash and Cash Equivalents;
- (3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary of the Company; or
  - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its properties or assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;
- (4) any Investment made as a result of the receipt of non-cash consideration from (a) an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption *Repurchase at the Option of Holders Asset Sales*, or (b) a transaction excluded from the definition of Asset Sale, including an Asset Swap;
- (5) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company;
- (6) any Investments received in compromise or resolution of, or upon satisfaction of judgments with respect to, (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or (b) litigation, arbitration or other disputes;
- (7) Investments represented by Hedging Obligations;

- (8) loans or advances to officers, directors or employees made in the ordinary course of business of the Company or any Restricted Subsidiary of the Company in an aggregate principal amount not to exceed \$2.0 million at any one time outstanding;
- (9) repurchases of the 2025 Notes;
- (10) any Guarantee permitted to be incurred by the covenant entitled *Certain Covenants Incurrence of Indebtedness and Issuance of Preferred Stock* ;
- (11) any Investment existing on, or made pursuant to a binding commitment existing on, the date of the 2025 Indenture and any Investment consisting of an extension, modification, conversion, exchange, or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the 2025 Indenture; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date of the 2025 Indenture or (b) as otherwise permitted under the 2025 Indenture;
- (12) Investments acquired after the date of the 2025 Indenture as a result of the acquisition by the Company or any Restricted Subsidiary of the Company of another Person, including by way of a merger, amalgamation or consolidation with or into the Company or any of its Restricted Subsidiaries in a



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transaction that is not prohibited by the covenant described above under the caption *Certain Covenants Merger, Consolidation or Sale of Assets* after the date of the 2025 Indenture to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

- (13) Permitted Business Investments;
- (14) receivables owing to the Company or any Restricted Subsidiary of the Company created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided*, that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary of the Company deems reasonable under the circumstances;
- (15) Investments constituting prepaid expenses or advances or extensions of credit to customers or suppliers in the ordinary course of business;
- (16) endorsements of negotiable instruments and documents in the ordinary course of business;
- (17) Investments in the form of pledges or deposits made in the ordinary course of business and constituting Permitted Liens;
- (18) the contribution, directly or indirectly, to the capital of any Unrestricted Subsidiary of all or any portion of the Qualified MLP Assets (including the deemed Investment of the Qualified MLP Assets held by a Subsidiary upon its designation as an Unrestricted Subsidiary); *provided*, that (i) such Investment is made in connection with a Qualified MLP IPO, (ii) the Company or any Guarantor receives substantially all of the Net Proceeds from such offering on or promptly following the closing of such offering, (iii) the aggregate book value of all Qualified MLP Assets contributed, at the time of such contribution, does not exceed the greater of \$200.0 million and 6.5% of Adjusted Consolidated Net Tangible Assets determined as of the date of such contribution, and (iv) the Asset Coverage Ratio at the time of such contribution or designation, after giving pro forma effect to the Qualified MLP IPO and the application of the net proceeds therefrom, is at least 1.5 to 1.0;
- (19) the contribution of the Capital Stock of any Unrestricted Subsidiary to the capital of any other Unrestricted Subsidiary which is wholly owned by the Company or any Restricted Subsidiary;
- (20) Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (20) that are at the time outstanding that do not exceed the greater of (a) \$50.0 million and (b) 2.5% of Adjusted Consolidated Net Tangible Assets determined as of the date such Investment is made; and

- (21) professional or advisory, administrative, management, treasury or similar services, indemnification, insurance, officers and directors fees and expenses, registration fees, and other like expenses paid or provided for the benefit of any Joint Venture or Unrestricted Subsidiary pursuant to arrangements not involving the incurrence of Indebtedness that comply with the covenants described under the caption Certain Covenants *Transactions with Affiliates*.

*Permitted Liens* means:

- (1) Liens on assets of the Company or any Guarantor securing Indebtedness and other Obligations under Credit Facilities that were permitted by the terms of the 2025 Indenture to be incurred pursuant to clause (1) of the definition of Permitted Debt and/or securing Hedging Obligations related thereto and/or securing Obligations with regard to Treasury Management Arrangements;
- (2) Liens in favor of the Company or the Guarantors;
- (3) Liens on property of a Person existing at the time such Person becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of

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the Company; *provided* that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Company or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a Restricted Subsidiary of the Company or is merged with or into or consolidated with the Company or any Restricted Subsidiary of the Company;

- (4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to such acquisition and not incurred in contemplation of such acquisition;
- (5) Liens to secure the performance of statutory or regulatory obligations, insurance, surety or appeal bonds, workers compensation obligations, bid, plugging and abandonment and performance bonds or other obligations of a like nature incurred in the ordinary course of business or otherwise described in clause (10) of the definition of Permitted Debt (including Liens to secure letters of credit issued to assure payment of such obligations);
- (6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the definition of Permitted Debt covering only the assets acquired with or financed by such Indebtedness;
- (7) Liens existing on the date of the 2025 Indenture;
- (8) Liens created for the benefit of (or to secure) the 2025 Notes (or the 2025 Note Guarantees);
- (9) Liens to secure any Permitted Refinancing Indebtedness permitted to be incurred under the 2025 Indenture; *provided, however, that:*
  - (a) the new Lien is limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien; and
  - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (i) the outstanding principal amount, or, if greater, committed amount, of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged with such Permitted Refinancing Indebtedness and (ii) an amount necessary to pay accrued interest and any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (10) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (11) filing of Uniform Commercial Code financing statements as a precautionary measure in connection with operating leases;

- (12) bankers Liens, rights of setoff, rights of revocation, refund or chargeback with respect to money or instruments of the Company or any Restricted Subsidiary, Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (13) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (14) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (15) grants of software and other technology licenses in the ordinary course of business;
- (16) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

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- (17) Liens in respect of Production Payments and Reserve Sales; *provided*, that such Liens are limited to the property that is subject to such Production Payments and Reserve Sales;
- (18) Liens arising under oil and gas leases or subleases, assignments, farm-out agreements, farm-in agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of Hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, joint venture agreements, partnership agreements, operating agreements, royalties, working interests, net profits interests, joint interest billing arrangements, participation agreements, production sales contracts, area of mutual interest agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, licenses, sublicenses and other agreements that are customary in the Oil and Gas Business; *provided, however*, in all instances that such Liens are limited to the assets that are the subject of the relevant agreement, program, order or contract;
- (19) Liens to secure performance of Hedging Obligations of the Company or any of its Restricted Subsidiaries;
- (20) Liens imposed by law, including landlords', carriers', warehousemen's, mechanics', materialmen's and repairmen's Liens, or related contracts in the ordinary course of business, in each case for sums not overdue for more than 60 days (or which, if due and payable, are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to GAAP have been made in respect thereof);
- (21) Liens for taxes, assessments or other governmental charges not overdue for more than 30 days (or which, if so overdue, are being contested in good faith by appropriate proceedings provided appropriate reserves required pursuant to GAAP have been made in respect thereof) or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on the Company and the Restricted Subsidiaries of the Company taken as a whole;
- (22) Liens in favor of issuers of surety or performance bonds or letters of credit or bankers' acceptances issued pursuant to the request of and for the account of the Company or any Restricted Subsidiary of the Company in the ordinary course of its business; *provided, however*, that such letters of credit do not constitute Indebtedness;
- (23) survey exceptions, encumbrances, ground leases, easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations of, or rights of others for, licenses, rights-of-way, roads, pipelines, transmission liens, transportation liens, distribution lines for the removal of gas, oil, coal or other minerals or timber, sewers, electric lines, telegraph and telephone lines and other similar purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, Liens related to surface leases and surface operations, or zoning, building codes or other restrictions (including, without limitation, minor defects or irregularities in title and similar encumbrances) as to the use of real properties or liens incidental to the conduct of the business of the Company or any Restricted Subsidiary of the Company or to the ownership of its properties that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company or any Restricted Subsidiary of the

Company;

- (24) leases, licenses, subleases and sublicenses of assets (including, without limitation, real property and intellectual property rights) that do not materially interfere with the ordinary conduct of the business of the Company or any Restricted Subsidiary of the Company;
- (25) any interest or title of a lessor under any operating lease;
- (26) Liens on pipelines or pipeline facilities that arise by operation of law;
- (27) Liens arising under the 2025 Indenture in favor of the trustee for its own benefit and similar Liens in favor of other trustees, agents and representatives arising under instruments governing Indebtedness

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permitted to be incurred under the 2025 Indenture, *provided*, that such Liens are solely for the benefit of the trustees, agents, or representatives in their capacities as such and not for the benefit of the holders of such Indebtedness;

- (28) Liens (a) on advances of cash or Cash Equivalents in favor of the seller of any property to be acquired by the Company or any Restricted Subsidiary of the Company under clause (3) of the definition of Permitted Investment to be applied against the purchase price for such Investment, (b) consisting of an agreement to dispose of any property in a disposition permitted under the 2025 Indenture and (c) on cash earnest money deposits made by the Company or any Restricted Subsidiary of the Company in connection with any letter of intent or purchase agreement permitted under the 2025 Indenture;
- (29) Liens incurred by the Company or any Restricted Subsidiary of the Company with respect to Indebtedness and other obligations at any one time outstanding that do not exceed in aggregate principal or face amount the greater of (a) \$100.0 million and (b) 2.25% of Adjusted Consolidated Net Tangible Assets determined as of the date such Lien is granted or, if later, the date such Indebtedness or other obligation is incurred;
- (30) any Lien renewing, extending, refinancing, replacing, or refunding a Lien permitted by this definition, provided that (a) the principal amount of the Indebtedness secured by such Lien is not increased except by an amount equal to accrued interest and a reasonable premium or other reasonable amount paid, and fees, costs and expenses reasonably incurred, in connection therewith and by an amount equal to any existing commitments unutilized thereunder and (b) no assets encumbered by any such Lien other than the assets permitted to be encumbered immediately prior to such renewal, extension, refinancing, replacement or refunding are encumbered thereby;
- (31) Liens arising from the deposit of funds or securities in trust for the purpose of decreasing, discharging, redeeming or defeasing Indebtedness if such deposit of funds or securities and such decreasing, discharging, redeeming or defeasing of Indebtedness are not prohibited under the covenant described under the caption *Certain Covenants Restricted Payments* ;
- (32) Liens (other than Liens securing Indebtedness) on, or related to, properties or assets to secure all or part of the costs incurred in the ordinary course of business for the exploration, drilling, development, production, processing, gathering, transportation, marketing or storage, plugging, abandonment or operation thereof; and
- (33) (a) Liens on Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary, and (b) Liens on Equity Interests in Joint Ventures to secure Non-Recourse Debt.

In each case set forth above, notwithstanding any stated limitation on the assets or property that may be subject to such Lien, a Permitted Lien on a specified asset or property or group or type of assets or property may include Liens on all improvements, additions, repairs, attachments and accessions thereto, construction thereon, assets and property affixed or appurtenant thereto, parts, replacements and substitutions therefor and all products and proceeds thereof, including dividends, distributions, interest and increases in respect thereof.

*Permitted Refinancing Indebtedness* means any Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries incurred or issued in exchange for, or the net proceeds of which are used to extend, renew, refund, refinance, replace, defease, discharge or otherwise retire for value other Indebtedness or Disqualified Stock of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness or Disqualified Stock extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value (plus all accrued interest on the Indebtedness or accrued and unpaid dividends on the Disqualified Stock, as the case may be, and the amount of all fees, costs and expenses, including premiums, incurred in connection therewith);



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- (2) such Permitted Refinancing Indebtedness has (a) a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value and (b) a final maturity date that is (i) later than the final maturity date of the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value or (ii) more than 90 days after the final maturity date of the 2025 Notes;
- (3) if the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value is subordinated in right of payment to the 2025 Notes or the 2025 Note Guarantees, such Permitted Refinancing Indebtedness is contractually subordinated or otherwise junior in right of payment to the 2025 Notes or the 2025 Note Guarantees, as applicable, on terms at least as favorable to the holders of 2025 Notes as those contained in the documentation governing the Indebtedness or Disqualified Stock being extended, renewed, refunded, refinanced, replaced, defeased, discharged or otherwise retired for value, as determined in good faith by the Company; and
- (4) such Indebtedness is not incurred (other than by way of a Guarantee) by a Restricted Subsidiary of the Company that is not a Guarantor if the Company is the issuer or other primary obligor on the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged.

*Person* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

*Preferred Stock* means, with respect to any Person, any and all preferred or preference stock or other similar Equity Interests (however designated) of such Person whether outstanding or issued after the date of the 2025 Indenture.

*Production Payments* means Dollar-Denominated Production Payments and Volumetric Production Payments, collectively.

*Production Payments and Reserve Sales* means the grant or transfer by the Company or any of its Restricted Subsidiaries to any Person of a royalty, overriding royalty, net profits interest, Production Payment, partnership or other interest in Oil and Gas Properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties where the holder of such interest has recourse solely to such production or proceeds of production, subject to the obligation of the grantor or transferor to operate and maintain, or cause the subject interests to be operated and maintained, in a reasonably prudent manner or other customary standard or subject to the obligation of the grantor or transferor to indemnify for environmental, title or other matters customary in the Oil and Gas Business, including any such grants or transfers pursuant to incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists or other providers of technical services to the Company or any of its Restricted Subsidiaries.

*Qualified MLP Assets* means assets used in the gathering, distributing, marketing, treating, processing, transporting of, or storage, disposal, or other handling of, Hydrocarbons, water, or other products or substances commonly created, used, recovered, produced or processed in the conduct of the Oil and Gas Business, including production, compression, pumping, treatment and disposal facilities, gathering lines and systems, and other assets commonly considered midstream assets or useful in connection with the conduct of midstream operations.

*Qualified MLP IPO* means the initial registered public offering of Capital Stock of an Unrestricted Subsidiary of the Company that is treated as a partnership for U.S. federal income tax purposes.

*Qualifying Equity Interests* means Equity Interests of the Company other than Disqualified Stock and Equity Interests of the Company sold to a Subsidiary or an employee stock ownership plan, option plan or similar

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trust to the extent such sale to an employee stock ownership plan, option plan or similar trust is financed by loans from or Guaranteed by the Company or any Restricted Subsidiary (unless such loans have been repaid with cash on or prior to the date of determination).

*Qualifying Owners* means each of: (i) Wexford Capital, LLC and any Affiliated funds and investment vehicles and holding companies directly or indirectly owned, controlled or managed by Wexford Capital, LLC or any other Person that is a Qualifying Owner or (ii) any general partner, managing member or managing partner of any of the Persons described in clause (i) above.

*Restricted Investment* means an Investment other than a Permitted Investment.

*Restricted Subsidiary* of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

*S&P* means Standard & Poor's Ratings Services, and any successor to the ratings business thereof.

*SEC* means the Securities and Exchange Commission.

*Significant Subsidiary* means any Restricted Subsidiary that would be a significant subsidiary as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the 2025 Indenture.

*Special Interest* has the meaning assigned to that term pursuant to the 2025 registration rights agreement.

*Start Date* means September 18, 2013.

*Stated Maturity* means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof. Unless otherwise specified or implied by the context, *Stated Maturity* means the Stated Maturity of the principal of the 2025 Notes.

*Subsidiary* means, with respect to any specified Person:

- (1) any corporation, association or other business entity (other than a partnership or limited liability company) of which more than 50% of the total voting power of its Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership or limited liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

Unless otherwise specified or the context shall otherwise require, each reference to a **Subsidiary** will refer to a **Subsidiary of the Company**.

*Treasury Management Arrangement* means any agreement or other arrangement governing the provision of treasury or cash management services, including deposit accounts, overdraft, credit or debit card, funds transfer, automated clearinghouse, zero balance accounts, returned check concentration, controlled disbursement, lockbox, account reconciliation and reporting and trade finance services and other cash management services.

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*Treasury Rate* means, as of any redemption date, the yield to maturity as of the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to May 31, 2020; *provided, however*, that if the period from the redemption date to May 31, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. The Company will (a) calculate the Treasury Rate on the second business day preceding the applicable redemption date and (b) prior to such redemption date file with the trustee an officers' certificate setting forth the Applicable Premium and the Treasury Rate and showing the calculation of each in reasonable detail.

*Unrestricted Subsidiary* means any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein) that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only if at the time of such designation such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company that is prohibited by the covenant described above under the caption *Certain Covenants Transactions with Affiliates*; and
- (3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results other than any such obligation arising out of liability with respect to Customary Recourse Exceptions.

Notwithstanding the foregoing and notwithstanding the provisions of the covenant described above under the caption *Certain Covenants Designation of Restricted and Unrestricted Subsidiaries*, (i) Viper Energy Partners LLC, Viper Energy Partners GP LLC, Viper Energy Partners LP and Rattler Midstream LLC shall be Unrestricted Subsidiaries as of the date of the 2025 Indenture and (ii) all Subsidiaries of an Unrestricted Subsidiary shall also be Unrestricted Subsidiaries.

*Volumetric Production Payments* means production payment obligations recorded as deferred revenue in accordance with GAAP, together with all undertakings and obligations in connection therewith.

*Voting Stock* of any specified Person as of any date means the Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of Capital Stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors of such Person; *provided* that with respect to a limited partnership or other entity that does not have a Board of Directors, Voting Stock means the Capital Stock of the general partner of such limited partnership or other business entity with the ultimate authority to manage the business and operations of such Person.

*Weighted Average Life to Maturity* means, when applied to any Indebtedness or Disqualified Stock at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, redemption or similar payment including payment at final maturity, in respect of the Indebtedness or Disqualified Stock, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
  
- (2) the then outstanding aggregate principal amount of such Indebtedness or Disqualified Stock.

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**BOOK-ENTRY SETTLEMENT AND CLEARANCE**

We will issue the Exchange Notes in the form of global Exchange Notes, or the Global Exchange Notes. The Global Exchange Notes will be deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of the DTC or its nominee. Except as set forth below, the Global Exchange Notes may be transferred, in whole and not in part, and only to DTC or another nominee of DTC. You may hold your beneficial interests in the Global Exchange Notes directly through DTC if you have an account with DTC or indirectly through organizations that have accounts with DTC.

DTC has advised us that it is:

a limited purpose trust company organized under the laws of the State of New York;

a banking organization within the meaning of the New York State Banking Law;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a clearing agency registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC's participants include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations and other organizations. Indirect access to DTC's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of the Global Exchange Notes, that nominee will be considered the sole owner or holder of the Exchange Notes represented by the Global Exchange Notes for all purposes under the Indentures. Except as provided below under *Certificated Notes*, owners of beneficial interests in a Global Exchange Note:

will not be entitled to have Exchange Notes represented by the Global Exchange Note registered in their names;

will not receive or be entitled to receive physical, certificated Exchange Notes; and

will not be considered the owners or holders of the Exchange Notes under the Indentures for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the Indentures.

As a result, each investor who owns a beneficial interest in a Global Exchange Note must rely on the procedures of DTC to exercise any rights of a holder of Exchange Notes under the Indentures (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest). Payments of principal, premium (if any) and interest with respect to the Exchange Notes represented by a Global Exchange Note will be made by the trustee to DTC's nominee as the registered holder of the Global Exchange Note. We understand that under existing industry practice, in the event an owner of a beneficial interest in a Global Exchange Note desires to take any action that the DTC, as the holder of the Global Exchange Note, is entitled to take, the DTC would authorize the participants to take such action, and the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

We will make payments of principal of, premium, if any, and interest on Exchange Notes represented by the Global Exchange Notes registered in the name of and held by the DTC or its nominee to the DTC or its nominee,



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as the case may be, as the registered owner and holder of the Global Exchange Notes. We expect that the DTC or its nominee, upon receipt of any payment of principal of, premium, if any, or interest on the Global Exchange Notes will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Exchange Notes as shown on the records of the DTC or its nominee. We also expect that payments by participants or indirect participants to owners of beneficial interests in the Global Exchange Notes held through such participants or indirect participants will be governed by standing instructions and customary practices and will be the responsibility of such participants or indirect participants. We will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Exchange Notes for any Exchange Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between the DTC and its participants or indirect participants or the relationship between such participants or indirect participants and the owners of beneficial interests in the Global Exchange Notes owning through such participants. Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds.

Although the DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Exchange Notes among participants of the DTC, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Trustee nor the Company will have any responsibility or liability for the performance by the DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

**Certificated Notes**

Exchange Notes in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related Exchange Notes only if:

- (1) DTC (a) notifies the Company that it is unwilling or unable to continue as depository for the Global Exchange Notes or (b) has ceased to be a clearing agency registered under the Exchange Act and, in each case, a successor depository is not appointed within 90 days;
- (2) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of certificated Exchange Notes;
- (3) with respect to the 2024 Indenture, there has occurred and is continuing a Default or an Event of Default under the 2024 Indenture;
- (4) with respect to the 2025 Indenture, there has occurred and is continuing an Event of Default under the 2025 Indenture; or
- (5) certain other events provided in the Indentures should occur.

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**MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of material U.S. federal income tax consequences of the exchange of Initial Notes for Exchange Notes pursuant to the Exchange Offers, but does not purport to be a complete analysis of all potential tax considerations. This summary is based upon the Internal Revenue Code of 1986, as amended, or the Code, the Treasury Regulations promulgated or proposed thereunder, and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change, possibly on a retroactive basis.

This summary is limited to the tax consequences of those persons who are original beneficial owners of the Initial Notes, who exchange Initial Notes for Exchange Notes in the Exchange Offers, and that will hold the Exchange Notes as capital assets within the meaning of Section 1221 of the Code. This summary does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular holders in light of their particular circumstances or status nor does it address specific tax consequences that may be relevant to particular persons (including, for example, financial institutions, broker-dealers, insurance companies, partnerships or other pass-through entities, expatriates, banks, real estate investment trusts, regulated investment companies, tax-exempt organizations and persons that have a functional currency other than the U.S. dollar, or persons in special situations, such as those who have elected to mark securities to market or those who hold Initial Notes as part of a straddle, hedge, conversion transaction or other integrated investment). In addition, this summary does not address U.S. federal alternative minimum, estate and gift tax consequences or consequences under the tax laws of any state, local or foreign jurisdiction. We have not sought any ruling from the Internal Revenue Service, or the IRS, with respect to the statements made and the conclusions reached in this summary, and we cannot assure you that the IRS will agree with such statements and conclusions.

If a partnership or other entity treated as a partnership for U.S. federal income tax purposes holds Initial Notes and participates in the Exchange Offers, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding the Initial Notes, you should consult your tax advisor regarding the tax consequences of the exchange of Initial Notes for Exchange Notes pursuant to the Exchange Offers.

**This summary is for general information only. If you are considering the exchange of Initial Notes for Exchange Notes, you are urged to consult your independent tax advisors concerning the U.S. federal income tax and other tax consequences to them of exchanging the Initial Notes, as well as the application of state, local and non-U.S. income and other tax laws.**

**Exchange of an Initial Note for an Exchange Note Pursuant to the Exchange Offers**

The 2024 Exchange Notes and 2025 Exchange Notes described herein will not constitute a significant modification of the 2024 Initial Notes and the 2025 Initial Notes, respectively, for U.S. federal income tax purposes. Accordingly, the 2024 Exchange Notes and 2025 Exchange Notes you receive will be treated as a continuation of the 2024 Initial Notes and the 2025 Initial Notes in your hands, and the exchange of Initial Notes for Exchange Notes pursuant to the Exchange Offers will not constitute a taxable disposition of the Initial Notes for U.S. federal income tax purposes. As a result, (1) you will not recognize taxable income, gain or loss on the exchange, (2) your holding period for the Exchange Notes will generally include the holding period of the Initial Notes exchanged, and (3) your adjusted tax basis in the Exchange Notes will generally be the same as your adjusted tax basis in the Initial Notes exchanged. If you do not exchange your Initial Notes for Exchange Notes pursuant to the Exchange Offers, you will not recognize any gain or loss upon consummation of the Exchange Offers.

THE PRECEDING DISCUSSION OF MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. DUE TO THE COMPLEXITY OF THE U.S. FEDERAL INCOME TAX RULES APPLICABLE TO HOLDERS AND THE CONSIDERABLE UNCERTAINTY THAT EXISTS WITH RESPECT TO MANY ASPECTS OF THOSE RULES, EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PARTICIPATING IN THE EXCHANGE OFFERS AND OF OWNING AND DISPOSING OF EXCHANGE NOTES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

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**PLAN OF DISTRIBUTION**

Based on interpretations of the SEC set forth in no-action letters issued to third parties, we believe that the Exchange Notes issued in the applicable Exchange Offer in exchange for Initial Notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act, provided:

you are not an affiliate of ours within the meaning of Rule 405 under the Securities Act;

you are acquiring the Exchange Notes in the ordinary course of your business; and

you do not intend to participate in the distribution of the Exchange Notes.

If you tender Initial Notes in the applicable Exchange Offer with the intention of participating in any manner in a distribution of the Exchange Notes:

you cannot rely on the above interpretations of the SEC; and

you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction, and the secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K under the Securities Act.

Each broker-dealer that receives Exchange Notes for its own account in the applicable Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker dealer in connection with resales of Exchange Notes received in exchange for Initial Notes where such Initial Notes were acquired as a result of market-marking activities or other trading activities. We have agreed that, for a period of 180 days after the effective date of this prospectus, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. In addition, until \_\_\_\_\_, 20\_\_\_\_, all dealers effecting transactions in the Exchange Notes may be required to deliver a prospectus.

We will not receive any proceeds from any sale of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own account in the applicable Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers of any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account in the applicable Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an underwriter within the meaning of the Securities Act and any profit on any such resale of Exchange Notes and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by

acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

For a period of 180 days after the effective date of this prospectus, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests such documents in the Letter of Transmittal. We have agreed to pay all expenses incident to each Exchange Offer (including the expenses of one counsel for the holders of the Notes) other than commissions or concessions of any brokers or dealers and will indemnify the holders of the Notes (including any broker-dealers) against certain liabilities, including liabilities under the Securities Act.

By acceptance of the applicable Exchange Offer, each broker-dealer that receives Exchange Notes in such Exchange Offer hereby agrees to notify us prior to using the prospectus in connection with the sale or transfer of

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Exchange Notes, and acknowledges and agrees that, upon receipt of notice from us of the happening of any event which makes any statement in the prospectus untrue in any material respect or which requires the making of any changes in the prospectus in order to make the statements therein not misleading (which notice we agree to deliver promptly to such broker-dealer), such broker-dealer will suspend use of the prospectus until we have amended or supplemented the prospectus to correct such misstatement or omission and has furnished copies of the amended or supplemented prospectus to such broker-dealer.

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**LEGAL MATTERS**

The validity of the Exchange Notes offered hereby will be passed upon for us by Akin Gump Strauss Hauer & Feld LLP.

**EXPERTS**

The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting incorporated by reference in this prospectus and elsewhere in the registration statement have been so incorporated by reference in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

Information referenced in this prospectus regarding our estimated quantities of oil and gas reserves and the discounted present value of future net cash flows therefrom is based upon estimates of such reserves and present values prepared by Ryder Scott Company, L.P., an independent petroleum engineering firm, as of December 31, 2016, 2015 and 2014.

## GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a description of the meanings of some of the oil and natural gas industry terms used in this prospectus.

**Basin.** A large depression on the earth's surface in which sediments accumulate.

**Bbl.** Stock tank barrel, or 42 U.S. gallons liquid volume, used in this prospectus in reference to crude oil or other liquid hydrocarbons.

**Completion.** The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

**Condensate.** Liquid hydrocarbons associated with the production that is primarily natural gas.

**Crude Oil.** Liquid hydrocarbons retrieved from geological structures underground to be refined into fuel sources.

**Development costs.** Capital costs incurred in the acquisition, exploitation and exploration of proved oil and natural gas reserves.

**Dry hole or dry well.** A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

**Exploitation.** A development or other project which may target proven or unproven reserves (such as probable or possible reserves), but which generally has a lower risk than that associated with exploration projects.

**Finding and development costs.** Capital costs incurred in the acquisition, exploitation and exploration of proved oil and natural gas reserves divided by proved reserve additions and revisions to proved reserves.

**Fracturing.** The process of creating and preserving a fracture or system of fractures in a reservoir rock typically by injecting a fluid under pressure through a wellbore and into the targeted formation.

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

**Horizontal wells.** Wells drilled directionally horizontal to allow for development of structures not reachable through traditional vertical drilling mechanisms.

**MBOE.** One thousand barrels of crude oil equivalent, determined using a ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

**Mcf.** Thousand cubic feet of natural gas.

**Mineral interests.** The interests in ownership of the resource and mineral rights, giving an owner the right to profit from the extracted resources.



*Net acres or net wells.* The sum of the fractional working interest owned in gross acres or gross wells, as the case may be.

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**Play.** A set of discovered or prospective oil and/or natural gas accumulations sharing similar geologic, geographic and temporal properties, such as source rock, reservoir structure, timing, trapping mechanism and hydrocarbon type.

**Plugging and abandonment.** Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.

**PUD.** Proved undeveloped.

**Prospect.** A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

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

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

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

**Recompletion.** The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

**Reserves.** Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to the market and all permits and financing required to implement the project. Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

**Reservoir.** A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

**Royalty Interest.** An interest that gives an owner the right to receive a portion of the resources or revenues without having to carry any costs of development or operations.

**Working interest.** An operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.



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**Diamondback Energy, Inc.**

**Offer to Exchange**

**4.750% Senior Notes due 2024**

**5.375% Senior Notes due 2025**

**PROSPECTUS**

**, 2017**

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**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 20. Indemnification of Directors and Officers.**

***Limitation of Liability***

Section 102(b)(7) of the Delaware General Corporation Law, or the DGCL, permits a corporation, in its certificate of incorporation, to limit or eliminate, subject to certain statutory limitations, the liability of directors to the corporation or its stockholders for monetary damages for breaches of fiduciary duty, except for liability:

for any breach of the director's duty of loyalty to the company or its stockholders;

for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

in respect of certain unlawful dividend payments or stock redemptions or repurchases; and

for any transaction from which the director derives an improper personal benefit.

In accordance with Section 102(b)(7) of the DGCL, Section 9.1 of our certificate of incorporation provides that that no director shall be personally liable to us or any of our stockholders for monetary damages resulting from breaches of their fiduciary duty as directors, except to the extent such limitation on or exemption from liability is not permitted under the DGCL. The effect of this provision of our certificate of incorporation is to eliminate our rights and those of our stockholders (through stockholders' derivative suits on our behalf) to recover monetary damages against a director for breach of the fiduciary duty of care as a director, including breaches resulting from negligent or grossly negligent behavior, except, as restricted by Section 102(b)(7) of the DGCL. However, this provision does not limit or eliminate our rights or the rights of any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care.

If the DGCL is amended to authorize corporate action further eliminating or limiting the liability of directors, then, in accordance with our certificate of incorporation, the liability of our directors to us or our stockholders will be eliminated or limited to the fullest extent authorized by the DGCL, as so amended. Any repeal or amendment of provisions of our certificate of incorporation limiting or eliminating the liability of directors, whether by our stockholders or by changes in law, or the adoption of any other provisions inconsistent therewith, will (unless otherwise required by law) be prospective only, except to the extent such amendment or change in law permits us to further limit or eliminate the liability of directors on a retroactive basis.

***Indemnification***

Section 145 of the DGCL permits a corporation, under specified circumstances, to indemnify its directors, officers, employees or agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by third parties by reason of the fact that they were or are directors, officers, employees or agents of the corporation, if such directors,

officers, employees or agents acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. In a derivative action, i.e., one by or in the right of the corporation, indemnification may be made only for expenses actually and reasonably incurred by directors, officers, employees or agents in connection with the defense or settlement of an action or suit, and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant directors, officers, employees or agents are fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability

Our certificate of incorporation provides that we will, to the fullest extent authorized or permitted by applicable law, indemnify our current and former directors and officers, as well as those persons who, while directors or officers of our corporation, are or were serving as directors, officers, employees or agents of another

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entity, trust or other enterprise, including service with respect to an employee benefit plan, in connection with any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, against all expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by any such person in connection with any such proceeding. Notwithstanding the foregoing, a person eligible for indemnification pursuant to our certificate of incorporation will be indemnified by us in connection with a proceeding initiated by such person only if such proceeding was authorized by our board of directors, except for proceedings to enforce rights to indemnification and advancement of expenses.

The right to indemnification conferred by our certificate of incorporation is a contract right that includes the right to be paid by us the expenses incurred in defending or otherwise participating in any proceeding referenced above in advance of its final disposition, provided, however, that if the DGCL requires, an advancement of expenses incurred by our officer or director will be made only upon delivery to us of an undertaking, by or on behalf of such officer or director, to repay all amounts so advanced if it is ultimately determined by final judicial decision that such person is not entitled to be indemnified for such expenses under our certificate of incorporation or otherwise.

The rights to indemnification and advancement of expenses will not be deemed exclusive of any other rights which any person covered by our certificate of incorporation may have or hereafter acquire under law, our certificate of incorporation, our bylaws, an agreement, vote of stockholders or disinterested directors, or otherwise.

Any repeal or amendment of provisions of our certificate of incorporation affecting indemnification rights, whether by our stockholders or by changes in law, or the adoption of any other provisions inconsistent therewith, will (unless otherwise required by law) be prospective only, except to the extent such amendment or change in law permits us to provide broader indemnification rights on a retroactive basis, and will not in any way diminish or adversely affect any right or protection existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision. Our certificate of incorporation also permits us, to the extent and in the manner authorized or permitted by law, to indemnify and to advance expenses to persons other than those specifically covered by our certificate of incorporation.

Our bylaws include the provisions relating to advancement of expenses and indemnification rights consistent with those set forth in our certificate of incorporation. In addition, our bylaws provide for a right of indemnitee to bring a suit in the event a claim for indemnification or advancement of expenses is not paid in full by us within a specified period of time. Our bylaws also permit us to purchase and maintain insurance, at our expense, to protect us and/or any director, officer, employee or agent of our corporation or another entity, trust or other enterprise against any expense, liability or loss, whether or not we would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Any repeal or amendment of provisions of our bylaws affecting indemnification rights, whether by our board of directors, stockholders or by changes in applicable law, or the adoption of any other provisions inconsistent therewith, will (unless otherwise required by law) be prospective only, except to the extent such amendment or change in law permits us to provide broader indemnification rights on a retroactive basis, and will not in any way diminish or adversely affect any right or protection existing thereunder with respect to any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

We have entered into indemnification agreements with each of our current directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification

agreements with future directors and executive officers.

We may enter into an Underwriting Agreement in connection with a specific offering under which the underwriters will be obligated, under certain circumstances, to indemnify our directors and officers against certain liabilities, including liabilities under the Securities Act. Reference is made to the form of Underwriting Agreement to be filed as an Exhibit 1.1 or 1.2 to our Current Report on Form 8-K in connection with a specific offering.



**Table of Contents****Item 21. Exhibits.**

The following is a list of exhibits filed as a part of this registration statement.

<b>Exhibit Number</b>	<b>Description</b>
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).
3.2	Certificate of Amendment No. 1 of the Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on December 12, 2016).
3.3	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).
4.1	Specimen certificate for shares of common stock, par value \$0.01 per share, of the Company (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to the Registration Statement on Form S-1, File No. 333-179502, filed by the Company with the SEC on August 20, 2012).
4.2	Registration Rights Agreement, dated as of October 11, 2012, by and between the Company and DB Energy Holdings LLC (incorporated by reference to Exhibit 4.2 to the Form 10-Q, File No. 001-35700, filed by the Company with the SEC on November 16, 2012).
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4.4	Indenture, dated as of October 28, 2016, among Diamondback Energy, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (including the form of Diamondback Energy, Inc. s 4.750 % Senior Notes due 2024) (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on November 2, 2016).
4.5	Registration Rights Agreement, dated as of October 28, 2016, among Diamondback Energy, Inc., the guarantors party thereto and J.P. Morgan Securities LLC (incorporated by reference to Exhibit 4.2 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on November 2, 2016).
4.6	Indenture, dated as of December 20, 2016, among Diamondback Energy, Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee (including the form of Diamondback Energy, Inc. s 5.375% Senior Notes due 2025) (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on December 21, 2016).
4.7	Registration Rights Agreement, dated as of December 20, 2016, among Diamondback Energy, Inc., the guarantors party thereto and Credit Suisse Securities (USA) LLC (incorporated by reference to Exhibit 4.2 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on December 21, 2016).
4.8	Registration Rights Agreement, dated as of February 28, 2017, by and between Diamondback Energy, Inc., Brigham Resources, LLC, Brigham Resources Operating, LLC and Brigham

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Resources Upstream Holdings, LP (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No. 001-35700, filed by the Company with the SEC on March 6, 2017).

- 5.1\* Opinion of Akin Gump Strauss Hauer & Feld LLP as to the legality of the 4.750% Senior Notes due 2024 being registered.
- 5.2\* Opinion of Akin Gump Strauss Hauer & Feld LLP as to the legality of the 5.375% Senior Notes due 2025 being registered.
- 21 Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Form 10-K (File No. 001-35700, filed by the Company with the SEC on February 15, 2017).
- 12.1\* Statement Regarding the Computation of Ratio of Earnings (Deficit) to Fixed Charges.

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23.3*	Consent of Ryder Scott Company, L.P. with respect to the Diamondback Energy, Inc. reserve report.
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99.1*	Form of Letter of Transmittal for 4.750% Senior Notes due 2024.
99.2*	Form of Letter of Transmittal for 5.375% Senior Notes due 2025.

\* Filed herewith.

**Item 22. Undertakings.**

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, or the Securities Act of 1933, may be permitted to directors, officers and controlling persons of the registrants, we have been advised that in the opinion of the Securities and Exchange Commission, or the SEC, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by a registrant of expenses incurred or paid by a director, officer or controlling person of such registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, such registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Each registrant hereby undertakes:

To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(a) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(b) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the Calculation of

Registration Fee table in the effective registration statement; and

(c) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

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That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, if such registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

That, for the purpose of determining liability of such registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, in a primary offering of securities of such registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, such undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

- (a) any preliminary prospectus or prospectus of the undersigned registrants relating to the offering required to be filed pursuant to Rule 424;
- (b) any free writing prospectus relating to the offering prepared by or on behalf of such registrant or used or referred to by the undersigned registrants;
- (c) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrants or their securities provided by or on behalf of such registrant; and
- (d) any other communication that is an offer in the offering made by such registrant to the purchaser.

That, for purposes of determining any liability under the Securities Act of 1933, each filing of a registrant annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became

effective.

**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Midland, Texas on the 26th day of April, 2017.

DIAMONDBACK ENERGY, INC.

By: /s/ Travis D. Stice  
Travis D. Stice  
Chief Executive Officer

**POWER OF ATTORNEY**

Each person whose signature appears below hereby constitutes and appoints Travis D. Stice, Teresa L. Dick and Randall J. Holder, and each of them, his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this registration statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities indicated on April 26, 2017.

<b>NAME</b>	<b>TITLE</b>
/s/ Travis D. Stice	Chief Executive Officer (principal executive officer), Director
Travis D. Stice	
/s/ Teresa L. Dick	Chief Financial Officer, Executive Vice President and Assistant Secretary (principal financial and accounting officer)
Teresa L. Dick	
/s/ Steven E. West	Chairman of the Board and Director
Steven E. West	

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/s/ Michael P. Cross Director

Michael P. Cross

/s/ David L. Houston Director

David L. Houston

/s/ Mark L. Plaumann Director

Mark L. Plaumann



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Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Midland, Texas on the 26th day of April, 2017.

DIAMONDBACK O&G LLC

By: /s/ Travis D. Stice  
Travis D. Stice  
President and Chief Executive Officer

**POWER OF ATTORNEY**

Each person whose signature appears below hereby constitutes and appoints Travis D. Stice, Teresa L. Dick and Randall J. Holder, and each of them, his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this registration statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities indicated on April 26, 2017.

NAME	TITLE
/s/ Travis D. Stice	President and Chief Executive Officer (principal executive officer)
Travis D. Stice	
/s/ Teresa L. Dick	Chief Financial Officer (principal financial and accounting officer)
Teresa L. Dick	
DIAMONDBACK ENERGY, INC.	Sole Member

By: /s/ Travis D. Stice

Travis D. Stice  
Chief Executive Officer

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DIAMONDBACK E&P LLC

By: /s/ Travis D. Stice  
Travis D. Stice  
Chief Executive Officer

**POWER OF ATTORNEY**

Each person whose signature appears below hereby constitutes and appoints Travis D. Stice, Teresa L. Dick and Randall J. Holder, and each of them, his true and lawful agent, proxy and attorney-in-fact, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to (i) act on, sign and file with the Securities and Exchange Commission any and all amendments (including post-effective amendments) to this registration statement together with all schedules and exhibits thereto and any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, together with all schedules and exhibits thereto, (ii) act on, sign and file such certificates, instruments, agreements and other documents as may be necessary or appropriate in connection therewith, (iii) act on and file any supplement to any prospectus included in this registration statement or any such amendment or any subsequent registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and (iv) take any and all actions which may be necessary or appropriate to be done, as fully for all intents and purposes as he might or could do in person, hereby approving, ratifying and confirming all that such agent, proxy and attorney-in-fact or any of his substitutes may lawfully do or cause to be done by virtue thereof.

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<b>NAME</b>	<b>TITLE</b>
/s/ Travis D. Stice	Chief Executive Officer (principal executive officer)
Travis D. Stice	
/s/ Teresa L. Dick	Chief Financial Officer (principal financial and accounting officer)
Teresa L. Dick	
DIAMONDBACK ENERGY, INC.	Sole Member

By: /s/ Travis D. Stice

Travis D. Stice  
Chief Executive Officer

**Table of Contents****Diamondback Energy, Inc.****Exhibit Index**

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4.8	Registration Rights Agreement, dated as of February 28, 2017, by and between Diamondback Energy, Inc., Brigham Resources, LLC, Brigham Resources Operating, LLC and Brigham Resources Upstream Holdings, LP (incorporated by reference to Exhibit 4.1 to the Form 8-K, File No.

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001-35700, filed by the Company with the SEC on March 6, 2017).

- 5.1\* Opinion of Akin Gump Strauss Hauer & Feld LLP as to the legality of the 4.750% Senior Notes due 2024 being registered.
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\* Filed herewith.