

[NEWCO] LLC
SUMMARY OF PRINCIPAL INVESTMENT TERMS

The following terms and conditions are non-binding. These terms and conditions should not be construed as a commitment by the Investors to invest. The terms are subject to market conditions, other internal approvals, and satisfactory completion of commercial, accounting and legal due diligence. Except as provided in the paragraph below entitled "*Binding Provisions*," no binding obligation will arise on the part of any party unless and until the Definitive Documents (as defined below) are executed and delivered.

BASIC INVESTMENT TERMS

Issuer: [NEWCO], LLC, a newly-formed Delaware limited liability company (the "*Company*" or the "*Issuer*").

Investors: COR Development Group, Inc and related parallel investment vehicles (collectively, "*COR*") and other investors satisfactory to COR and the Founders (collectively, the "*Investors*").

Founders: _____ and _____.

Purpose: To acquire, develop and exploit unconventional oil and gas properties primarily in the United States and Canada.

Capital Structure The Company's equity capital structure will initially consist of common units ("*Common Units*") and incentive units representing a carried interest in the profits of the Company (the "*Incentive Units*"). The Common Units will be capital interests. The Incentive Units will be structured as profits interests and reserved for issuance to key employees. The Incentive Units will be issued pursuant to separate Incentive Unit Agreements between the Company and each key employee. Such agreements will contain vesting provisions, transfer restrictions and other customary terms. The Incentive Units will be issued in different series (e.g. Series 1 Incentive Units), and each series of Incentive Units will have a "threshold value" that operates similar to an option exercise price. The threshold value applicable to any series of Incentive Units will be set so the unit qualifies as a profits interests for federal income tax purposes. For example, the threshold value of each of the Incentive Units granted at or around the initial closing would be \$1,000 (i.e. the price per Common Unit issued at the initial closing).

Capital Commitment; Commitment Period On the terms set forth in the definitive Limited Liability Agreement of the Company, during the three year period following the initial closing (the "*Commitment Period*"), the Investors would commit to purchase up to 500,000 Common Units for a cash contribution to the Company of \$1,000 per Common Unit. The Investors' commitment to contribute to the capital of the Company is referred to herein as its "*Commitment*" and the Investors' aggregate commitment of \$500 million is referred to as its "*Commitment Amount*."

The Commitment Period would terminate before such third anniversary if a change of control occurs or if the Company is unable to acquire projects in sufficient number or size (as determined by the Board of Managers of the Company (the "*Board*")) to justify continuing the Commitments.

Funding of capital contributions would be pursuant to annual operating and capital budgets, in each case, approved by the Board, which budgets will be

reviewed on a quarterly basis (as approved, the "**Annual Budget**"). Significant variances from particular line item in any Annual Budget would require further Board approval even if such variances do not cause such Annual Budget to be exceeded. Once a proposed budget is approved by the Board, management would have the authority to conduct the day to day operations of the Company within such Annual Budget.

The Investors would have the ability to contribute any portion of their unfunded Commitment immediately prior to a change of control transaction. The Company would not raise additional equity capital from sources other than the Investors at any time the Investors' unfunded Commitments are positive.

Initial Capital Contributions:

At the closing, the Investors would purchase, on a pro rata basis in accordance with their respective unfunded Commitments, a sufficient number of Common Units to fund (i) the Company's start up expenses, (ii) any pending acquisitions or investments agreed to by the Investors and (iii) general and administrative expenses pursuant to the initial Annual Budget which will be approved contemporaneously with the initial closing. At the initial closing, at the option of the Founders, the Company shall reimburse the Founders for their reasonable and documented out of pocket expenses in developing this investment opportunity or issue Common Units to the Founders in the amount thereof or any combination of the two as requested by the Founders. In addition, in consideration of a satisfactory release and discharge from any entity associated with the Founders or from any person associated with such entity of any other claims or interests at the initial closing, the Company shall reimburse any entity associated with the Founders or from any person associated with such entity for its reasonable and documented out of pocket expenses in developing this investment opportunity.

Profits Interest Pool

The Incentive Units, in the aggregate, entitle the holders thereof to 50% of the profits as described in the "Distribution Waterfall" section below. Out of this 50%, the Incentive Units shall be granted and shall vest as follows:

- 30% would be issued to _____ and 20% would be issued to _____. The Founders would be 1/3 vested at closing, and 2/3 would time vest on an annual basis over 3 years with respect to both _____ and _____.
- The balance would be available for future grants to management and would time vest on an annual basis over 5 years.

Unvested Incentive Units shall be entitled to participate in distributions to Members in accordance with the below distribution waterfall but would be forfeitable upon termination of employment. Acceleration of vesting of unvested Incentive Units shall occur upon and only upon the occurrence of a sale of all or substantially all of the assets of the Company and its subsidiaries or the sale of all or substantially all of the equity of the Company.

Any Incentive Units which have not been granted at the time of a change of control transaction shall be granted pro rata to the holders of Incentive Units then actively engaged in the business of the Company.

Distributions:

The amount and timing of all distributions to the holders of Common Units and Incentive Units (collectively, the "**Members**") would be at the discretion

of the Board, but all funds available for distribution (including those from operations, sale of assets, on liquidation or by reason of any liquidity event) would be distributed in the following amounts and order of priority:

First, 50% of available funds for distribution shall be distributed to the holders of Common Units until each holder of Common Units has received cumulative distributions under this second tier, for each Common Unit held thereby, in the amount of \$1,000. (Tier 2)

Second, the remaining available funds shall distributed as follows: (i) the Incentive Pool Percentage of the available cash shall be distributed the holders of Eligible Incentive Units and (ii) the Capital Interest Percentage shall be distributed to the holders of Common Units (Tier 3).

“Capital Interest Percentage” means, as of any date of determination, 100% minus the Incentive Pool Percentage.

“Eligible Incentive Unit” means any Incentive Unit that has a threshold value (i.e., strike price) equal to or less than the cumulative distributions previously made in respect of any Common Unit under Tiers 1, 2 and 3 of the waterfall.

“Incentive Pool Percentage” means, as of any date of distribution, 50%.

To the extent the Board determines the Company has available funds on hand, before the Company makes any distribution with respect to any fiscal year under the above distribution waterfall, the Company will make annual cash distributions to its Members to satisfy tax liability arising from the cumulative net income of the Company allocated to the Members during such fiscal year and preceding fiscal years.

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GOVERNANCE **PROVISIONS**

Board of Directors:

The Company will be managed by a board of directors (the **“Board”**) comprised of up to eight managers of which one will be designated by the Investors and seven will be directors acceptable to the Investors and the Founders. _____ and the Company’s President would also serve on the Board so long as they remain actively involved in the business. The Investors shall be permitted to include non-voting Board observers at Board meetings.

Member Voting Rights:

Incentive Units shall be non-voting. Action by the Members shall require the vote or approval of the holders of a majority of the Common Units.

Protective Provisions:

In addition to any required Board approval, the Company will not take certain actions, including those listed below, without the affirmative vote or approval of the Investors:

(i) the sale by the Company of all or substantially all of its assets or any merger of the Company with another entity (whether or not such transaction results in a change of control);

- (ii) the acquisition of oil and gas properties (and interests therein) or undeveloped land acquisitions;
- (iii) the liquidation or dissolution of the Company or the commencement of, or any decision not to take action for the prevention of, any bankruptcy or insolvency proceedings involving the Company or its subsidiaries;
- (iv) the amendment of the Company's limited liability company agreement (including by way of merger, consolidation or conversion);
- (v) an initial public offering;
- (vi) any transaction with affiliates of the Company;
- (vii) the issuance of any membership interests or units;
- (viii) the repurchase of units;
- (ix) the sale of a material portion of the Company's assets;
- (x) the Company's incurrence of material debt (other than pursuant to any Annual Budget); and
- (xi) approval of any Annual Budget.

Notwithstanding the foregoing, the Company shall be permitted (without the prior vote or approval of the Investors) to make land acquisitions and to incur expenses related therewith provided that the amounts spent thereon do not exceed an annual threshold to be agreed.

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CERTAIN MEMBER EQUITY RIGHTS

Preemptive Rights:

In the event the Company proposes to issue any equity securities (other than the Common Units to be issued to the Investors in exchange for its Commitment, securities issued as consideration in approved acquisitions, Incentive Units and other customary exceptions), each holder of Units that is an accredited investor shall have the right to purchase its pro rata portion of such securities. Any security not subscribed for by an eligible party will be reallocated among the other eligible parties.

Transfer Restrictions:

Incentive Units shall not be transferable except to certain family members or family trusts for estate planning purposes or in connection with a liquidity event.

Right of First Refusal:

Except for certain permitted transfers or transfers in connection with a liquidity event, before any holder of Common Units transfers any of its Common Units, such holder shall first offer to sell such securities to the other Members who are accredited investors (other than holders of Incentive Units) on a pro rata basis and on the same price and terms offered by the proposed buyer.

Co-Sale Rights

In the event the holders of a majority of Common Units approve a sale of all or substantially all of the assets of the Company, a change of control transaction

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and Drag-Along Obligations: (by stock deal, merger, recap or otherwise) or conversion of the Company into a different type of business entity (such as a corporation) and such transaction is approved by the Investors (so long as it has the approval rights described above), all of the other holders of Units shall be required to participate in, vote in favor of and waive all dissenters' rights with respect to such transaction. The total consideration received in any such transaction shall be pooled and then distributed according to the priorities and amounts required by the distribution waterfall described above.

In the event any holder of Common Units proposes to transfer any of such Units to any third-party (i.e. persons other than permitted transferees), other holders of Common Units may participate in such sale by including a pro rata share of the Common Units held thereby in such sale. Customary tag-along exceptions would be incorporated.

Conversion Rights: Notwithstanding the previous provisions, immediately prior to the effective date of any initial public offering (an "*IPO*"), at the discretion of the Board, all outstanding Units shall be exchanged for common stock in a newly formed corporation. The number of shares of common stock issued in respect of any class or series of Units shall be determined by calculating the pre-IPO equity value of the Company based on the common stock price to the public in the IPO and distributing such value to all holders of Units in the same amounts and priorities as described in the distribution waterfall above. Common stock issued in exchange for unvested Incentive Units will be subject to parallel vesting or forfeiture provisions.

Registration Rights: At any time after the consummation of an IPO, the Investors will have customary demand registrations rights, piggy back registration rights and Rule 144 compliance requirements. The Investors will have priority with respect to underwriters' cutbacks in all registrations initiated by such investors upon exercise of their demand registration rights. The Company will bear all expenses of a registration, other than underwriting discounts.

Information Rights: The Investors shall have the right to visit the Company's facilities and meet with management upon reasonable notice and receive customary information, notices, budgets and financial reports.

* * * * *

DOCUMENTATION AND MISCELLANEOUS

Definitive Documents: The definitive documentation memorializing the terms of the investment contemplated by this Term Sheet shall include a Subscription Agreement, a Limited Liability Company Agreement and related agreements (the "*Definitive Documents*"). The Investors will submit an initial draft of the Definitive Documents as soon as practicable after the execution of this Term Sheet and completion of sufficient due diligence to warrant moving to the Definitive Documentation stage.

Conditions to Closing:

- (i) The Investors shall be satisfied with their financial, legal and tax due diligence.
- (ii) The Definitive Documents shall be entered into in form and substance

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satisfactory to the Investors and the Founders.

- (iii) Final approval of investment committees of the Investors.
- (iv) The Company shall have identified a Chief Executive Officer satisfactory to the Investors and the Founders.

Fees and Expenses:

At the closing, the Company will pay or reimburse the reasonable, out-of-pocket fees and expenses (including legal and accounting fees and expenses) of the Investors and the Founders incurred in connection with the formation of the Company and the negotiation of the Definitive Agreements. Thereafter, the Company shall reimburse the Investors for their reasonable, out of pocket expenses incurred in connection with administering or enforcing its rights under the Definitive Agreements, amendments to such agreements, monitoring its investment in the Company, and any other material event affecting the Company (e.g. a sale transaction, private placement or public offering).

The Company will reimburse the members of the Board and the Board observers for travel, lodging and other customary expenses incurred in connection with serving in such capacities.

Exclusivity:

The Company acknowledges that the Investors will devote substantial time and will incur out-of-pocket expenses in connection with conducting confirmatory due diligence and arranging the transactions contemplated hereby. To induce the Investors to incur such time and expenses, the Founders hereby agree that from the date this Term Sheet is executed until the date that is 30 days after the date hereof (the "**Exclusivity Period**"), the Founders shall not, nor shall they permit their respective subsidiaries, affiliates, directors, managers, officers, employees, advisors, agents or family members to, directly or indirectly, (A) initiate, solicit, encourage, discuss, negotiate or accept any inquiries, proposals or offers (whether initiated by them or otherwise) with respect to the matters addressed herein (a "**Potential Transaction**") (B) provide information to any other party, or review information of any other party, in connection with a Potential Transaction or (C) enter into any contract, agreement or arrangement with any party, concerning or relating to a Potential Transaction. In the event that Issuer or any of its affiliates receives an unsolicited inquiry, proposal or offer with respect to a Potential Transaction, or obtains information that such an inquiry, proposal or offer is likely to be made, the Founders will provide COR with immediate notice thereof, and will notify COR immediately of any subsequent developments with respect to such inquiries, proposals or offers, which notices shall include the terms of, and the identity of the person or persons making, such inquiry, proposal or offer.

Right to Conduct Activities:

The Company acknowledges that COR is managing private equity funds that invest in portfolio companies in various industries including companies that may compete with the Company. The Definitive Agreements will reflect that, subject to its confidentiality obligation, COR shall have no responsibility to direct any investment opportunity to the Company nor shall COR be restricted in any manner from pursuing any such opportunity for its own account.

Binding Provisions:

The parties hereto agree that the provisions entitled "Exclusivity," "Confidentiality" and "Governing Law" within this Term Sheet are binding. All others are non-binding.

Confidentiality: Neither this Term Sheet nor its substance, in whole or in part, will be disclosed publicly or privately except with the written consent of COR and the Founders; *provided*, COR may disclose this Term Sheet to prospective investors.

Governing Law: This Term Sheet shall be governed by the internal laws of the State of Colorado. The Definitive Agreements shall be governed by the internal laws of the State of Delaware.

Agreed and Accepted as of _____, 2009:

COR Development Group, Inc.

By: _____

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