

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

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): February 7, 2018

California Resources Corporation

(Exact Name of Registrant as Specified in Charter)

Delaware

(State or Other Jurisdiction of
Incorporation)

001-36478

(Commission
File Number)

46-5670947

(IRS Employer
Identification No.)

9200 Oakdale Avenue, Suite 900
Los Angeles, California

(Address of Principal Executive Offices)

91311

(Zip Code)

Registrant's Telephone Number, Including Area Code: (888) 848-4754

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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 13(a) of the Exchange Act. ☐

Item 1.01. Entry into a Material Definitive Agreement.

On February 7, 2017, California Resources Corporation (“**CRC**”), acting through its subsidiaries, entered into a series of agreements with a portfolio company of funds in the Private Equity Group of Ares Management, L.P. (“**Ares**”) to form a joint venture with respect to certain of CRC’s midstream assets. The joint venture, known as Elk Hills Power, LLC (the “**JV**”), is the owner of a cryogenic gas plant and a 550 megawatt natural gas, combined cycle power plant, each located in Tupman, California. The Ares-backed portfolio company, ECR Corporate Holdings L.P. (the “**Ares Portfolio Company**”), invested \$750 million in the JV and received preferred and certain common equity interests in the JV. The JV then distributed \$739 million in cash to CRC. In addition, funds managed by Ares and certain co-investors purchased from CRC \$50 million of common stock, par value \$0.01 per share, of CRC (the “**Shares**”) in a private placement at a purchase price of \$21.33 per share (representing the volume-weighted average price of the Shares over the preceding 30 trading day period).

In forming the JV, California Resources Elk Hills, LLC (“**CRC Sub**”), the Ares Portfolio Company and the JV entered into a Second Amended and Restated Limited Liability Company Agreement of the JV (the “**LLC Agreement**”). Under the terms of the LLC Agreement:

- The Ares Portfolio Company is entitled to receive monthly preferred distributions from the JV based on a rate of 13.5% per annum on its \$750 million investment. For the first three years, of such rate of 13.5% per annum, 9.5% per annum will be paid in cash and CRC Sub may elect to defer 4.0% per annum. Deferred distributions are interest bearing at a rate of 13.5% per annum and will be repaid over the two years following the deferral period. Available cash held by the JV after payment of preferred distributions will be distributed on a monthly basis, 95.25% to CRC and 4.75% to the Ares Portfolio Company.
- CRC Sub is entitled to redeem the Ares Portfolio Company’s preferred interests and certain common interests during the first five or seven and one-half years at variable amounts that include make-whole premiums if redemption occurs prior to the end of each of the applicable terms. In the event of a redemption, the Ares Portfolio Company is entitled to continue to hold a 4.75% common interest in the JV. The Ares Portfolio Company can cause the JV to effect a monetization transaction if redemption has not occurred after seven and one-half years or upon certain other events.
- The JV will be governed by a board of managers initially composed of three managers appointed by CRC, three managers appointed by the Ares Portfolio Company, and one independent manager unanimously appointed. The independent manager will not vote except in limited circumstances related to bankruptcy matters. Certain actions will require approval of the Ares Portfolio Company.
- CRC will consolidate the JV in its financial statements with distributions to the Ares Portfolio Company being reported as income attributable to noncontrolling interest.

CRC Sub will purchase electricity, steam and gas processing services exclusively from the JV (subject to certain limitations, including certain geographical limitations) in exchange for monthly capacity payments pursuant to the terms of a Commercial Agreement, the proceeds of which will be used by the JV to make the distributions described above. CRC Sub may

terminate the Commercial Agreement upon redemption of the Ares Portfolio Company's preferred interests and certain common interests as described above. CRC Sub will also serve as the operator of the JV and provide operational and support services in exchange for a monthly fee pursuant to a Master Services Agreement.

A portion of the proceeds received by CRC from the JV was used to repay approximately \$297 million of outstanding revolving loans under its existing 2014 Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent. The remainder of the proceeds may be used for general corporate purposes, including capital expenditures, acquisitions and repaying outstanding indebtedness.

AF V Energy IV AIV 2, L.P., AF V Energy IV AIV 3, L.P., Ares Special Situations Fund IV, L.P., AEOF Holdings I, L.P., AEOF GP Sub, LLC, Discovery Investment Pte Ltd and Universities Superannuation Scheme Limited (the "**Investors**") and CRC also entered into separate Stock Purchase Agreements, the form of which is filed as Exhibit 10.4 to this Current Report, that contemplate the sale of the Shares described above (the "**Purchase Agreements**"). Certain of the Investors and CRC also entered into a Registration Rights Agreement (the "**Registration Rights Agreement**") that grants these Investors two demand registration rights (available after 180 days) and piggyback registration rights, in both cases subject to customary limitations. CRC will use the proceeds as described above.

The descriptions of the agreements above do not purport to be complete and are qualified in their entirety by reference to the agreements which are filed as Exhibit 10.1, 10.2, 10.3, 10.4 and 10.5 hereto, and are hereby incorporated into this report by reference.

The foregoing agreements include representations, warranties, covenants and indemnification provisions, which are customary for transactions of this nature. The representations, warranties, covenants and indemnities contained in the agreements were made only for purposes of such agreements and as of specific dates; were solely for the benefit of the parties to such agreements; may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made by each contracting party to the other for the purposes of allocating contractual risk between them rather than establishing these matters as facts; and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to stockholders. Stockholders should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of CRC or any of its subsidiaries, affiliates or businesses. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the agreements, which subsequent information may or may not be fully reflected in public disclosures by CRC.

Item 3.02. Unregistered Sales of Equity Securities.

The information set forth under Item 1.01 with respect to the Purchase Agreements and Registration Rights Agreement is incorporated herein by reference.

The Shares were offered, issued and sold in reliance upon the exemption from the registration requirements of the Securities Act of 1933, as amended (the "**Securities Act**"), set forth under Section 4(a)(2) of the Securities Act relating to sales by an issuer not involving any public offering. Each Investor represented, among other things, that it is an accredited investor and that it is acquiring the Shares for investment purposes only and not with a view to any resale,

distribution or other disposition of such securities in violation of the United States federal securities laws.

Item 8.01. Other Events.

On February 7, 2018, CRC announced the transaction described in Item 1.01 above. A copy of the press release is attached as Exhibit 99.1 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description
10.1*	<u>Second Amended and Restated Limited Liability Company Agreement of Elk Hills Power, LLC, dated as of February 7, 2018, by and among Elk Hills Power, LLC, California Resources Elk Hills, LLC and ECR Corporate Holdings L.P.</u>
10.2*	<u>Commercial Agreement, dated as of February 7, 2018, by and between Elk Hills Power, LLC and California Resources Elk Hills, LLC.</u>
10.3*	<u>Master Services Agreement, dated as of February 7, 2018, by and between Elk Hills Power, LLC and California Resources Elk Hills, LLC.</u>
10.4	<u>Form of Stock Purchase Agreement, dated as of February 7, 2018.</u>
10.5	<u>Registration Rights Agreement, dated as of February 7, 2018, by and between California Resources Corporation and AF V Energy IV AIV 2, L.P., AF V Energy IV AIV 3, L.P., Ares Special Situations Fund IV, L.P., AEOF Holdings I, L.P. and AEOF GP Sub, LLC.</u>
99.1	<u>Press Release, dated February 7, 2018.</u>

* Schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. California Resources Corporation agrees to furnish supplementally a copy of any omitted schedules or exhibits to the SEC upon request; provided, however, that California Resources Corporation may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedule or exhibit so furnished.

SIGNATURE

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

CALIFORNIA RESOURCES CORPORATION

By:	<u>/s/ Roy Pineci</u>
Name:	Roy Pineci
Title:	Executive Vice President - Finance

Date: February 7, 2018

ELK HILLS POWER, LLC

**SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY
AGREEMENT**

Dated as of February 7, 2018

THE UNITS ISSUED UNDER THIS SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY APPLICABLE STATE SECURITIES LAWS. SUCH UNITS MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER THE ACT OR PURSUANT TO AN EXEMPTION FROM THE ACT AND THE APPLICABLE STATE ACTS, AND COMPLIANCE WITH THE OTHER RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN, INCLUDING (WITHOUT LIMITATION) THE PROVISIONS OF **ARTICLE IX**.

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ELK HILLS POWER, LLC

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

This **SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT** (this “**Agreement**”) of Elk Hills Power, LLC, a Delaware limited liability company (the “**Company**”) is made and entered into as of February 7, 2018 (the “**Execution Date**”), by and between California Resources Elk Hills, LLC, a Delaware limited liability company (“**CREH**”) and ECR Corporate Holdings L.P., a Delaware limited partnership (“**Sponsor**”). The Company, CREH and Sponsor are hereinafter collectively referred to as the “**Parties**” and each individually as a “**Party**”.

WHEREAS, the Company was formed as a limited liability company in accordance with the Delaware Act on February 5, 1999;

WHEREAS, the Company and CREH are parties to that certain Amended and Restated Limited Liability Agreement of the Company, dated as of September 10, 2014 (the “**Original LLC Agreement**”);

WHEREAS, the Company, CREH, Sponsor and, solely for the purposes of Section 7.14 thereof, CRC, are all parties to that certain Contribution and Unit Purchase Agreement, dated as of February 7, 2018 (the “**Contribution and Unit Purchase Agreement**”);

WHEREAS, pursuant to the Contribution and Unit Purchase Agreement, at the Closing, (a) CREH agreed to contribute the Contributed Assets as a Capital Contribution to the Company (the “**CREH Contribution**”) in exchange for certain Class A Common Units and certain Class C Common Units and (b) Sponsor agreed to make a Capital Contribution in cash to the Company (the “**Sponsor Contribution**”) in exchange for certain Class A Common Units, the Class B Preferred Units and certain Class C Common Units, in each case in accordance with the terms of the Contribution and Unit Purchase Agreement and this Agreement;

WHEREAS, the Transaction Documents, including this Agreement, and the other agreements and documents expressly referred to herein or therein shall constitute an unseverable and single agreement of the Parties with respect to the transactions contemplated hereby and thereby; and

WHEREAS, as a condition to, and in connection with, CREH making the CREH Contribution and Sponsor making the Sponsor Contribution, the Company and the Parties desire to enter into the mutual covenants and agreements set forth in this Agreement and to amend and restate the Original LLC Agreement in its entirety.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the following meanings:

“Additional Member” means a Person admitted to the Company as a Member pursuant to **Section 3.8**.

“Adjusted Capital Account Deficit” with respect to any Capital Account as of the end of any Taxable Year means the amount by which the balance in such Capital Account is less than zero. For this purpose, such Person’s Capital Account balance shall be (a) reduced for any items described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6), and (b) increased for any amount such Person is obligated to contribute or is treated as being obligated to contribute to the Company pursuant to Treasury Regulations Sections 1.704-1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704-2(g)(1) and 1.704-2(i) (relating to minimum gain).

“Affiliate” of any Person means any other Person, directly or indirectly, Controlling, Controlled by or under common Control with such particular Person. For the purposes of this Agreement, (a) neither Sponsor nor its Affiliates shall be deemed to be an **“Affiliate”** of CREH or any of its Affiliates by virtue of their ownership of Units, (b) Sponsor shall not be deemed to be an **“Affiliate”** of the Company and (c) CREH and its Affiliates shall each be deemed an **“Affiliate”** of the Company.

“Affiliate Contract” means any contract, agreement or arrangement between the Company (or any of its Subsidiaries), on the one hand, and any Affiliate of the Company, any Member or Affiliate of any Member or any of the Company’s officers or Managers (each an **“Affiliated Counterparty”**), on the other hand.

“Agreement” has the meaning set forth in the preamble to this Agreement.

“Annual Budget” with respect to a given Fiscal Year means the annual budget prepared for the Company and its Subsidiaries by the Operator and approved by the Board and, if required by **Section 5.9(a)**, the Class B Representative, containing an operating budget, which will include general and administrative expenses and operating expenses, and a capital expenditure budget (but excluding the incurrence of any Indebtedness or the incurrence of any liens on the Company’s assets).

“Annual Statements” has the meaning set forth in **Section 7.2(a)**.

“Ares” means Ares Management LLC and/or its respective Affiliates.

“Available Cash” as of any time of determination means an amount equal to the difference between the following items, as determined by the Operator in good faith:

- (a) all cash and cash equivalents of the Company and any of its Subsidiaries as of such time, *less*

(b) the sum of an amount equal to one month of projected (i) (A) operating costs and expenses of the Company (including payments owed under the MSA) and any capital expenditures set forth in the then-effective Annual Budget *multiplied by* (B) 65%, it being understood that the sum of such operating costs and expenses and working capital expenditures in the aggregate is intended to result in a minimum cash balance of \$8,000,000, (ii) debt service costs and any repayments of the principal amounts of any Indebtedness of the Company (including all fees, penalties or make-wholes in respect thereof), (iii) losses from hedging or other derivative arrangements of the Company, (iv) any known costs and expenses for legal or environmental matters and (v) any other amounts not included in clauses (i)-(iv) established by the Board as a reserve to cover known future payments in respect of the Company's businesses.

"Available Securities" has the meaning set forth in **Section 3.3(c)**.

"Bankruptcy Event" with respect to the Company or any of its Subsidiaries means (a) commencement of any case, proceeding or other voluntary action seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, arrangement, adjustment, winding-up, reorganization, dissolution, composition under any Bankruptcy Law or other relief with respect to it or its debts; (b) applying for, or consent or acquiesce to, the appointment of, a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official with similar powers for itself or any substantial part of its assets; (c) making a general assignment for the benefit of its creditors; (d) commencement of any involuntary case seeking liquidation or reorganization under any Bankruptcy Law, or seeking issuance of a warrant of attachment, execution or distraint, or commencement of any similar proceedings against the Company under any other applicable law and (i) consent to the institution of the involuntary case against it, (ii) the petition commencing the involuntary case is not timely controverted, (iii) the petition commencing the involuntary case is not dismissed within 60 days of its filing, (iv) an interim trustee is appointed to take possession of all or a portion of the property, or to operate all or any part of the business of the Company or any of its Subsidiaries and such appointment is not vacated within 60 days, or (v) an order for relief shall have been issued or entered therein; (e) entry of a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official having similar powers, over the Company or all or a part of its property; (f) the granting of any other similar relief under any applicable Bankruptcy Law, filing a petition or consent or shall otherwise institute any similar proceeding under any other applicable law, or taking any action in furtherance of, or indicating its consent to, approval of, or acquiescence in any of the acts set forth above in this definition; (g) the Company taking any form of corporate action to be liquidated or dissolved; or (h) admitting in writing its inability to pay its debts as they become due.

"Bankruptcy Law" means title 11 of the United States Code, 11 U.S.C. §§ 101 et. seq. or any similar federal or state law.

"Board" has the meaning set forth in **Section 5.1**.

"Board Observer" has the meaning set forth in **Section 5.7**.

“Book Value” with respect to any asset of the Company means the asset’s adjusted basis for federal income tax purposes, except that the Book Value of all assets of the Company may be adjusted to equal their respective Fair Market Values, in accordance with the rules set forth in Treasury Regulations Section 1.704-1(b)(2)(iv)(f) immediately prior to: (a) the date of the acquisition of any additional Units by any new or existing Member in exchange for more than a de minimis amount of cash or contributed property; (b) the date of the distribution of more than a de minimis amount of cash or property of the Company to a Member; (c) the date an Unit is relinquished to the Company or (d) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g)(1) (other than pursuant to Section 708(b)(1)(B) of the Code). Adjustments pursuant to clauses (a), (b) and (c) above shall be made, however, only if the Board reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members. The Book Value of any asset contributed (or deemed contributed for tax purposes) by a Member to the Company will be the Fair Market Value of the asset at the date of its contribution thereto. If the Book Value of an asset has been determined or adjusted pursuant to the above, such Book Value will thereafter be adjusted by the amount of depreciation, depletion and amortization calculated for purposes of the definitions of “Profits” and “Losses” rather than the amount of depreciation, depletion and amortization for U.S. federal income tax purposes.

“Business Day” means any day other than a Saturday, Sunday or a day on which commercial banks are authorized or required to close in Los Angeles, California, Houston, Texas or New York, New York.

“Buyer” has the meaning set forth in **Section 3.3(a)**.

“Capital Account” means the capital account maintained for a Member pursuant to **Section 3.4**.

“Capital Contributions” means the aggregate dollar amounts of any cash, cash equivalents, promissory obligations (but only to the extent issued and repaid prior to the applicable date of determination), or the Fair Market Value of other property which a Member contributes or is deemed to have contributed to the Company with respect to any Unit pursuant to **Section 3.1**.

“Certificate of Formation” means the Company’s Certificate of Formation as filed with the Secretary of State of Delaware, as the same may be amended.

“CGP-1” means that certain cryogenic gas plant, located at the Elk Hills oil field in Tupman, California.

“Change in Law QF Event” means a QF Event resulting solely from an adverse change in applicable law or regulation occurring following the Execution Date.

“Class A Common Member” means any Member holding Class A Common Units.

“Class A Common Unit” means a Unit in the Company designated as a **“Class A Common Unit”** and which shall provide the holder thereof with the rights and obligations specified with respect to a Class A Common Unit in this Agreement.

“Class B Manager” has the meaning set forth in **Section 5.2(a)**.

“Class B Preferred Member” means Sponsor initially (and for so long as Sponsor holds Class B Preferred Units), and any other Person hereafter admitted as a Member holding Class B Preferred Units.

“Class B Preferred Member Approval Rights” has the meaning set forth in **Section 5.9**.

“Class B Preferred Unit” means a Unit in the Company designated as a **“Class B Preferred Unit”** and which shall provide the holder thereof with the rights and obligations specified with respect to a Class B Preferred Unit in this Agreement.

“Class B Representative” means an individual selected by a majority of the Class B Preferred Units (voting as a class), which shall initially be Ronald D. Scott, and which, so long as Sponsor holds any Class B Preferred Unit, shall be an individual selected by Sponsor or an Affiliate of Sponsor.

“Class C Common Unit” means a Unit in the Company designated as a **“Class C Common Unit”** and which shall provide the holder thereof with the rights and obligations specified with respect to a Class C Common Unit in this Agreement.

“Class C Common Unit Proposed Third-Party Sale” has the meaning set forth in **Section 9.9**.

“Class C Common Unit Redemption Offer” has the meaning set forth in **Section 9.9**.

“Class C Common Unit Redemption Offer Amount” has the meaning set forth in **Section 9.9**.

“Class C Common Unit Transferor” has the meaning set forth in **Section 9.9**.

“Class D Common Units” means a Unit in the Company designated as a **“Class D Common Unit”** and which shall provide the holder thereof with the rights and obligations specified with respect to a Class D Common Unit in this Agreement.

“Closing” has the meaning given to such term in the Contribution and Unit Purchase Agreement.

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

“Commercial Agreement” means the Commercial Agreement, dated as of the date hereof, by and between the Company and CREH.

“Common Member” means any Member holding Common Units.

“Common Units” means the Class A Common Units, Class C Common Units and Class D Common Units.

“Company” has the meaning set forth in the preamble to this Agreement.

“Company Minimum Gain” has the meaning given to the term “partnership minimum gain” in Treasury Regulations Section 1.704-2(b)(2) and the amount of which shall be determined in accordance with the principles of Treasury Regulations Section 1.704-2(d).

“Confidential Information” has the meaning set forth in **Section 13.2**.

“Contributed Assets” has the meaning given to such term in the Contribution and Unit Purchase Agreement.

“Contribution and Unit Purchase Agreement” has the meaning set forth in the recitals to this Agreement.

“Control” means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of a Person whether through the ownership of voting securities or other ownership interests, by contract or otherwise. The terms **“Controlled”** and **“Controlling”** shall have correlative meanings.

“CRC” means California Resources Corporation, a Delaware corporation.

“CRC Change of Control” means any event which constitutes a “Change of Control” under either of the CRC Indentures.

“CRC Change of Control Option” has the meaning given to such term in **Section 11.3(a)**.

“CRC Change of Control Option Redemption Amount” has the meaning given to such term in **Section 11.3(a)**.

“CRC Indentures” means either (a) that certain Indenture, dated as of October 1, 2014, by and between CRC, Wells Fargo Bank, National Association, as Trustee, and the Guarantors party thereto, as amended or supplemented on or prior to the date hereof, but without giving effect to any amendment or supplement entered into after the date hereof and regardless of whether the Indenture remains in effect, or (b) that certain Indenture, dated as of October 1, 2014, by and between CRC, The Bank of New York Mellon Trust Company, N.A., as Trustee, and the Guarantors party thereto, as amended or supplemented on or prior to the date hereof, but without giving effect to any amendment or supplement entered into after the date hereof and regardless of whether the Indenture remains in effect.

“CREH” has the meaning set forth in the preamble to this Agreement.

“CREH Change of Control” means either (a) the sale, exchange, lease or other disposition or transfer, in one or a series of related transactions and however structured, including by way of any consolidation, conversion, merger or other similar business combination of any nature, of at least 40% of the assets of CREH and its Subsidiaries (excluding for such purposes equity interests in the Company and the Company’s assets), taken as a whole, to any Person other than CRC or any of its Affiliates or (b) any merger, consolidation, reorganization or other transaction involving CREH after giving effect to which (i) the holders of a majority of the outstanding equity interests (on a

fully diluted basis) of CREH immediately prior to such transaction will not own at least 50% of the outstanding equity interests of CREH or surviving entity immediately following such transaction or (ii) the holders of the equity interests of CREH immediately prior to such transaction will no longer have the right to designate a majority of the board of directors or similar governing body of CREH or surviving entity.

“CREH Change of Control Option” has the meaning given to such term in **Section 11.3(b)**.

“CREH Change of Control Option Redemption Amount” has the meaning given to such term in **Section 11.3(b)**.

“CREH Contribution” has the meaning set forth in the recitals to this Agreement.

“CREH Manager” has the meaning set forth in **Section 5.2(a)**.

“Debt Securities” means any bonds, debentures, notes, or other similar evidences of indebtedness of the Company or its Subsidiaries commonly known as “securities,” secured or unsecured, subordinated or otherwise, or any certificates of interest, shares or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing. Notwithstanding the foregoing, any such securities that also constitute Equity Securities shall not be considered Debt Securities.

“Delaware Act” means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101 et seq., as it may be amended from time to time, and any successor to the Delaware Act.

“Distribution” means each distribution made by the Company to a Member, whether in cash, property or securities of the Company and whether by liquidating distribution, redemption, repurchase or otherwise.

“Elk Hills Power Plant” means that certain 550-megawatt natural gas, combined-cycle power plant located at the Elk Hills oil field in Tupman, California.

“Emergency” means, as determined in the reasonable good faith discretion of the Operator, any event that causes or is reasonably likely to risk causing (a) substantial damage to any of the Company’s assets or the property of any other Person, (b) death of or injury to any natural person or (c) damage or substantial risk of damage to natural resources (including wildlife) or the environment.

“Equity Securities” means: (a) Units or other equity interests in the Company or its Subsidiaries; (b) obligations, evidences of Indebtedness or other securities or interests convertible or exchangeable into Units or other equity interests in the Company or its Subsidiaries; and (c) warrants, options or other rights to purchase or otherwise acquire Units or other equity interests in the Company or its Subsidiaries.

“Execution Date” has the meaning set forth in the preamble to this Agreement.

“Existing Company Assets” has the meaning given to such term in the Contribution and Unit Purchase Agreement.

“Exit Transaction” has the meaning set forth in **Section 11.2(a)**.

“Exit Transaction Trigger” has the meaning set forth in **Section 11.2(a)**.

“Fair Market Value” with respect to any asset or equity interest means its fair market value determined in accordance with **Article XII**.

“FERC” means the Federal Energy Regulatory Commission, including the staff thereof.

“Fiscal Month” means each calendar month ending January 31, February 28, March 31, April 30, May 31, June 30, July 31, August 31, September 30, October 31, November 30 and December 31, or such other monthly accounting period as may be established by the Board.

“Fiscal Quarter” means each calendar quarter ending March 31, June 30, September 30 and December 31, or such other quarterly accounting period as may be established by the Board.

“Fiscal Year” means the calendar year ending on December 31, or such other annual accounting period as may be established by the Board.

“Five Year Redemption” has the meaning set forth in **Section 11.1(b)**.

“Five Year Redemption Period” means the fifth anniversary of the Closing.

“FPA” means the Federal Power Act, as amended, including the regulations of the FERC thereunder.

“Fully Exercising Preemptive Rights Holder” has the meaning set forth in **Section 3.3(c)**.

“Fundamental Change” means: (a) a Transfer of more than 50% of the total outstanding Common Units of the Company in a single transaction or series of related transactions; (b) any consolidation or merger of the Company with or into any other corporation or other entity, or any other reorganization (including, without limitation, any conversion, transfer, or domestication of the Company) in a single transaction or series of related transactions, in which the Members of the Company immediately prior to such consolidation, merger or reorganization own equity of the entity surviving such merger, consolidation or reorganization representing less than 50% of the outstanding common equity securities of such entity immediately after such consolidation, merger or reorganization; (c) a sale, lease or other disposition in a single transaction or series of related transactions of more than 50% of the assets (which, for the avoidance of doubt, shall include Equity Securities of the Company’s Subsidiaries) of the Company and its Subsidiaries on a consolidated basis (measured either by book value in accordance with GAAP or by Fair Market Value), other than to a wholly owned Subsidiary of the Company; (d) a recapitalization, reclassification or change of the Class A Common Units or Class C Common Units as a result of which the Class A Common Units or Class C Common Units, as applicable, would be converted into, would be exchanged for, or would represent solely the right to receive, capital stock, other securities, other property or assets of another Person (other than a change only in par value, from par value to no par value or from no par value to par value, or changes resulting from a subdivision or combination of the Class A Common Units or Class C Common Units); (e) a share exchange, consolidation or merger of the

Company pursuant to which the Class A Common Units or Class C Common Units will be converted into, will be exchanged for, or will represent solely the right to receive, stock, other securities, other property or assets of another Person; (f) a transfer by CREH of any of its Class A Common Units or Class C Common Units to any Person other than a Permitted Transferee; (g) a dissolution or liquidation of the Company pursuant to **Article X** or (h) an IPO.

“GAAP” means United States generally accepted accounting principles, consistently applied and as in effect from time to time.

“Gas Supply Agreement” means that certain Gas Sales Agreement dated July 30, 2014, by and between the Company and CRC Marketing, Inc., as amended.

“Governing Documents” means this Agreement and the Certificate of Formation.

“Governmental Entity” means the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended from time to time.

“Indebtedness” with respect to the Company or any of its Subsidiaries means: (a) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money (including interest and prepayment penalties or obligations); (b) obligations evidenced by any note, bond, debenture or similar instrument; (c) obligations for the deferred purchase price for a company, business, oil and gas lease, or other property or services (excluding ordinary course trade payables and accrued expenses); (d) indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Company or any of its Subsidiaries (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (e) obligations by which the Company or any of its Subsidiaries assures a creditor against loss (including, without limitation, contingent reimbursement liabilities with respect to letters of credit); (f) capital lease obligations; (g) obligations, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities; (h) except with respect to the Company’s obligations contained in this Agreement, obligations of the Company or any of its Subsidiaries, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Equity Securities; (i) indebtedness secured by any lien on property owned by the Company or any of its Subsidiaries, whether or not such Person has assumed or become liable for the payment of such obligation; and (j) any guarantee of indebtedness in any manner by the Company or any of its Subsidiaries (including, without limitation, guarantees in the form of an agreement to repurchase or reimburse).

“Indemnified Party” has the meaning given to such term in the Contribution and Unit Purchase Agreement.

“Indemnitee” means (a) any Member or (b) any Person who is or was a Manager, officer, fiduciary, trustee, or managing member of the Company or a Member.

“Independent Manager” means a natural person (a) retained through a nationally recognized independent director service reasonably satisfactory to the Class B Representative, (b) with prior experience serving as an independent manager, independent director, independent member, or equivalent for a bankruptcy remote entity in the oil and gas industry, (c) who is duly appointed or elected as an Independent Manager or equivalent, and (d) who is not, shall not have been at any time during the preceding five years, and during the continuation of his or her service as an Independent Manager shall not become: (i) a member, partner, shareholder, manager, officer (other than an Independent Manager), employee or attorney of the Company or an Affiliate thereof, or their respective equityholders; (ii) a customer, creditor, supplier or service provider (including provider of professional services) to, or other Person who purchases or derives its revenues from, the Company or any Affiliate thereof (other than a company that provides professional Independent Managers or managers and other similar services to the Company or an Affiliate thereof in the ordinary course of its business); (iii) a Person that controls (whether directly, indirectly or otherwise) or is under common control with any Person described in clause (i) or (ii) above; or (iv) a member of the immediate family or other close relative of any Person described in clause (i), (ii) or (iii) above.

“IPO” means any firm commitment underwritten offering of Equity Securities on a Recognized Stock Exchange of any IPO Issuer to the public pursuant to an effective registration statement under the Securities Act.

“IPO Issuer” means the Company or any of its Affiliates, or any parent or direct or indirect Subsidiary of the Company or any of its Affiliates (or a successor, including by merger, conversion or other reorganization, to any of the foregoing) which will be the issuer in an IPO.

“Key Company Employee” at any given time means an employee of the Company that holds the title of (a) Gas and Power Operations Manager (or such other similar title), (b) Power Operations Supervisor (or such other similar title) or (c) Gas Operations Supervisor (or such other similar title).

“Liquidation Preference” means, with respect to each Class B Preferred Unit at any time of determination, an amount equal to (a) \$1,000 *plus* (b) all Unpaid Amounts with respect to such Class B Preferred Unit as of such time.

“Liquidity Trigger Event” means the occurrence of any of the events described in clause (h) or (i) of the definition of **“Trigger Event”**.

“LTS Gas Plants” means those certain low temperature separation gas plants, known as LTS-1 and LTS-2, owned by CREH located at the Elk Hills oil field in Tupman, California.

“Make-Whole Amount” at any given time with respect to a Class B Preferred Unit means: (a) in the event of (i) Five Year Redemption or (ii) the occurrence of an Exit Transaction, a Fundamental Change or a CREH Change of Control at any time prior to expiration of the Five Year Redemption Period, (1) the aggregate amount of Preferred Distributions that the Company would be required to pay with respect to such Class B Preferred Unit pursuant to **Section 4.2** for the period starting on Execution Date and ending on expiration of the Five Year Redemption Period but for

the redemption of such Class B Preferred Unit pursuant to Five Year Redemption or the occurrence of such Exit Transaction, Fundamental Change or CREH Change of Control prior to expiration of the Five Year Redemption Period, as applicable, *minus* (2) the aggregate amount of Preferred Distributions that the Company has paid in cash with respect to such Class B Preferred Unit pursuant to **Section 4.2** as of such time; and (b) in the event of (i) Seven and One-Half Year Redemption or (ii) the occurrence of an Exit Transaction, a Fundamental Change or a CREH Change of Control at any time after expiration of the Five Year Redemption Period but prior to expiration of the Seven and One-Half Year Redemption Period, (1) the aggregate amount of Preferred Distributions that the Company would be required to pay with respect to such Class B Preferred Unit pursuant to **Section 4.2** for the period starting on the expiration of the Five Year Redemption Period and ending on expiration of the Seven and One-Half Year Redemption Period *minus* (2) the aggregate amount of Preferred Distributions that the Company has paid in cash with respect to such Class B Preferred Unit pursuant to **Section 4.2** from the expiration of the Five Year Redemption Period through such time; *provided* in all cases the **“Make-Whole Amount”** shall not be less than \$0.

“Manager” has the meaning set forth in **Section 5.1**.

“Material Deadlock” means that, after commercially reasonable efforts and at least two (2) duly held meetings, the Board is unable in good faith to approve or disapprove any proposed action requiring approval of the Board under this Agreement and that, as a result of the deadlock with respect to such proposed action, has had or could reasonably be expected to have a material adverse effect on (a) the financial performance of the Company, (b) the operations of the Company or (c) the quality of services rendered by the Company.

“Member” means each of the Persons listed on the Schedule of Members attached hereto, and any Person admitted to the Company as a Substituted Member or Additional Member, but only so long as such Person is the owner of one or more Units, each in such Person’s capacity as a member of the Company.

“Member Nonrecourse Debt” has the meaning given to the term “partner nonrecourse debt” in Treasury Regulations Section 1.704-2(b)(4).

“Member Nonrecourse Debt Minimum Gain” has the meaning given to the term “partner nonrecourse debt minimum gain” in Treasury Regulations Section 1.704-2(i)(2).

“Member Nonrecourse Deductions” means any and all items of loss, deduction, expenditure (including any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulations Section 1.704-2(i), are attributable to Member Nonrecourse Debt.

“Monthly Gas Processing Capacity and Steam Payment” has the meaning given to such term in the Commercial Agreement.

“Monthly Power Capacity Payment” means any of the Monthly Fuel Capacity Payment, Monthly Generation Capacity Payment and Monthly GHG Regulatory Capacity Payment (as such terms are defined in the Commercial Agreement).

“**MSA**” means (a) that certain Master Services Agreement, dated as of the date hereof, by and between the Company and CREH, as may be amended or restated in accordance with its terms or (b) any similar agreement or arrangement entered into in replacement thereof as approved by the Board and the Class B Representative after the Execution Date.

“**MSA Reimbursement Amount**” has the meaning given to such term in the MSA.

“**Non-Fully Exercising Preemptive Rights Holder**” has the meaning set forth in **Section 3.3(c)**.

“**Nonrecourse Liability**” has the meaning given to such term in Treasury Regulations Section 1.704-2(b)(3).

“**Notice Period**” has the meaning set forth in **Section 9.8(d)**.

“**Offered Interests**” has the meaning set forth in **Section 9.8(a)**.

“**Officers**” means each Person designated as an officer of the Company to whom authority and duties have been delegated pursuant to **Section 5.13**, subject to any resolution of the Board appointing or removing such Person as an officer or relating to such appointment or such delegation of authority or duties.

“**Operator**” means CREH under the MSA initially, and any other Person hereafter appointed as the “Operator” by approval of the Board and the Class B Representative.

“**Original LLC Agreement**” has the meaning set forth in the recitals to this Agreement.

“**Participating Members**” has the meaning set forth in **Section 11.2(h)**.

“**Partnership Representative**” means the “partnership representative” as defined in Section 6223 of the Code.

“**Partnership Tax Audit Rules**” means Sections 6221 through 6241 of the Code, as amended by the Bipartisan Budget Act of 2015, together with any guidance issued thereunder or successor provisions and any similar provision of state and local tax laws.

“**Party**” or “**Parties**” has the meaning set forth in the preamble to this Agreement.

“**Passive Investor**” means an entity that (a) directly or indirectly holds membership or equity or equivalent Equity Securities in the Company that are not deemed to be voting securities under Section 203 and Section 205 of the FPA and (b) is not deemed by FERC to be a direct or indirect “holding company” nor an “affiliate” of the Company (as those terms are defined under the FPA, including but not limited to 18 C.F.R. § 35.36, and the orders of the FERC issued in AES Creative Resources, L.P., et al., 129 FERC ¶ 61,239 (2009)).

“**Permitted Transfer**” means any Transfer to a Permitted Transferee.

“**Permitted Transferee**” with respect to any Member means: (a) any of such Member’s

Affiliates; (b) any transferee in connection with an Exit Transaction; or (c) any Pledge in favor of a lender or lenders of a Member but not including any Transfer pursuant to the exercise of remedies under such a Pledge.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, association or other entity or a Governmental Entity.

“Pledge” means a pledge by a Member of all or any of its Units to one or more banks or financial or lending institutions, or agents acting on their behalf, which are not Affiliates of such Member, as collateral or security for a bona fide loan or other extension of credit.

“Preemptive Rights Holder” has the meaning set forth in **Section 3.3(a)**.

“Preemptive Rights Notice” has the meaning set forth in **Section 3.3(a)**.

“Preferred Deferred Amount” with respect to a Preferred Distribution, means an amount equal to (a) (i) an annual rate of 4.0% *divided by* (ii) 13.5% *multiplied by* (b) the amount of such Preferred Distribution.

“Preferred Deferred Distribution” has the meaning set forth in **Section 4.2(c)**.

“Preferred Deferred Distribution Balance” at any given time with respect to a Class B Preferred Unit, means: an amount equal to the portion of the Unpaid Amounts with respect to such Class B Preferred Unit that are Preferred Deferred Distributions (which, for the avoidance of doubt, are Preferred Distributions that have previously accrued (but have not been paid in cash) and are accruing at the Preferred Distribution Rate pursuant to **Section 4.2(b)**), if any, as determined as of such time.

“Preferred Deferred Distribution Cash Payment” has the meaning set forth in **Section 4.2(d)**.

“Preferred Deferred Distribution Cash Payment Amount” with respect to each Class B Preferred Unit, means: a cash payment equal to (a) the amount of the Preferred Deferred Distribution Balance for such Class B Preferred Unit, as determined on the thirty-seventh Preferred Payment Date *plus* (b) interest accruing thereon at the Preferred Distribution Rate, such that all twenty-four cash payments of Preferred Deferred Distribution Cash Payments pursuant to **Section 4.2(c)** would amortize such Preferred Deferred Distribution Balance equally over twenty-four Preferred Payment Dates from and after such thirty-seventh Preferred Payment Date. For purposes of clarity, the Preferred Deferred Distribution Cash Payment Amount is subject to reduction in accordance with **Section 4.2(d)**.

“Preferred Distribution” has the meaning set forth in **Section 4.2**.

“Preferred Distribution Rate” means an annual rate of 13.5%. Notwithstanding the foregoing, (i) upon the occurrence of the event described in clause (b) of the Trigger Event definition set forth below or (ii) during the pendency of a QF Event (other than a Change in Law QF Event),

the Preferred Distribution Rate shall increase to an annual rate of 16.0%, accruing from the first day after the end of the Fiscal Month during which such Trigger Event or QF Event occurs. If such Trigger Event or QF Event (other than a Change in Law QF Event) is cured, however, the annual rate will revert to 13.5%, accruing from the first day after the end of the Fiscal Month during which such Trigger Event or QF Event (other than a Change in Law QF Event) is cured or unless provided otherwise pursuant to **Section 4.2(a)**. In addition, with respect to the calculation of (a) any Make-Whole Amount or (b) the interest referenced in clause (b) of the definition of **“Preferred Deferred Distribution Cash Payment Amount”**, the Preferred Distribution Rate shall mean an annual rate of 13.5%, regardless of the occurrence of a Trigger Event.

“Preferred Payment Date” means each of January 31, February 28, March 31, April 30, May 31, June 30, July 31, August 31, September 30, October 31, November 30 and December 31 (or if any of the foregoing dates is on a day that is not a Business Day, the next Business Day immediately following such date).

“Prime Rate” as of a particular date means the prime rate of interest as published on that date in the Wall Street Journal, and generally defined therein as “the base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks.” If the Wall Street Journal is not published on a date for which the Prime Rate must be determined, the Prime Rate shall be the prime rate published in the Wall Street Journal on the nearest-preceding date on which the Wall Street Journal was published and if the Wall Street Journal ceases to publish such rate, then the Board shall pick a substitute rate that most closely approximates such rate, as determined in the Board’s good faith judgment.

“Proceeding” has the meaning set forth in **Section 6.1(a)**.

“Profits” and **“Losses”** means the taxable income or loss, respectively, of the Company as determined for federal income tax purposes, as adjusted by **Section 3.4(b)**. Profits and Losses shall be determined net of any amounts allocable in **Section 4.6**.

“Proportional Share” as of a particular date means, with respect to each Class A Common Member, as applicable, the quotient obtained by dividing (a) the total number of Class A Common Units held by such Class A Common Member on such date by (b) the total number of Class A Common Units held by all Class A Common Members on such date.

“Proposed Third-Party Sale” has the meaning set forth in **Section 9.8(a)**.

“QF Event” means any failure of the Elk Hills Power Plant to maintain QF Status.

“QF Status” means status as a “qualifying cogeneration facility” within the meaning of 16 U.S.C. § 796 and the regulations of the FERC thereunder, including 18 C.F.R. § 292.205, with all of the exemptions from regulation set forth in 18 C.F.R. Part 292 Subpart F (but for the exemption from Sections 205 and 206 of the FPA).

“Quarterly Statements” has the meaning set forth in **Section 7.2(b)**.

“Recognized Stock Exchange” means the New York Stock Exchange, The NASDAQ Stock

Market or any comparable stock exchange approved by the Board in good faith.

“Redemption Non-Occurrence” means expiration of the Seven and One-Half Year Redemption Period without redemption in full by the Company of all issued and outstanding Class B Preferred Units and Class A Common Units held by Sponsor (or its Permitted Transferees) on or prior to such time.

“Redirected Amount” means an amount in cash from the proceeds from the sale of hydrocarbons processed by the LTS Gas Plants that are attributable to CREH or any of its Affiliates equal to the lesser of (a) the total amount of such proceeds and (b) the Redirected Shortfall Amount.

“Redirected Amount Contributions” has the meaning set forth in **Section 4.2(e)**.

“Redirected Shortfall Amount” has the meaning set forth in **Section 4.2(e)**.

“Regulatory Allocations” has the meaning set forth in **Section 4.6(g)**.

“Retained Cash” has the meaning set forth in **Section 4.3**.

“Retained Cash Cap” means \$750,000,000.

“Sale Notice” has the meaning set forth in **Section 9.8(b)**.

“Schedule of Information” means the Schedule of Information attached hereto.

“Schedule of Members” means the Schedule of Members attached hereto.

“Securities” means Debt Securities and Equity Securities.

“Securities Act” means the Securities Act of 1933, as amended, and any successor statute thereto and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

“Selling Member” has the meaning set forth in **Section 9.8(a)**.

“Seven and One-Half Year Redemption” has the meaning set forth in **Section 11.1(c)**.

“Seven and One-Half Year Redemption Period” means the seven and one-half year anniversary of the Closing.

“Sponsor” has the meaning set forth in the preamble to this Agreement.

“Sponsor Contribution” has the meaning set forth in the recitals to this Agreement.

“Subsidiary” with respect to any Person means: any corporation, limited liability company, partnership, association or business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof 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; or (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of limited liability, partnership or other similar ownership interests thereof with voting rights at the time owned or Controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes of this definition, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or Control, directly or indirectly, the manager, managing member, managing director (or a board comprised of any of the foregoing) or general partner of such limited liability company, partnership, association or other business entity.

“Substituted Member” means a Person that is admitted as a Member to the Company pursuant to **Section 3.9**.

“Tag-Along Member” has the meaning set forth in **Section 9.8(a)**.

“Tag-Along Notice” has the meaning set forth in **Section 9.8(d)**.

“Tag-Along Right” has the meaning set forth in **Section 9.8(a)**.

“Tag-Along Units” has the meaning set forth in **Section 9.8(a)**.

“Tax” or **“Taxes”** means any and all present or future taxes and charges of any federal, state, local or foreign Governmental Entity, including income, profits, gross receipts, gains, franchise, estimated, alternative minimum, add-on minimum, sales, harmonized sales, use, transfer, registration, value added, ad valorem, excise, goods and services, land transfer, other transfer, natural resources, severance, stamp, occupation, premium, windfall profit, environmental, customs, duties, real property, personal property, capital stock, social security, unemployment, disability, payroll, workers’ compensation, welfare, license, employee and other withholding taxes, or other tax, fee, duty, levy, custom, tariff, impost, assessment, obligation, or charge of the same or of a similar nature to any of the foregoing, of any kind whatsoever, and any interest, penalties or additions to tax or additional amounts in respect of the foregoing.

“Tax Amount” with respect to any Class A Common Unit or Class C Common Unit means an amount that in the good faith judgment of the Board is equal to (a) the amount of taxable income or gain (including any amounts arising from Section 704(c) of the Code) allocable in respect of such Class A Common Unit or Class C Common Unit, as applicable, for the applicable period, *multiplied* by (b) the combined maximum federal, state and local income tax rate to be applied with respect to such taxable income (calculated using the Board’s determination of the highest maximum combined marginal federal, state and local income tax rates applicable to an individual resident in California, taking into account the character of such taxable income and the deductibility of state income tax for federal income tax purposes, subject to any applicable limitations on deductibility), but not taking into account any deduction allowable under Section 199A of the Code.

“Tax Distribution” has the meaning set forth in **Section 4.1**.

“Tax Matters Partner” has the meaning set forth in Section 6231 of the Code as in effect

before the enactment of the Partnership Tax Audit Rules.

“**Taxable Year**” means the Company’s accounting period for federal income tax purposes determined pursuant to **Section 8.2** or such other relevant period.

“**Third Party Terms**” has the meaning set forth in **Section 9.8(b)**.

“**Transaction Document**” has the meaning given to such term in the Contribution and Unit Purchase Agreement.

“**Transfer**” means any direct or indirect sale, transfer, assignment, mortgage, exchange, hypothecation, gift, grant of a security interest or other direct or indirect disposition or encumbrance (whether with or without consideration, whether voluntarily or involuntarily or by operation of law) or the acts thereof, including derivative or similar transactions or arrangements whereby a portion or all of the economic interest in, or risk of loss or opportunity for gain with respect to, Units is transferred or shifted to another Person. Notwithstanding the foregoing, no Pledge, CRC Change of Control or CREH Change of Control will be deemed a Transfer. The terms “**Transferee**,” “**Transferor**,” “**Transferred**,” and other forms of the word “**Transfer**” shall have the correlative meanings. For the avoidance of doubt, except as otherwise provided herein (including by use of the defined term “**Transfer**”), the use of the word “transfer” with respect to any Units shall mean the transfer of the direct ownership of such Units.

“**Treasury Regulations**” means the income tax regulations promulgated under the Code, as amended from time to time.

“**Trigger Event**” means the occurrence of any of the following: (a) Redemption Non-Occurrence; (b) CRC or its Affiliates fails to make either the Monthly Gas Processing Capacity and Steam Payment or the Monthly Power Capacity Payment in full pursuant to the terms of the Commercial Agreement, followed by the Company’s failure to pay in cash any portion of the Preferred Distribution required to be paid in cash pursuant to **Section 4.2** (including any required Preferred Deferred Distribution Cash Payments) with respect to each Class B Preferred Unit within 60 days of when such Distribution is required to be made hereunder; (c) the Company has taken any action that requires approval of the Class B Representative without first obtaining such approval of the Class B Representative, *provided* that such failure has not been fully cured by such Class A Common Members within 30 days after receipt of written notice thereof, if reasonably capable of being cured; (d) a breach by CREH or any of its Affiliates of Section 6.1(a), Section 6.1(b) or Section 6.1(c) of the Commercial Agreement; (e) the MSA is terminated by the Company pursuant to Section 6(a)(vi) of the MSA; (f) there is a failure by CRC or CREH to timely pay any sums due and owing to an Indemnified Party pursuant to Section 6.04(c) of the Contribution and Unit Purchase Agreement; (g) (i)(A) CRC or its Affiliates fails to make any payment owed to the Company in full pursuant to the terms of the Commercial Agreement within 90 days of when such payment is required to be made pursuant to the terms of the Commercial Agreement or (B) CRC or its Affiliates fail to make two or more such payments in full pursuant to the terms of the Commercial Agreement more than twice in any 48-month period and (ii) the aggregate amount of all such payments not made exceeds \$25,000,000 in the aggregate; (h) any default under any Indebtedness for borrowed money of CRC, CREH or any of their Subsidiaries that are contractual counterparties to the Company, in

each case, in an amount greater than \$100,000,000 and such default has caused such Indebtedness to have been declared due and payable prior to its stated maturity; or (i) any of (A) CRC, (B) CREH or (C) any of their Subsidiaries that are contractual counterparties to the Company, in each case, experiences a Bankruptcy Event.

“**Unit**” means the ownership interest of a Member in the Company, and includes any and all benefits to which such Member is entitled as provided in this Agreement, together with all obligations of such Member to comply with the terms and provisions of this Agreement.

“**Unpaid Amounts**” at any given time with respect to a Class B Preferred Unit means the aggregate amount of all Preferred Distributions previously accrued (but not paid in cash) with respect to such Class B Preferred Unit, if any, including, without duplication, any Preferred Deferred Distribution and any accrued (but not paid in cash) Preferred Deferred Distribution Cash Payments, less any special distributions paid to such Class B Preferred Unit as a result of Redirected Amount Contributions made by CREH to the extent such special distributions reduce Unpaid Amounts pursuant to **Section 4.2(e)**.

ARTICLE II ORGANIZATIONAL MATTERS

Section 2.1 Formation of the Company. The Company was formed as a limited liability company pursuant to the Delaware Act on February 5, 1999.

Section 2.2 Limited Liability Company Agreement. The Members hereby execute this Agreement for the purpose of providing for the affairs of the Company and the conduct of its business in accordance with the provisions of the Delaware Act. The Members agree that during the term of the Company set forth in **Section 2.6**, the rights, powers and obligations of the Members with respect to the Company will be determined in accordance with the terms and conditions of this Agreement and the Delaware Act.

Section 2.3 Name. The name of the Company shall be “Elk Hills Power, LLC”. The Company’s business may be conducted under any other name or names as determined by the Board and approved by the Class B Representative. The words “limited liability company,” “LLC,” “L.L.C.” or similar words or letters shall be included in the Company’s name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. With approval of the Class B Representative, the Board may change the name of the Company at any time and from time to time.

Section 2.4 Purpose. The purposes of the Company are: (a) to hold the Existing Company Assets, the Contributed Assets and any assets (including cash and securities) received upon distributions in respect thereto or the sale or exchange thereof, and only undertake activities that are ancillary or related thereto; (b) to make Distributions to the Members as provided in this Agreement; (c) to engage in the other activities that are specifically permitted by this Agreement; and (d) in connection with acting in such capacities, to carry on any lawful business or activity.

Section 2.5 Registered Office; Registered Agent; Principal Office. Unless and until changed by the Board, the registered office of the Company in the State of Delaware shall be located at 251 Little Falls Drive, Wilmington, New Castle County, Delaware 19808. The registered agent for service of process on the Company in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Company shall be located at such place as the Board may from time to time designate by written notice to the Members. The Company may maintain offices at such other place or places within or outside the State of Delaware as the Board (a) determines to be necessary or appropriate and (b) identifies by written notice to the Class B Preferred Members.

Section 2.6 Term. The term of the Company shall continue indefinitely unless sooner terminated as provided herein. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation as provided in the Delaware Act.

Section 2.7 Restriction on Jurisdiction of Organization. The Company shall at all times be organized under the jurisdiction of the State of Delaware.

Section 2.8 No State-Law Partnership. The Members intend that the Company not be a partnership (including, without limitation, a limited partnership), and that no Member be a partner of any other Member by virtue of this Agreement, for any purposes other than as set forth in the last two sentences of this **Section 2.8**. Neither this Agreement nor any other document entered into by the Company or any Member relating to the subject matter of this Agreement, including the Transaction Documents, shall be deemed or construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for federal and, if applicable, state or local income tax purposes. Each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

Section 2.9 Title to the Assets. Whether real, personal or mixed and whether tangible or intangible, title to the Company's assets shall be deemed to be owned by the Company as an entity. No Member, individually or collectively, shall have any ownership interest in such Company assets or any portion thereof.

ARTICLE III UNITS; CAPITAL CONTRIBUTIONS

Section 3.1 Units and Capital Contributions.

(a) The Units issued by the Company shall consist of Class A Common Units, Class B Preferred Units, Class C Common Units and Class D Common Units. As of the Execution Date, the Company is authorized to issue up to (a) 100,000 Class A Common Units, (b) 750,000 Class B Preferred Units, (c) 100,000 Class C Common Units and (d) 1,000,000 Class D Common Units (which number shall be automatically increased as contemplated in **Section 4.2(e)**). The Units shall be uncertificated and shall not be treated as "securities" within the meaning of Article 8 of the Uniform Commercial Code of Delaware. Subject to the terms and conditions set forth in this Agreement and the Contribution and Unit Purchase Agreement, and after giving effect to the Closing and as of the Execution Date, the Company has issued (a) 50,000 Class A Common Units

and 95,250 Class C Common Units to CREH and (b) 50,000 Class A Common Units, 750,000 Class B Preferred Units and 4,750 Class C Common Units to Sponsor, in each case, as set forth on the Schedule of Members. As of the Execution Date, there are no issued and outstanding Class D Common Units.

(b) Subject to any approvals required by this Agreement, the Board is hereby authorized to complete or amend the Schedule of Members to reflect the issuance of additional Units, the Transfer of Units and the admission of Substituted Members resulting therefrom, the admission of Additional Members, the resignation or withdrawal of a Member or a change or correction to any other information set forth on the Schedule of Members, in each case as provided in this Agreement. The Company shall make available to the Members copies of any amended or restated Schedule of Members from time to time. The Company shall also provide a copy of the Schedule of Members then in effect to any requesting Member promptly upon such Member's request. The ownership by a holder of Units shall entitle such holder to allocations of Profits and Losses and other items and Distributions of cash and other property as set forth in **Article IV** and **Article XI**. Each of the Members listed on the Schedule of Members as of the date hereof is hereby admitted as a Member of the Company. All of the Units held by such Members as of the date hereof, which collectively constitute all of the Units in the Company, as of the Execution Date, are hereby authorized and issued.

Section 3.2 Capital Contributions.

(a) As of the Execution Date and giving effect to the Closing, the Members agree that the amount of respective Capital Contributions of the Members are set forth on the Schedule of Members hereto and each Member holds the Units specified for such Member on the Schedule of Members attached hereto.

(b) Except as set forth in **Section 4.2(e)**, no Member shall be obligated to make any additional Capital Contributions to the Company.

Section 3.3 Preemptive Rights.

(a) Except as provided in **Section 3.3(f)**, if the Company or any of its Subsidiaries offers to issue any Securities to any Person (each, a "**Buyer**"), the Company shall, or shall cause its Subsidiary to (as applicable): (i) give each Class A Common Member (each a "**Preemptive Rights Holder**") at least fifteen Business Days' written notice of the proposed issuance, setting forth in reasonable detail the proposed terms and conditions of the proposed issuance and such Preemptive Rights Holder's Proportional Share of such proposed issuance (the "**Preemptive Rights Notice**"); and (ii) offer to sell to each Preemptive Rights Holder a portion of such Securities equal to such Preemptive Rights Holder's Proportional Share thereof. The purchase price for all Securities offered to Preemptive Rights Holders under this **Section 3.3** shall be payable in cash.

(b) In order to exercise its preemptive rights hereunder, within ten Business Days after the receipt of the Preemptive Rights Notice, a Preemptive Rights Holder must deliver a written notice to the Company describing such Preemptive Rights Holder's election to purchase its Proportional Share of the securities offered thereby (or such portion thereof as the Preemptive Rights Holder may elect to purchase). Upon such an election, the Company (or its Subsidiary, as the case may be) shall sell to such Preemptive Rights Holder the securities such Preemptive Rights Holder elected to purchase at the same price and on the same terms as such securities were offered to any Buyer. To the extent that any Preemptive Rights Holder does not notify the Company that it intends to exercise its right to participate in any issuance of Securities subject to this **Section 3.3** within ten Business Days after receipt of the Preemptive Rights Notice, such Preemptive Rights Holder shall be deemed to have waived the rights set forth in this **Section 3.3** in respect of such issuance.

(c) Notwithstanding the foregoing, if any Preemptive Rights Holder does not exercise its rights pursuant to this **Section 3.3** in full (such Preemptive Rights Holder, a "**Non-Fully Exercising Preemptive Rights Holder**") and the portion of such Non-Fully Exercising Preemptive Rights Holder's Proportional Share of the Securities for which such right was not exercised, the "**Available Securities**"), each Preemptive Rights Holder that has exercised its rights under this **Section 3.3** in full (each such Preemptive Rights Holder, a "**Fully Exercising Preemptive Rights Holder**") shall also have the right to purchase its Proportional Share of the Available Securities on the same terms and conditions as offered to any Buyer. Promptly, and in any event within five Business Days after it has been determined that there are any Available Securities, the Company shall give written notice to the Fully Exercising Preemptive Rights Holders setting forth the number of Available Securities and such Fully Exercising Preemptive Rights Holder's Proportional Share of such Available Securities. Any Fully Exercising Preemptive Rights Holder must exercise its rights with respect to any Available Securities by delivering written notice to the Company within five Business Days after receipt of such notice.

(d) Once the final determination of Available Securities has been determined with respect to a Fully Exercising Preemptive Rights Holder, such Fully Exercising Preemptive Rights Holder shall have ten Business Days to fund the purchase of the same.

(e) Subject to **Section 3.3(g)**, upon the expiration of the offering periods described above, the Company shall be entitled to sell such securities which such Preemptive Rights Holders have not elected to purchase during the 60 days following such expiration at a price not less than and on other terms and conditions no more favorable to the Buyer(s) thereof than those offered to such Preemptive Rights Holders. In the event any regulatory approval is required for any such sale, including the expiration of any regulatory waiting period, as contemplated in **Section 3.3(g)**, such 60-day period shall be automatically extended for additional 30-day periods until such approval has been obtained or waiting period expired. Any securities offered or sold by the Company after such 60-day period (as it may be extended pursuant to the foregoing sentence) must be reoffered in accordance with the terms of this **Section 3.3**.

(f) The obligations set forth in this **Section 3.3** shall not apply to the following issuances of Equity Securities by the Company or any of its Subsidiaries: (i) the Class A Common Units, Class B Preferred Units and Class C Common Units pursuant to the Contribution and Unit

Purchase Agreement; (ii) Equity Securities of the Company or any of its Subsidiaries in connection with the redemption in full or liquidation of all of the Class B Preferred Units; (iii) obligations, evidences of Indebtedness or other securities or interests convertible or exchangeable into Units or other equity interests in the Company or its Subsidiaries; or (iv) Equity Securities offered to the public pursuant to a registration statement filed under the Securities Act, including pursuant to an IPO, that has been approved in accordance with the terms of this Agreement.

(g) If any regulatory approval, including the filing and the expiration of any waiting period under HSR Act, is required prior to the issuance of any Equity Securities (assuming the exercise of the rights of the Preemptive Rights Holders under this **Section 3.3**), the Company shall not issue such Equity Securities until such approval has been obtained (or in the case of the HSR Act, such filing has been completed and such waiting period has expired). The Company and the Members shall use their commercially reasonable efforts to comply promptly with all applicable regulatory requirements in connection with the issuance of Equity Securities by the Company and the purchase thereof by any Preemptive Rights Holder exercising such Preemptive Rights Holder's rights pursuant to this **Section 3.3**.

Section 3.4 Capital Accounts.

(a) The Company shall maintain a separate Capital Account for each Member according to the rules of Treasury Regulations Section 1.704-1(b)(2)(iv). For this purpose, upon the occurrence of the events specified in Treasury Regulations Section 1.704-1(b)(2)(iv)(f) (including a transaction to redeem any Class B Preferred Unit pursuant to this Agreement), the Book Value of each asset of the Company immediately prior to the occurrence of such event shall be adjusted upward or downward to reflect any unrealized gain or unrealized loss attributable to such asset. Any such unrealized gain or unrealized loss shall be treated, for purposes of maintaining Capital Accounts, as if it had been recognized on an actual sale of each such property for an amount equal to its Fair Market Value immediately prior to such event and had been allocated to the Members at such time pursuant to **Section 4.5**. In the event, however, of (i) an issuance of Units for a de minimis amount of cash or contributed property, (ii) a Distribution of a de minimis amount of cash or property to a Member, or (iii) an issuance of Units as consideration for the provision of a de minimis amount of services, the Board in its reasonable judgment may determine that such adjustments are unnecessary for the proper administration of the Company. With unanimous prior approval of the Board (excluding any Independent Manager), the Company may determine that no adjustments shall be made pursuant to this **Section 3.4(a)**.

(b) For purposes of computing the Profits or Losses of the Company for any period, and any item of the Company's income, gain, loss or deduction to be allocated pursuant to **Article IV** and to be reflected in the Capital Accounts, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes (including any method of depreciation, cost recovery or amortization used for this purpose); *provided, that*:

(i) the computation of all items of income, gain, loss and deduction shall include those items described in Code Section 705(a)(1)(B) or Code Section 705(a)(2)(B) and Treasury Regulations Section 1.704-1(b)(2)(iv)(i), without regard to the fact that such items are not

includable in gross income or are not deductible for federal income tax purposes;

(ii) if the Book Value of any the Company's property is adjusted pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(f), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property;

(iii) items of income, gain, loss or deduction attributable to the disposition of the Company's property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the Book Value of such property;

(iv) items of depreciation, amortization and other cost recovery deductions with respect to the Company's property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the property's Book Value in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g);

(v) to the extent an adjustment to the adjusted tax basis of any asset of the Company pursuant to Code Sections 732(d), 734(b) or 743(b) is required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis); and

(vi) any items of income, gain, loss, or deduction which are specially allocated pursuant to **Section 4.6** shall not be taken into account in computing Profits and Losses.

Section 3.5 Negative Capital Accounts. No Member shall be required to pay to any other Member or the Company any deficit or negative balance which may exist from time to time in such Member's Capital Account (including upon and after dissolution, termination, or cancellation of the Company).

Section 3.6 No Withdrawal. No Member shall be entitled to withdraw any part of such Member's Capital Contributions or Capital Account balance or to receive any Distribution from the Company, except as expressly provided herein.

Section 3.7 Transfer of Capital Accounts. The original Capital Account established for each Substituted Member shall be in the same amount as the Capital Account (or portion thereof) of the Member attributable to the Units of such Member to which such Substituted Member succeeds, at the time such Substituted Member is admitted as a Member of the Company. The Capital Account of any Member whose interest in the Company shall be increased or decreased by means of the Transfer to it of all or part of the Units of another Member or the repurchase of Units shall be appropriately adjusted to reflect such Transfer or repurchase. Any reference in this Agreement to a Capital Contribution of or Distribution to a Member that has succeeded any other Member shall include any Capital Contributions or Distributions previously made by or to the former Member on account of the Units of such former Member transferred to such Member.

Section 3.8 Additional Members. A Person may be admitted to the Company as an Additional Member only upon furnishing to the Company (a) a letter of acceptance, in form satisfactory to the Board, of all the terms and conditions of this Agreement, and (b) such other documents or instruments as may be deemed necessary or appropriate by the Board to effect such Person's admission as a Member. Such admission shall become effective on the date on which the Board determines that such conditions have been satisfied, upon any approval by the Members required hereby and when any such admission is shown on the books and records of the Company.

Section 3.9 Substituted Members. In connection with the Transfer of Units of a Member permitted under the terms of this Agreement, the Transferee shall become a Substituted Member on the later of (a) the effective date of such Transfer and (b) the date on which the Board approves such Transferee as a Substituted Member. Such admission shall then be shown on the books and records of the Company. Notwithstanding the foregoing, in connection with the Transfer of Units of a Member to a Permitted Transferee permitted under the terms of this Agreement, such Permitted Transferee shall become a Substituted Member on the effective date of such Transfer.

ARTICLE IV DISTRIBUTIONS AND ALLOCATIONS

Section 4.1 Tax Distributions. Subject to the availability of Available Cash, without the need for any action by the Board (other than with respect to determining certain amounts as provided herein) or any Member, with respect to each Fiscal Quarter prior to a Fundamental Change, the Company shall make distributions of Available Cash in respect of income tax liabilities of (a) Sponsor attributable to its ownership of the Class A Common Units and (b) holders of Class C Common Units ("**Tax Distributions**") at least ten days prior to the due date of the applicable federal quarterly estimated Tax payment. For each Fiscal Quarter, (x) the Tax Distribution payable to Sponsor with respect to its Class A Common Units shall be the aggregate Tax Amount attributable to all Class A Common Units held by Sponsor and (y) the Tax Distribution payable to each holder of Class C Common Units shall be the aggregate Tax Amount attributable to all Class C Common Units held by such holder. For the avoidance of doubt, if there is an adjustment that results in an increase in the Company's taxable income or gain allocated to a Member attributable to its Class A Common Units or Class C Common Units in a prior taxable period, subject to the availability of Available Cash, without the need for any action by the Board (other than with respect to determining certain amounts as provided herein) or any Member, the Company shall distribute to each Member an amount equal to the increase in the aggregate Tax Amount attributable to the Class A Common Units or Class C Common Units, as applicable, held by such holder. The Tax Distribution to each holder of Class C Common Units shall be reduced, however, by the amount of any distributions previously made to such holder pursuant to **Section 4.3** during the relevant Fiscal Quarter (or in the case of an adjustment in the taxable income allocated to a Member, the Fiscal Quarter in which such adjustment is made). In addition, from and during the occurrence of a Trigger Event, the Company shall not make Tax Distributions to CREH and its Affiliates until such time as the applicable Trigger Event is cured, unless the event described in clause (e) of the definition "**Trigger Event**" has occurred, in which case the Company shall not make Tax Distributions to CREH and its Affiliates until (a) the Company replaces the Operator under the MSA in accordance with the terms of this Agreement and (b) such replacement Operator commences performing the obligations

required of it pursuant to the terms of the MSA. Tax Distributions shall be treated as advances of any amounts any holder of Class A Common Units or Class C Common Units is entitled to receive pursuant to **Section 4.3**, **Section 4.4(b)** or **Section 4.4(c)** and shall be offset against any such amounts.

Section 4.2 Distributions to Holders of Class B Preferred Units. Without the need for any action by the Board or any Member, for so long as any Class B Preferred Units remain outstanding, holders of the Class B Preferred Units shall be entitled to receive from the Company, and the Company shall make Distributions of, on each Preferred Payment Date, beginning on March 31, 2018, with respect to the Fiscal Month then ended, an amount in cash with respect to each Class B Preferred Unit equal to (x)(i) the Preferred Distribution Rate *divided by* (ii) twelve *multiplied by* (y) the then-effective Liquidation Preference for such Class B Preferred Unit (each, a “**Preferred Distribution**”), subject to the following:

(a) In the event a Trigger Event described in clause (b) of the definition thereof has occurred, and the Preferred Distribution Rate is increased to an annual rate of 16.0% for part, but not all, of a Fiscal Month, the Preferred Distribution with respect to such Fiscal Month (and only such Fiscal Month) shall be equal to an amount in cash with respect to each Class B Preferred Unit equal to the sum of (i)(A) the Preferred Distribution Rate (as so increased to an annual rate of 16.0%) *divided by* (B) 365 *multiplied by* (C) the then-effective Liquidation Preference for such Class B Preferred Unit *multiplied by* (D) the number of days of such Fiscal Month during which the effective Preferred Distribution Rate is an annual rate of 16.0% *plus* (ii)(A) the Preferred Distribution Rate (as reduced back to an annual rate of 13.5%) *divided by* (B) 365 *multiplied by* (C) the then-effective Liquidation Preference for such Class B Preferred Unit *multiplied by* (D) the number of days of such Fiscal Month during which the effective Preferred Distribution Rate is an annual rate of 13.5%.

(b) Preferred Distributions will be cumulative and will accrue at the Preferred Distribution Rate from the date of issuance of each Class B Preferred Unit until such Class B Preferred Unit is fully redeemed, prorated for partial Fiscal Months during such period of accrual. Except as provided in **Section 4.2(c)**, all Preferred Distributions will be payable in cash. For avoidance of doubt, with respect to each Class B Preferred Unit, the Liquidation Preference shall be compounded on a monthly basis and shall accrue on a monthly basis from and after the date on which the Capital Contribution is made in respect of such Class B Preferred Unit.

(c) With respect to the first thirty-six Preferred Distributions following the Closing, upon written notice to each holder of Class B Preferred Units at least five Business Days prior to the applicable Preferred Payment Date, for each such Preferred Distribution the Company may, at the direction of CREH, with respect to each such Preferred Distribution, elect not to pay the Preferred Deferred Amount in respect of such Preferred Distribution in cash, and instead to accrue all of such Preferred Deferred Amount to the Liquidation Preference, pro rata, for all issued and outstanding Class B Preferred Units (each, a “**Preferred Deferred Distribution**”).

(d) Beginning with the thirty-seventh Preferred Distribution following the Closing, and without the need for any action by the Board or any Member, the Company shall pay, on each of the twenty-four subsequent Preferred Payment Dates thereafter, a cash Distribution to

each Class B Preferred Unit in an amount equal to the Preferred Deferred Distribution Cash Payment Amount for such Class B Preferred Unit (each, a “**Preferred Deferred Distribution Cash Payment**”). Such cash Distributions shall reduce the Unpaid Amounts accrued with respect to each Class B Preferred Unit only with respect to any prior Preferred Deferred Distribution. On any Preferred Payment Date, the Company may pay from Available Cash all or a portion of the Preferred Deferred Distribution Balance, without premium or penalty, in addition to the Preferred Distribution and the Preferred Deferred Distribution Cash Payment Amount, if any, then due. Each payment of the Preferred Deferred Distribution Balance pursuant to this **Section 4.2(d)** in excess of the Preferred Deferred Distribution Cash Payment Amount, if any, then due, shall be applied to reduce the remaining Preferred Deferred Distribution Balance. The Preferred Deferred Distribution Cash Payment Amount with respect to future Preferred Payment Dates shall be reduced to a cash payment equal to (a) the amount of the Preferred Deferred Distribution Balance for such Class B Preferred Unit, after the reduction referenced in this sentence *plus* (b) interest accruing thereon at the Preferred Distribution Rate, such that the remaining cash payments of Preferred Deferred Distribution Cash Payments pursuant to **Section 4.2(a)** would amortize such Preferred Deferred Distribution Balance equally over the remaining Preferred Payment Dates from and after such Preferred Payment Date. Notwithstanding anything to the contrary provided herein, each Preferred Deferred Distribution Cash Payment shall be made in addition to the Preferred Distribution otherwise payable by the Company on the Class B Preferred Units on each such Preferred Payment Date pursuant to this **Section 4.2**, except that, the then-effective Liquidation Preference used to calculate the amount of Preferred Distributions required to be paid in cash for a Class B Preferred Unit pursuant to this **Section 4.2** shall exclude the then-effective Preferred Deferred Distribution Balance for such Class B Preferred Unit until the thirty-seventh Preferred Payment Date. For the avoidance of doubt, no Preferred Deferred Distribution shall be counted as a Distribution for purposes of calculating the amount of Preferred Distributions actually required to be made in cash pursuant to **Section 4.2**.

(e) Notwithstanding anything herein to the contrary, in addition to the Company’s payment of Preferred Distributions (including, for avoidance of doubt, any Preferred Deferred Distribution Cash Payments) to the holders of the Class B Preferred Units as provided above, if any of the events described in clause (i) of the definition of “**Trigger Event**” occurs and CRC or one of its Affiliates defaults on any payment obligation contained in the Contribution Agreement, the Commercial Agreement or the MSA (the aggregate amount of such defaulted payment obligations, the “**Redirected Shortfall Amount**”), within 5 Business Days of such default, (i) CREH shall make a Capital Contribution in cash in an amount equal to the Redirected Amount to the Company (the “**Redirected Amount Contributions**”), (ii) the Company shall issue to CREH (without the need for any action by the Board or any Member) a number of Class D Common Units equal to (1) the amount of such Redirected Amount Contribution *divided by* (2) \$1,000 and (iii) the Company shall pay to the holders of such Class B Preferred Units, and the holders of such Class B Preferred Units shall be entitled to receive from the Company, a special distribution equal to the Redirected Shortfall Amount, on a pro rata basis, payable on the next Preferred Payment Date, which such special distribution shall (1) *first*, be used to pay in full the Preferred Distribution required to be made in cash by the Company pursuant to **Section 4.2** on such Preferred Payment Date and (2) *second*, used to reduce the then-existing aggregate amount of Unpaid Amounts.

(f) In the event the Execution Date occurs on or after February 2, 2018, the Preferred Distribution to be paid by the Company on March 31, 2018 shall be calculated pro rata for the number of days in the prior Month after the Execution Date.

Section 4.3 Distributions to Holders of Class C Common Units. Except as otherwise set forth in **Section 4.1**, at the end of each Fiscal Month and solely following the payment in full of each Preferred Distribution required to be made in cash pursuant to **Section 4.2**, the Company shall make Distributions of Available Cash for such Fiscal Month (without the need for any action by the Board or any Member) to the holders of the Class C Common Units, pro rata in proportion to the Class C Common Units held by such holders of Class C Common Units. Notwithstanding the foregoing, upon the occurrence of a Trigger Event other than an event described in clause (e) of the definition “**Trigger Event**”, the Company shall not make any Distributions pursuant to this **Section 4.3** to CREH or its Affiliates and instead shall only distribute that portion of Available Cash for such Fiscal Month to the other holders of the Class C Common Units which are not Affiliates of CREH pro rata in proportion to their respective ownership of the Class C Common Units until such time as the applicable Trigger Event is cured or the Retained Cash Cap is reached. Upon the occurrence of the event described in clause (e) of the definition “**Trigger Event**”, the Company shall not make any Distributions pursuant to this **Section 4.3** to CREH or its Affiliates and instead shall only distribute that portion of Available Cash for such Fiscal Month to the other holders of the Class C Common Units which are not Affiliates of CREH pro rata in proportion to their respective ownership of the Class C Common Units until (a)(i) the Company replaces the Operator under the MSA in accordance with the terms of this Agreement and (ii) such replacement Operator commences performing the obligations required of it pursuant to the terms of the MSA or (b) the Retained Cash Cap is reached. Amounts of Available Cash that would have been distributed to CREH or its Affiliates pursuant to **Section 4.3** but for the preceding two sentences are referred to herein as “**Retained Cash**”. If the Trigger Event that led to the accumulation of Retained Cash is cured, the Company shall distribute all such Retained Cash (as such Retained Cash may be reduced from time to time pursuant to the following sentence) to CREH or its Affiliates concurrently with the next Distribution pursuant to the first sentence of this **Section 4.3**, without interest. In addition, if any Retained Cash exists (a) at the end of a Fiscal Month, then, to the extent the Company fails to pay in full the Preferred Distribution required to be made in cash by the Company pursuant to **Section 4.2** on the Preferred Payment Date for such Fiscal Month, the Company shall (i) *first*, use Retained Cash to pay in full such Preferred Distribution required to be made in cash by the Company pursuant to **Section 4.2** on such Preferred Payment Date and (ii) *thereafter*, use Retained Cash remaining after the Company’s payment in full of such Preferred Distribution to pay the holders of the Class C Common Units which are not Affiliates of CREH pro rata in proportion to their respective ownership of the Class C Common Units a Distribution for such Fiscal Month in an aggregate amount equal to the amount such holders would have received in respect of such Class C Common Units assuming for such Fiscal Month that CREH had made all payments for such Fiscal Month to the Company in full as required pursuant to the terms of the Commercial Agreement; or (b) upon the occurrence of a Fundamental Change or an Exit Transaction, then such Retained Cash shall be distributed to the applicable Members in accordance with the order of priority set forth in **Sections 4.4(a)** and **4.4(b)** in respect of such Fundamental Change or Exit Transaction, as applicable, solely to the extent full distributions would not otherwise occur under **Sections 4.4(a)** and **4.4(b)** in respect of such Fundamental Change or Exit Transaction, as applicable, and otherwise to CREH or its

Affiliates. Notwithstanding the foregoing, at the Closing, after giving effect to the CREH Contribution and the Sponsor Contribution, the Company shall make a cash Distribution to CREH equal to the Sponsor Contribution *minus* \$11,000,000. For the avoidance of doubt, the existence at the end of a Fiscal Month of any Preferred Deferred Distribution Balance shall in no way affect the Company's obligation to make Distributions of Available Cash to the holders of the Class C Common Units for such Fiscal Month pursuant to this **Section 4.3**.

Section 4.4 Distributions upon a Fundamental Change. In the event of a Fundamental Change, the Company shall distribute the aggregate consideration from such Fundamental Change in the following order of priority:

(a) *first*, to the holders of Class B Preferred Units, pro rata in proportion to the Class B Preferred Units held by such holders of Class B Preferred Units, until the sum of (1) the then-effective Liquidation Preference *plus* (2) without duplication of any amounts attributable to clause (1), the then-effective Make-Whole Amount with respect to such Class B Preferred Units, if any, has been reduced to zero;

(b) *second*, to Sponsor or its Permitted Transferee, as applicable, in respect of their Class A Common Units, pro rata in proportion to the Class A Common Units held by such holders of Class A Common Units, until the aggregate of Distributions to such holders of Class A Common Units pursuant to this **Section 4.4(b)** equals \$80,000,000;

(c) *third*, to the holders of the Class C Common Units, pro rata in proportion to the Class C Common Units held by such holders of Class C Common Units, until the aggregate of Distributions to such holders of Class C Common Units pursuant to this **Section 4.4(c)** equals \$1,000,000,000;

(d) *fourth*, to the holders of the Class D Common Units, pro rata in proportion to the Class D Common Units held by such holders of Class D Common Units, until the aggregate of Distributions to such holders of Class D Common Units pursuant to this **Section 4.4(d)** equals the aggregate amount of Redirected Amount Contributions made by CREH and its Affiliates to the Company pursuant to **Section 4.2(e)**; and

(e) *fifth*, to the holders of the Class C Common Units, pro rata in proportion to the Class C Common Units held by such holders of Class C Common Units.

Section 4.5 Allocations. After giving effect to the allocations set forth in **Section 4.5**, the Company shall allocate Profits and Losses for each Taxable Year among the Members in a manner such that the Capital Account of each Member, immediately after making such allocation, is, as nearly as possible, equal (proportionately) to (a) the Distributions that would be made to such Member if the Company were dissolved, its affairs wound up and its assets sold for cash equal to their Book Value, all Company liabilities were satisfied (limited with respect to each Nonrecourse Liability to the Book Value of the assets securing such liability), and the net assets of the Company were distributed in accordance with **Section 4.4** to the Members, *minus* (b) such Member's share of Company Minimum Gain and Member Nonrecourse Debt Minimum Gain, computed immediately prior to the hypothetical sale of assets and the amount any such Member is treated as

obligated to contribute to the Company, computed immediately after the hypothetical sale of assets. Notwithstanding the foregoing, for any Taxable Year ending prior to the date of any Fundamental Change, this **Section 4.5** shall be applied as if clause (2) of **Section 4.4(a)** and **Section 4.4(b)** were not part of this Agreement.

Section 4.6 Special Allocations.

(a) Notwithstanding any other provisions of this **Section 4.6**, if there is a net decrease during a Taxable Year in Company Minimum Gain, items of income or gain of the Company for such Taxable Year (and, if necessary, for subsequent Taxable Years) shall be allocated to the Members in the amounts and of such character as determined according to Treasury Regulations Section 1.704-2(f)(6) and (g)(2) and Section 1.704-2(j)(2)(i), or any successor provisions. This **Section 4.6(a)** is intended to comply with the Company Minimum Gain chargeback requirement in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) Notwithstanding any other provisions of this **Section 4.6** (other than **Section 4.6(b)**), except as provided in Treasury Regulations Section 1.704-2(i)(4), if there is a net decrease in Member Nonrecourse Debt Minimum Gain during any Taxable Year, each Member with a share of Member Nonrecourse Debt Minimum Gain at the beginning of the such Taxable Year shall be allocated items of income or gain of the Company for such Taxable Year (and, if necessary, for subsequent Taxable Years) in the amounts and of such character as determined according to Treasury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. This **Section 4.6(a)** is intended to comply with the chargeback requirement of Treasury Regulations Section 1.704-2(i)(4), and shall be interpreted in a manner consistent therewith.

(c) Nonrecourse deductions (as determined in accordance with Treasury Regulations Section 1.704-2(b)(1)) for any Taxable Year shall be allocated ratably among the Members based upon the manner in which Profits are allocated among the Members for such Taxable Year.

(d) Losses attributable to Member Nonrecourse Deductions for any Taxable Year shall be allocated in the manner required by Treasury Regulations Section 1.704-2(i).

(e) If any Member that unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) has an Adjusted Capital Account Deficit as of the end of any Taxable Year, computed after the application of **Section 4.5** but before the application of any other provision of this **Article IV**, then items of income or gains of the Company for such Taxable Year shall be specially allocated as quickly as possible to such Member in proportion to, and to the extent of, such Adjusted Capital Account Deficit. Notwithstanding the foregoing, an allocation pursuant to this **Section 4.6(e)** shall be made only if and to the extent that such Member would have a deficit in such Member's Capital Account after all other allocations provided in this **Article IV** have been tentatively made as if this **Section 4.6(e)** were not part of this Agreement. This **Section 4.6(e)** is intended to be a qualified income offset provision as described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.

(f) Profits and Losses described in **Section 3.4(b)(iv)** shall be allocated in a manner consistent with the manner that the adjustments to the Capital Accounts are required to be made pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m).

(g) The allocations set forth in **Sections 4.6(a)** through **(d)** (the “**Regulatory Allocations**”) are intended to comply with certain requirements of Treasury Regulations Sections 1.704-1(b) and 1.704-2. The Regulatory Allocations may not be consistent with the manner in which the Members intend to allocate Profit and Loss of the Company or make the Company’s Distributions. Accordingly, notwithstanding the other provisions of this **Article IV**, but subject to the Regulatory Allocations, income, gain, deduction, and loss shall be reallocated among the Members so as to eliminate the effect of the Regulatory Allocations and thereby cause the respective Capital Accounts of the Members to be in the amounts (or as close thereto as possible) they would have been if Profit and Loss (and such other items of income, gain, deduction and loss) had been allocated without reference to the Regulatory Allocations. In general, the Members anticipate that this will be accomplished by specially allocating other Profit and Loss (and such other items of income, gain, deduction and loss) among the Members so that the net amount of the Regulatory Allocations and such special allocations to each such Member is zero.

Section 4.7 Tax Allocations.

(a) The income, gains, losses, deductions and credits of the Company will be allocated for federal, state and local income tax purposes among the Members in accordance with the allocation of such income, gains, losses, deductions and credits among the Members for computing their Capital Accounts. In the event any such allocation is not permitted by the Code or other applicable law, the Company’s subsequent income, gains, losses, deductions and credits will be allocated for federal, state and local income tax purposes among the Members so as to reflect as nearly as possible the allocation set forth herein in computing their Capital Accounts.

(b) Items of the Company’s taxable income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall be allocated among the Members in accordance with Code Section 704(c) so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Book Value. In addition, if the Book Value of any of the Company’s asset is adjusted pursuant to the requirements of Treasury Regulations Section 1.704-1(b)(2)(iv)-(f), then subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c). The Board shall determine all allocations pursuant to this **Section 4.7(b)** using (i) with respect to any variation between the adjusted basis of property contributed to the Company for federal income tax purposes and such property’s Book Value, which variation existed immediately after giving effect to the Closing, the remedial method described in Treasury Regulations Section 1.704-3(d) and (ii) otherwise, any manner determined by the Board that constitutes a “reasonable method” under the Treasury Regulations under Code Section 704(c).

(c) Allocations of tax credits, tax credit recapture, and any items related thereto shall be allocated to the Members according to their interests in such items as determined by the Board taking into account the principles of Treasury Regulations Section 1.704-1 (b)(4)(ii).

(d) Allocations pursuant to this **Section 4.7** are solely for purposes of federal, state and local taxes and shall not affect any Member's Capital Account.

(e) For purposes of maintaining Capital Accounts and for allocations of Profits, Losses, and Distributions, any Unit holder shall be treated as a Member.

Section 4.8 Withholding and Indemnification for Payments on Behalf of a Member. The Company may withhold from Distributions with respect to any Unit or portions thereof if it is required by applicable law to make any payment to a Governmental Entity that is specifically attributable to a Member with respect to Units held by such Person (including federal, state or local taxes). Each such Member hereby authorizes the Company to withhold from or pay on behalf of or with respect to such Member any such payment that the Board determines that the Company is required to withhold or pay with respect to any amount distributable or allocable to such Member with respect to Units held by such Person pursuant to this Agreement. Any taxes, penalties and interest payable under the Partnership Tax Audit Rules by the Company or any fiscally transparent entity in which the Company owns an interest shall be treated as specifically attributable to the Members. The Board shall use commercially reasonable efforts to allocate the burden of (or any diminution in distributable proceeds resulting from) any such taxes, penalties or interest to the Members to whom such amounts are specifically attributable (whether as a result of their status, actions, inactions or otherwise) as determined by the Board. Any amounts withheld from, paid on behalf of or otherwise specifically attributable to any Member pursuant to this **Section 4.8** will be treated as having been distributed to such Member. To the extent that the cumulative amount withheld or paid for any period exceeds the Distributions to which such Member is entitled for such period with respect to Units held by such Person, the Company will provide notice to such Member. Any such amount withheld or paid will (a) be treated as having been distributed to such Member as an advance against the next Distributions that would otherwise be made to such Member with respect to Units held by such Person, and such amount shall be satisfied by offset from such next Distributions or (b) if requested in writing by the Board, be contributed by such Member to the Company within 15 days of demand therefor. If a Member fails to comply with its obligation to contribute to the Company pursuant to clause (b) above, such Member shall indemnify the Company in full for the entire amount paid by the Company (including interest, penalties and related expenses). Each Member will furnish the Board with such information as may reasonably be requested by the Board from time to time to determine whether withholding is required and the amount thereof. In addition, each Member will promptly notify the Board if such Member determines at any time that it is subject to withholding. A Member's obligation to indemnify and make contributions to the Company under this **Section 4.8**: (i) shall survive the termination, dissolution, liquidation, cancellation, and winding up of the Company, and for purposes of this **Section 4.8**, to the fullest extent permitted by applicable law, the Company shall be treated as continuing in existence; and (ii) shall also survive such Member ceasing to be a Member. The Company may pursue and enforce all rights and remedies it may have against each Member under this **Section 4.8** if a Member does not comply with the provisions in this **Section 4.8**, including instituting a lawsuit to collect such amounts required to be paid to the Company or otherwise borne by such Member, with interest calculated at a rate equal to the Prime Rate plus three percentage points per annum (but not in excess of the highest rate per annum permitted by applicable law), compounded on the last day of each Fiscal Month.

ARTICLE V MANAGEMENT

Section 5.1 Management of the Company. Subject to **Section 5.8** and **Section 5.9** and to the oversight of the Board of Managers of the Company (the “**Board**”, and each member of the Board, a “**Manager**”), the management and administration of the day-to-day business and affairs of the Company will be provided by the Operator pursuant to the terms of the MSA. The Board shall oversee, direct and manage the activities of the Company. In addition to the services provided by the Operator, under the direction of the Board, certain activities of the Company may be conducted on the Company’s behalf by committees of the Board or the officers of the Company as specified and authorized by the Board as set forth in **Section 5.13**.

Section 5.2 Board Composition; Term; Removal; Vacancies.

(a) For so long as any Class A Common Units or Class B Preferred Units remain outstanding, subject to the other provisions in this **Section 5.2(a)**, the Board shall consist of seven Managers, (i) three of which shall be appointed by CREH (each, a “**CREH Manager**”), (ii) three of which shall be appointed by the Class B Representative and approved by CREH, such approval not to be unreasonably withheld, conditioned or delayed (each, a “**Class B Manager**”) and (iii) one of which shall be an Independent Manager. Notwithstanding the foregoing, CREH’s consent may not be withheld with respect to any proposed Class B Manager that is an officer or senior employee of Ares or Sponsor or its Affiliates. For so long as any Class B Preferred Units remain outstanding, upon the occurrence of a Trigger Event, the Board shall automatically, and without further action by the Board or the Members, be reconstituted to consist of nine Managers, and the Class B Representative shall have the exclusive right to designate two additional Class B Managers. Notwithstanding the foregoing, once such Trigger Event is cured, the Board shall, automatically, and without further action by the Board or the Members, be reconstituted to consist of seven Managers and the Class B Representative shall direct two Class B Managers to resign, effective as of the date such Trigger Event is cured. Notwithstanding the foregoing, for so long as any Class B Preferred Units remain outstanding, upon the commencement of any QF Event, the Company shall immediately deliver notice of such QF Event to each of the Class B Managers and during the pendency of such QF Event the Board shall automatically, and without further action by the Board or the Members be reconstituted to consist of four Managers, three of which shall be CREH Managers and one of which shall be an Independent Manager. Immediately upon the cessation of any QF Event, the Board shall, automatically, and without further action by the Board or the Members, be reconstituted to consist of seven Managers, with the Class B Representative having the exclusive right to designate three Class B Managers to the Board. Following the consummation of an Exit Transaction after which no Class A Common Units or Class B Preferred Units remain outstanding or the redemption in full by the Company of all issued and outstanding Class A Common Units and Class B Preferred Units, the Board shall consist of seven Managers appointed by the holders of the majority of the then-outstanding Class C Common Units. Prior to considering the taking of any Bankruptcy Event, the Board shall appoint a second Independent Manager and the Board shall be reconstituted to consist of eight Managers. Acting by majority consent, the Managers (excluding the Independent Manager) shall select a Manager (other than the Independent Manager) to act as the Chairman of the Board. Each Manager appointed to the Board shall serve until his or her

successor is duly appointed or until her or her earlier death, removal or resignation. Notwithstanding the foregoing, as of the Execution Date, (i) the initial CREH Managers shall be Jody L. Johnson, Carrie M. Fox, and John Hegeman, (ii) the initial Class B Managers shall be Matthew M. Loreman, Ronald D. Scott, and Jesse Yanocha and (iii) the initial Independent Manager shall be Julia A. McCullough. So long as an Independent Manager is required, in no event shall the total number of Managers on the Board, including the Independent Manager, be less than four.

(b) Any CREH Manager or Class B Manager may resign at any time by delivering a written notice to the Company. Such resignation shall be effective upon receipt of such written notice unless it is specified in such notice to be effective at some other time or upon the happening of some other event and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any CREH Manager may be removed from the Board or any committee thereof at any time and with or without cause by CREH. Any Class B Manager may be removed from the Board or any committee thereof at any time and with or without cause by the Class B Representative. The removal of a CREH Manager by CREH and Class B Manager by the Class B Representative shall be effective upon receipt of notice thereof by the Company and each of the remaining Managers. Any vacancy on the Board or any committee thereof because of resignation, death or removal of (i) a CREH Manager will be filled only by a new CREH Manager appointed by CREH and (ii) a Class B Manager will be filled only by a new Class B Manager appointed by the Class B Representative and approved by CREH, such approval not to be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, CREH's consent may not be withheld with respect to any proposed Class B Manager that is an officer or senior employee of Ares or Sponsor or its Affiliates. If a Member fails to appoint a Manager pursuant to this **Section 5.2**, such position on the Board or committee thereof shall remain vacant until a Member exercises its right to appoint a Manager as provided herein. Any vacancies on the Board shall not be counted towards any quorum requirements under this Agreement.

(c) Independent Managers may resign at any time by delivering a written notice to the Company. Such Independent Manager resignations shall take effect on the later of (i) 21 days from the Company's receipt of such notice and (ii) the appointment of a replacement Independent Manager by the other Managers in accordance with this **Section 5.2(c)**. Upon delivery of a notice of resignation, death or removal with or without cause of a Person serving as an Independent Manager, a replacement Independent Manager (which, for the avoidance of doubt, must satisfy the requirements set forth in the definition of "**Independent Manager**" herein) shall promptly be appointed by the remaining Managers acting by unanimous consent. Notwithstanding anything herein to the contrary, the Independent Managers shall not be counted towards any quorum or voting requirements under this Agreement, including, but not limited to, any voting or quorum requirements in respect of any QF Event or Trigger Event, and shall not have any right to vote on any other matter other than, in each case, a Bankruptcy Event pursuant to and in accordance with **Section 5.11**.

Section 5.3 Board Actions; Meetings. Regular meetings of the Board shall be held no less than once each calendar quarter on such dates and at such times as shall be determined by the Board in accordance with the notice provisions in this **Section 5.3**. Special meetings of the Board may be called by any CREH Manager or Class B Manager, and special meetings of any committee may be called by any CREH Manager or Class B Manager on such committee. Meetings of the

Board and any committee thereof shall be held at the principal office of the Company or at such other place as may be determined by the Board or such committee. Notice of each meeting of the Board or any Board committee shall state the date, place, time and purpose of such meeting. Notice required by this **Section 5.3** shall be given to each Manager of the Board by hand, telephone, telecopy, e-mail, overnight courier or the United States mail not less than five days, with respect to regular meetings, or 24 hours, with respect to special meetings, and not more than 50 days prior to such meeting. Notice may be waived before or after a meeting or by attendance without protest at such meeting. A meeting of the Board or any Board committee may be held by telephone conference or similar communications equipment by means of which all individuals participating in the meeting can be heard. The Board or any Board committee may adopt such other procedures governing meetings and the conduct of business at such meetings as it shall deem appropriate. At all duly noticed meetings of the Board and any Board committee, the presence of a majority of the Managers entitled to vote at such meeting shall constitute a quorum for the transaction of business. Participation by a Manager in a meeting in accordance with this **Section 5.3** shall constitute presence in person at the meeting. If a quorum is not present at any meeting of the Board or any Board committee, the Managers present may adjourn the meeting from time to time for a period not to exceed 60 days, without notice other than announcement at the meeting, until a quorum is present. A Manager may be counted as present for purposes of a quorum at a meeting of the Board or Board committee pursuant to a valid written proxy delivered to another Manager who is present at such Board or committee meeting. Each Manager shall have one vote on all matters submitted to the Board or any Board committee. Unless otherwise expressly provided in this Agreement, including **Section 5.8**, **Section 5.9** and **Section 5.11**, approval by the majority of the Board or members of a committee, as applicable, taken at a duly convened meeting at which a quorum is present, shall be required for any act of the Board or Board committee. Notwithstanding any of the foregoing or any contrary provision of this Agreement, the vote or consent (including the written consent) of the Independent Manager shall only be required as provided by **Section 5.11**, and all other actions of the Board shall be taken, and quorum of the Board shall be calculated, as if the Independent Manager is not a member of the Board. The Independent Manager shall only be required to attend a meeting of the Board if the vote of the Independent Manager is required as provided by **Section 5.11**.

Section 5.4 Actions by Consent. The actions by the Board or any Board committee may be taken: (a) by vote of the Board or Board committee at any meeting for which a quorum is present; or (b) by written consent (without a meeting, without notice and without a vote), so long as such written consent sets forth the action so taken and is executed by a majority of the Board or members of such committee, including, in the case of this clause (b), at least one Class B Manager (unless otherwise expressly provided in this Agreement).

Section 5.5 Material Deadlock. In the event of any Material Deadlock, the Board shall first attempt to resolve such Material Deadlock by submitting the matter to a designated CREH Manager and a designated Class B Manager for discussion and resolution. In the event that those individuals are not able to resolve such Material Deadlock within ten (10) Business Days after submission of the matter to them, then the Company shall not take the action with respect to the matter over which the members of the Board are deadlocked. In the event, however, of a Material Deadlock that is a failure to adopt a new Annual Budget by the first day of the next Fiscal Year, the Annual Budget previously approved by the Board, subject to an increase (and only an increase) to

the then applicable Annual Budget in the aggregate equal to the percentage increase, if any, in the consumer price index (CPI-U) from the effective date of such Annual Budget previously approved by the Board until the date of such Material Deadlock, shall continue unless and until a new Annual Budget is approved by the Board in accordance with this Agreement. In addition and notwithstanding the existence of a Material Deadlock, the Company shall continue to operate in the ordinary course and in accordance with the then-effective Annual Budget (as may be increased pursuant to the foregoing).

Section 5.6 Minutes. All decisions and resolutions of the Board shall be reported in the minutes of the Company, which shall state the date and the resolutions approved by the Board. The minutes of the Company shall be kept at the principal office of the Company.

Section 5.7 Board Observer. CREH shall have the right to designate one natural person to act as a Board observer and the Class B Representative shall have the right to designate three natural persons approved by CREH, such approval not to be unreasonably withheld, conditioned or delayed, to act as Board observers (each such Board observer, a “**Board Observer**”) at all meetings of the Board, which designation shall be made by written notice to the Company. Notwithstanding the foregoing, CREH’s consent may not be withheld with respect to any proposed Board Observer that is an officer or senior employee of Ares or Sponsor or its Affiliates. Subject to the limitations set forth in this **Section 5.7**, each Board Observer shall be entitled to attend all meetings of the Board or any committee thereof, and the Company shall provide to the Board Observers any notices of Board or committee meetings and a copy of all meeting materials currently with providing such notices and materials to the Board or committee, as applicable. The Board Observers shall not have any voting rights or count towards any quorum with respect to any action brought before the Board or any Board committee. Notwithstanding any rights to be granted or provided to the Board Observers under this Agreement, the Board or any two Managers acting together may exclude a Board Observer from access to any materials or meetings or portion thereof, to the extent such materials or meeting or portion: (a) directly relate to a matter that, in the written advice of Company’s counsel, could reasonably be expected to result in the loss of attorney-client privilege; or (b) contains competitively sensitive information of any Member.

Section 5.8 Board Approval Requirement. In addition to such other matters as the Board may from time to time by resolution determine, and subject to **Section 5.9** and **Section 5.10** below, none of the Company, any of its Subsidiaries nor any officer or agent of the Company on behalf of the Company or any of its Subsidiaries (including the Operator), shall take any of the actions described in this **Section 5.8** without the approval of the Managers constituting a majority of the Board (in accordance with **Section 5.3**):

(a) incur or create arrangements permitting the incurrence of, Indebtedness, to the extent that the incurrence thereof would cause the Company and its Subsidiaries, collectively, to incur, in the aggregate, \$10,000,000 or more of Indebtedness;

(b) approve, amend or exceed in any respect amounts set forth in the Annual Budget, except with respect to expenditures (i) strictly necessitated by an Emergency or (ii) not to exceed 10% of the then-applicable Annual Budget in the aggregate;

(c) initiate, settle, compromise, resolve or dismiss (or approve of the initiation, settlement, compromise, resolution or dismissal of) any litigation, arbitration, administrative proceeding, or regulatory matter (i) where the amount to be paid by the Company and its Subsidiaries, collectively, in connection therewith is greater than \$5,000,000; (ii) which relates to an action for injunctive relief or (iii) which relates to a criminal matter;

(d) adopt, approve or otherwise enter into any hedging program or hedging arrangement;

(e) enter into, terminate, extend, amend, waive or modify in any material respect the Commercial Agreement or the MSA;

(f) enter into, modify or waive any enter into, amend, modify, extend or terminate, or waive any rights under, any Affiliate Contract, including, for the avoidance of doubt, the Gas Supply Agreement;

(g) change the name or business purpose of the Company as set forth in **Section 2.3** and **Section 2.4**, respectively, or otherwise pursue any activities not related to the ownership or operation of the assets of the Company, including the Contributed Assets and the Existing Company Assets, or otherwise enter into or invest in any line of business other than as permitted hereunder;

(h) effect any modification, waiver or amendment of any Governing Document;

(i) make loans or otherwise lend funds (other than in connection with customary trade debt and accounts receivable), or enter into any guarantees, letters of credit or similar arrangements;

(j) effect or permit any Fundamental Change;

(k) create any new, or issue any additional, Equity Securities or other securities of the Company, unless such creation or issuance is (i) in connection with a redemption in full or (ii) liquidation of all Class B Preferred Units or in accordance with **Section 4.2(e)**;

(l) create any new Subsidiary of the Company (other than a Subsidiary wholly owned by the Company) or issue any equity interests in such Subsidiaries other than to the Company or its wholly owned Subsidiaries;

(m) sell, exchange or otherwise dispose of any interest in the assets or properties of the Company (i) other than in an arms-length transaction with third parties at Fair Market Value and (ii) not in excess of \$5,000,000 in any one transaction or series of related transactions in a twelve-month period;

(n) change or replace the Operator under the MSA or replace the MSA;

(o) make or agree to any acquisitions, including investments in third parties, of more than \$2,500,000 in the aggregate in any calendar year;

(p) enter into any partnership or joint venture, form or acquire any interest in, or contribute any property to, any Person that is not a direct or indirect wholly owned subsidiary of the Company;

(q) take any action that would result in a Bankruptcy Event (which such Bankruptcy Event also requires the vote of the Independent Manager);

(r) change the Company's outside auditors or accountants to any auditor or accountant other than KPMG LLP;

(s) elect (or change any election) to have the Company treated as an entity other than a partnership for federal income tax purposes or otherwise make any changes in the Company's accounting and tax policies;

(t) purchase, amend or replace any insurance policy covering the officers or Managers of the Company or its Subsidiaries, or any other material insurance policy of the Company or its Subsidiaries;

(u) distribute any assets to the Members (or other holders of Units) in any medium other than cash (it being understood that accruals under **Section 4.2** shall occur without the necessity of consent by any Person);

(v) except as permitted by **Article IV**, make any payments or Distributions to, or effect any redemptions in respect of, Common Units, in each case, prior to the redemption or liquidation of all Class B Preferred Units in accordance with the terms hereof, unless such redemption or liquidation is simultaneous with the redemption in full of all Class B Preferred Units;

(w) change the composition of the Board unless in accordance with **Section 5.2**;

(x) hire or fire any employee that is a Key Company Employee; or

(y) take any action, authorize or approve, or enter into any binding agreement with respect to or otherwise commit to do any of the foregoing.

Section 5.9 Class B Preferred Member Approval Requirement. Notwithstanding anything to the contrary in this Agreement (including duplicative provisions in **Section 5.8**), so long as there are any Class B Preferred Units outstanding, none of the Company, any of its Subsidiaries nor any officer or agent of the Company on behalf of the Company or any of its Subsidiaries (including the Operator) shall take any of the following actions without having first obtained the approval of the Class B Representative (collectively, the "**Class B Preferred Member Approval Rights**"):

(a) take any action, authorize, approve, or otherwise effect the matters set forth in **Section 5.8(a), Section 5.8(b), Section 5.8(c), Section 5.8(d), Section 5.8(e), Section 5.8(f), Section 5.8(g), Section 5.8(h), Section 5.8(i), Section 5.8(l), Section 5.8(n), Section 5.8(p), Section 5.8(q), Section 5.8(s), Section 5.8(t), Section 5.8(u) or Section 5.8(w)**;

(b) determine, approve, amend or adjust the formula for calculating the amount of Available Cash;

(c) enter into or amend any material customer agreement relating to the assets of the Company, including the Contributed Assets and the Existing Company Assets;

(d) increase the MSA Reimbursement Amount;

(e) effect or permit any Fundamental Change, unless all outstanding Class B Preferred Units and Class A Common Units held by Sponsor (or its Permitted Transferee) are redeemed upon consummation thereof in accordance with the terms of this Agreement;

(f) create, grant, issue or otherwise exchange any Equity Securities or other securities (other than Indebtedness to the extent permitted under **Section 5.8(a)**) that (i) have a liquidation preference or any rights senior to or on parity with the Class B Preferred Units, (ii) require the Company to pay dividends or distributions that will have priority to or parity with dividends or distributions payable on the Class B Preferred Units, or (iii) have rights to dividends or distributions that would reduce the Class B Preferred Units' Distributions hereunder or that would be permitted to receive cash Distributions prior to redemption or liquidation in full of all outstanding Class B Preferred Units as required hereunder;

(g) subject to **Section 3.3**, create, grant or issue any Equity Securities or other securities that have a liquidation preference or any rights junior to the Class B Preferred Units, unless such creation, grant or issuance (i) (1) occurs at least five years after the Closing and (2) the proceeds from such creation, grant or issuance are first used to redeem all outstanding Class B Preferred Units or (ii) is in accordance with **Section 4.2(e)**;

(h) sell, exchange or otherwise dispose of any interest in the assets or properties of the Company (i) other than in an arms-length transaction with third parties at Fair Market Value and (ii) not in excess of \$5,000,000 in any one transaction or series of related transactions in a twelve-month period, unless the proceeds from such sale are first used to redeem in full all outstanding Class B Preferred Units;

(i) in addition to those rights set forth in **Section 5.15**, grant any consent pursuant to Section 6.1(b)(i) or Section 6.1(b)(ii) of the Commercial Agreement; or

(j) take any action, authorize or approve, or enter into any binding agreement with respect to or otherwise commit to do any of the foregoing.

Section 5.10 QF Event Approval Requirement. Notwithstanding anything to the contrary in this Agreement (including duplicative provisions in **Section 5.8**), during the pendency

of any QF Event (whether a QF Event or a Change in Law QF Event), without having first obtained the approval of the Class B Representative, none of the Company, any of its Subsidiaries nor any officer or agent of the Company on behalf of the Company or any of its Subsidiaries shall take any action, authorize, approve, or otherwise effect any matter that would contravene any of the Class B Preferred Member Approval Rights. If any Class B Preferred Member Approval Right would cause any holder of the Class B Preferred Units to no longer be deemed a Passive Investor during the pendency of any QF Event, then the Parties shall in good faith modify such Class B Preferred Member Approval Right to the minimum extent necessary to ensure the holders of the Class B Preferred Units will continue to qualify as Passive Investors. Notwithstanding the foregoing, any modification of a Class B Preferred Member Approval Right pursuant to the preceding sentence shall be no more adverse to the holders of the Class B Preferred Units than necessary (as determined by such holders of the Class B Preferred Units in their reasonable discretion) to ensure that each holder of the Class B Preferred Units continues to qualify as a Passive Investor during the pendency of any QF Event. In the event of any such QF Event, the Company shall cooperate with each Member to submit to the FERC such filings, notices, applications, and reports as are necessary or advisable with respect to any conversion of each Class B Preferred Member to Passive Investor status. Upon the conclusion of any QF Event, each Class B Preferred Member may at its election return to the exercise of all of its rights hereunder and need not remain a Passive Investor, and in such event the Company shall cooperate with the each Member to submit to the FERC such filings, notices, applications, and reports as are necessary or advisable with respect to any cessation of Passive Investor status.

Section 5.11 Bankruptcy Events. Without the consent of the Board, the Class B Representative and the Independent Manager, and once the Board appoints an additional Independent Manager pursuant to **Section 5.2(a)**, the Independent Managers, the Board or any Board committee shall not be authorized or empowered, nor shall the Board or any Board committee permit the Company, to take any Bankruptcy Event and the Board and any Board committee may not vote on, or authorize the taking of, any Bankruptcy Event, unless the Independent Managers have participated in such vote on or authorization of such taking of such Bankruptcy Event.

Section 5.12 Committee Membership. Each of CREH and the Class B Representative shall have the right to have at least one CREH Manager and Class B Manager, respectively, appointed to serve on each committee of the Board.

Section 5.13 Officers.

(a) The officers of the Company shall be such officers as the Board from time to time may deem proper. All officers of the Company shall be appointed by the Board. All officers shall each have such powers and duties as generally pertain to their respective offices or as may be prescribed by the Board.

(b) Each officer shall hold office until such person's successor shall have been duly elected and shall have qualified or until such person's death or until he shall resign or be removed pursuant to **Section 5.13(c)**.

(c) Any officer elected, or agent appointed, by the Board may be removed, with

or without cause, by the Board whenever, in its judgment such removal is in the Company's best interests. No elected officer shall have any contractual rights against the Company for compensation by virtue of such election beyond the date of the election of such person's successor, such person's death, such person's resignation or such person's removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

(d) A newly created office and a vacancy in any office because of death, resignation or removal may be filled by the Board for the unexpired portion of the term.

Section 5.14 Limitation of Liability; Manager and Office Insurance.

(a) Except as otherwise provided herein or in any agreement entered into by such Person and the Company and to the maximum extent permitted by the Delaware Act, no present or former Manager, nor any such Manager's Affiliates, employees, agents or representatives, shall be liable to the Company or to any Member for any act or omission performed or omitted by such Person in its capacity as Manager. Except as otherwise provided in this Agreement, the limitation of liability set forth in the prior sentence shall not apply to the extent the act or omission was attributable to such Person's actual fraud, bad faith, willful misconduct or knowing violation of law, in each case as determined by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected). Each Manager shall be entitled to rely upon the advice of legal counsel, independent public accountants and other experts, including financial advisors, and any act of or failure to act by such Manager in good faith reliance on such advice shall in no event subject such Manager or any of such Manager's Affiliates, employees, agents or representatives to liability to the Company or any Member.

(b) The Company shall obtain and maintain, at its sole cost and expense, director and officer insurance, which director and officer insurance shall be with an underwriter or underwriters, and having coverage limits and other terms and conditions, reasonably acceptable to the Board.

Section 5.15 Enforcement of Affiliate Contracts. In the event of (i) any breach or default under any Affiliate Contract by an Affiliated Counterparty or failure to exercise a material right or consent or make any material election that would be beneficial to the Company, and (ii) the failure of the Company or its applicable Subsidiary to commence in a commercially reasonable period of time (in any event within five Business Days of receiving notice of the events in preceding clauses (i) or (ii)) or diligently prosecute thereafter reasonably appropriate enforcement or termination measures in respect of such breach or default, each of the Members and the Company agree that any non-conflicted Member(s) shall be entitled to cause the Company or its applicable Subsidiary to enforce its rights and remedies in respect of such matter, without the requirement of the approval by the Board or any other Person, including the other Member(s).

Section 5.16 Separateness.

(a) The Company shall take all reasonable steps to maintain its identity as a separate legal entity from each other Person and to make it manifest to third parties that it is a separate legal entity. Without limiting the generality of the foregoing, the Company shall:

- (i) maintain its own books, records and agreements as official records and separate from those of its Affiliates and Members and all other Persons;
- (ii) maintain its bank accounts separate from those of its Affiliates and Members and all other Persons;
- (iii) at all times hold itself out to the public as a legal entity separate from its Affiliates and Members and all other Persons and not identify itself or hold itself out as a division of any other Person;
- (iv) conduct its business in its own name and hold all of its assets in its own name and not commingle its property with the property of any of its Affiliates and Members and all other Persons;
- (v) hold at least quarterly meetings of the Board as required pursuant to **Section 5.3** and otherwise observe all organizational formalities set forth in the Governing Documents;
- (vi) maintain an arm's-length relationship with Affiliates of CRC;
- (vii) not hold out its credit as being available to satisfy the obligations of any other Person, including CRC and its Affiliates;
- (viii) not become or remain liable, directly or contingently, in connection with any Indebtedness or other liability of CRC or any of its Subsidiaries, whether by guaranty, indorsement (other than indorsements of negotiable instruments for deposit or collection in the ordinary course of business), agreement to purchase or repurchase, agreement to supply or advance funds or otherwise;
- (ix) not grant or permit to exist any lien, encumbrance, claim, security interest, pledge, guarantee or other right in favor of any Person in the assets of the Company or its Subsidiaries that secures the obligations or is for the benefit of CRC and its Subsidiaries;
- (x) not make any loans or advances or transfer any funds to CRC or its Subsidiaries;
- (xi) file its own tax return and pay on its own behalf any Taxes;
- (xii) not commingle its funds or assets with the funds or assets of any other Person;

- (xiii) pay its own liabilities and expenses only out of its own funds;
- (xiv) use separate stationary, invoices and checks bearing its own name;
- (xv) correct any known misunderstanding regarding its separate identity; and
- (xvi) not acquire any obligations or securities of CRC or any of its Subsidiaries.

(b) The Members acknowledge and agree that the Company is a special purpose, non-guarantor, unrestricted Subsidiary of CRC and any Affiliate thereof and shall be bankruptcy remote from CRC and any Affiliate of CRC that is not the Company.

Section 5.17 FERC Compliance. The Company shall take all actions necessary to comply in all material respects with those requirements of FERC that apply to the Company, to the Elk Hills Power Plant, to the maintenance of QF Status in respect of the Elk Hills Power Plant, and to the preservation of all of the exemptions from regulation set forth in 18 C.F.R. Part 292 Subpart F, such that the Elk Hills Power Plant shall comply at all times with the requirements set forth in 18 C.F.R. § 292.205, in each case, to the extent such requirements are applicable as of the Execution Date and shall use commercially reasonable efforts to comply with any applicable successor regulations. The Company shall maintain in full force and effect its “market-based rate” authority (as that term is used under 18 C.F.R. Part 35 Subpart H) without any “mitigation” (as that term is used under 18 C.F.R. § 35.38) to the extent such requirements are applicable as of the Execution Date and shall use commercially reasonable efforts to comply with any applicable successor regulations. The Company shall promptly cooperate with the Class B Representative with respect to all affiliate and reporting information to which any “affiliate” of the holders of the Class B Preferred Units that is also an “affiliate” of the Company (as the term “affiliate” is defined by FERC under 18 C.F.R. Part 35 Subpart H) is subject. The Company shall comply in all material respects with the electric reliability and other requirements applicable to the Company and the Elk Hills Power Plant under 18 C.F.R. Part 40 to the extent such requirements are applicable as of the Execution Date and shall use commercially reasonable efforts to comply in all material respects with respect to any applicable successor regulations. Each Member shall provide to the Company, and the Company shall provide to all Members, the FERC “Appendix B” listing of each Member’s affiliates (as the term “affiliate” is defined by FERC under 18 C.F.R. Part 35 Subpart H), promptly whenever any change to such Member’s or the Company’s “Appendix B” becomes known to such Member or to the Company, as applicable. The Company shall immediately notify the Class B Representative of any fact, circumstance, or event that would reasonably be expected to cause the Elk Hills Power Plant to cease to comply with any material requirement of FERC applicable to such QF Status, in addition to complying with any other notice or disclosure requirement set forth in this Agreement. The Company shall promptly (a) notify each Member of any actual, pending or threatened proceeding, investigation, data request, summons, subpoena, or notice in respect of 18 C.F.R. Part 1b, Part 1c, Part 33, Part 35, or Part 292 and notify the Class B Representative of any rejection by FERC of any filing thereunder and (b) notify each Member of any information known to the Company regarding the Company or the Elk Hills Power Plant with respect to any hostile proceedings commenced by or before any “state commission” (as that term is defined under 18 C.F.R. § 1.101(k)) having any

actual or asserted jurisdiction over either of them. Prior to the Company filing or causing to be filed with FERC any application, certification, or filing under any of 18 C.F.R. Part 1b, Part 1c, Part 33, Part 35, or Part 292, the Company will provide each Member with a reasonable period of time for review and comment, provided that the Company need provide no such notice with respect to any factually accurate and timely “Electric Quarterly Report”. For the avoidance of doubt, notwithstanding anything in this Agreement to the contrary, neither the Company nor the Class B Preferred Member shall oppose, obstruct, or protest the maintenance of QF Status by the Elk Hills Power Plant nor the sale of electricity by the Company in any proceeding by or before the FERC that specifically concerns QF Status of the Elk Hills Power Plant.

Section 5.18 Gas Supply Agreement. Upon the occurrence of (i) a Trigger Event other than a Liquidity Trigger Event, prior to the expiration of the Five Year Redemption Period or the Seven and One-Half Year Redemption Period, as applicable, or (ii) a Trigger Event that is a Liquidity Trigger Event prior to the expiration of the Five Year Redemption Period or the Seven and One-Half Year Redemption Period, as applicable, together with the occurrence of either (A) any of the events described in clause (b), (d), (e), (f) or (g) of the definition of “**Trigger Event**” or (B) failure of the Company to pay in cash any portion of Preferred Distribution when required to be paid by the Company pursuant to **Section 4.2** (including any required Preferred Deferred Distribution Cash Payments), the Class B Representative may elect to cause the Company to terminate the Gas Supply Agreement by causing the Company to provide written notice of termination to the counterparty under the Gas Supply Agreement. If the event giving rise to the election in the preceding sentence has been cured within 15 days, the Company shall promptly notify the counterparty to the Gas Supply Agreement and such termination shall not take effect. In the event the Class B Representative causes the Company to terminate the Gas Supply Agreement pursuant to this **Section 5.18**, the Class B Representative shall have the right to cause the Company to enter into a substitute arrangement to replace the Gas Supply Agreement that (a) provides for the supply of gas to the Company at the lowest available market price therefor existing as of such time (as reasonably determined by the Class B Representative) and (b) is otherwise on terms reasonably satisfactory to the Class B Representative.

ARTICLE VI

EXCULPATION AND INDEMNIFICATION; DUTIES

Section 6.1 Indemnification.

(a) Subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals (a “**Proceeding**”), in which any Indemnatee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnatee and acting (or refraining to act) in such capacity. Notwithstanding the foregoing, an Indemnatee shall not be indemnified and held harmless pursuant to this Agreement if there has been a final and non-appealable judgment entered by a court

of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Agreement, the Indemnitee acted in bad faith or engaged in fraud, gross negligence or willful misconduct. Any indemnification pursuant to this **Section 6.1** shall be made only out of the assets of the Company, it being agreed that the Members shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate such indemnification.

(b) Any right to indemnification conferred in this **Section 6.1** shall include a limited right to be paid or reimbursed promptly by the Company for any and all reasonable and documented out-of-pocket expenses as they are incurred by a Indemnitee entitled or authorized to be indemnified under this **Section 6.1** who was, is or is threatened, to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to such Indemnitee's ultimate entitlement to indemnification; *provided, however*, that the payment of such expenses incurred by any such Indemnitee in advance of final disposition of a Proceeding shall be made only upon delivery to the Company of a written affirmation by such Indemnitee of its good faith belief that he has met the requirements necessary for indemnification under this **Section 6.1** and a written undertaking by or on behalf of such Indemnitee to promptly repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this **Section 6.1** or otherwise.

(c) The indemnification provided by this **Section 6.1** shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Members, as a matter of law, in equity or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Company may purchase and maintain insurance, on behalf of the Company, its Affiliates, the Indemnitees and such other Persons as the Company shall determine, against any liability that may be asserted against, or expense that may be incurred by, such Person in connection with the Company's or any of its Affiliate's activities or such Person's activities on behalf of the Company or any of its Affiliates, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) The provisions of this **Section 6.1** are for the benefit of the Indemnitees and their heirs, successors, assigns, executors and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(f) Any amendment, modification or repeal of this **Section 6.1** or any provision hereof shall be prospective only and shall not in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Company, nor the obligations of the Company to indemnify any such Indemnitee under and in accordance with the provisions of this **Section 6.1** as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(g) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND SUBJECT TO **SECTION 6.1(A)**, THE PROVISIONS OF THE INDEMNIFICATION PROVIDED IN THIS **SECTION 6.1** ARE INTENDED BY THE MEMBERS TO APPLY EVEN IF SUCH PROVISIONS HAVE THE EFFECT OF EXCULPATING THE INDEMNITEE FROM LEGAL RESPONSIBILITY FOR THE CONSEQUENCES OF SUCH PERSON'S NEGLIGENCE, FAULT OR OTHER CONDUCT.

Section 6.2 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnatee shall be liable for monetary damages to the Company, the Members, any Substituted Member or any Additional Member, for losses sustained or liabilities incurred as a result of any act or omission of an Indemnatee unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnatee breached this Agreement or aided and abetted a breach of this Agreement (or in the case of the Independent Manager, materially breached this Agreement or aided and abetted a material breach of this Agreement), acted in bad faith or engaged in fraud, gross negligence, willful misconduct or, in the case of a criminal matter, acted with knowledge that the Indemnatee's conduct was criminal.

(b) Any amendment, modification or repeal of this **Section 6.2** or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the Indemnitees under this **Section 6.2** as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

Section 6.3 Duties.

(a) To the fullest extent permitted by law, including Section 18-1101(c) of the Delaware Act, the Managers (each in his or her capacity as a Manager) shall owe no fiduciary or similar duty or obligation whatsoever to the Company, any Member or other holder of Units or any other Person. Whenever the Board, or any committee thereof, makes a determination or takes or declines to take any other action, then, unless another express standard is provided for in this Agreement (including, for the avoidance of doubt, as provided in the preceding sentence), the Board, or such committee (as the case may be), shall make such determination or take or decline to take such other action in good faith and shall not be subject to any higher standard contemplated hereby or under the Delaware Act or any other law or at equity. A determination, other action or failure to act by the Board or any committee thereof (as the case may be) will be deemed to be in good faith unless the Board or any committee thereof (as the case may be) believed such determination, other action or failure to act was adverse to the interests of the Company. In any proceeding brought by the Company, any Member or any Person who acquires an interest in a Unit or any other Person who is bound by this Agreement challenging such action, determination or failure to act, the Person bringing or prosecuting such proceeding shall have the burden of proving that such determination, action or failure to act was not in good faith. Notwithstanding the foregoing, to the fullest extent permitted by law, including Section 18-1101(e) of the Delaware Act, no Manager shall be liable to

the Company, any Member or other holder of Units or any other Person for breach of duties (including fiduciary duties), unless such Member acted in bad faith or engaged in willful misconduct.

(b) To the fullest extent permitted by law, including Section 18-1101(c) of the Delaware Act, and notwithstanding any other duty existing at law or in equity (including any fiduciary duties), in taking or otherwise consenting to any action pursuant to **Section 5.11**, an Independent Manager shall consider only the interests of the Company (and to the extent the Independent Manager is voting with respect to a Subsidiary, the Subsidiary) and the Class B Preferred Members. Except for duties to the Company (and to the extent the Independent Manager is voting with respect to a Subsidiary, the Subsidiary) and the Class B Preferred Members as set forth in the immediately preceding sentence, an Independent Manager shall not have any fiduciary duties to and shall have no obligation to consider the interests of any other Member or other holder of Units or any other Person. Notwithstanding the foregoing, nothing in this **Section 6.3(b)** shall eliminate the implied contractual covenant of good faith and fair dealing. To the fullest extent permitted by law, including Section 18-1101(e) of the Delaware Act, an Independent Manager shall not be liable to the Company, any Member, Manager, or other holder of Units or any other Person for breach of contract or breach of duties (including fiduciary duties), unless the Independent Manager acted in bad faith or engaged in willful misconduct. An Independent Manager is hereby designated as a “manager” within the meaning of Section 18-101(10) of the Delaware Act. Notwithstanding the foregoing, all right, power and authority of an Independent Manager shall be limited to the extent necessary to exercise those rights and perform those duties specifically set forth in this Agreement and an Independent Manager shall otherwise have no authority to bind the Company or any Subsidiary. The Company does not currently have any Subsidiaries; however, in the event a Subsidiary of the Company is formed, the Independent Manager shall have the right to review, modify and approve the organizational documents of the Subsidiary as such documents relate to the duties, rights and authority of the Independent Manager.

(c) To the extent that, at law or in equity, a Member (in its capacity as such) owes any duties (including fiduciary duties) to the Company, any other Member or other holder of Units or any other Person pursuant to applicable laws or this Agreement such duty is hereby eliminated to the fullest extent permitted pursuant to law, including Section 18-1101(c) of the Delaware Act, it being the intent of the Members that to the extent permitted by law and except to the extent another express standard is specified elsewhere in this Agreement, no Member (in its capacity as such) shall owe any duties of any nature whatsoever to the Company, the other Members or any other holders of Units or any other Person, other than the duty of good faith and fair dealing, and each Member may decide or determine any matter in its sole and absolute discretion taking into account solely its interests and those of its Affiliates (excluding the Company and its Subsidiaries) subject to the duty of good faith and fair dealing. To the fullest extent permitted by law, including Section 18-1101(e) of the Delaware Act, no Member shall be liable to the Company, any other Member or other holder of Units or any other Person for breach of duties (including fiduciary duties), unless such Member acted in bad faith or engaged in willful misconduct.

(d) Subject to, and as limited by the provisions of this Agreement, the officers of the Company in the performance of their duties as such, shall act in good faith and to the best of their abilities.

(e) The provisions of this Agreement, to the extent that they restrict, eliminate or otherwise modify the duties (including fiduciary duties) and liabilities of the Board, an officer of the Company or a Member otherwise existing at law, in equity or by operation of the preceding sentences, are agreed by the Company and the Members to replace such duties and liabilities of the Board, officer or Member. The Members (in their own names and in the name and on behalf of the Company), acknowledge, affirm and agree that (a) none of the Members would be willing to make an investment in the Company or enter into this Agreement in the absence of this **Section 6.3**, and (b) they have reviewed and understand the provisions of Section 18-1101(c) and (e) of the Delaware Act.

(f) Nothing in this Agreement is intended to or shall eliminate any implied contractual covenant of good faith and fair dealing or otherwise relieve or discharge any Member from liability to the Company or the Members on account of any fraudulent or intentional misconduct of such Member.

Section 6.4 Lack of Authority. No Member in its capacity as such has any management power over the business and affairs of the Company or the authority or power to act for or on behalf of the Company in any manner or way, to bind the Company, or do any act that would be (or could be construed as) binding on the Company, in any manner or way, or to make any expenditures on behalf of the Company, unless such specific authority and power has been expressly granted to and not revoked from such Member by the Board. The Members hereby consent to the exercise by the Board of the powers conferred on it by law and this Agreement. For the purposes of clarity, nothing in this **Section 6.4** is intended to, and nothing in this **Section 6.4** shall be construed to, derogate from the rights of the Class B Preferred Members expressly contemplated by this Agreement.

Section 6.5 Corporate Opportunities.

(a) Subject to **Section 6.5(b)**, and except as otherwise provided in any other agreement or contract to which the Company is a party, including the Commercial Agreement and the MSA, (i) each Member and officer of the Company and their respective Affiliates shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the Company, independently or with others, including business interests and activities in direct competition with the business and activities of the Company, and none of the same shall constitute a breach of this Agreement or any duty otherwise existing at law, in equity or otherwise, to the Company or any Member, and (ii) neither of the Company, any Member or any other Person shall have any rights by virtue of this Agreement or the business relationship established hereby in any business ventures of any Member or officer of the Company and their respective Affiliates.

(b) The Company and each of the Members acknowledge and agree that, without the prior written approval of the Class B Representative or pursuant to the exceptions in favor of CREH and its Affiliates set forth in Section 6.1(b) and Section 6.1(c) of the Commercial Agreement, none of CREH or its Affiliates may enter into arrangements with providers other than the Company of electricity, steam or Gas (as defined in the Commercial Agreement) or processing services in violation of the Power and Gas Services ROFO (as defined in the Commercial Agreement).

(c) Notwithstanding any duty otherwise existing at law or in equity, an Independent Manager and any Affiliate of an Independent Manager may engage in or possess an interest in other business ventures of every kind and description, independently or with others. The Company or Members shall not have any rights in or to such independent ventures or the income or profits therefrom by virtue of this Agreement.

ARTICLE VII

BOOKS, RECORDS, ACCOUNTING AND REPORTS; INSPECTION

Section 7.1 Records and Accounting. The Company shall keep, or cause to be kept, appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to **Section 7.2** or pursuant to applicable laws, on an accrual basis in accordance with GAAP.

Section 7.2 Information Rights; Reports.

(a) The Company shall deliver or cause to be delivered to each Member, within 120 days after the end of each Fiscal Year, audited consolidated statements of income and cash flows of the Company and its Subsidiaries for such Fiscal Year, and audited consolidated balance sheets of the Company and its Subsidiaries as of the end of such Fiscal Year (collectively, the "**Annual Statements**") and, within 90 days after the end of each Fiscal Year, drafts of the Annual Statements. All Annual Statements shall be accompanied by (i) with respect to the consolidated portions of the Annual Statements, an opinion of an independent accounting firm of recognized national standing acceptable to the Board, (ii) a copy of such firm's annual management letter to the Board or the governing board of directors or managers of any Subsidiary of the Company and (iii) the information described on the Schedule of Information applicable to such Fiscal Year and such information for the Fiscal Year following such Fiscal Year, if applicable.

(b) The Company shall deliver or cause to be delivered to each Member, within 45 days after the end of each of the first three Fiscal Quarters, unaudited consolidated statements of income and cash flows of the Company and its Subsidiaries for such Fiscal Quarter and for the period from the beginning of the Fiscal Year to the end of such Fiscal Quarter, and unaudited consolidated balance sheets of the Company and its Subsidiaries as of the end of such Fiscal Quarter (collectively, the "**Quarterly Statements**"). All Quarterly Statements shall be accompanied by a reasonably detailed description of the information described on the Schedule of Information applicable to such Fiscal Quarter and such information for the Fiscal Quarter following such Fiscal Quarter, if applicable.

(c) The Company shall use commercially reasonable efforts to deliver or cause to be delivered to each Member, promptly upon completion thereof, but in any event within 30 days after the end of each month, monthly operating and financial reports prepared by or on behalf of the Company, including with respect to compliance with the then-effective Annual Budget.

(d) The Company shall use commercially reasonable efforts to deliver or cause to be delivered to each Member, (i) not later than 45 days prior to the end of each Fiscal Year, the Annual Budget prepared on a monthly basis for the Company and its Subsidiaries for the following Fiscal Year, (ii) promptly upon completion or discovery thereof (as applicable), any other significant budgets prepared by the Company or any of its Subsidiaries, any material revisions of such Annual Budget or such other budgets and any expected deviations from the Annual Budget or such other budgets and (iii) simultaneously with the delivery of any Annual Statements or Quarterly Statements, as applicable, a comparison of (A) such Annual Statements or Quarterly Statements to the Annual Budget or quarterly portion thereof for such Fiscal Year or Fiscal Quarter, as applicable, and (B) the Company's and its Subsidiaries' capital expenditures for such Fiscal Year or Fiscal Quarter to the corresponding Annual Budget or quarterly portion thereof, as applicable.

(e) The Company shall deliver or cause to be delivered to each Class B Preferred Member all notices, correspondence, reports, instruments, writings, contracts, claims, assertions, demands, records, invoices and other communications received by the Operator in respect of the Company and its Subsidiaries under the MSA promptly upon receipt thereof by the Company and its Subsidiaries and/or the Gas and Power Operations Manager (or such similar title) from the Operator pursuant to the MSA.

(f) The Company shall deliver or cause to be delivered to each Member, promptly upon the reasonable request of such Member, such other reports and information (in any form, electronic or otherwise) that are customarily provided to a holder of equity in a similar company and prepared by the Company in the ordinary course or are otherwise not materially burdensome to prepare.

Section 7.3 Inspection by Members. Except as may be necessary to preserve attorney-client or similar privilege of the Company (as determined in good faith by the Company's legal counsel), any Member, and any accountants, attorneys, financial advisors and other representatives of such Member, may from time to time at such Member's sole expense for any reasonable purpose, visit and inspect the respective properties of the Company or any of its Subsidiaries, examine (and make copies and extracts of) the Company's or any of its Subsidiaries' respective books, records and documents of any kind, and discuss the Company's or any of its Subsidiaries' respective affairs with its employees or independent accountants, all at such reasonable times during normal business hours as such Member may request upon at least five Business Days' advance written notice. Notwithstanding the foregoing, no Member shall be entitled to engage in such visit, inspection, examination or discussion as provided for in this **Section 7.3** on more than four occasions in any one Fiscal Year. If, however, a Trigger Event has occurred and is ongoing, then there shall be no restrictions on the number of times the Class B Preferred Member may engage in such visits, inspections, examinations or discussions, as applicable. For avoidance of doubt, nothing in this **Section 7.3** shall impinge upon or interfere with any Manager's right to examine (and make copies and extracts of) the Company's or any of its Subsidiaries' respective books, records and documents or otherwise engage in any visits, inspections, examinations and discussions referenced in this **Section 7.3**.

Section 7.4 Public Disclosure. Unless required by law, including the rules and regulations of any securities exchange (with the advice of counsel to the Company), no press release or public announcement related to the Company, any of the Company's Subsidiaries, this Agreement or the transactions contemplated herein or any other announcement or communication shall be issued or made by any Member, a Manager, the Company or any of its Subsidiaries without the advance approval of the Board, in which case the Board shall be provided a reasonable opportunity to review and provide suggested comments concerning the disclosure contained in such press release, announcement or communication prior to issuance, distribution or publication. The foregoing restriction shall not apply to the extent that the disclosing Member, Manager, the Company or relevant Subsidiary is making such communication pursuant to any of such Person's bona fide financial or public reporting obligations under applicable law, including the rules and regulations of any securities exchange (including reasonable and customary disclosures of non-competitively sensitive information, as determined by such disclosing Person in its reasonable discretion, in response to questions on earnings calls).

ARTICLE VIII TAX MATTERS

Section 8.1 Preparation of Tax Returns. The Company shall cause to be prepared and timely filed all necessary federal, state and local tax returns for the Company. The Company shall cause the Company to make the elections described in **Section 8.2** (to the extent applicable). The Company shall provide each Member and, in the case of (b) and (c) below, each Person who was a Member at any time during a taxable year, with (a) drafts of all income tax returns the Company is required to prepare at least 30 days prior to the submission of such tax returns to the applicable Governmental Entity and shall incorporate all reasonable written comments into such tax returns, (b) an estimated K-1 no later than 30 days after the end of the applicable taxable year, (c) a final K-1 (and any other information necessary for the preparation of such Person's United States federal and state income tax returns) no later than 145 days after the end of the applicable taxable year and (d) information reasonably requested by such Member to allow it to calculate its federal and state quarterly estimated tax payments for the second, third and fourth quarter of the applicable taxable year no later than 20 days prior to the due date of the applicable federal quarterly estimated tax payment. The Company shall prepare or cause to be prepared all federal, state and local tax returns of the Company on a timely basis and shall furnish to each Member copies of all tax returns of the Company that are actually filed promptly after their filing. Notwithstanding any of the foregoing to the contrary, the Company may delegate its responsibilities under this **Section 8.1** to any Person that the Board determines is qualified to assume such responsibilities.

Section 8.2 Tax Elections. The Taxable Year shall be the Fiscal Year unless the Board shall determine otherwise or as required by law. Except as provided in this **Section 8.2** and subject to **Section 5.1**, the Board shall determine whether to make or revoke any available election pursuant to the Code other than the election to be treated as a partnership for federal income tax purposes. If a distribution of Company property as described in Section 734 of the Code occurs or if a transfer of an "**Interest**", as described in Section 743 of the Code, occurs, on request by notice from the transferring Member (if a transfer) or any Member (if a distribution), the Company will elect, pursuant to Section 754 of the Code, to adjust the basis of Company properties. Each Member will

upon request supply any information necessary to give proper effect to any elections made by the Company.

Section 8.3 Tax Controversies. CREH shall be the Tax Matters Partner to the extent applicable for taxable years beginning before January 1, 2018, and CREH (or an individual designated by CREH) shall be the Partnership Representative for purposes of the Partnership Tax Audit Rules, in each case, under the direction and supervision of the Board. In addition, the Board is hereby authorized, if there is cause to remove CREH (or its designee) as Partnership Representative, to designate any other Person selected by the Board as the Partnership Representative. The Board is also authorized to take, or cause the Company to take, such other actions as may be necessary or advisable pursuant to Treasury Regulations or other guidance to ratify the designation, pursuant to this **Section 8.3**, of CREH, its designee or the Person selected by the Board as the Partnership Representative. Each Member agrees to take, such other actions as may be requested by the Board to ratify or confirm any such designation pursuant to this **Section 8.3**. The Partnership Representative is authorized, at the direction of the Board, to make any available election related to Sections 6221 through 6241 of the Code and take any action it deems necessary or appropriate to comply with the requirements of the Code and conduct the Company's affairs under Sections 6221 through 6241 of the Code. Notwithstanding the foregoing provisions of this **Section 8.3**, a Member's consent (which is not be unreasonable withheld, conditioned or delayed) shall be required for any action to be taken by the Tax Matters Partner or the Partnership Representative and any settlement with a taxing authority, in each case that could have a disproportionate adverse effect on such Member.

ARTICLE IX UNIT TRANSFERS; OTHER EVENTS

Section 9.1 Record Holders. The Company shall keep a register or other records which reflect the Units. Except as otherwise required by law, the Company shall be entitled to, and shall only, recognize the exclusive right of a Person registered on its books as the record holder of a Unit, to receive distributions in respect of such Unit, to vote as the owner of such Unit and to be entitled to the benefits, and subject to the obligations, of this Agreement with respect to such Unit.

Section 9.2 Transfer Restrictions.

(a) No Member may Transfer any of its Units except in accordance with this **Section 9.2** and, if applicable, **Section 9.8**, **Section 9.9**, **Section 11.1**, **Section 11.2** and **Section 11.3**.

(b) For so long as any Class B Preferred Units remain issued and outstanding, CREH and its Permitted Transferees shall not Transfer any of their Class A Common Units, Class C Common Units or Class D Common Units in a single transaction or series of related transactions without the prior written consent of the Class B Representative, other than to a Permitted Transferee of CREH (*provided* that, in the case of such a Transfer to a Permitted Transferee that is not already a party hereto, such Permitted Transferee complies with **Section 3.9** and **Section 9.4**).

(c) Prior to the earlier to occur of the seven and one-half year anniversary of the Closing and the occurrence and continued existence of a Trigger Event, Sponsor and its Permitted Transferees shall not Transfer any of their Class A Common Units, Class B Preferred Units or Class C Common Units in a single transaction or series of related transactions without the prior written consent of CREH. Notwithstanding the foregoing, this **Section 9.2(c)** shall not restrict any such Transfers by Sponsor or its Permitted Transferees to (i) any Permitted Transferee of Sponsor (*provided further* that, in the case of such a Transfer to a Permitted Transferee that is not already a party hereto, such Permitted Transferee complies with **Section 3.9** and **Section 9.4**) or (ii) any financial investor that, at the time of determination hereunder, is not party to an active action or proceeding with CRC or any of its Affiliates in which the amount of controversy is or could be in excess of \$250,000.

(d) Notwithstanding anything to the contrary in this **Article IX**, no Transfer of Units shall be permitted if such Transfer would:

(i) violate the then applicable federal or state securities laws or rules and regulations of the Securities Exchange Commission, any state securities commission or any other Governmental Entity with jurisdiction over such Transfer;

(ii) terminate the existence or qualification of the Company under the laws of the jurisdiction of its formation;

(iii) cause the Company to be treated as an association taxable as a corporation or otherwise not to be treated as a partnership for U.S. federal income tax purposes;

(iv) cause the Company to be required to register as an investment company under the Investment Company Act of 1940, as amended, or subject the Company, any of its Subsidiaries to the Investment Advisers Act of 1940, as amended, or the Employee Retirement Income Security Act of 1974, as amended; or

(v) violate any other provision of this Agreement.

(e) Any Transfer of Units in violation of this Agreement or applicable law shall be void *ab initio*, and the Board has the power to rescind such Transfer, and no purported assignee thereof shall have any right to any Profits, Losses or Distributions of the Company.

Section 9.3 Effect of Transfer. Any Member who shall Transfer any Units shall cease to be a Member with respect to such Units and shall no longer have any rights or privileges of a Member with respect to such Units. For the avoidance of doubt, this **Section 9.3** shall in no way affect the rights or privileges of a Member with respect to any Units still held by such Member.

Section 9.4 Additional Restrictions on Transfer.

(a) Each Transferee of Units, as a condition prior to such Transfer, shall execute and deliver to the Company a joinder or counterpart to this Agreement in form and substance acceptable to the Board pursuant to which such Transferee shall agree to be bound by the provisions

of this Agreement.

(b) In connection with the Transfer of any Unit, the holder of such Unit or Interest will deliver written notice to the Company describing in reasonable detail the Transfer or proposed Transfer.

(c) No Member shall engage in any action that could facilitate the Transfer of all or any portion of the direct or indirect equity or beneficial interest in such Member by any Person (whether through Transfers or issuances of equity, assignments by operation of law by merger or consolidation of such holder into another entity or dissolution or liquidation of such Member) with the intent to avoid the provisions of this Agreement.

(d) In order to permit the Company to qualify for the benefit of a “safe harbor” under Code Section 7704, notwithstanding anything to the contrary in this Agreement, no Transfer of any Unit or economic interest shall be permitted or recognized by the Company or the Board (within the meaning of Treasury Regulations Section 1.7704-1(d)) if and to the extent that such Transfer would cause the Company to have more than 100 partners (within the meaning of Treasury Regulations Section 1.7704-1(h), including the look-through rule in Treasury Regulations Section 1.7704-1(h)(3)).

Section 9.5 Transfer Fees and Expenses. The Transferor and Transferee of any Units in the Company shall be jointly and severally obligated to reimburse the Company for all reasonable out-of-pocket expenses (including attorneys’ fees and expenses) incurred by the Company for any Transfer or proposed Transfer, whether or not consummated.

Section 9.6 No Appraisal Rights. No Member shall be entitled to any valuation, appraisal or similar rights with respect to such Member’s Units, whether individually or as part of any class or group of Members, in the event of a merger, consolidation, sale of the Company or other transaction involving the Company or its securities unless such rights are expressly provided by the agreement of merger, agreement of consolidation or other document effectuating such transaction.

Section 9.7 Closing Date. Any Transfer and any related admission of a Person as a Member in compliance with this **Article IX** shall be deemed effective on such date that the Transferee or successor in interest complies with the requirements of this Agreement.

Section 9.8 Tag-Along Rights.

(a) If CREH or any of its Permitted Transferees (collectively, a “**Selling Member**”) proposes to Transfer any of its Class A Common Units or Class C Common Units in one transaction or a series of related transactions to a third party (a “**Proposed Third-Party Sale**”), then Sponsor and any of its Permitted Transferees, in their capacity as a Common Member (each, a “**Tag-Along Member**”) shall have a right (a “**Tag-Along Right**”) to sell such Tag-Along Member’s pro rata share of the aggregate number of such class of Common Units (or, if applicable, indirect interests) to be Transferred in such Proposed Third-Party Sale (the “**Offered Interests**”). A Tag-Along Member’s pro rata share of the Offered Interests shall be shall be determined by dividing (i)

the number of such class of Common Units held by such participating Tag-Along Member by (ii) the number of such class of Common Units held by all participating Tag-Along Members and the Selling Member (the number of Common Units that may be included in a Transfer by exercise of a Tag-Along Right which, for clarity, shall be the same class of Common Units as the Offered Interests, the “**Tag-Along Units**”). As a result, the number of Common Units the Selling Member shall be entitled to Transfer shall be reduced by the aggregate number of Tag-Along Units. For the purposes of clarity, it is agreed that the provisions of this **Section 9.8** shall not apply with respect to any Permitted Transfer.

(b) If the Selling Member proposes to make a Proposed Third-Party Sale, the Selling Member shall notify each Tag-Along Member (such notice, a “**Sale Notice**”) at least ten Business Days prior to the date of such Transfer. Each Sale Notice shall set forth: (i) a description of the Common Units to be Transferred pursuant to such Proposed Third-Party Sale; (ii) the identity of the Transferee in such Proposed Third-Party Sale; (iii) the proposed amount and form of consideration and the other material terms and conditions of such Proposed Third-Party Sale being offered by the Transferee; and (iv) if any portion of the consideration to be paid is other than cash, all material information in the Selling Member’s possession regarding such non-cash consideration (preceding clauses (i) through (iv), collectively, the “**Third Party Terms**”). The Third Party Terms applicable to the Transfer of any Common Units or indirect interests therein purchased from the Tag-Along Member pursuant to this **Section 9.8** shall be the same as the terms and conditions applicable to the Transfer of the Common Units (or indirect interests therein) (including the amount and form of consideration per Common Unit to be paid therefor), as applicable, by the Selling Member in the Proposed Third-Party Sale.

(c) The aggregate purchase price paid for the Common Units (or indirect interests therein), as applicable, in connection with such Proposed Third-Party Sale will be allocated among the Selling Member and the participating Tag-Along Members pro rata in accordance with such Selling Member’s and Tag-Along Members’ respective Common Units being Transferred in such Proposed Third-Party Sale.

(d) A Tag-Along Right may be exercised by a Tag-Along Member by delivery of a written notice to the Selling Member (the “**Tag-Along Notice**”) within ten Business Days following receipt of the Sale Notice from the Selling Member (the “**Notice Period**”). The Tag-Along Notice shall state the Common Units or indirect interests therein held by the Tag-Along Member that such Tag-Along Member proposes to include in such Proposed Third-Party Sale and include an offer to sell such Common Units or indirect interests therein held by the Tag-Along Member on the same terms and conditions as specified in the Sale Notice. If one or more Tag-Along Members deliver a Tag-Along Notice within the Notice Period, then the Selling Member shall be prohibited from selling any of the Offered Interests or indirect interests therein to the proposed Transferee in the Proposed Third-Party Sale unless the Selling Member procures that such Transferee (or its designee) also purchases the applicable Common Units or indirect interests therein held by the participating Tag-Along Member(s) on the Third Party Terms. If no Tag-Along Member delivers a Tag-Along Notice within Notice Period, the Selling Member shall thereafter, without again complying with this **Section 9.8**, have the right to sell all (but not less than all) of the Offered Interests to the Transferee within six months of the date of the Sale Notice for a purchase price and

on other terms and conditions that, on the whole, are no more favorable to the Selling Member than the Third Party Terms specified in the Sale Notice.

(e) At the closing of a Transfer by the Tag-Along Member to Transferee pursuant to this **Section 9.8** (and after allowing for the expiration or termination of all waiting periods under the HSR Act, if applicable), such Transferee shall remit to each Tag-Along Member (i) the consideration for the Common Units or indirect interests therein, of the Tag-Along Member Transferred pursuant to this **Section 9.8** less (ii) any such consideration to be escrowed or otherwise held back in accordance with the Third Party Terms. The amount escrowed or held back pursuant to preceding clause (ii) shall be pro rata among all Common Members that are Transferring the Common Units or indirect interests therein in such Proposed Third-Party Sale. Additionally, in connection with any such closing of a Transfer by the Tag-Along Member to Transferee pursuant to this **Section 9.8**, each Tag-Along Member must (x) deliver to the Selling Member certificates (if any) or other evidence of ownership representing such Common Units or indirect interests therein with instruments of transfer as may be reasonably requested by the Selling Member in such Proposed Third-Party Sale or the Company, and (y) comply with any other conditions to closing applicable to the Selling Member in such Proposed Third-Party Sale. In addition, the Tag-Along Member shall not be required to bear more than its pro rata share of all liabilities of the Common Members Transferring Common Units or indirect interests therein in such transaction (based on the Common Units or indirect interests therein Transferred by each of them) for the representations, warranties and other obligations incurred in connection with the transactions contemplated by the Sale Notice (other than with respect to representations and warranties relating to the ownership of the Tag-Along Member's Common Units or indirect interests therein or otherwise relating solely to the Tag-Along Member). The consideration paid by the Transferee to the Tag-Along Member pursuant to this **Section 9.8** shall be in the same form and have the same rights as the consideration paid by the Transferee to the Selling Member. All reasonable fees and expenses incurred by the Selling Member (including in respect of financial advisors, accountants and counsel to the Selling Member) in connection with a Transfer pursuant to this **Section 9.8** shall be shared by the Selling Member and the Tag-Along Members pro rata in proportion to the consideration received by such Members.

Section 9.9 Company's Right to Redeem Sponsor's Class C Common Units. Subject to the satisfaction of the provisions of **Section 9.2** and the other restrictions set forth in this **Article IX**, from and after the date on which the Class B Preferred Units and Class A Common Units held by Sponsor (or any of its Permitted Transferees) are redeemed in full by the Company, if Sponsor or any of its Permitted Transferees (each, a "**Class C Common Unit Transferor**") desires to Transfer any of its Class C Common Units in one transaction or a series of related transactions other than to a Permitted Transferee of such Class C Common Unit Transferor (a "**Class C Common Unit Proposed Third-Party Sale**"), such Class C Common Unit Transferor shall provide notice thereof to the Company prior to pursuing such Class C Common Unit Proposed Third-Party Sale. Within ten Business Days of receiving such notice from such Class C Common Unit Transferor, the Company may deliver an irrevocable written offer, by providing such written offer to such Class C Common Unit Transferor, to redeem in full such Class C Common Units (such offer, the "**Class C Common Unit Redemption Offer**") by making a one-time cash payment to such Class C Common Unit Transferor for an amount which the Company shall specify in such Class C Common Unit Redemption Offer (the "**Class C Common Unit Redemption Offer Amount**"). Upon receipt of

such Class C Common Unit Redemption Offer, for a period of 90 days after receipt of the notice, the Class C Common Unit Transferor may either: (a) accept the Company's offer to redeem such Class C Common Units for the Class C Common Unit Redemption Offer Amount by delivering written notice of its acceptance to the Company (in which case the Company shall redeem such Class C Common Units within 30 days thereafter); or (b) consummate the transactions contemplated by the Class C Common Unit Proposed Third-Party Sale with a Person other than the Company in exchange for consideration that is greater than the Class C Common Unit Redemption Offer Amount. If such Class C Common Unit Transferor does not accept such Class C Common Unit Redemption Offer or otherwise consummate the transactions contemplated by such Class C Common Unit Proposed Third-Party Sale with a Person other than the Company, in each case, within such 90-day period, the Class C Common Units held by such Class C Common Unit Transferor shall once again be subject to this **Section 9.9**.

ARTICLE X DISSOLUTION AND LIQUIDATION

Section 10.1 Dissolution. The Company will dissolve and its affairs will be wound up only upon the approval of the Board and, if applicable, the Class B Representative in accordance with **Section 5.9**.

Section 10.2 Liquidation and Termination. On dissolution of the Company, a majority of the Board may appoint one or more other Persons as liquidator(s). The liquidator(s) will proceed diligently to wind up the affairs of the Company and liquidate the Company's assets and make final distributions as provided in this **Section 10.2**. The costs of liquidation will be borne as a Company's expense. Until final distribution, the liquidator(s) will continue to operate the Company properties with all of the power and authority of the Members. Subject to Section 18-804 of the Delaware Act and **Section 4.4**, the steps to be accomplished by the liquidator(s) are as follows:

(a) The liquidator(s) shall pay, satisfy or discharge from the Company's funds and assets all of the debts, liabilities and obligations of the Company (including all expenses incurred in liquidation) or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash fund for contingent, conditional or unmatured contractual liabilities in such amount and for such term as the liquidator(s) may reasonably determine in accordance with the Delaware Act).

(b) The Company will dispose of all remaining assets as follows:

(i) *first*, the liquidator(s) may sell any or all Company property, and any resulting gain or loss from each sale will be computed and allocated to the Members pursuant to **Section 4.5**; and

(ii) *second*, Company property will be distributed among the Members in accordance with **Section 4.4**.

Section 10.3 Cancellation of Certificate. On completion of the Distribution of the Company's assets as provided herein, the Board (or such other Person or Persons as the Delaware

Act may require or permit) shall file a certificate of cancellation with the Secretary of State of Delaware, cancel any other filings made pursuant to this Agreement that are or should be canceled and take such other actions as may be necessary to terminate the Company. The Company shall be deemed to continue in existence for all purposes of this Agreement until the effectiveness of the certificate of cancellation is filed with the Secretary of State of Delaware pursuant to this **Section 10.3**.

Section 10.4 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to **Section 10.2** in order to minimize any losses otherwise attendant upon such winding up.

Section 10.5 Return of Capital. The liquidator(s) shall not be personally liable for the return of Capital Contributions or any portion thereof to the Members (it being understood that any such return shall be made solely from the Company's assets).

Section 10.6 Hart-Scott-Rodino. If the HSR Act is applicable to any Member, the dissolution of the Company shall not be consummated until such time as the applicable waiting period (and extensions thereof) under the HSR Act have expired or otherwise been terminated with respect to each such Member.

ARTICLE XI REDEMPTION AND EXIT PROVISIONS

Section 11.1 Optional Redemption of Class B Preferred Units and Class A Common Units.

(a) At any time following the Execution Date, CREH may elect to cause the Company to redeem Sponsor's Class A Common Units and Sponsor's Class B Preferred Units, in whole but not in part, on the terms provided in this **Section 11.1**.

(b) Prior to expiration of the Five Year Redemption Period, by providing written notice to the Company and the Class B Preferred Member, CREH may elect to either cause the Company to (i) redeem all, but not less than all, of the then-outstanding Class B Preferred Units and Class A Common Units held by Sponsor or its Permitted Transferees by payment in cash (A) to such holders of Class B Preferred Units in respect of each Class B Preferred Unit an amount equal to (1) the then-effective Liquidation Preference for such Class B Preferred Unit *plus* (2) the then-effective Make-Whole Amount with respect to such Class B Preferred Unit, if any; and (B) to such holders of Class A Common Units in respect of each Class A Common Unit an amount equal to \$1,200 per Class A Common Unit ("**Five Year Redemption**") or (ii) extend the Five Year Redemption Period to the Seven and One-Half Year Redemption Period. If CREH has not provided notice of its election prior to the Five Year Redemption Period or the Company does not fully redeem such Class B Preferred Units and Class A Common Units on or prior to the Five Year Redemption Period, CREH shall be deemed to have elected to extend the Five Year Redemption Period to the Seven and One-Half Year Redemption Period. For the avoidance of doubt, all of the issued and outstanding Class C Common Units held by Sponsor or its Permitted Transferee as of such time

shall remain issued, outstanding and subject to the terms and conditions of this Agreement, including **Article IX** hereof, notwithstanding redemption by the Company of any such Class B Preferred Units or Class A Common Units pursuant to Five Year Redemption hereunder.

(c) In the event that CREH elects (or is deemed to have elected) to extend the Five Year Redemption Period to the Seven and One-Half Year Redemption Period pursuant to **Section 11.1(b)**, on or prior to the Seven and One-Half Year Redemption Period, the Company may redeem all, but not less than all, of the then-outstanding Class B Preferred Units and Class A Common Units held by Sponsor or its Permitted Transferee by payment in cash (A) to such holders of Class B Preferred Units in respect of each Class B Preferred Unit an amount equal to (1) the then-effective Liquidation Preference for such Class B Preferred Unit *plus* (2) the then-effective Make-Whole Amount with respect to such Class B Preferred Unit, if any; and (B) to such holders of Class A Common Units in respect of each Class A Common Unit an amount equal to \$1,600 per Class A Common Unit ("**Seven and One-Half Year Redemption**"). For the avoidance of doubt, all of the issued and outstanding Class C Common Units held by Sponsor or its Permitted Transferee as of such time shall remain issued, outstanding and subject to the terms and conditions of this Agreement, including **Article IX** hereof, notwithstanding redemption by the Company of any such Class B Preferred Units or Class A Common Units pursuant to Seven and One-Half Year Redemption hereunder.

Section 11.2 Exit Transactions.

(a) Subject to **Section 11.2(b)** and **Section 11.2(c)** and upon the occurrence of (i) a Trigger Event other than a Liquidity Trigger Event prior to the expiration of the Five Year Redemption Period or the Seven and One-Half Year Redemption Period, as applicable, (ii) a Trigger Event that is a Liquidity Trigger Event prior to the expiration of the Five Year Redemption Period or the Seven and One-Half Year Redemption Period, as applicable, together with the occurrence of either (A) any of the events described in clause (b), (d), (e), (f) or (g) of the definition of "**Trigger Event**" or (B) failure of the Company to pay in cash any portion of Preferred Distribution when required to be paid by the Company pursuant to **Section 4.2** (including any required Preferred Deferred Distribution Cash Payments) or (iii) expiration of the Seven and One-Half Year Redemption Period (to the extent the Class B Preferred Units have not been redeemed in full as provided herein as of such time) (each of preceding clauses (i) through (iii), an "**Exit Transaction Trigger**"), the Class B Representative shall be entitled to cause (and the Members and Board agree to facilitate, as reasonably requested by the Class B Representative) the Company to effect any of the following transactions (each, an "**Exit Transaction**") by providing written notice thereof to the Company and the other Members:

- (i) a consolidation or merger of the Company with or into any other business entity or other corporate reorganization;
- (ii) a sale of all or any portion of the outstanding Units;
- (iii) a transaction in which all or substantially all of the assets of the Company are sold, leased or otherwise disposed of; or

(iv) an IPO.

(b) In the event of clause (iii) of the definition of Exit Transaction Trigger, the notice required by **Section 11.2(a)** shall be delivered at least six months prior to the consummation of the Exit Transaction resulting from such Exit Transaction Trigger.

(c) In the event that the Class B Representative is entitled to cause the Company to effect an Exit Transaction pursuant to **Section 11.2(a)** as a result of a Trigger Event that is not a Redemption Non-Occurrence, at any time during the first 15 days of the Class B Representative's written notice to cause the Company to pursue such Exit Transaction, the Company may cure such Trigger Event to the reasonable satisfaction of the Class B Representative.

(d) If the Class B Representative elects to cause the Company to effect any Exit Transaction, then following good faith consultation with the Board and other Members, the Class B Representative may identify, negotiate, structure and otherwise pursue the Exit Transaction. Any such Exit Transaction may be structured and accomplished as determined by the Class B Representative in its sole discretion, whether as a merger, consolidation, sale of all or any portion of the Units, corporate reorganization, sale of assets, IPO or otherwise. Any such Exit Transaction shall (i) be effected on the terms and conditions negotiated by the Class B Representative, including any terms imposing on the Members' obligations with respect to reasonable and customary indemnities, escrows, holdbacks or other contingent obligations that are applicable to all Members equally and (ii) unless otherwise agreed to in writing by the Class B Representative, require that (A) the Commercial Agreement remain in effect from and after consummation of such Exit Transaction pursuant to its terms and/or (B) CREH consent to an assignment of the Commercial Agreement to the acquirer in such Exit Transaction. Notwithstanding the foregoing, no Member shall be required to agree to any restrictive covenants, including non-competition or other restrictions affecting the operation of such Member's business other than as required by clause (ii) of the preceding sentence. In connection with any Exit Transaction, if requested by the Class B Representative and CREH each of the Members shall waive any dissenters' rights, appraisal rights or similar rights that such Member may have in connection therewith. In addition, to the extent such Exit Transaction is an IPO, prior to execution of the underwriting agreement therefor, the Company or its successor and the Members shall enter into a customary registration rights agreement. The registration rights agreement will include demand and piggyback registration rights and a lock up obligation on the Company and the Members (including as they may become stockholders, if applicable) in connection with the IPO and subsequent underwritten equity offerings by the Company or its successor. Any demand and piggyback registration rights and any lock-up obligations shall be no less favorable to the Members other than the Class B Preferred Members than the Class B Preferred Members. In addition, the Company shall, and the Company shall cause its Subsidiaries to, take such action as the Class B Representative may reasonably request in connection with any proposed Exit Transaction, including, without limitation: (i) engaging an investment banker or other advisor in connection with such Exit Transaction; (ii) providing such financial and operational information as the Class B Representative may request; and (iii) causing employees and other representatives of the Company or its Subsidiaries to cooperate (including by participating in management presentations, preparing marketing materials and making diligence materials available in an electronic data room) with the Class B Representative in any marketing process in connection with any proposed Exit Transaction.

(e) If the Class B Representative elects to cause the Company to effect any Exit Transaction, then CREH and its Affiliates shall use their commercially reasonable efforts to obtain as promptly as practicable: (i) the consents or amendments required under the applicable contracts and leases to which CREH or any of its Affiliates is a party that would be necessary to effect such Exit Transaction; and (ii) the consents or amendments to, or the direct assignment of, any purchase, marketing, transportation, storage, processing or sales contract as necessary to effect such Exit Transaction, including in each such case, consent necessary to assign the Commercial Agreement to the acquirer in an Exit Transaction. In addition, CREH and its Affiliates shall use their commercially reasonable efforts in order to provide any potential acquirer in an Exit Transaction with reasonable access upon at least five days' notice to all reasonably necessary information and properties at reasonable times during normal business hours to permit it to perform due diligence with respect to the proposed Exit Transaction, including access to permits, contracts and infrastructure associated with the properties, but only to the extent that such access is requested prior to the closing of such Exit Transaction. If so requested by CREH or its Affiliates, such potential acquirer shall be required to enter into a customary confidentiality agreement and may be required to enter into customary access agreements prior to being provided with such access.

(f) The Class B Representative shall regularly consult and reasonably cooperate with the Board and other Members with respect to the status of the sale or marketing process for such Exit Transaction. Notwithstanding the foregoing, the Board and CREH (and its Affiliates) shall have no consent, voting or appraisal rights with respect to the final terms of an Exit Transaction and shall have no right to object to an Exit Transaction that is completed in a manner consistent with this **Section 11.2**.

(g) With full power of substitution and re-substitution, each other Member hereby makes, constitutes and appoints the Class B Representative its true and lawful attorney, for it and in its name, place and stead and for its use and benefit, to act as its proxy in respect of any vote or approval of Members required to give effect to this **Section 11.2**, including any vote or approval required under Section 18-209 of the Delaware Act and any waiver contemplated by **Section 11.2(b)**. The proxy granted pursuant to this **Section 11.2(g)** is a proxy coupled with an interest and is irrevocable.

(h) Each of the Members required to participate in an Exit Transaction (collectively, the “**Participating Members**”), whether in its capacity as a Participating Member, Member or otherwise, and the Company, its Subsidiaries and the Board, shall use commercially reasonable efforts to take or cause to be taken all such actions as may be reasonably necessary or desirable in order expeditiously to consummate such Exit Transaction and any related transactions, including (i) making reasonable and customary representations and warranties, (ii) executing, acknowledging and delivering consents, assignments, waivers and other documents or instruments customary for the type of transaction contemplated, (iii) furnishing information and copies of documents, (iv) filing applications, reports, returns, filings and other documents or instruments with Governmental Entities and (v) otherwise using commercially reasonable efforts to fully cooperate with the Class B Representative. Without limiting the generality of the foregoing, each Participating Member agrees to execute and deliver such agreements as may be reasonably specified by the Class B Representative to which all Participating Members will also be party, including agreements to (x) make reasonable and customary individual representations, warranties, covenants and other

agreements as to the unencumbered title to its Units and the power, authority and legal right to Transfer such Units, (y) provide other reasonable and customary representations, warranties and indemnities and (z) be severally liable (on a pro rata basis in proportion to the related consideration to be received by the Company or its Members in the Exit Transaction) (whether by purchase price adjustment, escrows, holdbacks, indemnity payments, contingent obligations or otherwise). In addition: (i) any escrow of proceeds of any such transaction shall be withheld on a pro rata basis among all Participating Members (in proportion to the relative consideration to be received by each Member in connection with such Exit Transaction); and (ii) the aggregate amount of liability to a Participating Member described in this **Section 11.2(h)** shall not exceed the proceeds to such Participating Member in connection with such Exit Transaction.

(i) The closing of an Exit Transaction shall take place at such time and place as the Class B Representative shall specify by notice to each Participating Member no later than five Business Days prior to the closing of such Exit Transaction. At the closing of an Exit Transaction, each Participating Member shall deliver any documentation evidencing the Units to be sold (if any) by such Participating Member and the assignment thereof, free and clear of any liens, against delivery of the applicable consideration.

(j) Notwithstanding **Section 4.3** and **Section 4.4**, after deductions for (x) amounts paid into escrow or held back, in the reasonable determination of the Class B Representative, for indemnification or post-closing expenses, if any, subject to the proviso in **Section 11.2(h)**, and (y) amounts subject to post-closing purchase price adjustments, if any (*provided* that, upon the determination of such purchase price adjustments, indemnification or post-closing expenses and upon release of any such escrow or hold back, as applicable, the remaining amount of the consideration to be received by the Company or its Members in the Exit Transaction, if any, shall be distributed to the Participating Members so that the total amount distributed is in accordance with the order of priority set forth in **Section 4.4**), the proceeds of any Exit Transaction shall be distributed to the Participating Members in accordance with the order of priority set forth in **Section 4.4**.

(k) Any expenses incurred in complying with this **Section 11.2** shall be borne exclusively by the Company.

Section 11.3 Change of Control Option Rights.

(a) The Company shall notify the Class B Representative no later than 15 Business Days prior to the expected consummation of a CRC Change of Control, such notice to specify the nature of the transaction constituting the CRC Change of Control and reasonable details related thereto (including the proposed counterparty, the consideration therefor, and the date of the expected closing and all material agreements related thereto). No later than 5 Business Days prior to the expected consummation of such CRC Change of Control, each holder of Class B Preferred Units may elect by providing written notice to the Company to cause the Company to redeem all, but not less than all, of its then-outstanding Class B Preferred Units (the “**CRC Change of Control Option**”) by payment in cash to such holders of Class B Preferred Units in respect of each Class B Preferred Unit to be redeemed an amount equal to (i) the then-effective Liquidation Preference *multiplied by* (ii) 101% (such amount of cash, the “**CRC Change of Control Option Redemption**”).

Amount”). Once the holders of the Class B Preferred Units deliver a written notice electing to exercise such CRC Change of Control Option, such notice will be irrevocable without the consent of the Board. The CRC Change of Control Option Redemption Amount shall be paid in cash, by wire transfer of immediately available funds, to an account designated in writing by the Class B Representative, such payment to be made upon consummation of the CRC Change of Control.

(b) The Company shall notify the Class B Representative no later than 15 Business Days prior to the expected consummation of a CREH Change of Control, such notice to specify the nature of the transaction constituting the CRC Change of Control and reasonable details related thereto (including the proposed counterparty, the consideration therefor, and the date of the expected closing and all material agreements related thereto). No later than 5 Business Days prior to the expected consummation of such CREH Change of Control, each holder of Class B Preferred Units may elect by providing written notice to the Company to cause the Company to redeem all, but not less than all, of the then-outstanding Class B Preferred Units (the **“CREH Change of Control Option”**) by payment in cash to such holders of Class B Preferred Units in respect of each Class B Preferred Unit to be redeemed an amount equal to (i) the then-effective Liquidation Preference for such Class B Preferred Unit *plus* (ii) the then-effective Make-Whole Amount with respect to such Class B Preferred Unit, if any (such amount of cash, the **“CREH Change of Control Option Redemption Amount”**). Once the holders of the Class B Preferred Units deliver a written notice electing to exercise such CREH Change of Control Option, such notice will be irrevocable without the consent of the Board. The CREH Change of Control Option Redemption Amount shall be paid in cash, by wire transfer of immediately available funds, to an account designated in writing by the Class B Representative, such payment to be made upon consummation of the CREH Change of Control.

ARTICLE XII VALUATION

Section 12.1 Determining Fair Market Value. For all purposes hereunder, **“Fair Market Value”** shall be the fair value that a willing buyer and a willing seller in an arm’s-length transaction occurring on the date of valuation would be willing to pay, as determined in good faith by the Board, taking into account all relevant factors determinative of value (giving effect to any transfer Taxes payable or discounts in connection with such sale). Notwithstanding the foregoing, the Fair Market Value of the Contributed Assets at the time of the CREH Contribution is set forth on the Schedule of Members attached hereto.

Section 12.2 Objection Procedure. If any Member objects to the Board’s determination of Fair Market Value or the Board is unable to determine a Fair Market Value, the Board and such Members shall submit such objection to a mutually acceptable, nationally recognized independent valuation firm to determine the Fair Market Value of the applicable assets or Units. The Company shall bear the costs of such independent valuation firm. Notwithstanding the foregoing, if a Member objects to the Board’s determination of Fair Market Value, such Member shall bear the costs of such independent valuation firm based upon the percentage that the amount actually objected by such Member but not agreed to by such independent valuation firm bears to the aggregate amount actually contested by such Member.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

Section 13.1 Addresses and Notices. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be given either by (a) depositing such writing with a reputable overnight courier for next day delivery, (b) depositing such writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or (c) delivering such writing to the recipient in person, by courier or by electronic mail transmission; and a notice, request or consent given under this Agreement is effective upon receipt against the Person who receives it. All notices, requests and consents to be sent to a Member must be sent to or made at the address given for that Member on the Schedule of Members, or such other address as that Member may specify by notice to the other Members. Any notice, request or consent to the Company or the Board must be given to the Board or, if appointed, the secretary of the Company at the Company's chief executive offices. Whenever any notice is required to be given by law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 13.2 Confidentiality. Each Member recognizes and acknowledges that it has received and may in the future receive certain confidential and proprietary information and trade secrets of the Company and its Subsidiaries and the Members (including their respective predecessors and Affiliates) (the "**Confidential Information**"). Except as otherwise consented to by the Company in writing, each Member agrees that it will not, during or after the term of this Agreement, whether directly or indirectly through an Affiliate or otherwise, use any Confidential Information for any purposes other than in connection with its investment in the Company or disclose any Confidential Information for any reason or purpose whatsoever, except for disclosures: (a) to authorized directors, managers, officers, representatives, agents and employees of such Member or its Affiliates, the Company or its Subsidiaries and as otherwise may be proper in the course of performing such Member's obligations, or enforcing such Member's rights, under this Agreement and the agreements expressly contemplated hereby, *provided*, that each such Person is informed of the confidential nature of such Confidential Information, agrees to hold such Confidential Information confidential and that the disclosing Member remains liable for any breach of this provision by such Persons; (b) made by Sponsor to its limited partners, owners, co-investors, and prospective investors; *provided* that if such limited partners, owners, co-investors, and prospective investors are receiving Confidential Information (other than with respect to high-level summary information regarding the Company's operations), such receiving Person shall be subject to confidentiality provisions at least as restrictive as the confidentiality obligations contained in this Agreement; (c) to any bona fide prospective purchaser of the equity or assets of the Company or its Affiliates or the Units held by such Member, to prospective financing sources, or a prospective merger partner of such Member, the Company or any of their respective Affiliates and, except in connection with transactions where the holders of Class B Preferred Members do not require the approval of the Board to Transfer Units, following prior written notice of such disclosure to the Company, *provided*, that such purchaser, financing sources, or merger partner agrees in writing to be bound by the provisions of this **Section 13.2** or other confidentiality agreement that includes confidentiality and use provisions at least as restrictive as the provisions in this Agreement; (d) to

attorneys, accountants and other professionals of such Member or its Affiliates who need to know such Confidential Information in order to perform services for such Member or Affiliate; and (e) as is required to be disclosed by order of a court of competent jurisdiction, administrative body or governmental body, or by subpoena, summons or legal process, or by law, rule or regulation. In the event of a disclosure required by **Section 13.2(e)**, the Member shall provide to the Company (or in the case of Confidential Information of a Member, such Member) prompt notice of any such requirement to enable the Company or such Member to seek an appropriate protective order or confidential treatment and shall disclose only that portion of such Confidential Information so required to be disclosed. Notwithstanding the prior sentence, no such opportunity shall be afforded in the case of a routine audit or examination by, or a blanket document request from, a governmental or regulatory entity that does not reference the Company, any other Member or this Agreement or if notifying the Company or such Member in advance of such disclosure is prohibited by applicable law. For purposes of this **Section 13.2**, the term “**Confidential Information**” shall not include any information which (x) a Person learns from a source other than the Company or its Subsidiaries, or any of their respective representatives, employees, agents or other service providers, (y) is disclosed to the public or is available in the public domain or (z) was in a Person’s possession prior to disclosure hereunder; provided such information is not known by such Person to be subject to an obligation of confidentiality owed to the other Members.

Section 13.3 Fees and Expenses. From and after the Closing until the date on which the Class B Preferred Units and Class A Common Units held by Sponsor or its Permitted Transferees are redeemed in full hereunder, the Company shall reimburse Sponsor for all documented reasonable out-of-pocket third party costs, fees and expenses incurred by Sponsor from time to time in responding to any request for approval under this Agreement, monitoring or enforcing its rights under this Agreement and/or amending this Agreement, except to the extent such costs, fees or expenses relate to litigation matters solely between the Parties that do not arise out of or relate to a restructuring of the Company, CREH or any of their Affiliates. Other than to the extent arising from litigation matters for which the Company has a reimbursement obligation under this **Section 13.3** (which shall not be subject to a cap), the Company’s obligation to reimburse Sponsor for such costs and expenses shall not exceed \$75,000 in the aggregate in any Fiscal Year without the consent of CREH.

Section 13.4 Amendments. Except for amendments authorized by **Section 3.1(b)** or permitted by **Section 5.10**, this Agreement and any provision hereof may be amended, waived (except as otherwise provided herein), or modified from time to time only by a unanimous written instrument signed by: (a) the Members holding a majority of the Class A Common Units; (b) the Members holding a majority of the Class B Preferred Units; and (c) the Members holding a majority of the Class C Common Units. Notwithstanding the foregoing, any amendment or modification modifying the rights or obligations of any Member in a manner that is disproportionately adverse to (x) such Member relative to the rights of other Members in respect of Units of the same class or series be effective only with that Member’s consent or the consent of the Members holding a majority of the Units in that class or (y) a class or series of Common Units relative to the rights of another class or series of Common Units shall be effective only with the consent of the Members holding a majority of the Units in that class or series.

Section 13.5 Remedies. Each Member and the Company shall have all rights and remedies set forth in this Agreement and all rights and remedies which such Person has been granted at any time under any other agreement or contract and all of the rights which such Person has under any applicable law. Any Person having any rights under any provision of this Agreement or any other agreements contemplated hereby shall be entitled to seek enforcement of such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by applicable law.

Section 13.6 Successors and Assigns. All covenants and agreements contained in this Agreement shall bind and inure to the benefit of the Parties and their respective heirs, executors, administrators, successors, legal representatives and permitted assigns, whether so expressed or not.

Section 13.7 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction. Should any ruling or illegality, invalidity or unenforceability be obtained, this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained in this Agreement. In addition, if such term or provision could be drawn more narrowly so as not to be illegal, invalid, prohibited or unenforceable in such jurisdiction, it shall be so narrowly drawn, as to such jurisdiction, without invalidating the remaining terms and provisions of this Agreement or affecting the legality, validity or enforceability of such term or provision in any other jurisdiction.

Section 13.8 Counterparts; Binding Agreement. This Agreement may be executed in two or more separate counterparts, any one of which need not contain the signatures of more than one party, but each of which will be an original and all of which together shall constitute one and the same agreement binding on all the Parties. This Agreement and all of the provisions hereof shall be binding upon and effective as to each Person who (a) executes this Agreement in the appropriate space provided in the signature pages hereto notwithstanding the fact that other Persons who have not executed this Agreement may be listed on the signature pages hereto and (b) may from time to time become a party to this Agreement by executing a counterpart of or joinder to this Agreement.

Section 13.9 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company or any of its Affiliates. No creditor of the Company or any of its Affiliates may, as a result of making a loan to the Company or any of its Affiliates, acquire at any time any direct or indirect interest in the Company's Profits, Losses, Distributions, capital or property, other than as a secured creditor (except pursuant to the terms of a separate agreement executed by the Company in favor of such creditor). For the purposes of clarity, this **Section 13.9** shall not be construed to derogate from the rights of the Class B Preferred Members under this Agreement.

Section 13.10 No Waiver. No failure by any Party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

Section 13.11 Further Action. The Parties agree to execute and deliver all documents, provide all information and take or refrain from taking such actions as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 13.12 No Offset Against Amounts Payable. No amounts that any Member or any of its Affiliates or related Person owes or is alleged to owe to the Company or any of its Subsidiaries may be offset or deducted against any payments owed by the Company or its Subsidiaries.

Section 13.13 Entire Agreement. This Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein are intended by the Members as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the Parties in respect of the subject matter contained herein and therein. This Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein supersede all prior agreements and understandings between the Parties with respect to such subject matter, including the Original LLC Agreement. Each of the Members acknowledges and agrees that in executing this Agreement the intent of the Parties in this Agreement and the other Transaction Documents shall constitute an unseverable and single agreement of the Parties with respect to the transactions contemplated hereby and thereby. On behalf of itself and each of its Affiliates, each Party waives any claim or defense based upon the characterization that this Agreement and the other Transaction Documents are anything other than a true single agreement relating to such matters. Each Party further acknowledges and agrees that the matters set forth in this **Section 13.13** constitute a material inducement to enter into this Agreement and the other Transaction Documents and to consummate the transactions contemplated hereby and thereby. Each of the Members stipulates and agrees: (i) not to challenge the validity, enforceability or characterization of this Agreement and the other Transaction Documents as a single, unseverable instrument pertaining to the matters that are the subject of such agreements; (ii) this Agreement and the other Transaction Documents shall be treated as a single integrated and indivisible agreement for all purposes, including the bankruptcy of any Party; and (iii) not to assert or take or omit to take any action inconsistent with the agreements and understandings set forth in this **Section 13.13**.

Section 13.14 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. All claims shall be resolved in accordance with **Section 13.15**.

Section 13.15 Consent to Jurisdiction; Waiver of Trial by Jury.

(a) Each Member and the Company irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Court of Chancery of the State of

Delaware, and any appellate court from thereof, in any action or proceeding arising out of or relating to this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby or for recognition or enforcement of any judgment relating thereto. Each of the Parties hereby irrevocably and unconditionally agrees: (i) not to commence any such action or proceeding except in such courts; and (ii) that any claim in respect of any such action or proceeding may be heard and determined in the Court of Chancery of the State of Delaware. Each of the Parties also agrees to waive to the fullest extent it may legally and effectively do so: (i) any objection which it may now or hereafter have to the laying of venue of any such action or proceeding in the Court of Chancery of the State of Delaware; and (ii) the defense of an inconvenient forum to the maintenance of such action or proceeding in the Court of Chancery of the State of Delaware. Each Member and the Company agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each Member and the Company irrevocably consents to service of process in the manner provided for notices in **Section 13.1**. Nothing in this Agreement will affect the right of any Member or the Company to serve process in any other manner permitted by applicable law.

(b) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT AND ANY OF THE AGREEMENTS DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 13.16 Construction; Interpretation. The table of contents and the section and other headings and subheadings contained in this Agreement and the exhibits hereto are solely for the purpose of reference, are not part of the agreement of the Parties, and shall not in any way affect the meaning or interpretation of this Agreement or any exhibit hereto. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise specified, all references to days or months shall be deemed references to calendar days or months. All references to “\$” shall be deemed references to United States dollars. Unless the context otherwise requires, any reference to a “Section,” “Exhibit” or “Schedule” shall be deemed to refer to a section of this Agreement, exhibit to this Agreement or a schedule to this Agreement, as applicable. The words “hereof,” “herein” and “hereunder” and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The word “including” shall mean “including, without limitation”. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Whenever required by the context, references to a Fiscal Year shall refer to a portion thereof. The use of the words “or,” “either” and “any” shall not be exclusive. The Parties have participated jointly in the negotiation and drafting of this Agreement; accordingly, the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Person. If an

ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Wherever a conflict exists between this Agreement and any other agreement, this Agreement shall control but solely to the extent of such conflict.

Section 13.17 No Third Party Beneficiaries. Except as set forth in **Section 13.19**, the provisions of this Agreement are for the exclusive benefit of the Members and the Company and their respective successors and permitted assigns and, solely with respect to **Section 6.1**, the Indemnitees. Except for the foregoing, this Agreement is not intended to benefit or create rights in any other Person.

Section 13.18 Time is of the Essence. Time is of the essence in the performance of all obligations under this Agreement.

Section 13.19 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement or any document, agreement, or instrument delivered contemporaneously with this Agreement, and notwithstanding the fact that any Member may be a partnership or limited liability company, each Member agrees and acknowledges that no Persons other than the Members shall have any obligation under this Agreement. Each Party to this Agreement further acknowledges and agrees that it has no rights of recovery whether under this Agreement or under any documents, agreements, or instruments delivered contemporaneously herewith, in respect of any oral representations made or alleged to be made in connection herewith or therewith. The prohibition against recovery set forth in this **Section 13.19** shall have equal application to any and all claims against, any former, current or future director, officer, agent, Affiliate, manager, assignee, incorporator, controlling Person, fiduciary, representative or employee of any Member (or any of their successors or permitted assignees), against any former, current, or future general or limited partner, manager, stockholder or member of any Member (or any of their successors or permitted assignees) or any Affiliate thereof or against any former, current or future director, officer, agent, employee, Affiliate, manager, assignee, incorporator, controlling Person, fiduciary, representative, general or limited partner, stockholder, manager or member of any of the foregoing, but in each case not including the Members. The prohibition set forth in this **Section 13.19** shall apply to any and all claims, whether such claims sound in tort, contract or otherwise. This prohibition shall apply whether such claims are asserted by attempting to pierce the corporate veil, or through a claim brought by or on behalf of such Party against such Persons and whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, or otherwise. The Parties to this Agreement further expressly agree and acknowledge that no personal liability whatsoever shall attach to or be incurred by any of the Persons or other entities referenced in this Section for any obligations of the applicable Party under this Agreement or the transactions contemplated hereby, under any documents or instruments delivered contemporaneously herewith, in respect of any oral representations made or alleged to be made in connection herewith or therewith, or for any claim (whether in tort, contract or otherwise) based on, in respect of, or by reason of, such obligations or their creation.

[Signature Pages Follow]

IN WITNESS WHEREOF, the undersigned have executed or caused to be executed on their behalf this Agreement as of the date first written above.

ELK HILLS POWER, LLC

By: /s/ Shawn M. Kerns

Name: Shawn M. Kerns

Title: President

CALIFORNIA RESOURCES CORPORATION

By: /s/ Shawn M. Kerns

Name: Shawn M. Kerns

Title: Executive Vice President – Corporate Development

ECR CORPORATE HOLDINGS L.P.

By: /s/ Nathan Walton

Name: Nathan Walton

Title: Chairman of the Board

ELK HILLS POWER, LLC

AND

CALIFORNIA RESOURCES ELK HILLS, LLC

COMMERCIAL AGREEMENT

FEBRUARY 7, 2018

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Exhibits

Exhibit A – Schematic of Key Meters, Requirements, and Quality Specifications

Exhibit B – Dedication Area

COMMERCIAL AGREEMENT

This **COMMERCIAL AGREEMENT**, dated as of February 7, 2018, is by and between **ELK HILLS POWER, LLC**, a Delaware limited liability company (the "Company") and **CALIFORNIA RESOURCES ELK HILLS, LLC**, a Delaware limited liability company ("CREH"). Each of the Company and CREH is sometimes referred to herein as a "Party" and collectively as the "Parties."

W I T N E S S E T H

WHEREAS, pursuant to a Contribution and Unit Purchase Agreement, dated as of the date of this Agreement (the "Contribution Agreement"), by and among California Resources Corporation, a Delaware corporation ("CRC"), CREH, a wholly owned subsidiary of CRC, the Company and ECR Corporate Holdings L.P., a Delaware limited partnership ("Sponsor"), CREH is contributing to the Company the assets comprising that certain cryogenic gas plant referred to by the Parties as "CGP-1" (the "Gas Processing Facility") and certain other Contributed Assets (as defined in the Contribution Agreement);

WHEREAS, after giving effect to the transactions contemplated by the Contribution Agreement, the Company will own, among other assets, the Gas Processing Facility and that certain 550 MW natural gas, combined-cycle power plant (the "Power Plant"), each located in Tupman, California on land leased from CREH;

WHEREAS, the Transaction Documents, including this Agreement, and the other agreements and documents expressly referred to herein or therein shall constitute an unseverable and single agreement of the Parties with respect to the transactions contemplated hereby and thereby;

WHEREAS, CREH and its Affiliates operate oil and gas production facilities that are immediately adjacent to the Power Plant and Gas Processing Facility ("CREH's Field Facilities"), and require access to reliable sources of steam and electricity in the production of such oil and Gas;

WHEREAS, CREH desires to purchase from the Company, and the Company desires to sell to CREH, subject to the exceptions herein, all of CREH's and its Affiliates' electricity requirements for the assets now or hereafter owned, acquired and operated by CREH or its Affiliates within the Dedication Area, and all of CREH's and its Affiliates' Steam requirements for the assets now or hereafter owned, acquired and operated by CREH or its Affiliates, in each case until such time as the Power Plant is at full capacity; and

WHEREAS, CREH desires for the Company to process, subject to the exceptions herein, all of CREH's and its Affiliates' Gas produced from (i) wells at CREH's Field Facilities and (ii) any other assets now or hereafter owned, acquired and operated by CREH or its Affiliates within the Dedication Area at the Gas Processing Facility, and the Company desires to process such Gas at the Gas Processing Facility.

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements herein contained, the Company and CREH hereby agree as follows:

ARTICLE I

Definitions

“Actual Utilized Power” for any Month means the monthly average for such Month of Electricity used on Line 3 as set forth in Exhibit A by CREH, any of its Affiliates or the Company.

“Additional Change in Law Operating Expenses” has the meaning given to such term in Section 14.4.

“Affiliate” means as to any party, any corporation, limited liability company, partnership or other entity directly or indirectly Controlling, Controlled by or under common Control with such party.

“Agreement” means this Commercial Agreement, including exhibits and attachments, and all amendments and modifications hereafter executed by the Parties.

“Appeal” has the meaning given to such term in Section 20.2(b).

“Appeal Award” has the meaning given to such term in Section 20.2(b)(iv).

“Appeal Panel” has the meaning given to such term in Section 20.2(b)(i).

“Appellant” has the meaning given to such term in Section 20.2(b).

“Appellee” has the meaning given to such term in Section 20.2(b)(i).

“Applicable Gas Price” means, for any Month, the price per MMBtu of Gas supplied to the Power Plant under the Company Gas Supply Agreement during such period.

“Arbitration Award” has the meaning given to such term in Section 20.2(a)(ii).

“Authorized Representative” means a person designated as such pursuant to Section 18.1.

“Bankruptcy Event” means, with respect to a Person, (a) commencement of any case, proceeding or other voluntary action seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, arrangement, adjustment, winding-up, reorganization, dissolution, composition under any Bankruptcy Law or other relief with respect to it or its debts; (b) applying for, or consent or acquiesce to, the appointment of, a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official with similar powers for itself or any substantial part of its assets; (c) making a general assignment for the benefit of its creditors; (d) commencement of any involuntary case seeking liquidation or reorganization under any Bankruptcy Law, or seeking issuance of a warrant of attachment, execution or distraint, or commencement of any similar proceedings against such Person under any other applicable law and (i) consent to the institution of the involuntary case against it, (ii) the petition commencing the involuntary case is not timely controverted, (iii) the petition commencing the involuntary case is not dismissed within 60 days of its filing, (iv) an interim trustee is appointed to take possession of all or a portion of the property, or to operate all or any part of the business of

such Person or any of its Subsidiaries and such appointment is not vacated within 60 days, or (v) an order for relief shall have been issued or entered therein; (e) entry of a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee or other official having similar powers, over such Person or all or a part of its property; (f) the granting of any other similar relief under any applicable Bankruptcy Law, filing a petition or consent or shall otherwise institute any similar proceeding under any other applicable law, or taking any action in furtherance of, or indicating its consent to, approval of, or acquiescence in any of the acts set forth above in this definition; (g) such Person taking any form of corporate action to be liquidated or dissolved; (h) admitting in writing its inability to pay its debts as they become due or its liabilities exceed its assets; or (i) such entity otherwise becoming insolvent under applicable law.

“Bankruptcy Law” means title 11 of the United States Code, 11 U.S.C. §§ 101 et. seq. or any similar federal or state law.

“BOE” means one barrel of oil equivalent, equal to (a) 42 gallons of natural gas liquids or (b) 6 Mcf of natural gas.

“Btu” means one or more British thermal units, as the context requires, at the higher heating value.

“Business Day” means any day except a Saturday, Sunday, the Friday after the United States Thanksgiving holiday, and any day when banks in the States of California or New York are required or permitted to be closed for business.

“CAISO” means the California Independent System Operator Corporation or successor entity.

“Change in Law” has the meaning given to such term in Section 14.4.

“Claimant” has the meaning given to such term in Section 20.2(a)(i).

“Company” has the meaning given to such term in the introduction to this Agreement.

“Company Asset” means a Subject Asset (as defined in the Contribution Agreement) or other asset of the Company acquired by the Company after the Execution Date (as defined in the Contribution Agreement).

“Company Covered Persons” has the meaning given to such term in Section 15.1.

“Company Gas Supplier” means CRC Marketing, Inc. and its successors and assigns.

“Company Gas Supply Agreement” means that certain Gas Sales Agreement dated July 30, 2014, by and between the Company and Company Gas Supplier, as amended, or any substitute arrangement entered into by the Company pursuant to Section 5.18 of the LLC Agreement.

“Condensate” means liquid water resulting from the condensation of steam. For the avoidance of doubt, liquid water recovered from traps along steam pipelines shall not be considered Condensate, but instead shall be considered wastewater.

“Contract” means any contract, agreement, indenture, note, bond, mortgage, deed of trust, loan, instrument, lease, license, commitment or other arrangement, understanding, undertaking, commitment or obligation, whether written or oral.

“Contract Power Capacity” means 220 MW per Contract Year.

“Contract Steam Capacity” means 60,000 lbs/hr.

“Contract Year” means the period beginning on the Effective Date and ending on January 31, 2019 and/or each succeeding twelve (12) Month period thereafter during the Term, as applicable.

“Contribution Agreement” has the meaning set forth in the Recitals.

“Control” means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of a Person whether through the ownership of voting securities, by Contract or otherwise. The terms “Controlled” and “Controlling” shall have correlative meanings.

“CRC” has the meaning given to such term in the Recitals.

“CREH” has the meaning given to such term in the introduction to this Agreement.

“CREH Gas” means all Gas delivered by CREH or its Affiliates at a Gas Receipt Point.

“CREH’s Field Facilities” has the meaning given to such term in the Recitals.

“CREH’s Field Operations” means the operation of CREH’s Field Facilities.

“Cross-Appeal” has the meaning given to such term in Section 20.2(b)(i).

“Dedication Area” means the area depicted on Exhibit B attached hereto.

“Dispute” has the meaning given to such term in Section 20.1.

“Effective Date” means the date of this Agreement.

“Electricity” means electric energy generated by the Power Plant.

“Environmental Law” means any Law or Order relating to pollution, remediation of contamination, human or worker health and safety, or protection of the environment or natural resources, including the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), the Solid Waste Disposal Act and Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Occupational Safety and Health Act (29 U.S.C. § 1251 et seq.), and

the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.), as each has been amended and the regulations promulgated thereto, and all analogous, related, or supplemental state or local laws.

“Event of Default” has the meaning given to such term in Section 13.1.

“Excess Capacity” has the meaning given to such term in Section 6.2.

“Existing CREH Well” has the meaning given to such term in Section 6.1(b)(ii).

“Existing CREH Well Exception Period” has the meaning given to such term in Section 6.1(b)(ii).

“Extended Existing CREH Well Exception Period” has the meaning given to such term in Section 6.1(b)(ii).

“Extended New CREH Well Exception Period” has the meaning given to such term in Section 6.1(b)(i).

“FL&U” means the volume of CREH Gas used as fuel to operate the Gas Processing Facility, *plus* the volume of CREH Gas lost or unaccounted for in the operation of the Gas Processing Facility.

“Force Majeure” has the meaning given to such term in Section 14.1.

“Gas” means natural gas produced in its original state from gas and/or oil wells.

“Gas Capacity Reserve” means 225 MMcf/d.

“Gas Delivery Point” means each of the gas delivery points illustrated on Exhibit A. With respect to Residue Gas, the gas delivery point is referred to as “GTU2” and measured at “CP1-AI-206.” With respect to Plant Products, the gas delivery point is referred to as “Storage” and measured at “CP1-AI-408 Propane,” “CP1-AI-413B Butane” and “CP1-AI-420 Natural Gasoline.”

“Gas Processing Facility” has the meaning given to such term in the Recitals.

“Gas Receipt Point” means the meter at the Gas Processing Facility located at a given location to which CREH or its Affiliates are responsible for Tendering Gas under this Agreement. The initial Gas Receipt Point is identified on Exhibit A as “Meter 2118.”

“GHG Allowance Price” means the arithmetic average for the most recently-completed Month, of the California ISO’s “Greenhouse Gas Allowance Index Price” for each day of the Month.

“Governmental Body” means any federal, state, local, municipal, tribal or other government; any governmental, regulatory (including self-regulatory) or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power; and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

“Hazardous Material” means any substance, material or waste that is listed, regulated or defined under or pursuant to any Environmental Law, or that can be the subject of enforcement, investigation, Liability, or standards of conduct pursuant to any Environmental Law, whether or not recycled or beneficially used, including coal, coal ash, combustion products, residues, emissions, fly ash, bottom ash, flue gas desulfurization material, petroleum and its by-products, chemical substances, pesticides, pollutants, contaminants, asbestos, polychlorinated biphenyls, radon, radiation, noise, odor, mold or other fungi, and urea formaldehyde insulation.

“Hearing” has the meaning given to such term in Section 20.2(a)(ii).

“Implementation Plan” has the meaning given to such term in Section 10.2.

“JAMS Appellate Rules” has the meaning given to such term in Section 20.2(a)(iv).

“JAMS Rules” has the meaning given to such term in Section 20.2(a).

“Judicial Arbitration and Mediation Service” or “JAMS” has the meaning given to such term in Section 20.2(a).

“kWh” means kilowatt-hour.

“Law” means any federal, state, local or foreign Order, writ, injunction, judgment, settlement, award, decree, statute, law (including common law), rule, regulation or other provision having the force or effect of law established by a Governmental Body.

“Liability” means any and all debts, losses, liabilities, claims, damages, expenses, Taxes, fines, indebtedness or other penalties, fines, costs, royalties, proceedings, deficiencies or obligations (including those arising out of any action, such as any settlement or compromise thereof or judgment or award therein), of any nature, whether known or unknown, absolute, contingent, accrued or unaccrued, liquidated or unliquidated, or otherwise and whether due or to become due, and whether in contract, tort, strict liability or otherwise, and whether or not resulting from third party claims.

“LLC Agreement” means the Second Amended and Restated Limited Liability Company Agreement of the Company, dated as of the date of this Agreement.

“Mcf” means one thousand cubic feet of Gas under Standard Conditions.

“MDQ” means the maximum daily quantity of 225 MMcf of Gas.

“Mlbs/hr” means 1,000 pounds per hour.

“MMBtu” means 1,000,000 Btu.

“MMcf/d” means one million cubic feet of Gas per day under Standard Conditions.

“Month” means the period beginning at 12:00 midnight PPT on the first day of a calendar month and ending at 11:59:59 p.m. PPT on the last day of such month.

“Monthly Fuel Capacity Payment” means, with respect to the most recently-completed Month, an amount equal to (a) the Contract Power Capacity, *multiplied* by (b) 730 hours, *multiplied* by (c) the realized gross plant heat rate of the Power Plant for that Month (expressed in Btu per kWh), *multiplied* by (d) Applicable Gas Price for such Month.

“Monthly Gas Processing Capacity and Steam Payment” means, with respect to the most recently-completed Month, subject to reduction pursuant to Section 9.4, an amount equal to \$1.467 per Mcf *multiplied* by the Gas Capacity Reserve *multiplied* by 730 hours, increased by 1% per annum each Contract Year.

“Monthly Generation Capacity Payment” means, with respect to the most recently-completed Month, subject to reduction pursuant to Section 6.4(c), an amount equal to \$69.50 per megawatt hour *multiplied* by 730 hours *multiplied* by the Power Capacity Reserve, increased by 1% per annum each Contract Year.

“Monthly GHG Regulatory Capacity Payment” means, with respect to the most recently-completed Month, an amount equal to the Contract Power Capacity, *multiplied* by 730 hours, *multiplied* by the realized gross plant heat rate of the Power Plant for that Month (expressed in Btu per kWh), *multiplied* by .058 MT CO₂/MMBtu of Gas, *multiplied* by the GHG Allowance Price per MT for the applicable month.

“MSA” means that certain Master Services Agreement, by and between CREH and the Company, as may be amended or restated in accordance with its terms, dated as of the date hereof.

“MT” means metric ton.

“MW” means megawatt.

“New CREH Well” has the meaning given to such term in Section 6.1(b)(i).

“New CREH Well Exception Period” has the meaning given to such term in Section 6.1(b)(i).

“Non-Conforming Gas” has the meaning given to such term in Section 10.2.

“Order” means any order, injunction, judgment, decree, award, ruling, writ, determination, assessment or arbitration award of a Governmental Body.

“Party” has the meaning given to such term in the introduction to this Agreement.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, association or other entity or a Governmental Body.

“PG&E” means Pacific Gas and Electric Company.

“Pipelines” means any pipeline that is (a) directly connected to that certain gas treating unit referred to as “GTU2” and (b) capable of receiving Residue Gas originally derived from the Gas Processing Facility.

“Planned Gas Processing Outage” means any outage of the Gas Processing Facility which materially affects the Gas Processing Facility’s ability to reliably perform the Services under this Agreement which is scheduled to occur in the Planned Gas Processing Outage Schedule.

“Planned Gas Processing Outage Schedule” has the meaning given to such term in Section 9.3.

“Planned Power Outage” means any outage of the Power Plant which materially affects the Power Plant’s ability to reliably supply the requirements of CREH and its Affiliates (other than the Company) under this Agreement which is scheduled to occur in the Planned Power Outage Schedule.

“Planned Power Outage Schedule” has the meaning given to such term in Section 6.4(a).

“Plant Products” means ethane, propane, butane, natural gasoline, and any incidental methane that is included in “Plant Products,” which are separated, extracted, recovered or condensed, and saved, from Gas that is Processed by the Company at the Gas Processing Facility.

“Power Capacity Reserve” means 220 MW.

“Power Plant” has the meaning given to such term in the Recitals.

“PPT” means Pacific Daylight time when California observes Daylight Savings Time and Pacific Standard Time otherwise.

“Prime Rate” means the prime rate on corporate loans at large U. S. money center commercial banks as set forth in the Wall Street Journal “Money Rates” table under the heading “Prime Rate,” or any successor thereto, on the first date of publication for the calendar Month in which payment is due.

“Processing” or “Processed” means the removal and recovery of any liquefiable hydrocarbons components contained in Gas by the Gas Processing Facility by means of refrigeration and/or cryogenic operations resulting in Residue Gas and Plant Products.

“Psia” means pounds per square inch, absolute.

“Quality Specifications” has the meaning given to such term in Section 10.1.

“Required Operations Permits” has the meaning given to such term in Section 4.2(a).

“Residue Gas” means Gas remaining after Processing at the Gas Processing Facility, *less* FL&U and Shrinkage.

“Respondent” has the meaning given to such term in Section 20.2(a)(i).

“Services” means (a) the receipt of CREH Gas at the Gas Receipt Points up to the MDQ, (b) the Processing of CREH Gas received by the Company at the Gas Receipt Point, (c) the redelivery of Plant Products and Residue Gas that is thermally equivalent to CREH Gas Tendered at the Gas Receipt Point in compliance with the requirements of this Agreement, to the Gas Delivery Points, subject to FL&U and Shrinkage, and (d) the other services to be performed by the Company in respect of such Gas as set forth in this Agreement, all in accordance with the terms of this Agreement.

“Shrinkage” means the decrease in Gas volume determined by the Company as adjusted for heating content that results from the conversion of liquefiable components of Gas into Plant Products, but exclusive of FL&U.

“Sponsor” has the meaning given to such term in the Recitals.

“Standard Conditions” means a base pressure of 14.73 Psia and a base temperature of 60 degrees Fahrenheit (60°F).

“Steam” means water vapor produced by the Power Plant.

“Subject Assets” means the Power Plant and the Gas Processing Facility.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof 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, (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of limited liability, partnership or other similar ownership interests thereof with voting rights at the time owned or Controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or Control, directly or indirectly, the manager, managing member, managing director (or a board comprised of any of the foregoing) or general partner of such limited liability company, partnership, association or other business entity.

“Tax Period” has the meaning given to such term in Section 12.2.

“Taxes” has the meaning given to such term in Section 12.1(d).

“Tender” means, with respect to action by (a) the Company, making available to CREH and its Affiliates any amount of Steam and quantity of Electricity and (b) CREH or its Affiliates, making available Gas to the Company at a Gas Receipt Point.

“Term” has the meaning given to such term in Article II.

“Third-Party Service Providers” has the meaning given to such term in Section 6.1(b).

“Transaction Documents” has the meaning given to such term in the Contribution Agreement.

“Unplanned Gas Outages” has the meaning given to such term in Section 9.4.

“Unplanned Power Outages” has the meaning given to such term in Section 6.4(c).

ARTICLE II

Term of the Agreement

The term of this Agreement (the “Term”) shall begin on the Effective Date and shall continue for thirty (30) Contract Years following the Effective Date, unless sooner terminated as provided for in this Agreement.

ARTICLE III

Representations, Warranties and Covenants

3.1 CREH’s Representations, Warranties, and Covenants. In addition to the representations, warranties and covenants specifically identified elsewhere in this Agreement, CREH makes the following representations, warranties and covenants:

(a) Due Organization; Good Standing; Requisite Power. CREH is duly organized and validly existing under the Laws of the State of Delaware, is qualified to do business and in good standing in the State of California, and has all requisite power and authority to enter into this Agreement and perform its obligations under this Agreement;

(b) Due Authorization and Execution. The execution, delivery, and performance of this Agreement have been duly authorized by CREH and are in accordance with its organizational instruments, and this Agreement has been duly executed and delivered by an authorized representative of CREH;

(c) Sufficient Rights. CREH or its Affiliates (other than the Company) have, and will have, sufficient rights, title, and interest in CREH’s Field Facilities to be able to perform its obligations under this Agreement;

(d) No Default. The execution, delivery, and performance of this Agreement will not (i) result in a breach of, or constitute a default under, any agreement, lease, or instrument to which CREH is a party or by which CREH or its respective properties may be bound or affected, or (ii) violate any applicable Law;

(e) No Litigation. Except as set forth on Schedule 3.1(e), no litigation, investigation, or other legal, administrative, or arbitration proceeding is pending or, to the best of CREH's knowledge, threatened against CREH or any of its properties or revenues, existing or future, which is reasonably likely to have a material adverse effect on its ability to perform hereunder; and

(f) Binding Agreement. This Agreement constitutes a legal, valid, and binding obligation against CREH, enforceable in accordance with its terms except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, or other similar Laws affecting creditors rights generally and by principles of equity.

(g) Specifications of Plant Products and Residue Gas. As of the date of this Agreement, (a) all Plant Products that are Processed at the Gas Processing Facility meet the quality specifications under the heading "NGL Product Specifications" set forth on Exhibit A and (b) all Residue Gas resulting from Gas Processed at the Gas Processing Facility meets the quality specifications set forth on Exhibit A.

3.2 The Company's Representations, Warranties and Covenants. In addition to the representations, warranties and covenants specifically identified elsewhere in this Agreement, the Company makes the following representations, warranties and covenants:

(a) Due Organization: Good Standing; Requisite Power. The Company is duly organized and validly existing under the Laws of the State of Delaware, is in good standing in the State of California, and has all requisite power and authority to enter into this Agreement and perform its obligations under this Agreement;

(b) Due Authorization and Execution. The execution, delivery, and performance of this Agreement have been duly authorized by the Company and are in accordance with its organizational instruments, and this Agreement has been duly executed and delivered by an authorized representative of the Company;

(c) Title to Steam and Electricity. The Company will have clear, indefeasible title to the Steam and Electricity to be delivered to CREH or its Affiliates pursuant to this Agreement, subject to any rights of Governmental Bodies under applicable Law;

(d) No Default. The execution, delivery, and performance of this Agreement will not (i) result in a breach of, or constitute a default under, any agreement, lease, or instrument to which the Company is a party or by which the Company or its properties may be bound or affected, or (ii) violate any applicable Law;

(e) No Litigation. Except as set forth in Schedule 3.2(e), no litigation, investigation, or other legal, administrative, or arbitration proceeding is pending or, to the best of the Company's knowledge, threatened against the Company or any of its properties or revenues, existing or future, which is reasonably likely to have a material adverse effect on its ability to perform hereunder; and

(f) Binding Agreement. This Agreement constitutes a legal, valid, and binding obligation against the Company, enforceable in accordance with its terms except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, or other similar Laws affecting creditors rights generally and by principles of equity.

ARTICLE IV

Operation and Maintenance of the Facilities

4.1 Operation and Maintenance of Facilities.

(a) Maintenance of the Company's Facilities. The Company shall operate and maintain the Power Plant, the Gas Processing Facility and its equipment and systems that are directly connected with CREH's Field Operations as depicted in Exhibit A in accordance with (i) this Agreement, (ii) all applicable Laws and (iii) generally accepted industry standards. The Company shall not be deemed in breach of this Section 4.1(a), however, to the extent the Company does not comply with the foregoing as a result of any act or omission, whether directly or indirectly, of CREH or any of its Affiliates (other than the Company).

(b) Maintenance of CREH's Facilities.

(i) CREH shall, and shall cause its Affiliates (other than the Company) to, operate and maintain their respective equipment and systems that are directly or indirectly interconnected with the Subject Assets in accordance with (1) this Agreement, (2) all applicable Laws, and (3) generally accepted industry standards.

(ii) The Company shall install, own, operate, and maintain Gas measurement facilities reasonably sufficient to measure the volume and composition of Gas at the Gas Receipt Points in accordance with Section 5.1.

(c) Operation of the Company's Facilities. In consideration for the payments under this Agreement, the Company shall operate the Power Plant and the Gas Processing Facility in a commercially reasonable manner that (i) maximizes the reliability of (A) the Power Plant in order to (x) provide consistent power to support CREH's Field Operations up to the Contract Power Capacity *plus* any additional Electricity in excess of the Contract Power Capacity that CREH has the option to purchase pursuant to Section 6.2(b) and (y) provide an outlet for all permeate Gas from CGP-1 and (B) the Gas Processing Facility in order to provide an outlet for all of CREH and its Affiliates' Gas from CREH's Field Operations up to the MDQ and (ii) maximizes Plant Product recovery and provides Residue Gas that meets the required specifications pursuant to Section 10.3.

4.2 Permits and Licenses; Environmental Compliance.

(a) To the extent not the responsibility of CREH pursuant to Section 14.4, at its own expense, the Company shall obtain, maintain and comply in all material respects with all permits, licenses, easements, and other approvals, including those required under Environmental Laws, required by the Company to: (i) operate and maintain the Power Plant

and Gas Processing Facility; (ii) make physical modifications thereto; and (iii) fulfill its obligations and duties under this Agreement (collectively, the “Required Operations Permits”). CREH shall, and shall cause its Affiliates (other than the Company) to, cooperate fully with the Company in the procurement and maintenance of, and compliance with, the Required Operations Permits.

(b) The Company will be responsible for compliance with, and shall comply in all material respects with, all applicable Laws, including Environmental Laws, relating to operation of the Power Plant and Gas Processing Facility, including with respect to any Hazardous Materials emanating from and arising out of the operation of the Power Plant and Gas Processing Facility.

(c) At its own expense, CREH shall, and shall cause its Affiliates (other than the Company) to, obtain, maintain and comply in all material respects with all permits, licenses, releases, rights, and other approvals, including those required under Environmental Laws, necessary for it to fulfill the obligations and duties of CREH and its Affiliates (other than the Company) under this Agreement. The Company shall cooperate fully with CREH or its applicable Affiliates (other than the Company) in the procurement and maintenance of, and compliance with, any such permits.

(d) CREH will be responsible for compliance with, and shall comply in all material respects with, all applicable Laws, including Environmental Laws, relating to CREH’s Field Operations, including with respect to any Hazardous Materials emanating from and arising out of CREH’s Field Operations.

4.3 Communications. The Company and CREH shall, and CREH shall cause its Affiliates (other than the Company) to, establish and maintain a comprehensive communication protocol to be followed by the Parties in connection with the Power Plant, the Gas Processing Facility and CREH’s Field Facilities insofar as they affect each other, the scheduling of deliveries and outages of Electricity, Steam and Gas on a day-ahead and real time basis, the monitoring of services and products provided hereunder and such other matters as the Parties may mutually agree.

4.4 Material Malfunctions. The Company shall notify CREH promptly after learning of any forced outage or other malfunction at or in the operation of the Power Plant or Gas Processing Facility having or likely to have a material adverse effect on its ability or CREH’s ability to perform hereunder. Likewise, CREH shall notify the Company promptly after learning of any malfunction at or in the operation of CREH’s Field Operations likely to affect the amount of Steam and/or Electricity it will require, the amount of Gas CREH or its Affiliates will Tender to the Company for processing, or having or likely to have a material adverse effect on its ability or the Company’s ability to perform hereunder.

4.5 Operational Expenses.

(a) To the extent not required to be paid by CREH pursuant to Section 4.5(b) or elsewhere in this Agreement, the Company shall bear all operating expenses and capital expenditures associated with the generation of Electricity at the Power Plant and the

processing of Gas at the Gas Processing Facility.

(b) CREH shall continue to pay all PG&E departing and standby charges in order to provide CREH and its Affiliates (other than the Company) with access to electricity from PG&E in the event of an emergency.

(c) CREH shall be responsible for the delivery of a portion of the Electricity and Steam purchased by CREH pursuant to this Agreement for use by CGP-1 as is necessary for the Company to process CREH Gas in accordance with this Agreement and CREH shall promptly reimburse the Company for any out-of-pocket fees or tariffs incurred by the Company in connection with such delivery.

ARTICLE V

Measuring Equipment and Testing

5.1 **Equipment.** At the Gas Receipt Point and Gas Delivery Point, the Company shall, at its expense, operate and maintain in accurate working order, the meters, instruments and equipment to measure the Gas, Residue Gas and Plant Products to be delivered and redelivered under this Agreement, as applicable. The metering and other equipment installed, together with any buildings erected for such equipment, shall be and remain the property of the Company.

5.2 **Calibration and Tests of Meters.** All other measuring equipment shall be calibrated and adjusted by the Company as deemed necessary by the Company. At its option, CREH may be present for such calibration and adjustment. The Company shall give CREH notice of the time of all tests sufficiently in advance of conducting any such tests so that the Parties may conveniently have their representatives present. Following any such test, any measuring equipment found to be inaccurate to any degree shall be adjusted immediately to measure accurately. At any time, each Party shall have the right to challenge the accuracy of any measuring equipment used and may request additional tests. If, upon testing, the challenged equipment is found to be in error, then it shall be repaired and calibrated. The cost of any such special testing, repair and calibration shall be borne by the Party requiring the special test if the percentage of inaccuracy is found to be 1% or less. Otherwise, the cost shall be borne by the Party operating the challenged measuring equipment.

5.3 **Access to Meters and Records; Access to Measurement Data.** CREH shall have access at all reasonable times to the measuring equipment and all other instruments used by the Company in determining the measurement and quality of the Gas delivered under this Agreement, but the reading, calibrating, and adjusting thereof shall be done only by employees, agents or representatives of the Company.

5.4 **Correction of Metering Errors.** Upon any test, if the measuring equipment, in the aggregate for any measurement facility, is found to be inaccurate by more than 1% registration thereof, then any payments based upon such registration shall be corrected at the rate of such inaccuracy for any period of inaccuracy that is definitely known or agreed upon. If such period is not definitely known or agreed upon, then such registration and payment shall be corrected for a period extending back one-half (1/2) of the time elapsed since the last day of calibration.

5.5 Failure of Meters. If, for any reason, the measuring equipment is out of service or out of repair such that the quantity of Gas delivered through such measuring equipment cannot be ascertained or computed from the readings, the quantity of Gas so delivered during the period such equipment is out of service or out of repair shall be estimated and agreed upon by the Company and CREH upon the basis of the best available data, using the first of the following methods that is feasible:

- (a) using the registration of any duplicate measuring equipment installed by the Company, if installed and registering accurately;
 - (b) using the registration of any check measuring equipment of CREH, if installed and registering accurately;
 - (c) correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation;
- and
- (d) estimating the quantity of deliveries by using the volumes delivered under similar conditions during preceding periods when the measuring equipment was registering accurately.

5.6 CREH Check Meters. At its own expense, CREH may install, maintain and operate, at or near the Gas Receipt Point, such check measuring equipment as desired. Any such equipment shall be installed so as not to interfere with the operation of any other measuring equipment. The Company shall have access to such check measuring equipment at all reasonable times, but the reading, calibration and adjusting thereof shall be done only by CREH.

ARTICLE VI

Exclusive Provider and Processor; Sale and Purchase of Steam and Electricity

6.1 General Sale and Purchase Obligations

(a) Subject to Sections 6.1(b) and 6.1(c), beginning on the Effective Date and continuing each day until the last day of the Term, the Company shall provide the Contract Power Capacity and the Contract Steam Capacity to CREH, and be CREH's and its Affiliates' exclusive provider of, electricity and steam to, and shall exclusively process all of CREH's and its Affiliates' Gas produced from, (A) the assets now or hereafter owned, acquired and operated by CREH or its Affiliates within the Dedication Area and (B) any Subject Assets located outside of the Dedication Area (the "Power and Gas Services ROFO"), and CREH shall make the payments in consideration thereof as set forth in Article XI.

(b) CREH and its Affiliates may engage in activities with providers of electricity, steam or Gas processing services other than the Company (the "Third-Party Service Providers") solely as provided below in this Section 6.1(b) and in Section 6.1(c):

(i) Upon at least five (5) Business Days prior written notice to the Company, CREH or its Affiliates may construct temporary facilities and/or engage in activities with Third-Party Service Providers for a period of up to one hundred and eighty (180) days (the “New CREH Well Exception Period”) to the extent reasonably necessary (as determined by CREH in good faith) for any well of CREH or its Affiliates that is spud or newly acquired from a third party after the date of this Agreement and cannot be connected to the Gas Processing Facility or Power Plant, as applicable, as of such time (each, a “New CREH Well”). CREH may extend the New CREH Well Exception Period (A) by an additional one hundred and eighty (180) days upon the prior written consent of the Company, such consent not to be unreasonably withheld, delayed or conditioned by the Company (the New CREH Well Exception Period as extended pursuant to this clause (b)(i)(A), the “Extended New CREH Well Exception Period”) and (B) for additional days beyond the Extended New CREH Well Exception Period upon the prior written consent of the Company, such consent to be granted by the Company in its sole and absolute discretion. Notwithstanding the foregoing, if CREH or its Affiliates construct temporary facilities and/or engage in activities with Third-Party Service Providers for any New CREH Wells beyond the time periods permitted by this Section 6.1(b)(i) despite CREH or its Affiliates using commercially reasonable efforts to connect such New CREH Wells to the Gas Processing Facility or Power Plant, as applicable, CREH shall not be deemed in breach of this Section 6.1(b)(i) if such New CREH Wells represent the lesser of (A) twenty-five (25) New CREH Wells and (B) a total of 2,500 BOE per Day in respect of such New CREH Wells’ aggregate production.

(ii) Upon at least five (5) Business Days prior written notice to the Company, CREH or its Affiliates may construct temporary facilities and/or engage in activities with Third-Party Service Providers for a period of up to sixty (60) days (the “Existing CREH Well Exception Period”) to the extent reasonably necessary (as determined by CREH in good faith) for any well of CREH or its Affiliates that has been spud prior to the date of this Agreement (each, an “Existing CREH Well”). CREH may extend the Existing CREH Well Exception Period (A) by an additional sixty (60) days upon the prior written consent of the Company, such consent not to be unreasonably withheld, delayed or conditioned by the Company (the Existing CREH Well Exception Period as extended pursuant to this clause (b)(ii)(A), the “Extended Existing CREH Well Exception Period”) and (B) for additional days beyond the Extended Existing CREH Well Exception Period upon the prior written consent of the Company, such consent to be granted by the Company in its sole and absolute discretion.

(iii) Notwithstanding the foregoing, CREH shall not be deemed in breach of this Agreement for failure to comply with Section 6.1(b)(i) or Section 6.1(b)(ii) to the extent such failure results from (A) the actions or inactions of third parties beyond the reasonable control of CREH and its Affiliates or (B) to the extent not duplicative with preceding clause (iii)(A), a Force Majeure.

(c) To the extent the Company fails to provide all of CREH's and its Affiliates' electricity, steam or Gas processing requirements in the Dedication Area due to any reason other than (i) action or inaction by CREH or any of its Affiliates (other than the Company) under this Agreement, including by reason of CREH or its Affiliates delivering Non-Conforming Gas to the Company or (ii) a breach of CREH or any of its Affiliates (other than the Company) of any provision of the MSA or the Company Gas Supply Agreement (the extent of such failure in the provision of Services for such requirements, the "Services Shortfall"), the Power and Gas Services ROFO shall be of no further force and effect to the extent of such Services Shortfall and CREH or its Affiliates may construct temporary facilities and/or enter into agreements on a "secondary basis" with Third-Party Service Providers for the provision of electricity, steam, Gas processing and/or capacity in the Dedication Area to the extent of such Services Shortfall and only until such time as the Company is again able to provide all of CREH's and its Affiliates' electricity, steam and Gas processing requirements, as applicable.

(d) Steam shall be delivered and received under this Article VI as set forth on Exhibit A. Additionally, the Parties' sale and purchase obligations are in all respects subject to the other terms and conditions set forth in this Article VI, Article XI and elsewhere in this Agreement.

6.2 Unused Capacity.

(a) To the extent CREH and its Affiliates do not take receipt of all of the Contract Power Capacity, the Company shall schedule and sell to CAISO an amount of Electricity equal to the positive difference between (i) Contract Power Capacity and (ii) the Actual Utilized Power (the "Excess Capacity"). CREH shall be entitled to receive the revenue of any sale of such Excess Capacity actually realized by the Company. For the avoidance of doubt, in the event the Company is unable to produce the Contract Power Capacity, CREH and its Affiliates shall have the right to receive all Electricity produced by the Company (up to the Contract Power Capacity), subject to any arrangements for sale of Electricity between the Company and any third party entered into on or prior to the Effective Date.

(b) To the extent the Power Plant produces Electricity in excess of the Contract Power Capacity, subject to the Company's contractual obligations to third parties under contracts entered into by the Company after having complied with this Section 6.2(b), CREH and its Affiliates (other than the Company) shall have the option to purchase such additional Electricity in accordance with the payment obligations set forth in Article XI. Notwithstanding the foregoing, with the prior written consent of CREH (not to be unreasonably withheld, conditioned or delayed), the Company is not restricted from securing additional contractual obligations with third parties for capacity in excess of the Contract Power Capacity to the extent CREH and its Affiliates do not exercise the option to purchase such additional Electricity.

6.3 Third Party Sales. All capacity in excess of Contract Power Capacity (if any) and Steam in excess of Contract Steam Capacity (if any) shall be available for sale to third parties if not otherwise purchased by CREH or its applicable Affiliates pursuant to Section 6.2(b).

6.4 Scheduling.

(a) Capacity Scheduling. Each Party shall designate an authorized representative to effect the scheduling of the supply of Electricity and Steam pursuant to this Agreement. On or before 7:00 a.m. PPT on any Business Day, CREH shall give the Company written notice, in a format mutually agreed by the Company and CREH, of Electricity to be supplied under this Agreement for each hour of the following day (and, at CREH's discretion, for any additional days thereafter), subject to limitations in availability due to Force Majeure, forced outage or other malfunction, or planned outage as reflected in the Planned Power Outage Schedule.

(b) Planned Power Outage Schedule. If requested by CREH, within sixty (60) days after the Effective Date and thereafter not less than thirty (30) days before the beginning of each Contract Year, the Company will advise CREH of the Company's proposed schedule for Planned Power Outages (a "Planned Power Outage Schedule") in such Contract Year, subject to CREH's consent (not to be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, the Company may amend the Planned Power Outage Schedule at any time by obtaining CREH's consent (not to be unreasonably withheld, conditioned or delayed). Within fifteen (15) days after receipt of a Planned Power Outage Schedule, including any amendments thereto, CREH shall advise the Company in writing if it would like to request any changes in the Planned Power Outage Schedule and, if so, the reasons for any such changes and all necessary supporting information. Following the Company's receipt of such written request, the Company shall consult with CREH in good faith regarding the same. For the avoidance of doubt, the Company and CREH may discuss and agree to Planned Power Outages as the Company and CREH may mutually agree.

(c) Unplanned Power Outages. The Company and CREH shall, to the extent reasonably practicable, coordinate and negotiate in good faith with respect to the timing and duration of outages of the Power Plant, other than Planned Power Outages. In any given Month, in the event of unplanned outages (A) during which the Power Plant is unable to generate the Power Capacity Reserve for at least one (1) hour and (B) that are not caused or contributed to by (1) an action or inaction by CREH or any of its Affiliates (other than the Company) under this Agreement, (2) a breach of CREH or any of its Affiliates (other than the Company) of any provision of the MSA or (3) a Planned Power Outage ("Unplanned Power Outages"), the Monthly Generation Capacity Payment shall be reduced (but not below zero), with respect to each such Unplanned Power Outage, in proportion to the reduced percentage of the Power Capacity Reserve provided during such Unplanned Power Outage.

ARTICLE VII **Steam and Electricity Delivery Points and Conditions**

7.1 Conditions.

(a) Steam Conditions. All Steam delivered by the Company to CREH or its Affiliates pursuant to Article VI and the other terms of this Agreement shall be delivered in accordance with the requirements and quality specifications set forth in Exhibit A.

(b) Electricity Conditions. All Electricity delivered by the Company to CREH or its Affiliates pursuant to Article VI shall be delivered in accordance with the other terms of this Agreement.

7.2 Title. Title to, risk of loss for, and full responsibility for all Electricity and Steam sold and Tendered to CREH or its Affiliates shall pass to CREH or such Affiliate at the Meter 660-OEH-9031W and Meter USDS-PIC-0001, respectively.

7.3 DISCLAIMER OF REPRESENTATIONS AND WARRANTIES. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, THE COMPANY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND WHATSOEVER WITH RESPECT TO ANY ELECTRICITY OR STEAM DELIVERED HEREUNDER, INCLUDING ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY USE OR INTENDED PURPOSE, WHETHER BASED ON STATUTE, CONTRACT, TORT OR OTHERWISE.

ARTICLE VIII

Covenants of CREH Related to Gas

8.1 Receipt and Delivery Rates. CREH will use commercially reasonable efforts to deliver the Gas at the Gas Receipt Points at reasonably uniform hourly rates of delivery. Each Party will have authorized representatives available at all reasonable times to cooperate with the other Party regarding changes in the rates of delivery of CREH Gas as may be required from time to time.

8.2 Transportation. CREH shall use commercially reasonable efforts to secure adequate transportation capacity or make appropriate arrangements to market all CREH's Residue Gas and/or Plant Products downstream of the Gas Delivery Points in sufficient quantities to allow the Company to receive and deliver all CREH Gas, subject to the terms of this Agreement. CREH will not be entitled to a remedy under this Agreement due to the failure of CREH to secure adequate transportation capacity or to market CREH's Residue Gas and/or Plant Products downstream of the Gas Delivery Point.

ARTICLE IX

Gas Processing

9.1 Tender of Gas. Beginning on the Effective Date, on any day during the Term, CREH and its Affiliates shall be entitled to Tender up to the MDQ to the Gas Processing Facility at the Gas Receipt Point and, from time to time, CREH and its Affiliates shall be entitled to Tender an additional 5 MMcf of Gas per Day to the Gas Processing Facility at the Gas Receipt Point. Notwithstanding the foregoing, the Company shall not be deemed in breach of this Section 9.1 (A) for failing to accept such additional 5 MMcf of Gas per day above the MDQ: (a) during the pendency of any Planned Gas Processing Outage or Unplanned Gas Outages or (b) to the extent the Company, acting reasonably and in good faith, believes that (i) CREH Tendering such additional 5 MMcf of

Gas per day above the MDQ will result in damage to the Gas Processing Facility or a hazardous or unsafe condition at the Gas Processing Facility or (ii) the Gas Processing Facility is unable to receive such 5 MMcf of Gas per day above the MDQ as a result of weather conditions or other natural causes, in each case, that have an adverse impact on the operational efficiency of the Gas Processing Facility or (B) for rejecting Non-Conforming Gas as permitted by Article X.

9.2 Services; Service Standard.

(a) Services. Subject to the terms of this Agreement, the Company shall provide the Services.

(b) Services Standard. The Company shall own and operate the Gas Processing Facility and perform the Services in a good and workmanlike manner in accordance with standards customary in the industry. The Company shall not contract with third parties for Processing in excess of the capacity of the Gas Processing Facility.

9.3 Planned Gas Processing Outage Schedule. Within sixty (60) days after the Effective Date and thereafter not less than thirty (30) days before the beginning of each Contract Year, the Company will advise CREH of the Company's proposed schedule for Planned Gas Processing Outages (a "Planned Gas Processing Outage Schedule") in such Contract Year, subject to CREH's consent (not to be unreasonably withheld, conditioned or delayed). Notwithstanding the foregoing, the Company may amend the Planned Gas Processing Outage Schedule at any time by obtaining CREH's consent (not to be unreasonably withheld, conditioned or delayed). Within fifteen (15) days after receipt of a Planned Gas Processing Outage Schedule, including any amendments thereto, CREH shall advise the Company in writing if it would like to request any changes in the Planned Gas Processing Outage Schedule and, if so, the reasons for any such changes and all necessary supporting information. Following the Company's receipt of such written request, the Company shall consult with CREH in good faith regarding the same. For the avoidance of doubt, the Company and CREH may discuss and agree to Planned Gas Processing Outages as the Company and CREH may mutually agree.

9.4 Unplanned Gas Processing Outages. The Company and CREH shall, to the extent reasonably practicable, coordinate and negotiate in good faith with respect to the timing and duration of outages of the Gas Processing Facility, other than Planned Gas Processing Outages. In any given Month, in the event of unplanned outages (A) as a result of which the Gas Processing Facility is unable to receive and process the Gas Capacity Reserve for at least one (1) hour and (B) that are not caused or contributed to by (1) an action or inaction by CREH or any of its Affiliates (other than the Company) under this Agreement, including by reason of CREH or its Affiliates delivering Non-Conforming Gas to the Company, (2) a breach of CREH or any of its Affiliates (other than the Company) of any provision of the MSA or (3) a Planned Power Outage ("Unplanned Gas Outages"), the Monthly Gas Processing Capacity and Steam Payment shall be reduced (but not below zero), with respect to each such Unplanned Gas Outage, in proportion to the reduced percentage of the Gas Capacity Reserve provided during such Unplanned Gas Outage.

9.5 Unsafe Conditions. The Company reserves the right to cease taking Gas so long as the Company, in its sole opinion, acting reasonably and in good faith, determines that a dangerous or unsafe condition exists, subject to all rights and remedies available to CREH under this Agreement or at Law or in equity.

9.6 Control and Possession. As between the Company and CREH, the Company shall be deemed to be in exclusive control and possession of CREH Gas (including all constituents thereof) from the time such Gas is Tendered at the Gas Receipt Point(s) until the Plant Products and Residue Gas is delivered to CREH or its Affiliates or for CREH's account at the applicable Gas Delivery Point(s) pursuant to this Agreement. CREH shall be deemed to be in exclusive control and possession of CREH Gas (including all constituents thereof) at all other times. The Party having control and possession of the Gas (including all constituents thereof) shall bear the risk of loss.

9.7 Title to CREH Gas. Notwithstanding anything to the contrary contained in this Agreement, CREH or its applicable Affiliate shall continue to hold title to the CREH Gas Tendered to the Company, including after the Company Tenders the Residue Gas to the applicable Gas Delivery Point. Notwithstanding the foregoing, title of CREH Gas related to FL&U shall pass to the Company at the Gas Receipt Point.

ARTICLE X

Specifications

10.1 Specifications. CREH Gas delivered to each Gas Receipt Point shall conform to the following quality specifications (the "Quality Specifications"):

- (a) The Gas shall not contain in excess of: (i) 7.0% by volume of carbon dioxide (CO₂), (ii) 1,000 parts per million by volume of oxygen (O₂) and (iii) 4% by volume of nitrogen (N₂).
- (b) The Gas shall have a temperature of not more than one hundred and forty degrees Fahrenheit (140° F).
- (c) The Gas shall be at a pressure of at least 350 psig.
- (d) The Gas shall not contain more than 0.25 grain of hydrogen sulfide (H₂S) per 100 cubic feet.
- (e) The Gas shall not contain more than 1.7 micrograms per normal cubic meter of mercury on average, and not more than 9.0 micrograms per normal cubic meter maximum.

10.2 Failure to Meet Specifications. If the Gas delivered at any Gas Receipt Point fails to meet any of the Quality Specifications stated herein (such Gas, "Non-Conforming Gas"), then CREH will as promptly as practicable notify the Company. If acceptance and processing by the Company of such Non-Conforming Gas will not require, as reasonably determined in good faith by the Company, any changes to the Gas Processing Facility's configuration in order (i) to prevent damage to the Gas Processing Facility or (ii) for the Company to achieve the quality specifications

of applicable Pipelines and purchasers of Plant Products, including the applicable quality specifications set forth on Exhibit A, the Company shall receive and process such Gas at the Gas Processing Facility in accordance with this Agreement. In the event the Company reasonably determines in good faith that acceptance and processing of such Non-Conforming Gas will require capital expenditures by the Company in order to effect changes to the Gas Processing Facility's configuration in order (i) to prevent damage to the Gas Processing Facility or (ii) for the Company to achieve quality specifications of applicable Pipelines and purchasers of Plant Products, including the applicable quality specifications set forth on Exhibit A, the Company shall provide written notice to CREH of such determination, and (a) CREH may elect to treat such Gas to conform to the applicable Quality Specifications at its own cost by providing written notice to the Company or (b) if CREH has not yet provided written notice of its election to treat Gas or is otherwise unable to treat such Gas pursuant to preceding clause (a), the Company may effect changes to the Gas Processing Facility's configuration such that the Company is able to achieve quality specifications of applicable Pipelines and purchasers of Plant Products, including the applicable quality specifications set forth on Exhibit A, notwithstanding such failure of the Gas to meet the Quality Specifications. If neither CREH elects to treat the Non-Conforming Gas nor the Company elects to effect changes to the Gas Processing Facility's configuration, in each case, pursuant to the preceding sentence, then the Company may refuse to accept such Gas and, if such refusal continues for a period longer than one Month, the Company may terminate this Agreement as to the affected Gas by giving written notice of termination to CREH. Acceptance by the Company of Non-Conforming Gas shall not constitute a waiver by the Company in regard to Gas delivered under this Agreement in the future. Nor shall the Company's acceptance of Non-Conforming Gas without the Company's express written waiver constitute a waiver of any claim for damage resulting from delivery of Gas not meeting such Quality Specifications.

10.3 Redelivery. Provided that CREH delivers Gas to the Gas Receipt Point in conformance with the Quality Specifications, the Residue Gas and/or Plant Products that are redelivered by Company to CREH or its designee at the applicable Gas Delivery Point(s) will at least meet the applicable quality specifications set forth on Exhibit A. If at any time after date of this Agreement any applicable Pipeline or purchaser of Plant Products changes its quality specifications such that revisions to the Quality Specifications or changes to the Gas Processing Facility's configuration are necessary for the Company to achieve such changed Pipeline or Plant Product specifications (as determined by the Company in its reasonable discretion), then the Company may provide CREH written notice of such revisions to such Quality Specifications or to the Gas Processing Facility's configuration, as applicable, in which case (a) CREH may elect to treat such Gas to conform to such revised Quality Specifications at its sole cost or (b) if CREH does not agree to or cannot treat such Gas as provided in preceding clause (a), the Company may elect to effect such changes to the Gas Processing Facility's configuration or, for so long as the Company is unable to achieve such changed Pipeline or Plant Product specifications, refuse to accept Gas from CREH and its Affiliates, which such Gas shall be deemed "Non-Conforming Gas" hereunder.

ARTICLE XI
Payment Obligations

11.1 Power Capacity Payment and Other Payments for Electricity.

(a) Each Month following the first full Month after the Effective Date in accordance with Section 11.4, CREH will make a monthly payment equal to the following: (i) the Monthly Fuel Capacity Payment attributable to the previous Month; (ii) the Monthly Generation Capacity Payment attributable to the previous Month; and (iii) the Monthly GHG Regulatory Capacity Payment attributable to the previous Month. Notwithstanding the foregoing, on March 15, 2018, CREH shall make a monthly payment to the Company equal to the amount of the Monthly Fuel Capacity Payment, the Monthly Generation Capacity Payment and the Monthly GHG Regulatory Capacity Payment for the prior Month, pro rata for the number of days in the prior Month after the Effective Date. For the avoidance of doubt, the pro rata payment of the Monthly Generation Capacity Payment for February 2018 shall only be made once.

(b) Each Month following the first full Month after the Effective Date in accordance with Section 11.4, CREH shall make a monthly payment equal to (i) the transmission price set forth on PG&E's E-20 rate schedule *minus* \$0.01 per kWh *multiplied by* (ii) an amount equal to the positive difference between (1) the Actual Utilized Power in the prior Month and (2) the Contract Power Capacity, if any.

11.2 Gas Processing Capacity and Steam Payment. Each Month following the first full Month after the Effective Date in accordance with Section 11.4, CREH will make a monthly payment to the Company equal to the Monthly Gas Processing Capacity and Steam Payment attributable to the previous Month. Notwithstanding the foregoing, on March 15, 2018, CREH shall make a monthly payment to the Company equal to the amount of the Monthly Gas Processing Capacity Payment for the prior Month, pro rata for the number of days in the prior Month after the Effective Date. For the avoidance of doubt, the pro rata payment of the Monthly Gas Processing Capacity and Steam Payment for February 2018 shall only be made once.

11.3 Billing. The Company shall invoice CREH on or before the tenth (10th) day of each month for all amounts payable by CREH in accordance with this Agreement through and as of the last day of the preceding month, including any amount due for underpayment or meter errors. Each invoice shall be accompanied by sufficient information to enable CREH to determine the accuracy of the invoice. Discrepancies identified through meter verifications or other means that would result in reimbursement of billed amounts to CREH will be reimbursed to CREH within thirty (30) days of notice to the Company from CREH that such amount is due, accompanied by meter verifications or description of other means used to identify the discrepancy in accordance with the terms of this Agreement. In no event will an adjustment be made for discrepancies over eighteen (18) months old. Any such reimbursements will be paid to CREH by wire transfer to such bank account as may be designated in writing from time to time by CREH.

11.4 Method of Payment. CREH shall pay to the Company the payment amount set forth on each invoice on the 15th day of the month such invoice is received. All payments required from

CREH to the Company shall be made by wire transfer to such bank account as may be designated in writing from time to time by the Company, or in such other manner as is mutually acceptable to the Parties.

11.5 Disputed Payments. Notwithstanding a bona fide question or dispute as to the propriety of any charges invoiced, CREH shall pay the entire amount of the invoice without any deductions or set-offs. The payment of any invoice shall not prejudice the right of either Party to question the propriety of any charges set forth in the invoice. Notwithstanding the foregoing, neither Party may for the first time question an invoice of the other Party eighteen (18) months or more from the date of receipt of such invoice. If an invoice is questioned, and it is determined that it is not accurate, CREH shall be entitled to a prompt refund of any overpayment and the Company shall be entitled to prompt payment of any underpayment. The Company shall have the right in lieu of making any such payment to credit the amount of such overpayment to CREH's obligations then outstanding or to be outstanding on the next invoice.

11.6 Late Payments. If CREH fails to pay an amount reflected as due to the Company in any invoice when such amount is due, interest thereon will accrue from, but excluding, the due date to, and including, the date payment is actually made at the lesser of: (i) the Prime Rate plus 3%, computed on an annualized basis and compounded monthly, and (ii) the maximum legal rate of interest permitted by applicable Law. If CREH fails to pay any undisputed amount when due, and has not made payment of such undisputed amount to the Company, then the Company may suspend its performance under this Agreement until such amount is paid.

11.7 Independent Audits; Record Retention. Either Party shall have the right, at its own expense, from time to time, to examine and audit, or to have an outside accounting firm of its choice examine and audit, such of the other Party's relevant financial and other records as are necessary for verifications of payments due under this Agreement. Records created by a Party under this Agreement shall be retained by such Party in accordance with its record retention policy.

ARTICLE XII

Tax Matters

12.1 Allocation of Tax Responsibility.

(a) From the Effective Date, except for any Taxes for which CREH is responsible pursuant to Section 12.1(b) or any other agreement or arrangement between CREH and the Company, the Company shall be solely responsible for any Taxes relating to the Power Plant, the Gas Processing Facility and their components or appurtenances to the extent a Company Asset, including the land on which they are situated to the extent a Company Asset, in each case, that accrue after the Effective Date.

(b) CREH shall be solely responsible for, and pay for, (i) any Taxes relating to CREH's Field Operations, (ii) any Taxes imposed upon the Company from time to time as a consequence of the sale to CREH of Steam or Electricity hereunder, which Taxes another utility provider would be entitled to collect from its industrial ratepayers in payments for sales of electric energy or steam or which CREH would have had to pay if CREH had

produced the Electricity or Steam hereunder for its own account, (iii) any Taxes imposed with respect to the Services provided hereunder and (iv) to the extent not a Company Asset, any Taxes relating to any components or appurtenances of the Power Plant or Gas Processing Facility.

(c) The obligations provided in Section 12.1(a) and Section 12.1(b) shall be discharged by direct payment of any applicable tax, reimbursement of such tax within thirty (30) days of invoice, or such other procedure as may be necessary or appropriate to effectuate the allocation of taxes contemplated by this Article XII. The Company shall indemnify CREH for any Taxes paid by CREH that the Company is responsible for pursuant to Section 12.1(a) provided that CREH is in compliance with all the terms of the Transaction Documents, and CREH shall indemnify the Company for any Taxes paid by the Company that CREH is responsible for pursuant to Section 12.1(b).

(d) For purposes of this Agreement “Taxes” means any sales, use, ad valorem, property, state utility, production, greenhouse gas or similar taxes.

12.2 Allocation of Taxes. For purposes of Section 12.1, Taxes that are imposed on a periodic basis, where the period for which such Taxes are imposed (a “Tax Period”) begins before and ends after the Effective Date, shall be prorated between the period ending on the day before the Effective Date and the period beginning on the Effective Date based on the number of days in such periods that fall before the Effective Date and on and after the Effective Date.

12.3 Tax Contests.

(a) Other than as provided in Section 12.3(b) and Section 12.3(c), (i) Either CREH or the Company may contest, in good faith, by appropriate legal proceedings, each at its own expense, the validity, applicability, or amount of any tax or charge for which it is responsible pursuant to Section 12.1 or otherwise that is levied or assessed against it in connection with this Agreement; provided the contesting Party has taken such actions as will preclude foreclosure of a lien on the Power Plant, the Gas Processing Facility or CREH’s Field Facility and (ii) the Party contesting the tax or assessment, after notifying the other Party in writing of such tax contest, may contest the same in its own name or, with the consent of the non-contesting Party (which consent shall not be unreasonably withheld), in the name of such non-contesting Party, and the non-contesting Party agrees to reasonably cooperate in such contest. In the event of any such contest, all costs and expenses of pursuing such contest incurred by the contesting Party shall be paid by the contesting Party. No such contest shall subject the non-contesting Party to any possible liabilities, costs, or criminal penalties or, strictly by virtue of such contest, result in the imposition of a lien upon the Power Plant or Gas Processing Facility. Notwithstanding anything to the contrary in this Agreement, the nonpayment of taxes in connection with a tax contest as described in this Section 12.3 shall not be deemed a default under this Agreement until the final determination in such contest and the expiration of any due date therein established, so long as the contesting Party has taken the actions provided above and shall not allow the foreclosure of the Power Plant or Gas Processing Facility or any part thereof.

(b) CREH shall have the exclusive right to contest, by appropriate legal proceedings, at its own expense, the validity, applicability, or amount of any ad valorem tax or charge with respect to the Gas Processing Facility for which CREH has responsibility under applicable Law.

(c) CREH shall have the exclusive right to contest, by appropriate legal proceedings, at its own expense, the validity, applicability, or amount of any ad valorem tax or charge with respect to the Power Plant for which CREH has responsibility under applicable Law, provided that, upon request by the Company, CREH shall keep the Company informed as to the status of any such contest and shall consider in good faith the recommendations or suggestions of the Company with respect to any such contest.

12.4 No Liability for Income, Franchise, or Property Taxes. Notwithstanding any provision in this Agreement to the contrary, neither Party shall be liable for any income taxes, state or local franchise taxes, or, except as provided in Section 12.1, property or ad valorem taxes levied or assessed against the other Party.

12.5 Responsibility for Reporting and Paying Royalties. CREH shall be responsible for reporting and paying any royalty, tax, or other burdens on CREH's and its Affiliates' Gas Tendered to the Gas Processing Facility in accordance with Section 15.3.

ARTICLE XIII

Events of Default and Termination

13.1 Events of Default. Each of the following, if not remedied pursuant to Section 13.2, shall constitute an "Event of Default" in respect of a Party:

(a) Non-payment. Either Party shall default in payment to the other Party of any payment required under any of the Transaction Documents; and

(b) Bankruptcy Event. With respect to CREH only, the occurrence of a Bankruptcy Event in respect of CREH, CRC or any of their Affiliates (other than the Company).

13.2 Notice and Cure. Except to the extent more limited rights are provided elsewhere in this Agreement, if a default occurs or is claimed to have occurred under this Agreement, the non-defaulting Party shall give the defaulting Party written notice describing such default. The defaulting party shall then have at least thirty (30) days after receipt of such notice to cure the default if the default is claimed under Section 13.1(a), or sixty (60) days after receipt of such notice to cure the default if the default is claimed under Section 13.1(b). To the extent, however, the Section 13.1(b) default cannot be cured in such sixty (60) day period through the exercise of reasonable diligence, the defaulting Party shall have a reasonable additional period of time, not to exceed sixty (60) days in which to cure such default. The additional sixty (60) day extension set forth in the prior sentence is conditioned on the defaulting Party commencing promptly within the initial sixty (60) day period immediate and substantial good faith efforts to effect a cure and at all times thereafter proceeding diligently to complete such cure.

13.3 Termination for Default. After notice and expiration of the applicable cure period, if an Event of Default remains uncured, the non-defaulting Party, by notice in writing to the defaulting Party may terminate this Agreement, except to the extent limited or otherwise provided in this Agreement. The right to terminate pursuant to this Section 13.3 is in addition to and not in lieu of any other rights and remedies available under this Agreement in Law or in equity.

ARTICLE XIV

Force Majeure; Other Excused Performance

14.1 Definition. “Force Majeure” means any event or circumstance beyond the reasonable control of, and not the result of the negligence or greater fault of or caused by, the Party seeking to have its performance obligation excused thereby, and which by the exercise of due diligence such Party could not reasonably have been expected to avoid. By way of example, events that could constitute “Force Majeure” include: (i) acts of God; (ii) acts of public enemy; (iii) severe weather conditions, including hurricanes and floods; (iv) accidents, explosions or fires; (v) the inability to obtain or renew necessary governmental authorizations and orders, injunctions and similar directives issued by a court or Governmental Body, in each case that are not attributable to the acts or omissions of the Party claiming Force Majeure; (vi) civil disturbances; (vii) strikes or labor disturbances; (viii) equipment breakdown; (ix) equipment maintenance; (x) with respect to the Company only, any breach by CREH under the Company Gas Supply Agreement; and (xi) without limitation by enumeration, any other cause or causes, whether of the kind enumerated in this Agreement or otherwise, not reasonably within the control of the Party claiming suspension and which, by exercise of reasonable diligence, such Party is unable to prevent or overcome.

14.2 Effect of Force Majeure. In the event either Party hereto is unable, wholly or in part, by reason of Force Majeure, to carry out its obligations under this Agreement, other than to make payments due under this Agreement or provide indemnity, such obligations of the Party giving such notice, so far as they are affected by such Force Majeure, will be suspended during the continuance of any inability so caused and such Party shall not be deemed in default under this Agreement as a result of its inability to perform such obligations. The suspension of performance set forth in the prior sentence is conditioned upon the Party claiming Force Majeure giving written notice and the full particulars of such Force Majeure to the other Party as soon as practical and shall remedy such inability so caused with all reasonable dispatch. Notwithstanding the requirement that a party affected by Force Majeure shall, so far as possible, remedy the cause of Force Majeure with all reasonable dispatch, if there is a permanent loss of or major damage to all or a substantial part of the Gas Processing Facility or the Power Plant, the Company shall (i) not have any obligation to repair, rebuild, or replace same if the Company can continue to perform its obligations under this Agreement without doing so and (ii) have the right to terminate this Agreement if the Company is unable to continue to perform its obligations under this Agreement without repairing, rebuilding, or replacing the same.

14.3 Strikes and Lockouts. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the Party having the difficulty. Consequently, the above requirement that any Force Majeure be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of an opposing Party when such

course is inadvisable in the discretion of the Party having the difficulty.

14.4 Change of Law. If at any time during the Term, there is an adoption, repeal, imposition, promulgation or material modification of any Law of any kind that is both announced and effective after the date change of Law that, (a) renders this Agreement illegal or unenforceable, (b) would render performance in whole or in material part by a Party illegal or unenforceable, or (c) materially prevents or impairs a Party's ability to perform under this Agreement, the affected Party shall notify the other Party of such change of Law. Upon the receipt of such, the Parties shall promptly negotiate in good faith an agreement as to how compliance, and restoration of the Parties' relative economic rights and benefits, can be restored or maintained. Notwithstanding the foregoing, if there is any adoption, repeal, imposition, promulgation or modification of any Law ("Change in Law") that results in the Company incurring any additional operating expenses (excluding, for the avoidance of doubt, any capital expenditures related thereto) required for the Company's compliance with applicable Laws relating to operation of the Power Plant or Gas Processing Facility after giving effect to such Change in Law, including Environmental Laws (the aggregate amount of such additional operating expenses, the "Additional Change in Law Operating Expenses"), then, in addition to charging CREH the Monthly GHG Regulatory Capacity Payment, the Company may, in accordance with Article XI, charge CREH an amount equal to (a) 80% *multiplied by* (b) such Additional Change in Law Operating Expenses. Notwithstanding the foregoing, CREH shall not have any obligation to pay any share of such Additional Change in Law Operating Expenses attributable to or associated with the sale of Electricity to a third party (as permitted pursuant to Sections 6.2 and 6.3); provided, that the price paid by such third party recoups for the Company the proportionate share of such Additional Change in Law Operating Expenses.

ARTICLE XV
Indemnification

15.1 **WARRANTY OF TITLE AND QUALITY.** CREH HEREBY REPRESENTS AND WARRANTS TO THE COMPANY THAT CREH, CREH'S AFFILIATES (OTHER THAN THE COMPANY) OR THE OWNERS FOR WHOM THEY ARE ACTING HAVE GOOD, MERCHANTABLE TITLE TO THE GAS DELIVERED TO THE COMPANY UNDER THIS AGREEMENT, THE RIGHT TO DELIVER AND SELL THE SAME, AND THAT SUCH GAS IS FREE FROM ALL LIENS, ENCUMBRANCES AND ADVERSE CLAIMS. CREH AGREES TO PROTECT, DEFEND, INDEMNIFY, RELEASE AND HOLD HARMLESS THE COMPANY AND ITS AFFILIATES (OTHER THAN CREH), AND THEIR RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, MANAGERS, AGENTS AND REPRESENTATIVES (TOGETHER WITH THE COMPANY, THE "**COMPANY COVERED PERSONS**") FROM AND AGAINST ANY AND ALL LIABILITIES ARISING FROM OR OUT OF ANY ADVERSE CLAIMS OF ANY AND ALL PERSONS MADE AGAINST THE COMPANY COVERED PERSONS REGARDING TITLE TO OR OWNERSHIP OF THE GAS DELIVERED UNDER THIS AGREEMENT. CREH REPRESENTS AND WARRANTS THAT ALL GAS DELIVERED AND SOLD HEREUNDER WILL CONFORM TO THE QUALITY SPECIFICATIONS SET FORTH IN THIS AGREEMENT AND AGREES TO PROTECT, DEFEND, INDEMNIFY, RELEASE AND HOLD HARMLESS THE COMPANY COVERED PERSONS AGAINST ALL LIABILITIES ARISING FROM OR OUT OF THE GAS AS DELIVERED SHOULD IT CONTAIN CONTAMINANTS NOT IN CONFORMANCE WITH THE SPECIFICATIONS SET FORTH IN **SECTION 10.1**.

15.2 **ADVERSE CLAIMS.** IN THE EVENT ANY ADVERSE CLAIM IS ASSERTED WITH RESPECT TO ANY OF THE GAS, THE RESIDUE GAS OR PLANT PRODUCTS, THE COMPANY MAY WITHHOLD ANY PAYMENT DUE CREH UNDER THIS AGREEMENT WITHOUT INTEREST UNTIL SUCH CLAIM HAS BEEN FINALLY DETERMINED OR UNTIL CREH FURNISHES THE COMPANY A BOND, IN FORM AND WITH SURETIES ACCEPTABLE TO COMPANY, CONDITIONED TO HOLD THE COMPANY COVERED PERSONS HARMLESS FROM ANY SUCH CLAIMS.

15.3 **CERTAIN PAYMENTS.** CREH HAS THE EXCLUSIVE OBLIGATION AND LIABILITY FOR AND AGREES TO PAY OR CAUSE TO BE PAID TO THE PARTIES ENTITLED THERETO ALL WORKING INTEREST, ROYALTIES, OVERRIDING ROYALTIES, PAYMENTS OUT OF PRODUCTION, AND OTHER LIKE INTERESTS AND CHARGES APPLICABLE TO THE GAS, THE RESIDUE GAS AND PLANT PRODUCTS. CREH HAS THE EXCLUSIVE OBLIGATION AND LIABILITY FOR AND AGREES TO PAY OR CAUSE TO BE PAID ALL TAXES LEVIED AGAINST OR WITH RESPECT TO THE GAS (INCLUDING ALL CONSTITUENTS AND PRODUCTS THEREOF) DELIVERED OR SERVICES PROVIDED UNDER THIS AGREEMENT. CREH SHALL PROTECT, DEFEND, INDEMNIFY, RELEASE AND HOLD HARMLESS THE COMPANY COVERED PERSONS AGAINST ALL LIABILITIES ARISING FROM OR OUT OF THE PAYMENTS TO BE MADE BY CREH IN ACCORDANCE WITH THIS **SECTION 15.3**, INCLUDING, WITHOUT LIMITATION, LIABILITIES ARISING FROM CLAIMS FOR THE NONPAYMENT,

MISPAYMENT, OR WRONGFUL CALCULATION OF THOSE PAYMENTS.

15.4 Compliance with Regulations. CREH shall take no action that, directly or indirectly, results in the Company being subjected to, or not remaining otherwise exempt from, federal regulation under the Natural Gas Act or Section 311 of the Natural Gas Policy Act. If CREH takes any action prohibited by the previous sentence, and if such action by CREH actually results, directly or indirectly, in the Company being subject to, or not remaining otherwise exempt from, federal regulation under the Natural Gas Act or Section 311 of the Natural Gas Policy Act, and if the Company would not have been otherwise made subject to, or not have remained otherwise exempt from, such federal regulation but for such action by CREH, then (i) the Company shall have the right to terminate this Agreement immediately, and (ii) CREH SHALL BE RESPONSIBLE AND PAY FOR AND SHALL RELEASE, DEFEND, INDEMNIFY, RELEASE AND HOLD HARMLESS THE COMPANY AND ITS RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, MANAGERS, AGENTS, REPRESENTATIVES TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, FROM ANY AND ALL LIABILITIES DIRECTLY RESULTING FROM AN AFFIRMATIVE ACTION BY CREH IN BREACH OF ITS OBLIGATION UNDER THIS SECTION 15.4. In addition to the foregoing, the Company may terminate this Agreement without penalty if the Company or the facilities (or any portion thereof) become subject to, or do not remain otherwise exempt from, federal regulation under the Natural Gas Act or Section 311 of the Natural Gas Policy Act, and the Company elects to discontinue providing gathering, processing and all other services to all customers on the applicable facilities.

15.5 INDEMNIFICATION. SUBJECT TO THE OTHER PROVISIONS OF THIS AGREEMENT, EACH OF THE COMPANY AND CREH (EACH AN “INDEMNIFYING PARTY”) SHALL INDEMNIFY, RELEASE, PROTECT, DEFEND, AND HOLD THE OTHER PARTY AND ITS RESPECTIVE EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, MANAGERS, AGENTS AND REPRESENTATIVES (THE “INDEMNIFIED PARTIES”) HARMLESS AGAINST AND IN RESPECT OF ANY AND LIABILITIES INCURRED BY THE INDEMNIFIED PARTY TO THE EXTENT THOSE LIABILITIES ARISE FROM OR ARE RELATED TO EACH OF THE FOLLOWING EXCEPT TO THE EXTENT ARISING OUT OF THE GROSS NEGLIGENCE, BAD FAITH, FRAUD AND/OR WILLFUL MISCONDUCT OF THE INDEMNIFIED PARTIES: (I) THE INDEMNIFYING PARTY’S FACILITIES OR OPERATIONS UNDER THIS AGREEMENT; (II) THE INDEMNIFYING PARTY’S POSSESSION AND CONTROL OF THE GAS, THE RESIDUE GAS AND THE PLANT PRODUCTS (EXCEPT FOR LIABILITIES CAUSED BY OR RELATING TO GAS RECEIVED BY THE COMPANY THAT DOES NOT CONFORM TO THE QUALITY SPECIFICATIONS WHICH IS COVERED BY SECTION 15.1 ABOVE); (III) THE INDEMNIFYING PARTY’S VIOLATION OF APPLICABLE LAWS; OR (IV) THE INDEMNIFYING PARTY’S BREACH OF THIS AGREEMENT.

15.6 LIMITATION OF CLAIMS. EACH PARTY WAIVES ALL RIGHTS, EXCEPT SUCH RIGHTS AS ARE OTHERWISE EXPLICITLY RETAINED IN THIS AGREEMENT, TO CLAIM INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES UNDER THIS AGREEMENT OTHER THAN WITH RESPECT TO DAMAGES RESULTING FROM THE

DELIVERY OF CREH GAS TO THE COMPANY THAT DOES NOT CONFORM TO THE QUALITY SPECIFICATIONS.

15.7 CREH'S BREACH OF THE MSA OR COMPANY GAS SUPPLY AGREEMENT. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, CREH EXPLICITLY AGREES THAT ANY AND ALL BREACHES BY THE COMPANY UNDER THIS AGREEMENT CAUSED OR CONTRIBUTED TO BY A BREACH OF CREH OR ANY OF ITS AFFILIATES (OTHER THAN THE COMPANY) OF THE MSA OR THE COMPANY GAS SUPPLY AGREEMENT SHALL NOT CONSTITUTE A BREACH BY THE COMPANY UNDER THIS AGREEMENT. CREH ALSO AGREES THAT IT SHALL INDEMNIFY, RELEASE, PROTECT, DEFEND, AND HOLD THE COMPANY AND ITS EMPLOYEES, OFFICERS, DIRECTORS, PARTNERS, MEMBERS, MANAGERS, AGENTS AND REPRESENTATIVES HARMLESS FOR ANY AND ALL CLAIMS OR CAUSES OF ACTION IN CONNECTION WITH OR RESULTING FROM ANY SUCH BREACH BY CREH OR ANY OF ITS AFFILIATES (OTHER THAN THE COMPANY) OF THE MSA AND THE COMPANY GAS SUPPLY AGREEMENT.

15.8 Advancement of Expenses. Any right to indemnification conferred in Section 15.5 shall include a limited right to be paid or reimbursed promptly by the Party obligated to provide indemnification pursuant to this Article XV for any and all reasonable and documented out-of-pocket expenses as they are incurred by the Person who may be entitled or authorized to be indemnified under this Article XV who was, is or is threatened, to be made a named defendant or respondent in a threatened, pending or completed Disputes, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in advance of the final disposition of the Dispute and without any determination as to such Person's ultimate entitlement to indemnification. Notwithstanding the foregoing, the payment of such expenses incurred by any such Person who may be entitled or authorized to be indemnified under this Article XV in advance of the final disposition of a Dispute shall be made only upon delivery to the Party obligated to provide indemnification pursuant to this Article XV of a written affirmation by such Person who may be entitled or authorized to be indemnified under this Article XV of its good faith belief that it has met the requirements necessary for indemnification under Section 15.5 and a written undertaking by or on behalf of such Person to promptly repay all amounts so advanced if it shall ultimately be determined that such Person is not entitled to be indemnified under Section 15.5 or otherwise.

ARTICLE XVI

Access and Information Rights.

16.1 Access. The Company shall afford CREH and its employees, representatives and agents access during normal business hours to the Power Plant and Gas Processing Facility, including meters and measuring instruments in the Power Plant and Gas Processing Facility, and employees of the Company.

16.2 Information and Reporting. The Company shall deliver to CREH in a timely manner such information and reports as are reasonably requested by CREH in connection with this Agreement, including with respect to quantity and quality of the Electricity, Steam and CREH Gas.

ARTICLE XVII

Notices

All notices provided for in this Agreement shall be in writing at the addresses listed below or to such other address either Party shall designate by written notice. Such notices shall be sent by certified U.S. mail, return receipt requested, postage prepaid, by facsimile, by electronic mail, or by courier. Notices sent by certified mail or courier shall be deemed provided upon delivery as evidenced by the receipt of delivery. Notices sent by facsimile shall be deemed to have been provided upon the sending Party's receipt of its facsimile machine's confirmation of successful transmission. However, if the day on which such facsimile is received is not a Business Day or is after five p.m. local time on a Business Day, then such facsimile shall be deemed to have been provided on the next following Business Day. Notices sent by electronic mail shall be deemed to have been provided upon the sending Party's receipt of a non-automated response from the recipient or automatic read receipt generated from the recipient's electronic mail provider. If to the Company:

If to the Company:

Elk Hills Power, LLC
c/o California Resources Corporation
9200 Oakdale Avenue, Suite 900
Los Angeles, CA 91311
Telephone: 818-661-3702
Fax: 818-661-3750
Email: michael.preston@crc.com
Attn: General Counsel

and

ECR Corporate Holdings L.P.
c/o Development Capital Resources LLC
712 Main Street, Suite 920
Houston TX, 77002
Attention: Matthew M. Loreman
Email: mloreman@dcrlp.com

with a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
609 Main Street
Houston, TX 77002
Attention: John Pitts, P.C.
Email: john.pitts@kirkland.com

If to CREH:

California Resources Elk Hills, LLC

27200 Tournay Road, Suite 315
Santa Clarita, CA 91355
Telephone: 818-661-3702
Fax: 818-661-3750
Email: michael.preston@crc.com
Attn: General Counsel

or to such other person or address as the addressee may have specified in a notice duly given as provided herein.

ARTICLE XVIII

Authorized Representative

18.1 **Designation of Authorized Representative.** Each Party will designate by written notice to the other an Authorized Representative who is authorized to act on its behalf with respect to those matters contained herein which are properly the functions and responsibilities of the Authorized Representatives. As of the date hereof, the Company's Authorized Representative shall be the Company's Gas and Power Operations Manager and CREH's Authorized Representative shall be the Elk Hills Field Operations Manager. Each Party will have the right to change the designation of its Authorized Representative upon written notice to the other.

18.2 **Functions.** The Authorized Representatives will serve as liaisons between the Parties and will provide the means of securing prompt and effective cooperation and interchange of information in connection with this Agreement between the management of the Parties. The Authorized Representatives will have the following responsibilities, among others:

(a) Providing liaison services on matters which may arise with respect to the quality of and the arrangements for the delivery and receipt of Steam, Electricity, and the other services and utilities to be provided in connection with the Power Plant, and the Services to be provided in connection with the Gas Processing Facility;

(b) Reviewing, discussing, and attempting to resolve any disputes arising between the parties under this Agreement; and

(c) Performing such other functions and duties as may be assigned to them in or pursuant to this Agreement.

18.3 **Limited Authority.** The Authorized Representative, in such capacity, will have no authority to modify the terms and conditions of this Agreement.

ARTICLE XIX

Assignability

19.1 **Assignment.** Except as otherwise provided in this Section 19.1 and Sections 11.2(d) and 11.2(e) of the LLC Agreement, neither Party hereto may assign any of its rights or obligations under this Agreement without the prior express written consent of the other, which consent shall

not be unreasonably withheld. Notwithstanding the foregoing, a Party shall be entitled to and shall assign this Agreement to any Affiliate to which the Power Plant and Gas Processing Facility, in the case of the Company, or CREH's Field Facilities, in the case of CREH, are transferred without the prior consent of, but upon written notice to, the other Party, so long as such Affiliate assumes all of the obligations and liabilities of the assigning Party hereunder.

ARTICLE XX

Disputes; Arbitration

20.1 Disputes. If the Parties are at an impasse with respect to any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or validity thereof (a "Dispute"), the matter shall be submitted to the Class B Representative (as defined in the LLC Agreement) and the Elk Hills Vice President for Operations for resolution of the impasse. Submission of such matter for resolution by these individuals shall be accomplished by written notice from the Company or CREH to the other which reasonably describes the nature of the Dispute and states that it is being submitted for resolution pursuant to this Section 20.1. Such individuals shall consult promptly regarding the resolution of such impasse and shall use all reasonable efforts to resolve the impasse within twenty (20) Business Days following its submission.

20.2 Arbitration.

(a) Any Dispute not resolved pursuant to Section 20.1 within twenty (20) Business Days may, upon the agreement of the Parties, be referred to binding arbitration, to be administered in Los Angeles, California, by the Judicial Arbitration and Mediation Service ("JAMS") in accordance with the JAMS Comprehensive Arbitration Rules and Procedures then in effect ("JAMS Rules"). If the Parties do not agree to proceed with arbitration, each Party shall retain its rights and remedies as provided by Law, except to the extent limited or restricted by this Agreement, including pursuant to Article XXI. To the maximum extent permitted by applicable Law, each of the Parties hereby knowingly waives its respective rights to a jury trial of any Dispute that the Parties agree to submit to arbitration, and such arbitration shall be conducted as follows:

(i) Arbitration may be initiated by a Party ("Claimant") serving written notice on the other Party subject to the Dispute ("Respondent") that Claimant has referred the Dispute to binding arbitration pursuant to this Section 20.2. Claimant's notice initiating binding arbitration must describe in reasonable detail the nature of the Dispute and the facts and circumstances relating thereto and identify the arbitrator Claimant has appointed. Respondent shall respond to Claimant within 30 Days after receipt of Claimant's notice, identifying the arbitrator Respondent has appointed. The two arbitrators so chosen by the Parties to the Dispute shall select a third arbitrator within 30 Days after the second arbitrator has been appointed. If either (A) Respondent fails to name its appointed arbitrator within the time permitted, or (B) the two arbitrators are unable to agree on a third arbitrator within 30 Days from the date the second arbitrator has been appointed, then, in either case, the missing arbitrator(s) shall be selected by JAMS with due regard given to the selection criteria above and input from the Parties and other arbitrators. JAMS shall select the missing

arbitrator(s) not later than 90 Days from initiation of arbitration.

(ii) The arbitration hearing for any Dispute (the “Hearing”) shall be conducted in Los Angeles, California and commence within 90 Days after the selection of the third arbitrator, unless delayed for good cause by order of the arbitrators. The Hearing shall be based upon written position papers and any declarations or expert reports attached thereto submitted by Claimant and Respondent within 30 Business Days after the selection of the third arbitrator, stating such Person’s proposed resolution of the dispute and any argument presented at the Hearing. Reply papers may be submitted by either Party up to 10 Business Days prior to the Hearing. To the extent that any Party submits declarations or expert reports, the admissibility of such declarations and expert reports shall be determined in substantial compliance with the federal rules of evidence and any declarant or expert must attend the hearing and be subject to cross examination. The Parties and the arbitrators shall proceed diligently and in good faith in order that the award may be made as promptly as possible. The arbitrators in the Hearing shall determine the Disputes subject thereto and render a final award (the “Arbitration Award”) by majority vote on or before 21 Days following the completion of the Hearing, unless the arbitrators extend such deadline for good cause. The Arbitration Award shall be in writing and set forth the reasons for the award.

(iii) Claimant and Respondent shall each pay one-half of the compensation and expenses of JAMS and the arbitrator not appointed by Claimant or Respondent. Each of Claimant and Respondent shall pay the compensation and costs of the respective arbitrator appointed by such party.

(iv) Notwithstanding any other provision of this Agreement, any Party to the Dispute may, prior to the appointment of the third arbitrator, seek temporary injunctive relief from any court of competent jurisdiction; provided that the Party seeking such relief shall (if arbitration has not already been commenced) simultaneously commences arbitration. Such court-ordered relief shall not continue more than 30 Days after the appointment of the arbitrators. In order to prevent irreparable harm, the arbitrators shall have the power to grant temporary or permanent injunctive or other equitable relief. Except as provided in Section 20.2(b) below, the Arbitration Award of the arbitrators in the Hearing shall be final, binding on and non-appealable by Claimant or Respondent. Notwithstanding any language in this Agreement or the Transaction Documents to the contrary, the Parties agree that the Arbitration Award may be appealed pursuant to JAMS Optional Arbitration Appeal Procedure (“JAMS Appellate Rules”) except to the extent those Rules have been modified by this Agreement. Once an Appeal has been timely filed with respect to any Arbitration Award, such Arbitration Award will no longer be considered final until the earlier of the time for filing the notice of appeal pursuant to JAMS Appellate Rules has expired or the appeals process set out herein has resulted in an Appeal Award (as defined herein).

(b) Any Person subject to an Arbitration Award (the “Appellant”) may appeal an Arbitration Award that has been rendered pursuant to Section 22.2 (an “Appeal”) as follows:

(i) The Appellant may initiate an Appeal by providing written notice to the other Person(s) subject to the Arbitration Award (the “Appellee”) within 30 calendar Days from the date such Arbitration Award is submitted to the Parties. Appellant’s notice of Appeal must describe in reasonable detail the nature of the Appeal and the elements of the Arbitration Award being appealed and identify the arbitrator Appellant has appointed for the Appeal. The Appellee shall respond to Appellant within 30 Days after receipt of Appellant’s notice of Appeal, identifying the arbitrator Appellee has appointed and evidencing any cross appeal (a “Cross-Appeal”) that Appellee intends to claim (which must be described in reasonable detail, including the elements of the Arbitration Award subject to Appellee’s Cross-Appeal). The two arbitrators so chosen by such Persons shall select a third arbitrator within 30 Days after the second arbitrator has been appointed. If either (A) the Appellee fails to name its party-appointed arbitrator within the time permitted, or (B) the two arbitrators are unable to agree on a third arbitrator within 30 Days from the date the second arbitrator has been appointed, then, in either case, the missing arbitrator(s) shall be selected by JAMS with due regard given to the selection criteria above and input from the Parties and other arbitrators. JAMS shall select the missing arbitrator(s) not later than 90 Days from initiation of arbitration. Such arbitrators so selected or appointed are referred to herein as the “Appeal Panel”.

(ii) The record on Appeal will consist of the stenographic or other record of the Hearing and all exhibits, declarations and expert reports (including, in each case, documents appended thereto) that have been accepted into the record of the Hearing. The Parties will cooperate with each other in compiling the record on Appeal, and shall provide the record to the Appeal Panel as expeditiously as possible. No evidence not previously accepted by the arbitrators rendering the Arbitration Award will be considered by the Appeal Panel, unless the basis of the Appeal or Cross-Appeal is non-acceptance by such arbitrators of certain evidence, or unless the Appeal Panel determines that there is good cause to re-open the record. In addition to the record, each Person subject to an Appeal will be permitted to submit to the Appeal Panel within 30 Business Days after selection of the third arbitrator a written position paper (of no more than 50 pages). Each Party shall be entitled to a reply brief not to exceed 25 pages, which must be submitted to the Appeal Panel no less than 15 Business Days prior to any hearing, or as directed by the Appeal Panel.

(iii) If the Appeal Panel decides a hearing is necessary, the hearing for any Appeal shall be conducted in Los Angeles, California and commence within 90 Days after the selection of the third arbitrator, unless delayed for good cause by order of the Appeal Panel. Such hearing shall be based upon written position papers submitted by Parties and the record compiled pursuant to Section 20.2(b)(ii).

(iv) The Appeal Panel will apply the same standard of review that the first-level appellate court in the jurisdiction would apply to an appeal from the trial court decision; provided that if for any reason the Appeal Panel cannot apply such standard of review, the standard of review set out in the JAMS Appellate Rules shall apply. The Appeal Panel may affirm the Arbitration Award, reverse the Arbitration Award or modify the Arbitration Award. The Appeal Panel may not remand to the original arbitrators, but may re-open the record in order to review evidence that had been improperly excluded by such arbitrators or evidence that is now necessary in light of the Appeal Panel's interpretation of the relevant substantive law. The Appeal Panel will make its decision (the "Appeal Award") by majority vote and will issue the Appeal Award with the reasons therefor in writing to the Parties within 21 Days of the latest of the date of oral argument or the date of receipt of the record and of all position papers. Upon receipt of the Appeal Award issued by the Appeal Panel by the Parties, the Appeal Award will be final for purposes of judicial review, and judgment upon such award may be entered in any court having jurisdiction thereof.

(v) Appellant and Appellee shall each pay one-half of the compensation and expenses of JAMS and the arbitrator not appointed by the Claimant or Respondent. Each of Appellant and Appellee shall pay the costs of the respective arbitrator it appointed.

(c) All arbitrators appointed pursuant to this Section 20.2 must be neutral parties who have never been officers, directors or employees of or performed material work for the Parties or any of their Affiliates within the preceding five year period and must agree in writing to keep strictly confidential the specifics and existence of the applicable Dispute as well as all proprietary records of the Parties reviewed by the arbitrators in the process of resolving such Dispute or the Appeal relating to such Dispute. To the extent reasonably available, such arbitrators in any proceeding shall be retired judges with extensive experience in resolving disputes in the energy industry, including midstream oil and gas transaction issues or other applicable experience. To the extent no such retired judges are reasonably available for the Hearing or Appeal Panel, as applicable, then each arbitrator for the Hearing or Appeal, as applicable, that is not such a retired judge shall be a lawyer who, in addition to having formal training in the area of dispute resolution, must have not less than 10 years' experience in the energy industry, including experience with midstream oil and gas transactional issues or other applicable experience. No arbitrator participating in any Hearing shall be appointed to any Appeal Panel relating to the same Dispute.

(d) Each Party agrees that any Arbitration Award not subject to an Appeal and any Appeal Award may be enforced by a court of competent jurisdiction and that any Person that is a party to the Dispute may authorize any such court to enter judgment on the arbitrators' decisions. No arbitrator may grant or award indirect, consequential, punitive or exemplary damages or damages for lost profits.

(e) In rendering the Arbitration Award or any Appeal Award, the arbitrators shall abide by (i) the terms and conditions of this Agreement including, without limitation, any

and all restrictions, prohibitions or limitations on damages or remedies set forth in this Agreement and (ii) the Law of the State of California. No arbitrator shall have jurisdiction or authority to add to, detract from or alter in any way the provisions of this Agreement.

(f) All applicable statutes of limitation and defenses based upon the passage of time shall be tolled with respect to the matters at issue in the Dispute while the procedures specified in this Section 20.2 are pending. The Parties shall take any action required to effectuate that tolling. Each Party is required to continue to perform its obligations under this Agreement pending completion of the procedures set forth in this Section 20.2, unless to do so would be impossible or impracticable under the circumstances.

(g) All Disputes and any Appeal of any Arbitration Award relating thereto shall be resolved in accordance with the procedures specified in this Section 20.2. All Disputes and any Appeal of any Arbitration Award relating thereto shall be resolved in accordance with the procedures specified in this Section 20.2, which shall be the sole and exclusive procedure for the resolution of any such Dispute and/or Appeal.

(h) With respect to any Dispute that may be claimed by any Affiliate of a Party, such Party agrees to cause such Affiliate to be subject to the provisions of this Section 20.2, and such Party and its Affiliate shall collectively act as one Person for the purposes of such Dispute and any Appeal of an Arbitration Award with respect thereto.

(i) If there is any inconsistency between this Section 20.2 and JAMS Rules, or JAMS Appellate Rules (as the case may be), the terms of this Section 20.2 shall control the rights and obligations of the Parties.

ARTICLE XXI

Jurisdiction; Waiver of Jury Trial

21.1 Dispute Resolution. In the event any Dispute is not resolved in accordance with Article XX, the following shall apply:

(a) Consent to Jurisdiction. EACH PARTY TO THIS AGREEMENT HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY UNITED STATES DISTRICT COURT OR STATE COURT LOCATED IN KERN COUNTY, CALIFORNIA. EACH PARTY IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER SUCH ACTIONS OR PROCEEDINGS ARE BASED IN STATUTE, TORT, CONTRACT OR OTHERWISE), SHALL BE LITIGATED IN SUCH COURTS. EACH PARTY (i) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF SUCH COURTS FOR SUCH ACTIONS OR PROCEEDINGS, (ii) AGREES THAT IT WILL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT, AND (iii) AGREES THAT IT WILL NOT BRING ANY SUCH ACTION OR PROCEEDING IN ANY COURT OTHER THAN SUCH COURTS. EACH PARTY ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS

PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE AND IRREVOCABLE JURISDICTION AND VENUE OF THE COURTS DESCRIBED IN THIS SECTION 21.1(a). EACH PARTY WAIVES ANY DEFENSE OF FORUM NON CONVENIENS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY NON-APPEALABLE JUDGMENT RENDERED IN CONNECTION WITH SUCH ACTIONS OR PROCEEDINGS. A COPY OF ANY SERVICE OF PROCESS SERVED UPON THE PARTIES SHALL BE MAILED BY REGISTERED MAIL TO THE RESPECTIVE PARTY. NOTWITHSTANDING THE FOREGOING, UNLESS OTHERWISE PROVIDED BY APPLICABLE LAW, ANY FAILURE TO MAIL SUCH COPY SHALL NOT AFFECT THE VALIDITY OF SERVICE OF PROCESS. IF ANY AGENT APPOINTED BY A PARTY REFUSES TO ACCEPT SERVICE, EACH PARTY AGREES THAT SERVICE UPON THE APPROPRIATE PARTY BY REGISTERED MAIL SHALL CONSTITUTE SUFFICIENT SERVICE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF A PARTY TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(b) **WAIVER OF JURY TRIAL.** TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES TO THIS AGREEMENT WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT. EACH PARTY ALSO WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF ANY OF THE OTHER PARTIES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. EACH PARTY FURTHER AGREES THAT THE WAIVER SET FORTH IN THIS SECTION 21.1(b) SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTION CONTEMPLATED HEREBY. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAYBE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

ARTICLE XXII

Miscellaneous

22.1 Entire Agreement. This Agreement supersedes and completely supplants any and all prior oral or written and all contemporaneous oral discussions, negotiations, and agreements the Parties may have had with respect to any matters relating to the subject matter of this Agreement.

22.2 Governing Law. This Agreement has been executed and delivered and shall be construed, interpreted and governed pursuant to and in accordance with the laws of the State of California, without regard to any conflict of laws principles which, if applied, might permit or require the application of the laws of another jurisdiction.

22.3 Severability and Construction. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity and enforceability of any other provision, and each provision of this Agreement shall be enforced to the maximum extent permitted by applicable Law. The terms of any provision hereof held to be invalid or unenforceable shall be construed, if possible, to give effect to the parties' lawful intent, as evidenced by the terms of this Agreement.

22.4 Cumulative Remedies; Specific Performance. Except as otherwise set forth in this Agreement, the remedies provided are cumulative, not exclusive, of any remedies provided by Law or in equity, and may be pursued separately, successively, or concurrently. Each Party acknowledges that it would be impossible to determine the amount of damages that would result from any breach of any provision of this Agreement and that the remedy at law for any breach, or threatened breach, of any of such provisions would likely be inadequate and, accordingly, agrees that the other Party shall, in addition to any other rights or remedies which it may have, be entitled to such equitable and injunctive relief as may be available from any court of competent jurisdiction to compel specific performance of, or restrain any party from violating, any of such provisions. In connection with any action or proceeding for injunctive relief, each Party hereby waives the claim or defense that a remedy at law alone is adequate and agrees, to the maximum extent permitted by law, to have each provision of this Agreement specifically enforced against it, without the necessity of posting bond or other security against it, and consents to the entry of injunctive relief against it enjoining or restraining any breach or threatened breach of such provisions of this Agreement.

22.5 Interpretation. The captions, headings, table of contents, and arrangements are for convenience only and do not and shall not be deemed to affect, limit, amplify, or modify the terms and provisions hereof. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

22.6 Amendments. No amendment or modification of the terms of this Agreement shall be binding on either Party hereto unless reduced to writing and signed by both Parties.

22.7 Counterparts. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

22.8 Number and Gender; References. Pronouns, of whatsoever gender, shall include natural persons, corporations, and associations of every kind and character. Whenever the words hereof, hereunder, herein, or words of similar import are used in this Agreement, they shall refer to this Agreement in its entirety rather than to a particular section or provision unless the context specifically indicates to the contrary.

22.9 Further Assurances; Survival. If either Party to this Agreement reasonably determines or is reasonably advised that any further instruments or any other things are necessary or desirable to carry out the terms of this Agreement, the other Party shall execute and deliver all such instruments and assurances and do all things reasonably necessary and proper to carry out the terms of this Agreement. Upon the expiration or termination of this Agreement, this Agreement shall forthwith become void and the Parties shall have no liability or obligation under this Agreement, except that the termination or expiration of this Agreement shall not relieve any Party from any expense, liability or other obligation or remedy therefor which has accrued or attached prior to the date of such termination or expiration.

22.10 No Implied Waiver. None of the provisions of this Agreement shall be considered waived by either Party, except when such waiver is given in writing. The failure of any party to insist in any instance on strict performance of any provision of this Agreement shall not be construed as a waiver of any such provision or the relinquishment of any rights hereunder in the future.

22.11 Integration. This Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein are intended by the Parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the Parties in respect of the subject matter contained herein and therein. This Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein supersede all prior agreements and understandings between the Parties with respect to such subject matter. Each of the Parties acknowledges and agrees that in executing this Agreement the intent of the Parties in this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein shall constitute an unseverable and single agreement of the Parties with respect to the transactions contemplated hereby and thereby. On behalf of itself and each of its Affiliates, each Party waives any claim or defense based upon the characterization that this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein are anything other than a true single agreement relating to such matters. Each Party further acknowledges and agrees the matters set forth in this Section 22.11 constitute a material inducement to enter into this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein. Each of the Parties stipulates and agrees: (i) not to challenge the validity, enforceability or characterization of this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein as a single, unseverable instrument pertaining to the matters that are the subject of such agreements; (ii) this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein shall be treated as a single integrated and indivisible agreement for all purposes, including the bankruptcy of any Party; and (iii) not to assert or take or omit to take any action inconsistent with the agreements and understandings set forth in this Section 22.11.

22.12 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement or any Contract delivered contemporaneously with this Agreement, and notwithstanding the fact that any Party may be a partnership or limited liability company, each Party agrees and acknowledges that no Persons other than the Parties shall have any obligation under this Agreement. Each Party to this Agreement further acknowledges and agrees that it has no rights of recovery, whether under this Agreement or under any Contracts delivered contemporaneously herewith, in respect of any oral representations made or alleged to be made in connection herewith or therewith. The prohibition set forth in this Section 22.12 shall apply with equal application to any former, current or future director, officer, agent, Affiliate, manager, assignee, incorporator, controlling Person, fiduciary, representative or employee of any Party (or any of their successors or permitted assignees), against any former, current, or future general or limited partner, manager, stockholder or member of any Party (or any of their successors or permitted assignees) or any Affiliate thereof or against any former, current or future director, officer, agent, employee, Affiliate, manager, assignee, incorporator, controlling Person, fiduciary, representative, general or limited partner, stockholder, manager or member of any of the foregoing, but in each case not including the Parties. The prohibition set forth in this Section 22.12 shall apply to any and all claims, whether such claims sound in tort, contract or otherwise. This prohibition shall apply whether such claims are asserted by attempting to pierce the corporate veil, or through a claim brought by or on behalf of such Party against such Persons and whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, or otherwise. The Parties to this Agreement further expressly agree and acknowledge that no personal liability whatsoever shall attach to or be incurred by any of the Persons or entities referenced in this Section for any obligations of the applicable Party under this Agreement or the transactions contemplated hereby, under any documents or instruments delivered contemporaneously herewith, in respect of any oral representations made or alleged to be made in connection herewith or therewith, or for any claim (whether in tort, contract or otherwise) based on, in respect of, or by reason of, such obligations or their creation.

[Signature Page Follows]

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

ELK HILLS POWER, LLC

By: /s/ Shawn M. Kerns

Name: Shawn M. Kerns

Title: President

CALIFORNIA RESOURCES CORPORATION

By: /s/ Shawn M. Kerns

Name: Shawn M. Kerns

Title: Executive Vice President – Corporate Development

Signature Page to Commercial Agreement

MASTER SERVICES AGREEMENT

This **MASTER SERVICES AGREEMENT** (this “**Agreement**”), is entered into as of February 7, 2018 (the “**Effective Date**”), by and between Elk Hills Power, LLC, a Delaware limited liability company (the “**Company**”), and California Resources Elk Hills, LLC, a Delaware limited liability company (together with any Affiliate providing Services hereunder pursuant to **Section 1(e)**, the “**Operator**”). The Company and the Operator are referred to collectively as the “**Parties**” and each individually as a “**Party**”.

WHEREAS, after giving effect to the transactions contemplated by that certain Contribution and Unit Purchase Agreement, by and among the Company, the Operator, ECR Corporate Holdings L.P., a Delaware limited partnership, and California Resources Corporation, a Delaware corporation (solely for purposes of Section 7.14 thereof), dated as of the date of this Agreement (the “**Contribution and Unit Purchase Agreement**”), the Company now owns the Subject Assets (as defined therein);

WHEREAS, the Company desires to engage the Operator to provide the comprehensive services described in this Agreement to the Company and all of its Subsidiaries (collectively, the “**Company Group**”), including with respect to the Subject Assets and such other assets that the Company Group may acquire and own after the date hereof (collectively, the “**Company Group Assets**”);

WHEREAS, the Operator is willing to undertake such engagement, subject to the terms and conditions of this Agreement; and

WHEREAS, the Transaction Documents, including this Agreement, and the other agreements and documents expressly referred to herein or therein shall constitute an unseverable and single agreement of the Parties with respect to the transactions contemplated hereby and thereby.

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

Section 1 Services.

(a) Generally. From and after the Effective Date and during the term of the Agreement, on the terms and conditions set forth below, the Operator shall provide to the Company Group: (i) the services set forth on **Schedule I** attached to this Agreement; and (ii) such other administrative acts or other activities as are reasonably necessary or useful in carrying out the duties and services set forth above, or as are fairly implied by the terms of this Agreement (such services described in this **Section 1(a)** and any Additional Services the Operator agrees to provide pursuant to **Section 1(b)**, collectively, the “**Services**”).

(b) Additional Services. Over and above those services that are reasonably necessary or useful or fairly implied from this Agreement as described in **Section 1(a)**, at the reasonable request of any member of the Company Group, the Operator may, but shall not be required to, agree to provide additional services (the “**Additional Services**”), from time to time during the term of this Agreement (as determined by the Operator in its reasonable discretion). In determining whether to provide any requested Additional Services, including in connection with any assets acquired by the Company Group after the date hereof, the Operator may condition the provision of such Additional Services on an adjustment to the MSA Reimbursement Amount as the Parties may mutually agree in accordance with the Company LLC Agreement.

(c) Employees.

(i) The Operator (or its applicable Affiliate) shall select, employ and pay compensation (including the payment of all social security taxes, unemployment taxes and similar payments related thereto) as well as employee benefits and any applicable severance to all personnel and employees of the Operator or its Affiliates necessary for the performance of the Services, unless such personnel and employees are employed by the Company (each such personnel and employee other than those employed by the Company, an “**Operator Employee**”). The Operator shall also supervise and direct all Operator Employees. The Company may employ its own personnel and employees for utilization by Operator in its performance of the Services (each, a “**Company Employee**”). Notwithstanding the foregoing, subject to Section 5.8(x) of the Company LLC Agreement, upon advance notice and reasonable consultation with the most senior Company Employee, the Operator may select for employment and terminate the employment of any Company Employee on the Company’s behalf as may be necessary or appropriate in connection with the provision of the Services. The Company shall pay all compensation and employee benefits and any applicable severance for all Company Employees, and the Operator’s obligations with respect to such Company Employees shall be limited to supervising and directing such Company Employees in accordance with this Agreement. The Company Employees shall, at all times during the term of this Agreement and while such employees remain employed by the Company, be employees of the Company and shall not be employees of the Operator notwithstanding any right of the Operator under this Agreement with respect to such Company Employees.

(ii) From time to time during the term of this Agreement, in accordance with **Section 1(c)(i)**, the Operator shall select a sufficient number of (1) Operator Employees and (2) Company Employees on the Company’s behalf, in each case, to enable the Operator to perform the Services in accordance with this Agreement and to operate the Company Group Assets in the ordinary course of business consistent with past practice.

(iii) The Operator shall hold all Operator Employees and Company Employees for which it supervises and directs under this Agreement to a standard at least as stringent in all material respects as that to which all of the Operator’s employees are held pursuant to the rules, regulations and policies observed by the Operator in the ordinary course of business, including

any drug and alcohol screening programs. In no event, however, shall the standard to which Operator and Company Employees are held fall below that set forth in **Section 2(a)** below.

(d) Separateness. In performing the Services under this Agreement, the Operator shall not take any action, or cause any of its Affiliates to take any action, that would cause any member of the Company Group to violate Section 5.15 of the Company LLC Agreement.

(e) Delegation of the Services.

(i) The Parties acknowledge and agree that the Operator may cause its applicable Affiliates to provide the Services as necessary.

(ii) The Parties acknowledge and agree that the provision of certain of the Services may be supported by third-party service providers, including those providers that have been used in the past in connection with the Company Group Assets and such new independent contractors, independent accountants, outside legal counsel and consultants, in each case, that are capable of performing the Services in accordance with the terms of this Agreement, including the standards set forth in **Section 2**, as determined in the Operator's good faith judgment and in accordance with **Section 2(d)** ("**Third-Party Providers**"). Without limiting the generality of the foregoing, the Company shall have the right to enter into direct arrangements with Third-Party Providers to provide any of the Services. At the election of the Company, the Operator shall coordinate with such Third-Party Providers to provide the applicable Service.

(f) FERC Compliance. In performing the Services under this Agreement, the Operator shall use all commercially reasonable efforts necessary to cause the Company to comply with the Company's obligations under Section 5.17 of the Company LLC Agreement.

(g) Air Emissions Credits.

(i) During the term of this Agreement, the Operator shall, and shall cause its Affiliates to, ensure that the Company shall have priority with respect to the use of any air emissions credits, offsets or allowances that have been allocated to or generated by the Company (the "**Company Credits**").

(ii) In the event the Operator reasonably determines that any Company Credits are not required for the Company's operation in the ordinary course, the Operator may provide such Company Credit for use by CREH or any of its Affiliates, provided that CREH (or such applicable Affiliate) shall compensate the Company for such use, calculated according to the applicable market rate for such Company Credit (or portion thereof).

Section 2 Standard of Performance.

(a) Generally. The Operator shall perform the Services and such other obligations set forth in this Agreement: (i) in a good, workmanlike and efficient manner in accordance in all

material respects with all applicable Laws and the terms of all Contracts and Permits to which any of the Company Group Assets or the members of the Company Group are bound; (ii) as a reasonable prudent operator in the oil and gas industry that also operates power generation and gas processing facilities; and (iii) with the same degree of diligence and care that the Operator and its Affiliates exercised with respect to their ownership and operation of the applicable Company Group Assets prior to the Effective Date.

(b) Prohibited Activities.

(i) In conducting the Services and duties under this Agreement, the Operator shall not undertake any activity or fail to take any action that would violate, in any material respect: (i) any applicable Law; (ii) any Contract or Permit to which, to the knowledge of the Operator (after reasonable due inquiry), a member of the Company Group, any Company Group Asset or Operator or any of its Affiliates is bound; or (iii) any of the Transaction Documents other than this Agreement. Notwithstanding the foregoing, the Operator shall not be liable for a breach of this **Section 2(b)** or any other provision of this Agreement for any actions performed or omissions made in accordance with directions given by the Company Group, to the extent the holders of the Class B Preferred Units have caused the Company Group to issue such directions.

(ii) The Operator shall not, and shall cause its Affiliates not to, place any Encumbrances on the Company Group Assets. The Operator shall also keep the Company Group Assets free from Encumbrances arising under Contracts or Permits binding on the Company Group Assets, in each case, except for (1) Permitted Encumbrances and (2) Encumbrances placed on the Company Group Assets by the Company Group, or by the Operator at the direction of a member of the Company Group, following approval as contemplated by Section 5.9 of the Company LLC Agreement, after the Effective Date.

(c) Force Majeure. The Operator shall not be liable or responsible to the Company Group, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay by the Operator in fulfilling or performing its obligations under this Agreement (except for any obligations to make payments hereunder, if any), when and to the extent such failure or delay is caused by or results from a Force Majeure. If the Operator is affected by Force Majeure, the Operator shall provide written notice within 5 days of the occurrence of such Force Majeure to the most senior Company Employee, stating the details of such Force Majeure and how long such Force Majeure is expected to continue. The Operator shall use commercially reasonable diligent efforts to end the failure or delay of performance due to Force Majeure and ensure the effects of such Force Majeure are minimized. The Operator shall resume the performance of its obligations under this Agreement as soon as reasonably practicable after the Force Majeure is no longer preventing the Operator's performance.

(d) Approved Budget. With respect to the Operator's activities under this Agreement, the Operator agrees to: (i) operate in a manner that is consistent with the applicable Approved Budget then in effect for the Company except (A) as otherwise authorized by the Board

of the Company or (B) with respect to expenditures (1) strictly necessitated by an Emergency or (2) not to exceed 10% of the then-applicable Annual Budget in the aggregate and (ii) not to take any action that is inconsistent with any written direction given by the Company to the Operator. The initial Annual Budget of the Company is attached to this Agreement as **Exhibit A**. No later than 60 days prior to the end of each Fiscal Year during the term of this Agreement, the Operator shall prepare in good faith and deliver to the Company for its review a draft Annual Budget for the Company's operations in respect of the following Fiscal Year.

Section 3 Invoicing for Services.

(a) Pricing Methodology. For each Billing Period, the Company shall pay to the Operator (i) an amount equal to \$125,000 (the "**Base MSA Reimbursement Amount**") *plus* (ii) an amount necessary to reimburse the Operator for all Out-of-Pocket Expenses incurred and actually paid by the Operator in such Billing Period, up to an amount not to exceed \$20,000 in the aggregate for such Billing Period (together with the Base MSA Reimbursement Amount, the "**MSA Reimbursement Amount**"). Notwithstanding the foregoing, so long as the Operator is using commercially reasonable efforts to modify its internal accounting and billing systems as Operator deems reasonable necessary to administer payments and billing under this Agreement, the amount of Out-of-Pocket Expenses reimbursable as part of the MSA Reimbursement Amount shall not be subject to the \$20,000 limit set forth in the foregoing clause (ii) until the earlier to occur of (x) the completion of such modification of the Operator's internal accounting and billing systems and (y) 120 days following the Effective Date of this Agreement.

(b) Expense Statements. As promptly as practicable, but in no event later than fifteen days following the end of each Billing Period, the Operator shall deliver a statement to the Company for such Billing Period (each, an "**Expense Statement**") setting forth the MSA Reimbursement Amount for such Billing Period, together with: (i) a reasonably detailed breakdown of the Out-of-Pocket Expenses set forth in the Expense Statement; (ii) such other supporting documentation as may be reasonably necessary for the Company to verify the accuracy of such Expense Statement; and (iii) the bank account into which the Company shall make payments required by the Expense Statement. No later than 15 days following its receipt of each Expense Statement delivered by the Operator, the Company shall pay the Operator an amount equal to the undisputed MSA Reimbursement Amount for such Billing Period as set forth in such Expense Statement in immediately available funds to the bank account designated by the Operator in such Expense Statement. Notwithstanding the foregoing, to the extent CREH (as defined in the Commercial Agreement) fails to timely make any payment in full pursuant to the terms of the Commercial Agreement, the Company may set off such amounts against the obligation to pay the applicable MSA Reimbursement Amount during the month of such default.

(c) Fee Dispute. If the Company disputes in good faith any charges contained in an Expense Statement delivered pursuant to **Section 3(b)**, the Company, shall submit written notice of such dispute to the Operator and may withhold from its payment of the relevant Expense

Statement any such disputed amounts, subject to **Section 3(d)**. Upon delivery of such written dispute notice, the Parties shall cooperate and negotiate in good faith and use reasonable efforts to resolve such disputed charges. If the Parties are unable to resolve such disputed charges within 30 days after delivery of the written dispute notice, by written notice to the Company, the Operator may elect to submit the remaining disputed items to an independent accounting firm, mutually selected by the Parties (the “**Independent Accountant**”). The Independent Accountant shall determine the correctness of the disputed charges and shall be entitled to reasonably request and review all the supporting information of the Parties with respect to such dispute. The Independent Accountant shall be instructed to use its reasonable efforts to perform its review and determination as promptly as practical, but in no event later than 30 days following its selection, unless a longer period is agreed upon in writing by the Parties prior to the expiration of the 30-day period. The determination of the Independent Accountant shall be conclusive and binding on the Parties absent manifest error. Any amounts that are finally determined to have been unpaid by the Company shall be paid to the Operator no later than 10 Business Days following the final determination by the Independent Accountant. The Independent Accountant shall allocate its fees and expenses between Operator and the Company based upon the percentage of the disputed fees submitted to the Independent Accountant that is ultimately awarded to the Company, on the one hand, and the Operator, on the other hand, such that the Company bears a percentage of such fees and expenses equal to the percentage of the contested amount awarded to the Operator and the Operator bears a percentage of such fees and expenses equal to the percentage of the contested amount awarded to the Company.

(d) Late Payments. If the Company fails to pay any charges reflected as due to the Operator in any Expense Statement rendered when such amount is due, interest will accrue on the unpaid charges from, but excluding, the due date to, and including, the date payment is actually made at the lesser of: (i) the Prime Rate plus 3%, computed on an annualized basis and compounded monthly, and (ii) the maximum legal rate of interest permitted by applicable law.

(e) Taxes. With the exception of income taxes and employment taxes, the latter of which are addressed in **Section 3(a)**, any taxes assessed on the provision of the Services shall be paid either by (i) the member of the Company Group in receipt of the applicable Services or (ii) the Company on behalf of such other member of the Company Group.

Section 4 Revenues and Disbursements

(a) Receipt of Revenues. Only to the extent authorized by a member of the Company Group, the Operator shall have the authority to collect, on behalf of the Company Group, all proceeds and cash attributable to the Company Group Assets (the “**Company Revenues**”) into one or more bank accounts maintained in the name of the Company (the “**Company Bank Accounts**”). In performing such collections, if so authorized, the Operator shall use its commercially reasonable efforts to cause, on behalf of the Company Group, all amounts due and owing to the Company Group to be paid on a timely basis. The Operator shall keep a complete and accurate account of all proceeds received on behalf of the Company Group. All Company Revenues received

by the Operator shall promptly be deposited in the Company Bank Accounts and shall only be disbursed therefrom in accordance with this Agreement. Notwithstanding the foregoing, to the extent the Operator or any of its Affiliates receives any Company Revenues, the Operator shall, or shall cause its Affiliate to, promptly deposit such Company Revenues in the Company Bank Accounts, regardless of whether such deposit is authorized by a member of the Company Group. This **Section 4(a)** shall not limit the provisions of **Section 1(d)**.

(b) Disbursements. To the extent requested by a member of the Company Group, the Operator shall, on behalf of the Company Group, make disbursements of the Company Revenues (i) from time to time as necessary to timely discharge all costs and expenses and other amounts due and owing by the Company Group and attributable to ownership of the Company Group Assets and other related business activities, including payment of royalties and applicable sales, use, excise, value added and other similar taxes assessed or imposed on the Company Group Assets or the Company Group and (ii) as and when directed by the Company. Notwithstanding the foregoing, the Operator shall not be liable for a breach of this **Section 4(b)** or any other provision of this Agreement for any actions performed or omissions made in accordance with directions given by the Company Group. This **Section 4(b)** shall not limit the provisions of **Section 1(d)**.

Section 5 Cooperation; Books and Records and Audit Rights.

(a) Cooperation. During the term of this Agreement, the Parties shall use commercially reasonable efforts to cooperate with each other in all matters relating to the provision and receipt of the Services. Such reasonable cooperation shall include: (i) exchanging information; (ii) providing electronic access to systems used in connection with the Services; and (iii) using commercially reasonable efforts in obtaining all consents, licenses, sublicenses or approvals necessary to permit each Party to perform its obligations under the Agreement. The Parties acknowledge that some Services to be provided under this Agreement may require instructions, information or authorization from the member of the Company Group receiving such Services, which the Company agrees to provide, or cause to be provided, to the Operator in reasonable time for the Operator to provide or procure such Services. The Operator's performance of such Services will be excused, however, to the extent that the Company or the applicable member of the Company Group does not provide such required instructions, information or authorization in a reasonable time to allow performance. On behalf of itself and each member of the Company Group, the Company authorizes the Operator as agent of the applicable member of the Company Group to perform the Services and take the actions that the Operator is required to take under this Agreement on behalf of the applicable member of the Company Group.

(b) Audit Rights. Once each year during the term of this Agreement and once during the one year period following the termination of this Agreement, exercisable at its option and sole expense, the Company shall have the right to review and copy the books and records regarding the performance of the Services and any books, records and accounts of operations, revenues and expenditures of the Company Group in respect of the Company Group Assets kept

by the Operator (the “**Records**”) to verify and evaluate the performance by the Operator of its obligations under this Agreement during the most recent previous fiscal year, and to audit and examine such Records with respect to the most recent previous fiscal year. If, however, the Operator is in breach of its obligations under this Agreement, there shall be no restrictions on the number of times the Company shall have the right to exercise its audit rights during the existence of such breach and the costs and expenses of any such audit shall be borne by the Company. The Company shall conduct each such audit during normal business hours upon reasonable advanced notice to the Operator. Any such audit shall be completed within 12 months of the end of the most recent previous fiscal year. The Company Group shall use its commercially reasonable efforts to conduct any such audit or examination in a manner that minimizes the inconvenience or disruption to the Operator.

Section 6 Term; Termination.

(a) Termination. The provision of the Services under this Agreement shall commence on the Effective Date and shall continue indefinitely until this Agreement is terminated pursuant to this **Section 6**. Subject to the provision of transition services pursuant to **Section 6(d)**, this Agreement may be terminated:

(i) by the mutual written agreement of the Parties;

(ii) upon written notice by the Company, in the event either Party: (1) makes a general assignment for the benefit of creditors; (2) files a voluntary bankruptcy petition; (3) becomes the subject of an order for relief or is declared insolvent in any federal or state bankruptcy or insolvency proceeding; (4) files a petition or answer in a court of competent jurisdiction seeking a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any applicable Law; (5) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed in a proceeding of the type described in preceding clauses (1) through (5); (6) seeks, consents or acquiesces to the appointment of a trustee, receiver or liquidator of all or any substantial part of its assets or properties or (7) is liquidated and dissolved;

(iii) upon written notice by the Company, in the event the Operator fails or delays in fulfilling or performing any obligations under this Agreement due to a Force Majeure and such failure or delay remains uncured for a period of 90 days following the occurrence of such Force Majeure;

(iv) by either Party, in the event the Company is required to effect an Exit Transaction pursuant to the terms of the Company LLC Agreement;

(v) by either Party, upon written notice to the other Party in the event such other Party breaches any material term of this Agreement and fails to cure such breach to the reasonable satisfaction of the non-breaching Party within 60 days following receipt of such written notice; or

(vi) by either Party, upon written notice to the other Party in the event of gross negligence, fraud, bad faith or willful misconduct in the other Party's performance (or failure to perform) of such other Party's obligations under this Agreement which has caused actual damages (1) in excess of \$25,000,000 or (2) in such lesser amount which has not been cured to the reasonable satisfaction of the non-breaching Party within 60 days following receipt of such written notice. Notwithstanding the foregoing, in the event the non-terminating Party in good faith disputes that its conduct constituted gross negligence, fraud, bad faith or willful misconduct, this Agreement shall not be terminated until the date of entry of a final, non-appealable determination by a court of competent jurisdiction that such conduct constituted gross negligence, fraud, bad faith or willful misconduct.

(b) Effect of Termination or Expiration. If a Party delivers written notice of termination of the Agreement pursuant to **Section 6(a)(ii)**, **Section 6(a)(iii)** (in the case of the Company) or **Section 6(a)(iv)** (in the case of the Company or the Operator), such termination of the Agreement shall become effective as of the date of such notice or, if an effective date of termination is specified by such Party in such notice, such effective date of termination. If a Party delivers written notice of a material breach pursuant to **Section 6(a)(v)**, and the other Party fails to cure such breach within 60 days, the termination of the Agreement will be effective as of 60 days after the delivery of the notice of the breach.

(c) Survival. Notwithstanding anything to the contrary herein, **Section 5(b)** (Audit Rights), **Section 6(b)** (Effect of Termination or Expiration), **Section 6(c)** (Survival), **Section 6(d)** (Transition Services), **Section 7** (Confidentiality), **Section 8** (Indemnification and Exculpation) and **Section 11** (Miscellaneous) shall survive termination of this Agreement. The termination or expiration of this Agreement shall not relieve any Party from any expense, liability or other obligation or remedy therefor which has accrued or attached prior to the date of such termination or expiration.

(d) Transition Services. Upon termination of this Agreement for any reason other than by Operator pursuant to **Section 6(a)(v)** or **Section 6(a)(vi)** resulting from the Company's breach of a material term of this Agreement, and if requested by the Company prior to such termination, the Operator shall, for a period of up to six months following such termination (or such shorter period as indicated in writing by the Company) or, in the event of termination of this Agreement pursuant to **Section 6(a)(iv)**, for a period of up to six months following the consummation of the Exit Transaction: (i) provide the Company Group reasonable assistance to transition the Operator's duties under this Agreement to one or more successor managers designated by the Company, including, in the event of termination of this Agreement pursuant to **Section 6(a)(iv)**, all services that may be reasonably required in connection with the Company effecting such Exit Transaction as provided in the Company LLC Agreement; and (ii) continue to provide such Services as the Company (or its successor(s)) may reasonably request in order to maintain the Company Group Assets until the transition of such Services to the successor manager has been completed. In addition, upon the occurrence of a Dissolution Event, the Operator shall provide the Company Group, or their designee, with transition services substantially comparable to those provided for in

this **Section 6(d)** with respect to the termination of this Agreement. The Operator shall also transition the consulting and management services provided under this Agreement to one or more successor managers for a period not to exceed six months following consummation of such Dissolution Event. In providing transition services pursuant to this **Section 6(d)**, the Operator shall use the same degree of care used in performing the Services in accordance with **Section 2** of this Agreement. In consideration for transaction services rendered by the Operator to the Company during a Billing Period, the Company (or its successor(s)) shall pay to the Operator the MSA Reimbursement Amount in accordance with **Section 3**, prorated for the amount of time during which the Operator actually renders transition services to the Company during such Billing Period. The other terms of this Agreement shall continue to apply with respect to the provision of such transition services.

Section 7 Confidentiality. Each Party agrees that all Confidential Information shall be kept confidential and shall not be disclosed by either Party in any manner whatsoever. Notwithstanding the foregoing, Confidential Information may be disclosed by the Operator or the Company solely to its respective managers, directors, partners, employees, advisors, counsel, accountants, agents or any of its Affiliates who need to know such information for the purpose of providing the Services, in the case of the Operator, or receiving the Services, in the case of the Company, pursuant to this Agreement or otherwise complying with its obligations under this Agreement. In connection with any disclosure pursuant to the previous sentence, the Operator and the Company, as applicable, will: (i) inform such Persons of the confidential nature of such information; (ii) direct and cause them to agree to treat such information in accordance with the terms of this **Section 7**; and (iii) be liable for any breach of this **Section 7** by any such Person. In addition, disclosure of Confidential Information may be made by the either Party to the extent the other Party consents in writing. Either Party may also disclose Confidential Information to the extent required by Law or in response to legal process, applicable governmental regulations or governmental agency request, but only that portion of such Confidential Information which, in the opinion of the Party's counsel, is required or would be required to be furnished to avoid liability. In the event of a disclosure made pursuant to the prior sentence, the disclosing Party shall: (i) notify the other Party of its obligation to provide such Confidential Information prior to disclosure (unless notification is prohibited by applicable Law or court order or not practicable); and (ii) cooperate to protect the confidentiality of such Confidential Information. For purposes of this Agreement, "**Confidential Information**" means all confidential and proprietary information (irrespective of the form of communication or whether or not such information is marked as confidential or proprietary) obtained or received by or on behalf of either Party about or concerning the other Party or any of its Affiliates or any of their respective businesses, assets or companies or otherwise in connection with this Agreement, including the terms and existence of this Agreement and the activities pertaining thereto. Confidential Information shall not include, however, information which (a) was or becomes generally available to the public other than as a result of a breach of this Agreement (or any Person for which the Party would be liable pursuant to this **Section 7**), (b) was or becomes available to the Party from a source other than the other Party; *provided* that, such source is not known by the Party to be bound by a duty of confidentiality with respect to such information; or (c) was independently developed by the Party without use of or reference to Confidential

Section 8 Indemnification and Exculpation.

(a) Except in the case of gross negligence, fraud, bad faith or willful misconduct of Operator or any of its Affiliates or the willful violation by Operator or its Affiliates of any employment-related law in connection with its selection, termination, supervision or direction of Company Employees in accordance with **Section 1(c)(i)**, neither Operator nor any of its Affiliates nor their respective directors, officers, employees, managers, members, partners, controlling Persons and equityholders (collectively, the “**Indemnified Operator Persons**”) shall bear (except in connection with its equity interest in the Company as a member) any losses, damages, claims, costs and expenses (including legal expenses) (“**Liabilities**”) resulting from performing (or failing to perform) the duties and functions of Operator. The Company shall also defend and indemnify the Indemnified Operator Persons in respect of, and hold it harmless from and against, any Liability suffered, incurred or sustained by any Indemnified Operator Person or to which it becomes subject, however so arising whether under tort, contract, negligence, strict liability or otherwise, resulting from, arising out of, or relating to or in connection with, the performance or failure to perform under this Agreement.

(b) Notwithstanding **Section 8(a)**, if the Operator or any of its Affiliates is grossly negligent or engages in fraud, bad faith or willful misconduct in its performance (or failure to perform) the duties and functions of Operator, or if it willfully violates any employment-related law in connection with its selection, termination, supervision or direction of Company Employees in accordance with **Section 1(c)(i)**, in each case, that proximately causes the Company to incur Liabilities, then Operator shall defend and indemnify the Company Group and its Affiliates and their respective directors, officers, employees, managers, members, partners, controlling Persons and equityholders (collectively, the “**Indemnified Company Persons**”) in respect of, and hold it harmless from and against, any such Liability suffered, incurred or sustained by any Indemnified Company Person or to which it becomes subject as a result of such misconduct.

(c) In no event shall either Party or its respective directors, officers, employees, managers, members, partners, controlling Persons and equityholders have any Liability under any provision of this Agreement for any punitive, incidental, consequential, special or indirect damages, including loss of future revenue or income, loss of business reputation or opportunity relating to the breach or alleged breach of this Agreement, or diminution of value or any damages based on any type of multiple, whether based on statute, contract, tort or otherwise, and whether or not arising from the other party’s sole, joint, or concurrent negligence, strict liability, criminal liability or other fault.

(d) The benefit of the indemnification contemplated by this Agreement shall not extend to insurers and shall not relieve any insurers of their coverage obligations.

Section 9 Insurance.

(a) The Company agrees that, in support of its indemnity obligation, it shall obtain and maintain insurance detailed below for the benefit of the Operator as an additional insured Party. The Company agrees to procure and keep in force, at its sole cost and expense, throughout the term of this Agreement, the following minimum policies of insurance:

(i) Commercial General Liability Insurance: Commercial general liability insurance on an “occurrence” basis, including contractual liability, non-gradual pollution, products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$1,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

(ii) Worker’s Compensation Insurance: As required by the State of California, including Alternate Employer Endorsement, and Employer’s Liability with minimum limits of \$1,000,000 per accident for bodily injury and disease.

(iii) Automobile Liability: Insurance covering any auto, hired autos and non-owned autos; with minimum limits of \$1,000,000 per accident, covering bodily injury and property damage.

(iv) Any insurance required by any applicable Law.

(b) The insurance coverages and limits listed above in this **Section 9** may be insured through primary or excess layers of insurance. All insurance must be placed with insurance carriers rated A-, VII or higher by A.M. Best or similar rating agency. In the event that the Company maintains higher limits than the minimums shown above in this **Section 9**, the Operator shall be entitled to coverage for such higher limits.

(c) Only with respect to and to the extent of the liabilities and obligations assumed by the Company as the insuring Party under this Agreement: (i) the insurance of the Company as the insuring Party shall be primary to and non-contributing with any other insurance that may be available to the Operator; (ii) the insurance required above in this **Section 9** shall provide for waiver of subrogation in favor of the Operator; and (iii) all insurance provided by the Company, except for Worker’s Compensation and Employer’s Liability or other similar statutory insurance, Well Control Insurance and Professional Liability shall include the Operator as an additional insured. Insurance coverage required under this Agreement shall be additional security and shall not limit such liability; nor shall such requirements be considered the ultimate amount or types of insurance either party should carry.

Section 10 Definitions. As used in this Agreement, the following terms have the meanings indicated:

“Affiliate” shall have the meaning given to such term in the Company LLC Agreement.

“Annual Budget” has the meaning given to such term in the Company LLC Agreement.

“Approved Budget” means the Annual Budget for the Company for a given period as approved by the Board pursuant to the Company LLC Agreement as of the applicable date.

“Base MSA Reimbursement Amount” has the meaning set forth in **Section 3(a)**.

“Billing Period” means each calendar month during the term of this Agreement or each month during which the Operator provides transition services pursuant to **Section 6(d)**.

“Board” shall have the meaning given to such term in the Company LLC Agreement.

“Business Day” means any day other than a Saturday, Sunday or a day on which commercial banks are authorized or required to close in Los Angeles, California, Houston, Texas or New York, New York.

“Class B Preferred Unit” has the meaning given to such term in the Company LLC Agreement.

“Commercial Agreement” means that certain Commercial Agreement, by and between the Operator and the Company, dated as of the date of this Agreement.

“Company Bank Accounts” has the meaning set forth in **Section 4(a)**.

“Company Credits” has the meaning set forth in **Section 1(g)**.

“Company Employee” has the meaning set forth in **Section 1(c)(i)**.

“Company LLC Agreement” means that certain Second Amended and Restated Limited Liability Company Agreement of the Company, dated as of the date of this Agreement.

“Company Revenues” has the meaning set forth in **Section 4(a)**.

“Contract” means any contract, agreement, indenture, note, bond, mortgage, deed of trust, loan, instrument, lease, license, commitment or other arrangement, understanding, undertaking, commitment or obligation, whether written or oral.

“Control” means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management and policies of a Person whether through the ownership of voting securities or other ownership interests, by contract or otherwise. The terms **“Controlled”** and

“Controlling” shall have correlative meanings.

“Dissolution Event” means the first to occur of: (a) the approval of dissolution of the Company by the unanimous consent of the board of the Company; (b) the consummation of a sale of all or substantially all of the assets of the Company; and (c) the entry of a decree of judicial dissolution of the Company under Section 17-802 of the Delaware Revised Uniform Limited Company Act and any successor statute, as amended from time to time.

“Emergency” means, as determined in the reasonable good faith discretion of the Operator, any event that causes or is reasonably likely to risk causing (a) substantial damage to any of the Company’s assets or the property of any other Person, (b) death of or injury to any natural person or (c) damage or substantial risk of damage to natural resources (including wildlife) or the environment.

“Employee Costs” means employee wages, bonuses, severance payments, employment taxes (including social security taxes and unemployment taxes), benefits (including employee contributions), and the costs of equity awards (based on the costs for such equity awards accrued by the Operator in respect of the period for which the Services are rendered) for employees participating in the provision or support of the provision of the Services, but excluding for the avoidance of doubt any Operating Expenses.

“Encumbrance” means any pledges, restrictions on transfer, proxies and voting or other agreements, liens (statutory or otherwise), conditional sale, trust receipt, consignment or bailment, preference or priority, assessment, deed of trust, easement, servitude, claims, charges, mortgages, security agreements or interests or other legal or equitable encumbrances, limitations or restrictions of any nature whatsoever with respect to any property of any kind.

“Exit Transaction” shall have the meaning given to such term in the Company LLC Agreement.

“Expense Statement” has the meaning set forth in **Section 3(b)**.

“Fiscal Year” means the calendar year ending on December 31, or such other annual accounting period as may be established by the Board.

“Force Majeure” with respect to the Operator means any of the following events to the extent beyond the Operator’s reasonable control: acts of God, acts of the public enemy, wars or warlike action (whether actual or impending), arrests and other restraints of government (civil or military), blockades, embargoes, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, sabotage, tornadoes, named tropical storms and hurricanes, and floods, strikes, lockouts, civil disturbances, terrorism, explosions, confiscation or seizure by any government or other public authority, any order of any court of competent jurisdiction, regulatory agency or governmental body having jurisdiction.

“G&A Expenses” means (a) the cost of supplies and the operation and maintenance of equipment used in the provision of the Services, excluding costs that are Employee Costs incurred in obtaining such Services or any Operating Expenses and (b) Employee Costs.

“Governmental Entity” means the United States of America or any other nation, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

“Law” shall have the meaning given to such term in the Contribution and Unit Purchase Agreement.

“MSA Reimbursement Amount” has the meaning set forth in **Section 3(a)**.

“Operating Expenses” means any costs and expenses incurred directly by the Company and paid for out of the Company Bank Accounts, excluding for the avoidance of doubt any Employee Costs, G&A Expenses or Out-of-Pocket Expenses.

“Operator Employee” has the meaning set forth in **Section 1(c)(i)**.

“Out-of-Pocket Expenses” means the out-of-pocket costs and expenses reasonably incurred by the Operator in connection with providing the Services under this Agreement (but excluding for the avoidance of doubt any G&A Expenses or Operating Expenses), including any (a) fees of Third-Party Providers utilized in the provision or support of the provision of the Services and (b) technology services costs, licensing fees and fees for audit, tax, accounting and other advisors attributable to or otherwise allocated to the provision of the Services.

“Permits” means any approvals, authorizations, consents, licenses, permits, variances, waivers, grants, franchises, concessions, exemptions, orders, registrations or certificates of a Governmental Entity.

“Permitted Encumbrance” means (a) any Encumbrance for taxes that is not yet due and payable, (b) any Encumbrance in favor of vendors, carriers, warehousemen, repairmen, mechanics, workmen, materialmen, construction or similar Encumbrance arising by operation of law or in the ordinary course of business that does not, individually or in the aggregate, materially impair the current use and enjoyment of any material Company Group Asset and (c) any zoning, building code, land use, planning, entitlement or similar Law or regulation imposed by any Governmental Entity that does not, individually or in the aggregate, materially impair the current use and enjoyment of any material Company Group Asset.

“Person” means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, association or other entity or a Governmental Entity.

“Prime Rate” means the prime rate on corporate loans at large U.S. money center

commercial banks as set forth in the Wall Street Journal “Money Rates” table under the heading “Prime Rate,” or any successor thereto, on the first date of publication for the calendar Month in which payment is due.

“**Subsidiary**” with respect to any Person means any corporation, limited liability company, partnership, association or business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof 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, (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of limited liability, partnership or other similar ownership interests thereof with voting rights at the time owned or Controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes of this Agreement, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or Control, directly or indirectly, the manager, managing member, managing director (or a board comprised of any of the foregoing) or general partner of such limited liability company, partnership, association or other business entity.

“**Transaction Documents**” has the meaning given to such term in the Contribution and Unit Purchase Agreement.

Section 11 Miscellaneous.

(a) Amendment and Waiver. This Agreement may be amended or any provision of this Agreement may be waived. Notwithstanding the foregoing, any amendment or waiver shall be binding only if such amendment or waiver is set forth in a writing executed by the Party against which enforcement is sought. No course of dealing between or among any Persons having any interest in this Agreement shall be deemed effective to modify, amend or discharge any part of this Agreement or any rights or obligations of any Person under or by reason of this Agreement.

(b) Notices. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement must be in writing and must be given either by (a) depositing such writing with a reputable overnight courier for next day delivery, (b) depositing such writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or (c) delivering such writing to the recipient in person, by courier or by electronic mail transmission; and a notice, request or consent given under this Agreement is effective upon receipt against the Person who receives it. Whenever any notice is required to be given by Law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. All notices, requests and consents to be sent to a Party must be sent to or made at the following address or email given for that Party, or such other

address or email as that Party may specify by notice to the other Parties:

If to the Operator:

California Resources Elk Hills, LLC
27200 Tourney Road, Suite 315
Santa Clarita, CA 91355
Attention: General Counsel
Email: michael.preston@crc.com

with a copy to (which shall not constitute notice):

Sullivan & Cromwell LLP
1888 Century Park East, 21st Floor
Los Angeles, California 90067-1725
Attention: Alison S. Ressler
Email: resslera@sullcrom.com

If to the Company:

Elk Hills Power, LLC
c/o California Resources Corporation
9200 Oakdale Avenue, Suite 900
Los Angeles, CA 91311
Attention: General Counsel
Email: michael.preston@crc.com

with a copy to (which shall not constitute notice):

Sullivan & Cromwell LLP
1888 Century Park East, 21st Floor
Los Angeles, California 90067-1725
Attention: Alison S. Ressler
Email: resslera@sullcrom.com

and

ECR Corporate Holdings L.P.
c/o Development Capital Resources, LLC
712 Main Street, Suite 920
Houston TX, 77002
Attention: Matthew M. Loreman
Email: mloreman@dcrlp.com

and

Kirkland & Ellis LLP
609 Main Street
Houston, Texas 77002
Attention: John Pitts, P.C.
Email: john.pitts@kirkland.com

(c) Assignment. This Agreement and all of the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors and permitted assigns. Notwithstanding the foregoing, neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned (including by operation of law) by any Party without the prior written consent of the other Party. Any attempted assignment or delegation in contravention of this Agreement shall be null and void.

(d) Severability. Each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction. Should any ruling or illegality, invalidity or unenforceability be obtained, this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained in this Agreement. In addition, if such term or provision could be drawn more narrowly so as not to be illegal, invalid, prohibited or unenforceable in such jurisdiction, it shall be so narrowly drawn, as to such jurisdiction, without invalidating the remaining terms and provisions of this Agreement or affecting the legality, validity or enforceability of such term or provision in any other jurisdiction.

(e) Third-Party Beneficiaries and Obligations. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and assigns. Except as set forth in **Section 11(o)**, nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the Parties or their respective successors and permitted assigns, any rights, remedies or liabilities under or by reason of this Agreement.

(f) Integration. This Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein are intended by the Parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the Parties in respect of the subject matter contained herein and therein. This Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein supersede all prior agreements and understandings between the Parties with respect to such subject matter. Each of the Parties acknowledges and agrees that in executing this Agreement the intent of the Parties in this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein shall constitute an unseverable and single agreement of the Parties with respect to the transactions contemplated hereby

and thereby. On behalf of itself and each of its Affiliates, each Party waives any claim or defense based upon the characterization that this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein are anything other than a true single agreement relating to such matters. Each Party further acknowledges and agrees the matters set forth in this **Section 11(f)** constitute a material inducement to enter into this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein. Each of the Parties stipulates and agrees: (i) not to challenge the validity, enforceability or characterization of this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein as a single, unseverable instrument pertaining to the matters that are the subject of such agreements; (ii) this Agreement, the other Transaction Documents and the other agreements and documents expressly referred to herein or therein shall be treated as a single integrated and indivisible agreement for all purposes, including the bankruptcy of any Party and (iii) not to assert or take or omit to take any action inconsistent with the agreements and understandings set forth in this **Section 11(f)**.

(g) Counterparts. This Agreement may be executed in multiple counterparts and delivered by facsimile or portable document format (.pdf), each of which, when executed, shall be deemed an original, and all of which shall constitute but one and the same instrument binding on all the Parties.

(h) No Strict Construction. Notwithstanding the fact that this Agreement has been drafted or prepared by one of the Parties, each Party confirms that they and their respective counsel have reviewed, negotiated and adopted this Agreement as a joint agreement. As a result, the understanding of the Parties and the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Person.

(i) Captions. The captions used in this Agreement are for convenience of reference only and do not constitute a part of this Agreement. Consequently, the captions shall not be deemed to limit, characterize or in any way affect any provision of this Agreement, and all provisions of this Agreement shall be enforced and construed as if no such caption or description had been used in this Agreement.

(j) Governing Law. This Agreement has been executed and delivered and shall be construed, interpreted and governed pursuant to and in accordance with the laws of the State of Delaware, without regard to any conflict of laws principles which, if applied, might permit or require the application of the laws of another jurisdiction.

(k) CONSENT TO JURISDICTION. EACH PARTY TO THIS AGREEMENT HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION OF ANY UNITED STATES DISTRICT COURT LOCATED IN WILMINGTON, DELAWARE OR DELAWARE CHANCERY COURT LOCATED IN WILMINGTON, DELAWARE. EACH PARTY IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO

THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER SUCH ACTIONS OR PROCEEDINGS ARE BASED IN STATUTE, TORT, CONTRACT OR OTHERWISE), SHALL BE LITIGATED IN SUCH COURTS. EACH PARTY: (i) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF SUCH COURTS FOR SUCH ACTIONS OR PROCEEDINGS; (ii) AGREES THAT IT WILL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT AND (iii) AGREES THAT IT WILL NOT BRING ANY SUCH ACTION OR PROCEEDING IN ANY COURT OTHER THAN SUCH COURTS. EACH PARTY ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE EXCLUSIVE AND IRREVOCABLE JURISDICTION AND VENUE OF THE COURTS DESCRIBED IN THIS **SECTION 11(K)**. EACH PARTY WAIVES ANY DEFENSE OF FORUM NON CONVENIENS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY NON-APPEALABLE JUDGMENT RENDERED IN CONNECTION WITH SUCH ACTIONS OR PROCEEDINGS. A COPY OF ANY SERVICE OF PROCESS SERVED UPON THE PARTIES SHALL BE MAILED BY REGISTERED MAIL TO THE RESPECTIVE PARTY. NOTWITHSTANDING THE FOREGOING, UNLESS OTHERWISE PROVIDED BY APPLICABLE LAW, ANY FAILURE TO MAIL SUCH COPY SHALL NOT AFFECT THE VALIDITY OF SERVICE OF PROCESS. IF ANY AGENT APPOINTED BY A PARTY REFUSES TO ACCEPT SERVICE, EACH PARTY AGREES THAT SERVICE UPON THE APPROPRIATE PARTY BY REGISTERED MAIL SHALL CONSTITUTE SUFFICIENT SERVICE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF A PARTY TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(l) **WAIVER OF JURY TRIAL.** TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES TO THIS AGREEMENT WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT. EACH PARTY ALSO WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF ANY OF THE OTHER PARTIES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS AGREEMENT, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS

WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. EACH PARTY FURTHER AGREES THAT THE WAIVER SET FORTH IN THIS SECTION 11(I) SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTION CONTEMPLATED HEREBY. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAYBE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

(m) Payments Under Agreement. Each Party agrees that all amounts required to be paid under this Agreement shall be paid in United States currency and, except as otherwise expressly set forth in this Agreement, without discount, rebate, reduction or withholding and not subject counterclaim or offset, on the dates required pursuant to this Agreement (with time being of the essence).

(n) Relationship of the Parties.

(i) So long as the Operator is in compliance with the standards set forth in Section 2(a) above, it is the express intent of the Parties that the Operator is to provide the Services in the manner it deems appropriate, independent of the Company, and neither the Operator nor the persons (including Company Employees and Third-Party Providers) it utilizes in connection with its provision of the Services shall be agents or employees of the Company solely as a result of this Agreement or the Operator's provision of the Services. This Agreement shall not be construed as one of partnership, agency, joint venture or employment between the Operator and the Company, and the rights, duties, obligations and liabilities of each of the Parties under this Agreement shall be individual, not collective or joint. As between the Parties, (1) it is not the intention of the Parties to create, nor shall this Agreement be deemed or construed to create, a partnership, joint venture, association or trust, (2) the Operator is not the actual or implied agent for the Company and (3) the Operator has the exclusive authority to control and direct the specific means, method and manner of performance of the details of the Services to be provided under this Agreement, subject in each case, to the terms and conditions of the Company LLC Agreement.

(ii) Without limiting the generality of the foregoing, except as expressly provided in this Agreement or as required for the provision of the Services, the Operator agrees that neither it nor any of the persons (including Company Employees and Third-Party Providers) it utilizes in connection with its provision of the Services shall hold itself out as an agent of the Company or make any elections or consent to any actions under any Contracts on behalf of the Company, unless otherwise expressly authorized or agreed in writing by the Company.

(iii) The Operator shall reasonably promptly (1) advise and inform the most senior Company Employee of any event which the Operator has actual knowledge which does or would reasonably be likely to, in the judgment of the Operator, materially and adversely affect the Company Group and/or the Company Group Assets, taken as a whole and (2) without duplication

of the foregoing, provide to the most senior Company Employee copies and notices, as applicable, of the items set forth on **Schedule II** attached to this Agreement in accordance with the timing specified therein, if so specified.

(o) No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement or any Contract delivered contemporaneously herewith, and notwithstanding the fact that any Party may be a partnership or limited liability company, each Party, by its acceptance of the benefits of this Agreement, covenants, agrees and acknowledges that no Persons other than the Parties shall have any obligation hereunder. Each Party to this Agreement further acknowledges and agrees that it has no rights of recovery, whether under this Agreement or under any Contracts delivered contemporaneously herewith, in respect of any oral representations made or alleged to be made in connection herewith or therewith. The prohibition against recovery set forth in this **Section 11(o)** shall have equal application to any and all claims whether sounding in tort, contract or otherwise. The prohibition set forth in this **Section 11(o)** shall apply with equal application to any former, current or future director, officer, agent, Affiliate, manager, assignee, incorporator, controlling Person, fiduciary, representative or employee of any Party (or any of their successor or permitted assignees), against any former, current, or future general or limited partner, manager, stockholder or member of any Party (or any of their successors or permitted assignees) or any Affiliate thereof or against any former, current or future director, officer, agent, employee, Affiliate, manager, assignee, incorporator, controlling Person, fiduciary, representative, general or limited partner, stockholder, manager or member of any of the foregoing, but in each case not including the Parties. The prohibitions set forth in this **Section 11(o)** shall apply without regard to whether the claim is asserted by means of attempting to pierce the corporate veil or through a claim by or on behalf of such Party against such Persons, by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable law, or otherwise. The Parties to this Agreement further expressly agree and acknowledge that no personal liability whatsoever shall attach to or otherwise be incurred by any of the Persons or entities referenced in this **Section 11(o)** for any obligations of the applicable Party under this Agreement or the transactions contemplated hereby, under any documents or instruments delivered contemporaneously herewith, in respect of any oral representations made or alleged to be made in connection herewith or therewith, or for any claim (whether in tort, contract or otherwise) based on, in respect of, or by reason of, such obligations or their creation.

(p) Interpretation. The table of contents and the section and other headings and subheadings contained in this Agreement and the exhibits hereto are solely for the purpose of reference, are not part of the agreement of the Parties, and shall not in any way affect the meaning or interpretation of this Agreement or any exhibit hereto. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Unless otherwise specified, all references to days or months shall be deemed references to calendar days or months. All references to “\$” shall be deemed references to United States dollars. Unless the context otherwise requires, any reference to a “Section,” “Exhibit” or “Schedule” shall be deemed

to refer to a section of this Agreement, exhibit to this Agreement or a schedule to this Agreement, as applicable. The words “hereof,” “herein” and “hereunder” and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The word “including” shall mean “including, without limitation”. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. The use of the words “or,” “either” and “any” shall not be exclusive. The Parties have participated jointly in the negotiation and drafting of this Agreement; accordingly, the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Wherever a conflict exists between this Agreement and any other agreement, this Agreement shall control but solely to the extent of such conflict.

[signature page follows]

IN WITNESS WHEREOF, the Parties execute this Agreement, effective as of the Effective Date.

ELK HILLS POWER, LLC

By: /s/ Shawn M. Kerns

Name: Shawn M. Kerns

Title: President

CALIFORNIA RESOURCES CORPORATION

By: /s/ Shawn M. Kerns

Name: Shawn M. Kerns

Title: Executive Vice President – Corporate Development

SIGNATURE PAGE TO
MASTER SERVICES AGREEMENT

FORM OF STOCK PURCHASE AGREEMENT

dated February 7, 2018

by and between

California Resources Corporation

and

[PURCHASER]

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FORM OF STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the “Agreement”) is made as of the 7th day of February, 2018, by and between California Resources Corporation, a Delaware corporation (the “Company”), and [PURCHASER] (the “Purchaser”). The signatories to this Agreement are sometimes referred to herein collectively as the “Parties” and individually as a “Party.”

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act (as defined below) and Rule 506 promulgated thereunder, the Company desires to issue and sell to the Purchaser, and the Purchaser desires to purchase from the Company, in a private placement transaction, the Purchased Shares (as defined below), at a price per share of \$21.3274 (the “Per-Share Purchase Price”), which aggregate proceeds will be used by the Company for general corporate purposes, which may include repaying outstanding indebtedness, funding capital expenditures and acquisitions.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows, each intending to be legally bound:

ARTICLE I

GENERAL

Section 1.01. Defined Terms. As used herein:

- (a) “Affiliate” has the meaning ascribed to it, on the date hereof, under Rule 405 of the Securities Act.
- (b) “Aggregate Purchase Price” means the Per-Share Purchase Price multiplied by the number of Purchased Shares sold pursuant to this Agreement.
- (c) “Agreement” has the meaning set forth in the Preamble.
- (d) “Applicable Date” has the meaning set forth in Section 3.12 hereto.
- (e) “Business Day” means any day other than a Saturday or Sunday or any other day on which commercial banks in Los Angeles, California are authorized or required by law or executive order to close.
- (f) “CERCLA” means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.
- (g) “Closing” has the meaning set forth in Section 2.02(a) hereto.
- (h) “Closing Date” has the meaning set forth in Section 2.02(a) hereto.

- (i) “Common Stock” means the common stock, par value \$0.01 per share, of the Company.
- (j) “Company” has the meaning set forth in the Preamble.
- (k) “Company Entities” means the Company and the Company’s Subsidiaries.
- (l) “Company Indemnitees” has the meaning set forth in Section 5.01(b) hereto.
- (m) “Company LTIP” has the meaning set forth in Section 3.07(a).
- (n) “Company Reports” has the meaning set forth in Section 3.12 hereto.
- (o) “Contract” means any written contract, agreement, understanding, option, right to acquire, preferential purchase right, preemptive right, warrant, indenture, debenture, note, bond, loan, loan agreement, collective bargaining agreement, joint venture agreement, joint operating agreement, lease, mortgage, franchise, license, commitment, letter of credit, guaranty, surety or any other binding arrangement.
- (p) “Elk Hills Transaction Documents” means, collectively, (i) the Contribution and Unit Purchase Agreement by and among Elk Hills Power, LLC, California Resources Elk Hills, LLC, ECR Corporate Holdings L.P. and, solely for purposes of Section 7.14, California Resources Corporation, (ii) the New LLC Agreement, and (iii) the other ancillary documents executed in connection with those agreements, all dated as of the date hereof.
- (q) “Environment” means ambient air, indoor air, surface water, groundwater, drinking water, soil, surface and subsurface strata, and natural resources such as wetlands, flora and fauna.
- (r) “Environmental Laws” means the common law and all federal, state, local and foreign Laws or regulations, ordinances, codes, orders, decrees, judgments and injunctions issued, promulgated or entered thereunder, relating to pollution or protection of the Environment or occupational health and workplace safety (only to the extent relating to occupational exposures to Hazardous Materials), including without limitation, those relating to (i) the Release or threatened Release of Hazardous Materials; and (ii) the manufacture, processing, distribution, use, generation, treatment, storage, transport, handling or recycling of Hazardous Materials.
- (s) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.
- (t) “FERC” means the Federal Energy Regulatory Commission.
- (u) “FPA” means the Federal Power Act, as amended, including the regulations of the FERC thereunder.

(v) “Fraud” means fraud involving a knowing and willful misrepresentation or concealment of a fact or willful misconduct in connection with the making of any representation contained in this Agreement.

(w) “Freely Tradable” means, with respect to any security, that such security (i) is eligible to be sold by the holder thereof, without the application of any volume or manner of sale restrictions, pursuant to Rule 144, (ii) bears no legends restricting the transfer thereof (other than legends which would be subject to prompt removal pursuant to Section 6.08), and (iii) bears an unrestricted CUSIP number (if held in global form).

(x) “GAAP” means generally accepted accounting principles in the United States.

(y) “Governmental Authority” means any federal, state, local or foreign government and/or any political subdivision thereof, including departments, courts, arbitrators, commissions, boards, bureaus, ministries, agencies or other instrumentalities.

(z) “Hazardous Material” means any material, substance, chemical, pollutant, contaminant, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or man-made, that is hazardous, acutely hazardous or toxic, or that is classified or regulated as such under Environmental Laws and any other substance that could reasonably be expected to give rise to liability under Environmental Laws.

(aa) “Indemnified Party” has the meaning set forth in Section 5.02(a) hereto.

(bb) “Indemnifying Party” has the meaning set forth in Section 5.02(a) hereto.

(cc) “Laws” means all laws, statutes, constitutions, rules, regulations, ordinances, orders, decrees, requirements, judgments and codes of Governmental Authorities.

(dd) “Lien” means any lien, pledge, condemnation award, claim, restriction, charge, security interest, mortgage or encumbrance of any nature whatsoever including as a statutory landlord lien.

(ee) “Losses” has the meaning set forth in Section 5.01(a) hereto.

(ff) “Material Adverse Effect” means any result, occurrence, change, event, condition, circumstance or effect of any of the forgoing (whether foreseeable or not) that, individually or in the aggregate with any such other result, occurrence, change, event, condition, circumstance or effect, has, or is reasonably expected to have, a material adverse effect on (i) the condition (financial or otherwise), or results of operations, stockholders’ equity or properties of the Company Entities taken as a whole or (ii) the ability of the Company Entities to perform their obligations under or consummate the Transactions; *provided, however*, that a Material Adverse Effect shall not be deemed to occur pursuant to clause (i) or (ii) to the extent such result, occurrence, change, event, condition, circumstance or effect results from: (A) general changes in economic, financial market or regulatory conditions, (B) any outbreak of hostilities or war, acts of terrorism or natural disasters, in each case in the United States or elsewhere, (C) a general deterioration in the economic conditions prevalent

in the oil and natural gas industry or exploration and production companies, (D) changes in oil and natural gas prices, including changes in price differentials, (E) changes in other commodity prices, (F) any change of Law or changes to GAAP or interpretations thereof, (G) any decline in the market price, or change in trading volume, of the Common Stock of the Company, (H) any failure by the Company to meet any internal or public projections, forecasts or estimates of revenue, earnings, cash flow, cash position or other financial measures, (I) the announcement of this Agreement or the Transactions or (J) the performance of this Agreement, compliance with the covenants set forth herein or consummation of the Transactions; *provided further*, that clauses (A), (B) and (C) above apply only to the extent that such result, occurrence, change, event, condition, circumstance or effect has not had, and would not reasonably be expected to have, a disproportionate effect on the Company Entities taken as a whole relative to other participants in the oil and gas industry or exploration and production companies or businesses.

(gg) “New LLC Agreement” means the Second Amended Restated Limited Liability Company Agreement by and between California Resources Elk Hills, LLC and ECR Corporate Holdings L.P., dated as of the date hereof.

(hh) “Party” has the meaning set forth in the Preamble.

(ii) “Permit” means any permit, license, franchise, registration, certificate, exception, authorizations, consent, approval or other similar action by any Governmental Authority.

(jj) “Per-Share Purchase Price” has the meaning set forth in the Recitals.

(kk) “Person” means any individual, partnership, firm, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

(ll) “PUHCA” means the Public Utility Holding Company Act of 2005, including the regulations of FERC thereunder.

(mm) “Purchased Shares” means the [●] shares of Common Stock purchased pursuant to this Agreement.

(nn) “Purchaser” has the meaning set forth in the Preamble.

(oo) “Purchaser Indemnitees” has the meaning set forth in Section 5.01(a) hereto.

(pp) “QE” means a “qualifying cogeneration facility” within the meaning of 16 U.S.C. § 796 and the regulations of the FERC thereunder, including 18 C.F.R. § 292.205, with all of the exemptions from regulation set forth in 18 C.F.R. Part 292 Subpart F (but for the exemption from Sections 205 and 206 of the FPA).

(qq) “Release” means any release, spill, emission, discharge, deposit, disposal, leaking, pumping, pouring, dumping, emptying, injection or leaching into the Environment.

(rr) “SEC” means the United States Securities and Exchange Commission.

(ss) “Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

(tt) “Subsidiary” of any Person means a corporation, limited liability company, partnership, joint venture or other entity of which: (i) such party or any other Subsidiary of such party is a general partner; (ii) voting power to elect a majority of the board of directors or others performing similar functions with respect to such organization is held by such party or by any one or more of such party’s Subsidiaries; or (iii) at least 50% of the equity interests is controlled by such party.

(uu) “Tax” or “Taxes” means any and all taxes and other similar charges, assessments or fees imposed by any Governmental Authority, including all federal, state, local and foreign income, profits, gross receipts, goods and services, net proceeds, alternative or add-on minimum, ad valorem, real property (including assessments, fees or other charges imposed by any Governmental Authority that are based on the use or ownership of real property), personal property (tangible and intangible), value added, turnover, sales, use, environmental, stamp, documentary, leasing, lease, user, excise, duty, franchise, capital, transfer, registration, license, withholding, social security (or similar), unemployment, disability, payroll, employment, fuel, excess or windfall profits, occupational, premium, severance, production, estimated, or other similar tax of any kind whatsoever, together with any interests, penalties, additions to tax, fines or other additional amounts imposed thereon or related thereto, whether disputed or not.

(vv) “Tax Benefit” has the meaning set forth in Section 5.03(c) hereto.

(ww) “Transactions” means the transactions contemplated by this Agreement.

(xx) “Transfer Agent” initially means American Stock Transfer & Trust Company, the Company’s duly appointed transfer agent for the Common Stock.

ARTICLE II

PURCHASE AND SALE OF SECURITIES

Section 2.01. Purchase and Sale of Purchased Shares. Subject to the terms and conditions herein set forth, the Company agrees to issue, sell and deliver to the Purchaser, and the Purchaser hereby agrees to purchase from the Company, at the Closing, the Purchased Shares for the Aggregate Purchase Price as set forth herein.

Section 2.02. Closing.

(a) The closing of the sale of the Purchased Shares to the Purchaser (the “Closing”) shall, unless otherwise agreed to by the Parties, take place at the offices of Sullivan & Cromwell LLP, 1888 Century Park East, Suite 2100, Los Angeles, California 90067 or at such other place as the Parties shall mutually agree, at 8:00 A.M. Pacific Time, on the date hereof (such date, the “Closing Date”).

(b) At the Closing, (i) the Company shall (or shall cause the Transfer Agent to) (A) record in its stock transfer books the Purchased Shares purchased by the Purchaser, registered in the Purchaser's name, free and clear of any Liens (other than those created by or in favor of the Purchaser, transfer restrictions under the certificate of incorporation and bylaws of the Company and applicable federal and state securities laws), and (B) deliver to the Purchaser a notice from the Transfer Agent evidencing the issuance of the Purchased Shares, and (ii) the Purchaser will, by wire transfer of immediately available funds, transfer to an account or accounts designated in advance by the Company the Aggregate Purchase Price.

Section 2.03. Deliveries at Closing.

(a) Deliveries of the Company. At the Closing, the Company will deliver, or cause to be delivered, to the Purchaser:

(i) an opinion of Sullivan & Cromwell LLP, counsel for the Company, dated the Closing Date, in form and substance satisfactory to the Purchaser; and

(ii) evidence that the Company has submitted a subsequent listing application seeking the authorization of the New York Stock Exchange for the listing of the Purchased Shares.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to the Purchaser as follows as of the date of this Agreement:

Section 3.01. Organization; Existence and Qualification. Each of the Company Entities is duly organized and is validly existing and in good standing under the Laws of the state of its formation, is duly qualified to do business and is in good standing in each jurisdiction in which it is required to qualify in order to conduct its business, except where the failure to so qualify would not, individually or in the aggregate, have a Material Adverse Effect.

Section 3.02. Power. Each Company Entity has the requisite power and authority to own, lease or hold its properties and carry on its business as currently conducted and as proposed to be conducted and, in the case of the Company, to enter into this Agreement and to consummate the Transactions.

Section 3.03. Authorization and Enforceability.

(a) The execution, delivery and performance by the Company of this Agreement and the consummation of the Transactions, have been duly and validly authorized by all necessary corporate action on the part of the Company.

(b) (i) This Agreement has been duly executed and delivered by the Company and (ii) this Agreement constitutes the valid and binding obligations of the Company, enforceable against

the Company in accordance with its terms, except, in the case of clause (ii), as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 3.04. No Violation. The execution, delivery and performance by the Company of this Agreement, and the consummation of the Transactions will not, with or without notice or the passage of time or both: (a) violate any provision of the organizational documents of any of the Company Entities; (b) violate or breach the terms of, result in a default under, result in the creation of any Lien, or give rise to any right of termination, cancellation, forfeiture, suspension, adverse modification, or acceleration under (x) any note, bond, mortgage, indenture or credit agreement to which any Company Entity is a party and (y) any other Contract to which any Company Entity is a party or by which it is bound or to which any of its assets are subject; (c) violate any judgment, order, ruling, regulation or decree applicable to the Company Entities or any of their properties or assets; or (d) violate any Law applicable to the Company Entities or any of their properties or assets, except for matters described in clauses (b), (c) or (d) above which would not reasonably be expected to have a Material Adverse Effect. As of the date of this Agreement, the Company is not party to a stockholder rights agreement, “poison pill” or similar agreement or plan.

Section 3.05. Brokers’ Fees. No Person is entitled to any brokerage, financial advisory, finder’s or similar fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Company.

Section 3.06. Consents, Approvals or Waivers. The execution, delivery and performance by the Company of this Agreement (including the authorization, issuance and delivery of the Purchased Shares) will not be subject to or require any consent, approval, authorization, or waiver from, or any registration or filing with or notification to, any person (including any Governmental Authority) except for (i) filings required by federal and state securities Laws, (ii) the approval for listing on the NYSE of the Purchased Shares; and (iii) such consents as have been obtained or where the failure of the Company to obtain or make any such consent, approval, authorization, order, filing or registration would not reasonably be expected to have a Material Adverse Effect.

Section 3.07. Capitalization and Authorization of Purchased Shares.

(a) As of the date of this Agreement, the authorized capital stock of the Company consists of (i) 200,000,000 shares of Common Stock, of which as of the date hereof, 42,901,946 are issued and outstanding, including 933,189 shares issued with respect to restricted stock awards granted under the California Resources Corporation Long-Term Incentive Plan (the “Company LTIP”), 1,111,809 shares are reserved for issuance in connection with future grants of awards under the Company LTIP, 1,104,753 shares are reserved for issuance with respect to outstanding stock options issued under the Company LTIP, 1,035,195 shares are reserved for issuance with respect to outstanding restricted stock units issued under the Company LTIP, 515,054 shares are reserved for issuance with respect to outstanding performance share units granted under the Company LTIP (assuming achievement of performance at the maximum level), and 306,154 shares are reserved

for issuance under the Company's 2014 Employee Stock Purchase Plan, as amended and (ii) 20,000,000 shares of preferred stock, \$0.01 par value, of which as of the date hereof, none are issued and outstanding. Such issued and outstanding shares have been duly authorized and validly issued and are fully paid and non-assessable. Such issued and outstanding shares were not issued in violation of and are not subject to any preemptive rights, resale rights, rights of first refusal or similar rights.

(b) The Purchased Shares have been duly authorized for issuance and sale to the Purchaser pursuant to the terms of this Agreement and, when issued and delivered by the Company to the Purchaser pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued, fully paid and non-assessable and will be free and clear of all Liens (other than those created by or in favor of the Purchaser, transfer restrictions under the certificate of incorporation and bylaws of the Company and applicable federal and state securities laws). The Purchased Shares will not be issued in violation of and will not be subject to any preemptive rights, resale rights, rights of first refusal or similar rights.

(c) Other than as set forth in the Company Reports (as defined below), under the New LLC Agreement or Section 3.07(a), (i) there are no outstanding rights (including preemptive rights), warrants or options to acquire, or instruments convertible into or exchangeable for, any equity interest in any Company Entity (including securities convertible into equity interests), or any Contract of any kind granting any rights to the issuance of any equity interest of any Company Entity, any such convertible or exchangeable securities or any such rights, warrants or options, (ii) there are no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities having the right to vote) with the holders of any equity interests in any Company Entity on any matter submitted to the holders or any class thereof and (iii) no Company Entity has any obligation to purchase, redeem or otherwise acquire any equity interests or to pay any dividend or make any other distribution in respect thereof.

Section 3.08. No Registration Rights. As of the date hereof, except for the Registration Rights Agreement to be entered into as of the date hereof between the Company and the purchasers party thereto and the New LLC Agreement, there are no contracts, agreements or understandings, between any of the Company Entities and any Person granting such Person the right to require any Company Entity to file a registration statement under the Securities Act with respect to any securities of any Company Entity owned or to be owned by such Person or to require any Company Entity to include such securities in any securities being registered pursuant to any registration statement filed by any Company Entity under the Securities Act.

Section 3.09. No General Solicitation; Offering Exemption.

(a) None of the Company or any of its Affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act), has, directly or through an agent, (i) engaged in any form of general solicitation or general advertising in connection with the offering of the Purchased Shares (as those terms are used in Regulation D) under the Securities Act or in any manner involving a public offering within the meaning of Section 4(a)(2) of the Securities Act or (ii) at any time within the past six months, made any offer or sale of any security or any solicitation of any offer to buy any security under circumstances that would (A) eliminate the availability of the exemption from registration

under Regulation D of the Securities Act in connection with the offering and sale of the Purchased Shares as contemplated by this Agreement or (B) cause the offering and sale of the Purchased Shares pursuant to this Agreement to be integrated with any prior offerings by the Company for purposes of any applicable law. The Company has not entered into any contractual arrangement with respect to the sale of the Purchased Shares except for this Agreement.

(b) Assuming the accuracy of the representations of the Purchaser set forth in Section 4.07, the sale and issuance of the Purchased Shares are exempt from registration under the Securities Act, and such sale and issuance is also exempt from registration under applicable state securities and “blue sky” laws. The Company has taken, or will take, all action necessary to be taken to comply with such state securities or “blue sky” laws; *provided* that the Company shall not be required to (i) qualify as a foreign corporation or other entity or as a dealer in securities in any such jurisdiction where it would not otherwise be required to so qualify, (ii) file any general consent to service of process in any such jurisdiction or (iii) subject itself to taxation in any such jurisdiction if it is not otherwise so subject.

Section 3.10. Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) of the Exchange Act and listed on The New York Stock Exchange, and the Company has taken no action designed to, or which to the knowledge of the Company is reasonably likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from The New York Stock Exchange, nor, other than as disclosed in the Company Reports, has the Company received as of the date of this Agreement any notification that the SEC or The New York Stock Exchange is contemplating terminating such registration or listing.

Section 3.11. Compliance with Laws.

(a) Except as otherwise disclosed in the Company Reports, each of the Company Entities possesses such valid and current certificates, authorizations or Permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to own, lease and operate its properties and to conduct its business, except for any of the foregoing that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of, or noncompliance with, any such certificate, authorization or Permit which, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect.

(b) The Company Entities have filed all necessary federal, state, local and foreign tax returns or have properly requested extensions thereof, and have paid all taxes required to be paid by any of them and, if due and payable, any related or similar assessment, fine or penalty levied against any of them except as may be being contested in good faith and by appropriate proceedings and for which adequate reserves are being maintained in accordance with GAAP, and, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.12. Company Reports; Financial Statements.

(a) The Company has filed or furnished, as applicable, on a timely basis, all forms, statements, certifications, reports and documents required to be filed or furnished by it with the SEC pursuant to the Exchange Act or the Securities Act since January 1, 2016 (the “Applicable Date”) (the forms, statements, reports and documents filed or furnished to the SEC since the Applicable Date, including any amendments thereto, the “Company Reports”). Each of the Company Reports, at the time of its filing or being furnished, complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act of 2002, and any rules and regulations promulgated thereunder applicable to the Company Reports. As of their respective dates (or, if amended, as of the date of such amendment), the Company Reports did not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading.

(b) Each of the consolidated balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents, the consolidated financial position of the Company and its consolidated Subsidiaries as of its date and each of the consolidated and combined statements of operations, comprehensive income, equity and cash flows included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings (loss) and changes in financial position, as the case may be, of such companies for the periods set forth therein (subject, in the case of unaudited statements, to notes and normal year-end audit adjustments), and in each case were prepared in accordance with GAAP applied on a consistent basis during the periods involved, except as may be noted therein or in the notes thereto. KPMG LLP is an independent registered public accounting firm with respect to the Company and has not resigned or been dismissed as independent registered public accountants of the Company as a result of or in connection with any disagreement with the Company on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.

Section 3.13. Accounting and Disclosure Controls.

(a) The Company maintains “internal control over financial reporting” (as defined in Rule 13a-15(f) of the Exchange Act) that has been designed by, or under the supervision of, its principal executive and principal financial officers, or persons performing similar functions, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and that include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with the authorizations of management and the directors of the Company; (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a Material Adverse Effect on the Company’s financial statements; and (iv) provide reasonable assurance that the interactive

data in eXtensible Business Reporting Language incorporated by reference in the Company Reports fairly presents the required information in all material respects and has been prepared in accordance with the SEC's rules and guidelines applicable thereto.

(b) The Company maintains "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. The Company has carried out evaluations of the effectiveness of its disclosure controls and procedures as required by Rule 13a-15 of the Exchange Act and such disclosure controls and procedures were effective as of the end of the Company's most recently completed fiscal quarter.

Section 3.14. Compliance with and Liability Under; Environmental Laws.

(a) Except as otherwise disclosed in the Company Reports or as would not, individually or in the aggregate, have a Material Adverse Effect: (i) each of the Company Entities and their respective operations and facilities are in compliance with all applicable Environmental Laws; (ii) each of the Company Entities holds and is in compliance with all Permits, licenses or other governmental authorizations or approvals required for their operations under Environmental Laws; (iii) none of the Company Entities has received any written communication from a Governmental Authority or third party alleging that any of the Company Entities is in violation of, or liable under, any Environmental Law; (iv) there are no claims, demands, actions or proceedings by a Governmental Authority or third party alleging a violation of, or liability under, applicable Environmental Laws that are pending or, to the Company's knowledge, threatened against the Company Entities; (v) none of the Company Entities has received any written notice asserting an alleged liability or obligation under any Environmental Law, including without limitation, CERCLA, or any comparable state Laws, with respect to a site or facility requiring investigation, response or other corrective action; and (vi) there has been no Release or, to the Company's knowledge, threatened Release of Hazardous Materials at, on, under or from any of the Company Entities' properties or, to the Company's knowledge, any other location, that reasonably could be expected to give rise to any liability, or any remedial or corrective action obligations under any Environmental Law.

(b) In the ordinary course of its business, the Company Entities assess the effect of Environmental Laws on their business, operations and properties, and they identify and evaluate associated costs and liabilities (including, without limitation, any capital or operating expenditures required for cleanup, closure of properties, compliance with Environmental Laws or any Permit, license or approval, any related constraints on operating activities, and any potential liabilities to third parties under Environmental Laws).

Section 3.15. Investment Company Status. The Company is not, and after giving effect to the issuance and sale of the Purchased Shares and the application of the proceeds therefrom as described herein will not be, required to register as an “investment company” as such term is defined in the Investment Company Act.

Section 3.16. Absence of Certain Changes. Since September 30, 2017, the Company and its Subsidiaries have conducted their respective businesses in the ordinary course of such businesses consistent with past practices (other than in connection with this Agreement and the Elk Hills Transaction Documents), and there has not been any change with respect to any circumstance, occurrence or development, that, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect.

Section 3.17. Litigation and Liabilities.

(a) Except as otherwise disclosed in the Company Reports, there are no legal or governmental actions, suits or proceedings pending or, to the Company’s knowledge, threatened (i) against or affecting any of the Company Entities or (ii) which have, as the subject thereof, any property owned or leased by any of the Company Entities, which such action, suit or proceeding, in either (i) or (ii), if determined adversely to the applicable Company Entity, would reasonably be expected to have a Material Adverse Effect or adversely affect the consummation of the transactions contemplated by this Agreement or (iii) that are required to be described in the Company Reports and are not so described; and there are no statutes, regulations, contracts or other documents that are required to be described in the Company Reports that are not so described or filed as required.

(b) No material labor dispute with the employees of any of the Company Entities exists, or, to the knowledge of the Company, is imminent, except as described in the Company Reports.

Section 3.18. Energy Regulatory Matters. Every direct and indirect “subsidiary company” (as defined in PUHCA) of the Company that is an “electric utility” or a “public utility” (as those terms are defined under the FPA) is the owner of a QF. The Company is not itself a “public utility” under the FPA. Each QF that is an “affiliate” (as that term is defined under PUHCA) of the Company is in compliance with, or has received a waiver from FERC with respect to, all of the material requirements of the FERC applicable to a QF. The execution, delivery and performance by the Company of this Agreement and the consummation of the Transactions do not require the approval or authorization of the FERC under Section 203(a)(1) of the FPA, provided, however, that following such consummation, any “affiliate” (as that term is defined under PUHCA) of the Company that is a QF, or that holds any authorization or has filed any tariff with the FERC under 18 C.F.R. Part 35 Subpart H of the FERC’s regulations must submit to FERC such notices and reports as the regulations of the FERC then require. The Company is not subject to regulation by FERC as a “Natural Gas Company,” as that term is defined under the Natural Gas Act, as amended. The Company is not subject to regulation as a “public utility” under the California Public Utilities Code. As of the date hereof, to the knowledge of the Company, the Company is not the subject of any actual, pending, or threatened proceeding, investigation, data request, summons, subpoena, or notice under any of 18 C.F.R. Part 1b, Part 1c, Part 33, Part 35, or Part 292. Notwithstanding the foregoing, for so long as any Purchased Shares are owned by the Purchaser, the Company shall promptly advise the Purchaser

of any actual, pending, or threatened loss of the status as a QF, or ineligibility for status as a QF, of any electric generating facility that is directly or indirectly owned, controlled or operated by the Company or any Subsidiary of the Company.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Company as follows as of the date of this Agreement:

Section 4.01. Organization, Existence and Qualification. The Purchaser is an entity that has been duly organized and is validly existing and in good standing under the Laws of its jurisdiction of organization.

Section 4.02. Power. The Purchaser has the requisite power and authority to enter into and perform this Agreement and to consummate the Transactions.

Section 4.03. Authorization and Enforceability. The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the Transactions have been duly and validly authorized by all necessary requisite action on the part of the Purchaser. This Agreement has been duly executed and delivered by the Purchaser and constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 4.04. Brokers' Fees. There is no broker or finder or other Person engaged by the Purchaser who would have any valid claim through the Purchaser against the Company for any commission or brokerage fee or other similar payment in connection with this Agreement or the Transactions as a result of any agreement of or action taken by the Purchaser.

Section 4.05. No Violation. The execution, delivery and performance by the Purchaser of this Agreement, and the consummation of the Transactions will not, with or without notice or the passage of time or both: (a) violate any provision of the organizational documents of the Purchaser; (b) conflict with or violate or breach the terms of, result in a default under, result in the creation of any Lien under, or give rise to any right of termination, cancellation, forfeiture, suspension, adverse modification, or acceleration under any note, bond, mortgage, indenture, credit agreement or other Contract to which the Purchaser is a party or by which it is bound; (c) violate any judgment, order, ruling, regulation or decree applicable to the Purchaser as a party in interest; or (d) violate any Law applicable to the Purchaser or any of its assets, except any matters described in clauses (b), (c) or (d) above which would not have a material adverse effect on the ability of the Purchaser to consummate the Transactions.

Section 4.06. Consents, Approvals or Waivers. All consents, approvals, authorizations or waivers from, and any registrations or filings with or notifications to, any Governmental Authority required on the part of the Purchaser in connection with the Purchaser's execution, delivery or performance of this Agreement and the consummation of the Transactions contemplated therein have been obtained and are effective as of the date hereof.

Section 4.07. Investment Intent. The Purchaser understands that the Purchased Shares are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law. The Purchaser is acquiring the Purchased Shares as principal for its own account for investment purposes only and not with a view to or for distributing or reselling such Purchased Shares or any part thereof, has no present intention of distributing any of such Purchased Shares and has no arrangement or understanding with any other Persons regarding the distribution of such Purchased Shares in any transaction in violation of the applicable federal and state securities laws in the United States (this representation and warranty not limiting the Purchaser's right to sell or otherwise dispose of the Purchased Shares in compliance with applicable federal and state securities laws in the United States and in compliance with other agreed restrictions). The Purchaser does not have any agreement or understanding, directly or indirectly, with any Person to distribute any of the Purchased Shares. Such Purchaser understands and acknowledges that the Purchased Shares are subject to certain resale restrictions under applicable securities laws. The Purchaser also acknowledges that it has been advised to consult its own legal advisers with respect to applicable resale restrictions and that it is solely responsible for complying with such restrictions (and that, without limiting the representations and warranties made by the Company in this Agreement, the Company is not in any manner responsible for ensuring compliance by the Purchaser with such restrictions).

Section 4.08. Purchaser Status. (A) At the time the Purchaser was offered the Purchased Shares, it was, and at the date hereof, it is, an "accredited investor" as defined in Rule 501(a) under the Securities Act. (B) The Purchaser is not itself a "public utility" under the FPA. The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the Transactions do not require the approval or authorization of the FERC under Section 203(a)(2) of the FPA provided, however, that following such consummation, any "affiliate" (as that term is defined under PUHCA) of the Purchaser that holds any authorization or has filed any tariff with the FERC under 18 C.F.R. Part 35 Subpart H of the FERC's regulations must submit to FERC such notices and reports as the regulations of the FERC then require. The Purchaser is not subject to regulation by FERC as a "Natural Gas Company," as that term is defined under the Natural Gas Act, as amended. As of the date hereof, to the knowledge of the Purchaser, the Purchaser is not the subject of any actual, pending, or threatened proceeding, investigation, data request, summons, subpoena, or notice under any of 18 C.F.R. Part 1b, Part 1c, Part 33, Part 35, or Part 292.

Section 4.09. Legends. The Purchaser understands that, until such time as the Purchased Shares have been registered pursuant to the provisions of the Securities Act, or the Purchased Shares are otherwise eligible for resale under the Securities Act (including pursuant to Rule 144 promulgated thereunder) without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Purchased Shares will bear a restrictive

legend as set forth in Exhibit A.

Section 4.10. Experience of the Purchaser. The Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Purchased Shares, and has so evaluated the merits and risks of such investment. The Purchaser is able to bear the economic risk of an investment in the Purchased Shares and, at the present time, is able to afford a complete loss of such investment.

Section 4.11. Access to Information. The Purchaser acknowledges that it has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Purchased Shares and the merits and risks of investing in the Purchased Shares; (ii) access to information about the Company Entities and their respective financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the purchase of the Purchased Shares; and (iv) the opportunity to ask questions of management. Neither such inquiries nor any other investigation conducted by or on behalf of such Purchaser or its representatives or counsel shall modify, amend or affect such Purchaser's right to rely on the truth, accuracy and completeness of the Company's representations and warranties contained in this Agreement. The Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed decision with respect to its acquisition of the Purchased Shares.

Section 4.12. Independent Investment Decision. The Purchaser has independently evaluated the merits of its decision to purchase the Purchased Shares pursuant to this Agreement, and the Purchaser confirms that it has not relied on the advice of any other Person's business and/or legal counsel in making such decision. The Purchaser understands that nothing in this Agreement or any other materials presented by or on behalf of the Company to such Purchaser in connection with the purchase of the Purchased Shares constitutes legal, tax or investment advice. The Purchaser has consulted such legal, tax and investment advisors as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of the Purchased Shares.

Section 4.13. No Reliance. The Purchaser has not relied on any representation or warranty in connection with the purchase of the Purchased Shares other than those contained in this Agreement.

ARTICLE V

INDEMNIFICATION

Section 5.01. Indemnification.

- (a) The Company will indemnify, defend and hold harmless the Purchaser and its

Affiliates and their respective officers, directors, managers, agents, representatives, employees, Subsidiaries, partners, equityholders, members, controlling persons and their respective successors and assignees (collectively, the “Purchaser Indemnitees”) to the fullest extent permitted by Law from and against any and all claims, proceedings (including administrative, judicial or regulatory proceedings), losses, liabilities, damages, deficiencies, judgments, assessments, fines, settlements, costs or expenses (including interest, penalties, reasonable costs of investigation and reasonable fees, disbursements and other charges of counsel) (collectively, “Losses”) based upon, arising out of or otherwise in respect of any breach, violation or inaccuracy by the Company (i) of any representation or warranty made by the Company in this Agreement; or (ii) of any covenant or agreement of the Company contained in this Agreement.

(b) The Purchaser will indemnify, defend and hold harmless the Company, its officers, directors, managers, agents, representatives, employees and Subsidiaries and their respective successors and assignees (collectively, the “Company Indemnitees”), to the fullest extent permitted by Law from and against any and all Losses based upon, arising out of or otherwise in respect of any breach, violation or inaccuracy by the Purchaser (i) of any representation or warranty made by the Purchaser in this Agreement; or (ii) of any covenant or agreement of the Purchaser contained in this Agreement.

(c) Notwithstanding anything to the contrary contained in this Agreement, from and after Closing, this Section 5.01 contains the Parties’ exclusive remedy against each other with respect to breaches of the representations, warranties, covenants and agreements of the Parties contained in Article III, and Article IV, except in the case of Fraud and for claims of injunctive relief in accordance with Section 6.20.

Section 5.02. Indemnification Procedures.

(a) As promptly as possible after receipt by a Purchaser Indemnitee or Company Indemnitee (hereinafter the “Indemnified Party”) under this Article V of notice of the threat, assertion or commencement of any claim, action or proceeding, such Indemnified Party will, if a claim for indemnification in respect thereof is to be made under this Article V, notify the indemnitor hereunder (the “Indemnifying Party”) in writing of the commencement thereof; *provided, however*, that the failure to notify the Indemnifying Party promptly of the threat, assertion or commencement of any such claim, action or proceeding shall not relieve the Indemnifying Party of any liability to the Indemnified Party under this Article V except to the extent that the Indemnifying Party is materially prejudiced by such failure.

(b) The Indemnifying Party shall have the right to participate in and, to the extent the Indemnifying Party desires, to assume at its expense the defense thereof with counsel reasonably satisfactory to the Indemnified Party. For so long as the Indemnifying Party diligently pursues such defense, the Indemnifying Party shall not be liable for any additional legal expenses incurred by the Indemnified Party in connection with any defense or settlement of any claim, action or proceeding; *provided, however*, that if the defendants in any such claim, action or proceeding include both the Indemnified Party and the Indemnifying Party and counsel to the Indemnified Party shall have reasonably concluded that there may be one or more legal defenses available to the Indemnified Party which are different from or additional to those available to the Indemnifying Party, or that

such claim or litigation involves or could have an effect upon matters beyond the scope of the indemnity agreement provided in this Article V, the Indemnifying Party shall not have the right to assume the defense of such action on behalf of such Indemnified Party, and the Indemnifying Party shall reimburse such Indemnified Party for the fees and expenses of one separate counsel that are reasonably related to the matters covered by the indemnity agreement provided in this Article V. For the avoidance of doubt, (i) the Company shall only be required to reimburse the fees and expenses of one separate counsel for all Purchaser Indemnitees pursuant to the foregoing proviso and (ii) the Purchaser Indemnitees shall only be required to reimburse the fees and expenses of one separate counsel for all Company Indemnitees pursuant to the foregoing proviso. Subject to the foregoing, an Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall not be at the expense of the Indemnifying Party. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its prior written consent. The Indemnifying Party shall not, without the prior written consent of the Indemnified Party (such consent not to be unreasonably withheld, conditioned or delayed), effect any settlement of any pending proceeding unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

Section 5.03. Limitations.

(a) The representations and warranties of the Parties set forth in Section 3.01, Section 3.02, Section 3.03, Section 3.07, Section 4.01, Section 4.02 and Section 4.03 shall survive for thirty days following the maximum period permitted by any applicable statute of limitations.

(b) All other representations and warranties in Article III and Article IV shall survive the Closing for a period of twelve (12) months. Representations, warranties, covenants and agreements shall be of no further force and effect after the date of expiration of the applicable survival period; *provided*, that there shall be no termination of any bona fide claim asserted pursuant to this Agreement with respect to any breach of any representation, warranty, covenant, or agreement prior to its expiration date.

(c) The amount of any Losses for which an Indemnified Party is entitled to indemnity under this Article V shall be reduced by (i) the amount of insurance proceeds realized by the Indemnified Party or its Affiliates with respect to such Losses (x) net of any collection costs, retrospective premium adjustments or experience based premium adjustments, (y) excluding any such proceeds in circumstances where the Indemnified Party is required to pay such proceeds over to a third Person pursuant to subrogation arrangements or otherwise and (z) excluding the proceeds of any insurance policy issued or underwritten by the Indemnified Party or its Affiliates and (ii) any Tax Benefit inuring to the Indemnified Party on account of such Losses. For purposes hereof, “Tax Benefit” means any refund of Taxes actually received or reduction in the amount of Taxes actually paid by (A) the Indemnified Party or (B) in the event the Indemnified Party is treated as a partnership or disregarded entity or otherwise as a pass through entity for tax purposes, the direct or indirect owners of the Indemnified Party.

(d) The maximum aggregate amount of indemnifiable Losses arising out of or resulting from the indemnification obligation enumerated in Section 5.01(a) that may be recovered from the

Company shall not exceed the Aggregate Purchase Price.

(e) Notwithstanding anything to the contrary contained in this Agreement, no Person shall be liable under this Article VIII for any consequential, punitive, special, exemplary, incidental or indirect damages, including lost profits.

Section 5.04. Adjustment for Tax Purposes. Any payments made pursuant to this Article V shall constitute an adjustment of the consideration paid for the Purchased Shares for Tax purposes and shall be treated as such by the Parties on their tax returns to the extent permitted by Law.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Public Announcements. No Party shall make any press release or other public announcement regarding the existence of this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed; *provided, however*, that the foregoing shall not restrict disclosures by the Purchaser or the Company that are required by applicable securities or other Laws or by the applicable rules of any stock exchange having jurisdiction over the disclosing Party or its Affiliates.

Section 6.02. Fees and Expenses. Subject to Section 7.13 of the Contribution and Unit Purchase Agreement dated as of the date hereof, each Party shall pay fees and expenses incurred by such Party in connection with the negotiation, documentation and diligence of, and the transactions contemplated by, this Agreement.

Section 6.03. Transfer Taxes. All transfer, sales and use, registration, stamp and similar Taxes imposed in connection with the sale of the Purchased Shares or any other transaction that occurs pursuant to this Agreement shall be borne by the Company.

Section 6.04. Further Assurances. The Company shall use its reasonable best efforts to promptly secure the listing of the Purchased Shares upon the New York Stock Exchange. The Company agrees to execute and deliver and the Purchaser agrees to execute and deliver, such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the Transactions.

Section 6.05. Independent Investment. Except as may be otherwise disclosed by the Purchaser in any filings with the SEC under Section 13 and/or Section 16 of the Exchange Act, the Purchaser is acting independently with respect to its investment in, and related rights with respect to voting, holding or disposing of, the Purchased Shares purchased hereunder.

Section 6.06. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement. Facsimiles of signatures or signatures delivered in

portable document format (.pdf) will be deemed to be originals.

Section 6.07. Notices. All notices that are required or may be given pursuant to this Agreement shall be sufficient in all respects if given in writing. Any such notice shall be deemed given (a) when made, if made by hand delivery, and upon confirmation of receipt, if made by electronic mail transmission, (b) one Business Day after being deposited with a next-day courier, postage prepaid, or (c) three Business Days after being sent certified or registered mail, return receipt requested, postage prepaid, in each case addressed as follows:

If to the Company, to:

California Resources Corporation
9200 Oakdale Avenue, 9th Floor
Los Angeles, California 91311
Attn: Michael L. Preston
Executive Vice President,
General Counsel and Corporate Secretary
Email: Michael.Preston@crc.com

With a copy to (which copy shall not constitute notice):

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, California 90067-1725
Attn: Alison S. Ressler
Email: resslera@sullcrom.com

If to any Purchaser, to:

[•]

With a copy to (which copy shall not constitute notice):

Clifford Chance US LLP
31 West 52nd Street
New York, New York 10019
Attn: Michael Sabin
Email: michael.sabin@cliffordchance.com

Any Party may change its address for notice by notice to the other in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

Section 6.08. Removal of Legend. In connection with a sale of Purchased Shares by the Purchaser in reliance on Rule 144, the Purchaser or its broker shall deliver to the

Transfer Agent and the Company a broker representation letter providing to the Transfer Agent and the Company any information the Company deems necessary to determine that the sale of the Purchased Shares is made in compliance with Rule 144. Upon receipt of such representation letter, the Company shall promptly direct its transfer agent to remove the notation of a restrictive legend in the Purchaser's certificate or the book entry account maintained by the Transfer Agent, including the legend referred to in Section 4.09, and the Company shall bear all costs associated therewith. At such time as the Purchased Shares have been sold pursuant to an effective registration statement under the Securities Act or have been held by the Purchaser for more than six months if the Purchaser is not, and has not been in the preceding three months, an affiliate of the Company (as defined in Rule 144), if the book entry account or certificate for such Purchased Shares still bears the notation of the restrictive legend referred to in Section 4.09, the Company agrees, upon request of the Purchaser or permitted assignee, to take all steps necessary to promptly effect the removal of the legend described in Section 4.09 from the Purchased Shares, and the Company shall bear all costs associated therewith, regardless of whether the request is made in connection with a sale or otherwise, so long as the Purchaser or its permitted assigns provide to the Company any information the Company deems reasonably necessary to determine that the legend is no longer required under the Securities Act or applicable state laws. The Company shall cooperate with the Purchaser to effect the removal of the legend referred to in Section 4.09 at any time such legend is no longer appropriate.

Section 6.09. Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of the Purchased Shares to the public without registration, the Company agrees to use its reasonable best efforts to:

- (a) make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144, at all times from and after the Closing Date until all Purchased Shares held by the Purchaser are Freely Tradable;
- (b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the Closing Date until all Purchased Shares held by the Purchaser are Freely Tradeable;
- (c) until all Purchased Shares held by the Purchaser are Freely Tradeable, furnish to the Purchaser forthwith upon request a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as the Purchaser may reasonably request in availing itself of any rule or regulation of the SEC allowing the Purchaser to sell any such Purchased Shares without registration; and
- (d) take such further action as the Purchaser may reasonably request, all to the extent required from time to time to enable the Purchaser to sell Purchased Shares without registration under the Securities Act within the limitations of the exemption provided by Rule 144.

Section 6.10. Governing Law. This Agreement and all matters pertaining hereto, including matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction hereof, shall be governed and construed in accordance

with the Laws of the State of Delaware, United States of America without regard to principles of conflicts of laws that would direct the application of the Laws of another jurisdiction. Any action referred to in this Section 6.10 shall be brought in the federal or state courts located within the State of Delaware. The Parties hereto hereby (a) irrevocably consent to the personal jurisdiction and venue of such courts, and (b) waive any claim (by way of motion, as a defense or otherwise) of improper venue, that such parties are not subject personally to the jurisdiction of such courts, that such courts are an inconvenient forum or that this Agreement or the subject matter may not be enforced in or by such courts. The Parties agree that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

Section 6.11. Waiver of Jury Trial. THE PARTIES HEREBY ACKNOWLEDGE THAT THEY HAVE BEEN REPRESENTED BY AND HAVE CONSULTED WITH COUNSEL OF THEIR CHOICE, AND HEREBY KNOWINGLY, VOLUNTARILY, INTENTIONALLY, AND IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN RESPECT OF ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 6.12. Captions; Headings. The Table of Contents and the captions and headings in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

Section 6.13. Amendment. No amendment, supplement or modification of or to any provision of this Agreement, or any waiver of any provisions of this Agreement shall be effective unless signed by each of the Company and the Purchaser.

Section 6.14. Waivers. Any failure by any Party to comply with any of its obligations or agreements herein contained may be waived by the Party to whom such compliance is owed by an instrument signed by the Party to whom compliance is owed and expressly identified as a waiver but not in any other manner. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 6.15. Assignment; Successors and Assignees.

(a) The Company may not assign or otherwise transfer all or any part of this Agreement, nor shall the Company delegate any of its rights or duties hereunder, without the prior written consent of the Purchaser and any transfer or delegation made without such consent shall be void.

(b) The Purchaser may not assign or otherwise transfer all or any part of this Agreement, nor shall the Purchaser delegate any of its rights or duties hereunder, without the prior written consent of the Company and any transfer or delegation made without such consent shall be void.

(c) On and after the Closing, subject to compliance with any restrictions on transfer imposed by the Securities Act and state securities and “blue sky” laws, the Purchaser may transfer the Purchased Shares to any Person.

(d) Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 6.16. Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof, and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

Section 6.17. Third Person Beneficiaries. Nothing in this Agreement shall entitle any Person other than the Purchaser, the Company and their respective successors and permitted assigns to any claim, cause of action, remedy or right of any kind; *provided, however*, that the indemnification provisions of Article V shall inure to the benefit of the Indemnified Parties.

Section 6.18. References; Exhibits.

(a) In this Agreement, unless a clear contrary intention appears:

(i) References to any gender includes a reference to all other genders;

(ii) Reference to a Person includes such Person’s successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity;

(iii) References to the singular includes the plural, and vice versa;

(iv) Reference to any Article or Section means an Article or Section of this Agreement;

(v) References to “days” are to calendar days;

(vi) All references to money refer to the lawful currency of the United States;

(vii) Reference to any Exhibit means an Exhibit to this Agreement, all of which are incorporated into and made a part of this Agreement;

(viii) Unless expressly provided to the contrary, “hereunder”, “hereof”, “herein” and words of similar import are references to this Agreement as a whole and not any particular Section or other provision of this Agreement;

(ix) The word “or” is not exclusive;

(x) “Include” and “including” mean including, without limitation; and

(xi) The “knowledge” of a Party means the actual knowledge of the executive officers of such Party, after internal inquiry of such Party’s personnel as such executive officers have deemed appropriate.

Section 6.19. Construction. The Purchaser is capable of making such investigation, inspection, review and evaluation of the Purchased Shares as a prudent purchaser would deem appropriate under the circumstances. The Company and the Purchaser have had the opportunity to exercise business discretion in relation to the negotiation of the details of the transaction contemplated hereby. This Agreement is the result of arm’s-length negotiations from equal bargaining positions. Each Party has been represented by its own counsel in connection with the negotiation and preparation of this Agreement and, consequently, each Party hereby waives the application of any rule of Law that would otherwise be applicable in connection with the interpretation of this Agreement, including but not limited to any rule of Law to the effect that any provision of this Agreement will be interpreted or construed against the Party whose counsel drafted that provision.

Section 6.20. Specific Performance. The Parties agree that irreparable damage may occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Each Party agrees that, in the event of any breach or threatened breach by any other Party of any covenant or obligation contained in this Agreement, the non-breaching Party shall be entitled (in addition to any other remedy that may be available to it, including monetary damages) to seek and obtain (a) a decree or order of specific performance to enforce the observance and performance of such covenant or obligation, and (b) an injunction restraining such breach or threatened breach. Each Party further agrees that no other Party or any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 6.20, and each Party hereto irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument. Each Party further agrees that it shall not object to the granting of an order of specific performance, an injunction or other equitable relief on the basis that there exists an adequate remedy at law.

Section 6.21. Severability. Any term or provision of this Agreement which is determined by a court of competent jurisdiction to be invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction, and if any provision of this Agreement is determined to be so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable, in all cases so long as neither the economic nor legal substance of the Transactions contemplated hereby is affected in any manner adverse to any Party or its equityholders. Upon any such determination, the Parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the Parties as closely as possible and to the end that the Transactions contemplated hereby shall be fulfilled to the

maximum extent possible.

[Signature pages follow]

IN WITNESS WHEREOF, this Agreement has been signed by each of the Parties as of the date first above written.

COMPANY:

California Resources Corporation

By: _____
Name:
Title:

Signature Page to Stock Purchase Agreement

PURCHASER:

By: _____
Name:
Title:

Signature Page to Stock Purchase Agreement

EXHIBIT A

Restrictive Legend

“THE OFFER AND SALE OF THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THE SECURITIES UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER AND, IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS SOLD PURSUANT TO RULE 144 UNDER SUCH ACT OR THE ISSUER HAS RECEIVED DOCUMENTATION REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER SUCH ACT.

Exhibit A to Stock Purchase Agreement

REGISTRATION RIGHTS AGREEMENT

by and among

CALIFORNIA RESOURCES CORPORATION

and

THE PURCHASERS NAMED ON SCHEDULE A HERETO

February 7, 2018

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this “Agreement”) is made and entered into as of February 7, 2018, by and among California Resources Corporation, a Delaware corporation (the “Company”), and the purchasers named on Schedule A hereto (each a “Purchaser” and collectively, the “Purchasers”).

RECITALS

WHEREAS, this Agreement is made in connection with the closing of the issuance and sale of the Securities (as defined below) pursuant to the Stock Purchase Agreement, dated as of February 7, 2018, by and among the Company and the purchasers named on Schedule A thereto (the “Stock Purchase Agreement”); and

WHEREAS, the Company has agreed to provide the registration and other rights set forth in this Agreement for the benefit of the Purchasers pursuant to the Stock Purchase Agreement.

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

ARTICLE I DEFINITIONS

Section 1.1 Definitions. Capitalized terms used herein without definition shall have the meanings given to them in the Stock Purchase Agreement, except that the terms set forth below are used herein as so defined:

“Affiliate” has the meaning ascribed to it, on the date hereof, under Rule 405 of the Securities Act.

“Agreement” has the meaning specified therefor in the introductory paragraph.

“Automatic Shelf Registration Statement” means a registration statement that shall become effective upon filing with the SEC pursuant to Rule 462(e) (or any successor or similar provision adopted by the SEC then in effect) under the Securities Act.

“Beneficially Own” has the meaning ascribed to it in Section 13(d) of the Exchange Act. “Beneficial Ownership” has a correlative meaning.

“Board” means the Board of Directors of the Company.

“Closing Date” means the date of this Agreement.

“Common Stock” means the common stock, par value \$0.01 per share, of the Company, and any class or classes of stock resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any

liquidation, dissolution or winding up of the Company.

“Company” has the meaning specified therefor in the introductory paragraph of this Agreement and includes any successor thereto.

“FINRA” shall mean the Financial Industry Regulatory Authority, Inc.

“Holder” means the Purchasers and their Affiliates, when such Person is a holder or owner of any Registrable Securities.

“Included Registrable Securities” has the meaning specified therefor in Section 2.2(a) of this Agreement.

“Launch Date” has the meaning specified therefor in Section 2.2(b) of this Agreement.

“Losses” has the meaning specified therefor in Section 2.8(a) of this Agreement.

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

“Opt-Out Notice” has the meaning specified therefor in Section 2.2(a) of this Agreement.

“Overnight Underwritten Offering” has the meaning specified therefor in Section 2.2(b) of this Agreement.

“Parity Holders” has the meaning specified therefor in Section 2.2(c) of this Agreement.

“Person” means any natural person, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, foundation, unincorporated organization or government or other agency or political subdivision thereof.

“Piggyback Offering” has the meaning specified therefor in Section 2.2(a) of this Agreement.

“Purchaser” has the meaning specified therefor in the introductory paragraph of this Agreement.

“Registrable Securities” means the Securities, upon original issuance thereof, or any shares or other securities issued in respect of such Registrable Securities because of or in connection with any stock dividend, stock distribution, stock split, purchase in any rights offering or in connection with any exchange for or replacement of such Registrable Securities or any combination of shares, recapitalization, merger or consolidation, or any other equity securities issued pursuant to any other pro rata distribution with respect to the Common Stock or other Registrable Securities, until such time as such securities cease to be Registrable Securities pursuant to Section 1.2 hereof.

“Registration Expenses” has the meaning specified therefor in Section 2.7(a) of this Agreement.

“Rule 144” means Rule 144 promulgated under the Securities Act or any similar rule or regulation hereafter adopted by the SEC having substantially the same effect as such rule.

“SEC” means the U.S. Securities and Exchange Commission (or any successor agency).

“Securities” means the shares of Common Stock issued pursuant to the Stock Purchase Agreement.

“Selling Expenses” means all underwriting discounts, selling commissions or similar fees or arrangements or stock transfer taxes allocable to the sale of the Registrable Securities, and fees and disbursements of counsel to the Selling Holders, other than those fees and disbursements of counsel required to be paid by the Company pursuant to Section 2.7(a) of this Agreement.

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

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

“Unaffiliated Directors” means the members of the Board other than any members of the Board who are Affiliates of the Purchasers or any other Person(s) who are a member of a “group” (within the meaning of Section 13(d)(3) of the Exchange Act) with any Purchaser with respect to the Company or any Voting Securities, and any consent of a majority of the Unaffiliated Directors referred to herein shall refer to an action duly taken by such Unaffiliated Directors by written consent or at a meeting of such Unaffiliated Directors duly called and convened in accordance with applicable law and governance procedures.

“Underwritten Offering” means an offering in which Common Stock is sold to an underwriter on a firm commitment basis for reoffering to the public or an offering that is a “bought deal” or a “broker-facilitated” transaction with one or more investment banks. As used in this Agreement, a “broker-facilitated transaction” is a transaction in which the broker requests an opinion of counsel, comfort letter and/or due diligence information because of such broker’s internal policies and procedures related to such transaction and such broker having potential liability as an “underwriter” under Section 2(a)(11) of the Securities Act.

“Underwritten Offering Filing” has the meaning specified therefor in Section 2.2(a) of this Agreement.

“Votes” means votes entitled to be cast generally in the election of members of the Board.

“Voting Power” means, as of any time, the ratio, expressed as a percentage, of (x) the Votes represented by the Voting Securities with respect to which the Voting Power is being determined to (y) the aggregate Votes represented by all then outstanding Voting Securities.

“Voting Securities” means, together, (1) the Common Stock and (2) any shares of any class of capital stock of the Company other than the Common Stock that are entitled to vote generally in the election of members of the Board.

Section 1.2 Registrable Securities. Any Registrable Security will cease to be a Registrable Security when (a) a registration statement covering such Registrable Security becomes or has been declared effective by the SEC and such Registrable Security has been sold or disposed of pursuant to such effective registration statement; (b) such Registrable Security has been disposed of pursuant to any section of Rule 144 under circumstances in which all of the applicable conditions of such Rule (then in effect) are met; or (c) such Registrable Security is otherwise held by any Person other than Purchasers or one of their Affiliates.

ARTICLE II REGISTRATION RIGHTS

Section 2.1 Demand Registration.

(a) Demand Registration. If the Company shall be requested in writing by the Holders of at least a majority of the outstanding Registrable Securities (such request specifying the approximate number of Registrable Securities requested to be registered, the anticipated per share price range for such offering and an election as to whether such registration cover an Underwritten Offering), to effect a registration under the Securities Act of Registrable Securities in accordance with this Section 2.1(a), then the Company shall use its reasonable best efforts to effect and facilitate such registration, as promptly as practicable, on an appropriate form under the Securities Act (and on an Automatic Shelf Registration Statement, if then available to the Company, or if an Automatic Shelf Registration Statement is not then available to the Company, on Form S-3, or if Form S-3 is not then available to the Company, on Form S-1 or such other form of registration statement as is then available to the Company), of the Registrable Securities which the Company has been so requested to register; *provided, however*, that the Company shall not be obligated to effect any registration under the Securities Act except in accordance with the following provisions:

(i) the Company shall not be obligated to file any registration statement pursuant to this Section 2.1(a) for 180 days following the date of this Agreement;

(ii) the Company shall not be obligated to file any registration statement pursuant to this Section 2.1(a) contemplating a continuous or delayed offering pursuant to Rule 415 under the Securities Act (or any successor or similar rule adopted by the SEC then in effect);

(iii) the Company shall not be obligated to file more than two (2) registration statements in total pursuant to this Section 2.1(a);

(iv) with respect to the registration pursuant to this Section 2.1(a) or any Underwritten Offering pursuant to such registration statement filed pursuant hereto, the Company may include in such registration or offering any equity securities other than Registrable Securities; *provided, however*, that if the Managing Underwriter or Underwriters of any Underwritten Offering or Overnight Underwritten Offering, as the case may be, advises the Company, and the Company

advises the Purchasers in writing, that the total amount of securities that the Selling Holders and any other Persons intend to include in such Underwritten Offering or Overnight Underwritten Offering exceeds the number that can be sold in such Underwritten Offering or Overnight Underwritten Offering without being likely to have a material adverse effect on the price, timing or distribution of the securities offered or the market for such securities, then the securities to be included in such Underwritten Offering or Overnight Underwritten Offering shall include the number of securities that such Managing Underwriter or Underwriters advises the Company can be sold without having such adverse effect, with such number to be allocated: (x) first, to the Registrable Securities held by all Selling Holders, pro rata based upon the number of Registrable Securities owned by each such Selling Holder at the time of such registration or offering, as the case may be; (y) second, to the securities to be offered and sold by or on behalf of the Company; and (z) third, to the securities that do not constitute Registrable Securities or securities to be offered or sold by or on behalf of the Company.

(b) Delay Rights. Notwithstanding anything to the contrary contained herein, the Company may, upon written notice to the Purchasers, delay the filing of a registration statement filed under Section 2.1(a) or, suspend the use of any prospectus which is a part of a registration statement filed under Section 2.1(a) (in which event the Selling Holders shall discontinue sales of the Registrable Securities pursuant to such registration statement but such Selling Holder may settle any contracted sales of Registrable Securities) if the Company notifies the Purchasers in writing that the Company (i) is pursuing a bona fide acquisition, merger, reorganization, disposition, joint venture or other similar transaction and the Company determines in good faith that any required disclosure of such transaction in the registration statement would not be in the best interest of the Company or (ii) is in possession of material non-public information or has experienced some other material non-public event and the Company determines in good faith that any required disclosure in the registration statement of such information or event would not be in the best interest of the Company; provided, however, in no event shall (A) such filing of the registration statement filed under Section 2.1(a) be delayed under this Section 2.1(b) for a period that exceeds one hundred twenty (120) days (or a longer period of time with the prior written consent of the Holders of at least a majority of the outstanding Registrable Securities, which consent will not unreasonably be withheld) or one hundred eighty 180 days in aggregate in any one-year period or (B) such Selling Holders be suspended under this Section 2.1(b) from selling Registrable Securities pursuant to such registration statement for a period that exceeds one hundred twenty (120) days (or a longer period of time with the prior written consent of the Holders of at least a majority of the outstanding Registrable Securities, which consent will not unreasonably be withheld) or one hundred eighty (180) days in aggregate in any one-year period. Upon notice by the Company to the Purchasers of any determination to delay the filing of a registration statement filed under Section 2.1(a) or suspend the use of any prospectus which is a part of a registration statement filed under Section 2.1(a), Holders shall keep the fact of any such delay or suspension strictly confidential and shall not use or disclose such notice or information to any Person other than such Holder's legal counsel or as required by law. Upon disclosure of such information or the termination of the condition described above, the Company shall provide prompt notice to the Purchasers and shall promptly terminate any suspension of sales it has put into effect and shall take such other actions to permit registered sales of Registrable Securities as contemplated in this Agreement.

(c) Rescission of Demand Registration. A requested registration under Section 2.1(a) may be rescinded by written notice to the Company by the Selling Holders holding a majority of the Registrable Securities to be included in such registration under the following circumstances:

(i) if such registration statement is rescinded prior to the filing date, such rescinded registration shall not count as a registration statement initiated pursuant to Section 2.1(a); and

(ii) if such registration statement is rescinded after the filing date but prior to its effective date, such rescinded registration shall not count as a registration statement initiated pursuant to Section 2.1(a) if the Selling Holders (x) have reimbursed the Company for all Registration Expenses incurred by the Company in connection with such rescinded registration or (y)(1) reasonably believed that the registration statement contained an untrue statement of material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein not misleading, in the light of the circumstances then existing, (2) notified the Company of such fact and requested that the Company correct such alleged misstatement or omission and (3) the Company has refused to correct such alleged misstatement or omission; *provided, however*, that, notwithstanding anything herein to the contrary, a registration shall not count as a registration statement initiated pursuant to Section 2.1(a) unless it becomes effective and the Selling Holders are able to sell at least seventy-five percent (75%) of the Registrable Securities sought to be included in such registration statement.

Section 2.2 Piggyback Rights.

(a) Participation. Except as provided in Section 2.2(b), if at any time after 180 days following the date of this Agreement, the Company proposes to file (i) a shelf registration statement, (ii) a prospectus supplement to an effective shelf registration statement, and Holders could be included without the filing of a post-effective amendment thereto (other than a post-effective amendment that is immediately effective), or (iii) a registration statement, other than the registration statements contemplated by Section 2.1(a) of this Agreement, in the case of each of clause (i), (ii) or (iii), for the sale of Common Stock in an Underwritten Offering or Overnight Underwritten Offering for its own account and/or another Person, then as soon as practicable but not less than five (5) Business Days (or two (2) Business Day in the case of an Overnight Underwritten Offering) prior to the filing of (A) any preliminary prospectus supplement relating to such Underwritten Offering pursuant to Rule 424(b) under the Securities Act, (B) the prospectus supplement relating to such Underwritten Offering pursuant to Rule 424(b) under the Securities Act (if no preliminary prospectus supplement is used) or (C) such registration statement, as the case may be (an “Underwritten Offering Filing”), the Company shall give notice (including, but not limited to, notification by electronic mail) of such proposed Underwritten Offering (a “Piggyback Offering”) to the Holders and such notice shall offer the Holders the opportunity to include in such Underwritten Offering such number of the Registrable Securities (the “Included Registrable Securities”) as the Holders may request in writing; *provided, however*, that if the Company has been advised by the Managing Underwriter, and the Company has advised the Selling Holders in writing, that the inclusion of Registrable Securities for sale for the benefit of the Selling Holders will have a material adverse effect on the price, timing or distribution of the Common Stock in the Underwritten

Offering, then the amount of Registrable Securities to be offered for the accounts of Selling Holders shall be determined based on the provisions of Section 2.2(c) of this Agreement. The notice required to be provided in this Section 2.2(a) to the Holders shall be provided on a Business Day pursuant to Section 3.1 hereof. The Holders shall then have three (3) Business Days (or one (1) Business Day in the case of an Overnight Underwritten Offering) to request inclusion of Registrable Securities in the Underwritten Offering. If no request for inclusion from the Holders is received within such period, the Holders and their Affiliates shall have no further right to participate in such Underwritten Offering. If, at any time after giving written notice of its intention to undertake an Underwritten Offering and prior to the closing of such Underwritten Offering, the Company shall determine for any reason not to undertake or to delay such Underwritten Offering, the Company may, at its election, give written notice of such determination to the Selling Holders and, (x) in the case of a determination not to undertake such Underwritten Offering, shall be relieved of its obligation to sell any Included Registrable Securities in connection with such terminated Underwritten Offering, and (y) in the case of a determination to delay such Underwritten Offering, shall be permitted to delay offering any Included Registrable Securities for the same period as the delay in the Underwritten Offering. A Selling Holder shall have the right to withdraw its request for inclusion of such Selling Holder's Registrable Securities in such offering by giving written notice to the Company of such withdrawal up to two (2) Business Days prior to such offering. Notwithstanding the foregoing, a Holder may deliver written notice (an "Opt-Out Notice") to the Company requesting that such Holder not receive notice from the Company of any proposed Underwritten Offering; *provided, however*, that such Holder may later revoke any such Opt-Out Notice in writing not less than one (1) Business Day prior to such offering.

(b) Overnight Underwritten Offering Piggyback Rights. If, at any time after 180 days following the date of this Agreement, the Company proposes to file an Underwritten Offering Filing and such Underwritten Offering is expected to be launched (the "Launch Date") after the close of trading on one (1) trading day and priced before the open of trading on the next succeeding trading day (such execution format, an "Overnight Underwritten Offering"), then no later than one (1) Business Day after the Company engages a Managing Underwriter for the proposed Overnight Underwritten Offering, the Company shall notify (including, but not limited to, notice by electronic mail) the Holders of the pendency of the Overnight Underwritten Offering and such notice shall offer the Holders the opportunity to include in such Overnight Underwritten Offering such number of Registrable Securities as any Holder may request in writing within one (1) Business Day after the Holders receive such notice. Notwithstanding the foregoing, if the Company has been advised by the Managing Underwriter that the inclusion of Registrable Securities in the Overnight Underwritten Offering for the accounts of the Selling Holders is likely to have a material adverse effect on the price, timing or distribution of the Common Stock, then the amount of Registrable Securities to be included in the Overnight Underwritten Offering for the accounts of Selling Holders shall be determined based on the provisions of Section 2.2(c) of this Agreement. If, at any time after giving written notice of its intention to execute an Overnight Underwritten Offering and prior to the closing of such Overnight Underwritten Offering, the Company determines for any reason not to undertake or to delay such Overnight Underwritten Offering, the Company shall give written notice of such determination to the Selling Holders and, (i) in the case of a determination not to undertake such Overnight Underwritten Offering, shall be relieved of its obligation to sell any Registrable Securities held by the Selling Holders in connection with such abandoned or delayed

Overnight Underwritten Offering, and (ii) in the case of a determination to delay such Overnight Underwritten Offering, shall be permitted to delay offering any Registrable Securities held by the Selling Holders for the same period as the delay of the Overnight Underwritten Offering. Each Selling Holder shall have the right to withdraw its request for inclusion of such Selling Holder's Registrable Securities in such Overnight Underwritten Offering by giving written notice to the Company of such withdrawal at least one (1) Business Day prior to the expected Launch Date. Notwithstanding the foregoing, a Holder may deliver an Opt-Out Notice to the Company requesting that such Holder not receive notice from the Company of any proposed Overnight Underwritten Offering.

(c) Priority of Rights. In connection with an Underwritten Offering and Overnight Underwritten Offering contemplated by Section 2.2(a) and Section 2.2(b), respectively, if the Managing Underwriter or Underwriters of any such Underwritten Offering or Overnight Underwritten Offering, as the case may be, advises the Company, and the Company advises the Selling Holders in writing, that the total amount of Common Stock that the Selling Holders and any other Persons intend to include in such Underwritten Offering or Overnight Underwritten Offering exceeds the number that can be sold in such Underwritten Offering or Overnight Underwritten Offering without being likely to have a material adverse effect on the price, timing or distribution of the Common Stock offered or the market for the Common Stock, then the Common Stock to be included in such Underwritten Offering or Overnight Underwritten Offering shall include the number of Registrable Securities that such Managing Underwriter or Underwriters advises the Company can be sold without having such adverse effect, with such number to be allocated (i) first, to the Company or such other Person as has requested such registration, filing or offering, as the case may be, and (ii) second, pro rata among all Selling Holders and other holders of any other shares of Common Stock having rights of registration on parity with the Registrable Securities ("Parity Holders") who have requested participation in such Underwritten Offering or Overnight Underwritten Offering. The pro rata allocations for each such Selling Holder shall be the product of (A) the aggregate number of Registrable Securities and shares of Common Stock proposed to be sold by all Selling Holders and Parity Holders, respectively, participating in the Underwritten Offering or Overnight Underwritten Offering (for the avoidance of doubt, after giving effect to the allocation to the Company pursuant to clause (i) of the preceding sentence) multiplied by (B) the fraction derived by dividing (x) the number of Registrable Securities owned at such time by such Selling Holder by (y) the aggregate number of Registrable Securities and shares of Common Stock owned at such time by all Selling Holders and Parity Holders, respectively, participating in the Underwritten Offering or Overnight Underwritten Offering.

(d) At-the-Market Offerings. Notwithstanding anything in this Section 2.2 to the contrary, no Holder shall have any right to include any securities in any offering by the Company of securities executed pursuant to any "at the market" program that the Company may have in effect from time to time on or after the date of this Agreement.

Section 2.3 Underwritten Offering. In the event that the Selling Holders holding a majority of the Registrable Securities included in a registration under Section 2.1(a) elect from time to time to dispose of Registrable Securities under such registration statement, pursuant to an Underwritten Offering or Overnight Underwritten Offering, the Company will retain Underwriters

selected by greater than 50% of the Selling Holders (which Underwriters shall be reasonably acceptable to the Company) subject to such sale through an Underwritten Offering or Overnight Underwritten Offering, including entering into an underwriting agreement with the Managing Underwriter or Underwriters that contains such representations, covenants, indemnities and other rights and obligations as are customary in underwriting agreements for firm commitment offerings of securities, which shall include, among other provisions, indemnities to the effect and to the extent provided in Section 2.8, and will take all reasonable actions as are requested by the Managing Underwriter in order to expedite or facilitate the registration and disposition of the Registrable Securities. The Company management shall participate in a roadshow or similar marketing effort on behalf of any such Holder or Holders; *provided, however*, that the Company management shall not be required to participate in more than two (2) roadshows or similar marketing efforts. In no event may the Holders request more than two (2) Underwritten Offerings or Overnight Underwritten Offerings. No Selling Holder may participate in such Underwritten Offering or Overnight Underwritten Offering unless such Selling Holder agrees to sell its Registrable Securities on the basis provided in such underwriting agreement and completes and executes all questionnaires, powers of attorney, indemnities and other documents reasonably and customarily required under the terms of such underwriting agreement. No Selling Holder shall be required to make any representations or warranties to or agreements with the Company or the Underwriters other than representations, warranties or agreements regarding such Selling Holder and its ownership of the securities being registered on its behalf and its intended method of distribution and any other representations required by law. If a Selling Holder disapproves of the terms of an underwriting, such Selling Holder may elect to withdraw therefrom by notice to the Company and the Managing Underwriter; *provided, however*, that such notice of withdrawal must be made at a time prior to one (1) Business Day prior to the time of pricing of such offering in order to be effective. No such withdrawal or abandonment shall affect the Company's obligation to pay Registration Expenses. With respect to any Underwritten Offering, if the Managing Underwriter or Underwriters of any Underwritten Offering or Overnight Underwritten Offering, as the case may be, advises the Company, and the Company advises the Selling Holders in writing, that the total amount of securities that the Selling Holders and any other Persons intend to include in such Underwritten Offering or Overnight Underwritten Offering exceeds the number that can be sold in such Underwritten Offering or Overnight Underwritten Offering without being likely to have a material adverse effect on the price, timing or distribution of the securities offered or the market for such securities, then the securities to be included in such Underwritten Offering or Overnight Underwritten Offering shall include the number of securities that such Managing Underwriter or Underwriters advises the Company can be sold without having such adverse effect, with such number to be allocated: (x) first, to the Registrable Securities held by all Selling Holders, pro rata based upon the number of Registrable Securities owned by each such Selling Holder at the time of such offering; (y) second, to the securities to be offered and sold by or on behalf of the Company; and (z) third, to the securities that do not constitute Registrable Securities or securities to be offered or sold by or on behalf of the Company. The Company's obligations under this Section 2.3 to effect an Underwritten Offering or Overnight Underwritten Offering shall be conditioned on gross proceeds from such Underwritten Offering or Overnight Underwritten Offering reasonably being expected to exceed \$25 million.

Section 2.4 Registration Procedures. In connection with its obligations under this Article II, the Company (or the applicable Selling Holder in the case of Section 2.4(q)), will use its reasonable best effort to:

(a) prepare and file with the SEC, and cause to be declared or become effective as soon as reasonably practicable, each registration statement contemplated by this Agreement with respect to all Registrable Securities as provided herein, make all required filings with FINRA; upon the occurrence of any event that would cause any registration statement or the prospectus contained therein to contain a material misstatement or omission, the Company shall file an appropriate amendment to the registration statement, a supplement to the prospectus, or a report filed with the SEC pursuant to Section 13(a), 14 or 15(d) of the Exchange Act, correcting any such misstatement or omission, and the Company shall use reasonable best efforts to cause such amendment to be declared or become effective and the registration statement and the related prospectus to become usable for their intended purposes as soon as reasonably practicable thereafter;

(b) (i) prepare and file with the SEC such amendments and supplements to each registration statement and the prospectus used in connection therewith as may be necessary to cause the registration statement to be effective and as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the registration statement; and (ii) if a prospectus supplement will be used in connection with the marketing of an Underwritten Offering or Overnight Underwritten Offering from a registration statement contemplated by this Agreement and the Managing Underwriter at any time shall notify each Selling Holder that, in the reasonable judgment of such Managing Underwriter, inclusion of detailed information to be used in such prospectus supplement is of material importance to the success of the Underwritten Offering or Overnight Underwritten Offering of such Registrable Securities, or if such information is required by applicable law (including the rules and regulation of the SEC), include such information in a prospectus supplement; *provided, that*, before filing any registration statement, prospectus or any amendments or supplements thereto the Company shall provide reasonable advance notice thereof to each Selling Holder and, if requested, furnish a reasonable opportunity to review copies of all such documents (including copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed (in each case at least three (3) Business Days prior to such filing or in the case of documents filed in connection with an Overnight Underwritten Offering at least one (1) Business Day), and the Company shall not file any such registration statement or prospectus or any amendments or supplements thereto in respect of which the a Selling Holder has provided or must provide information for the inclusion therein without the Selling Holder being afforded an opportunity to review such documentation if the Holders of a majority of the Registrable Securities covered by such registration statement, or the Managing Underwriter or Managing Underwriters, if any, or any of their respective counsel shall reasonably object in writing on a timely basis;

(c) furnish to each Selling Holder (i) as far in advance as reasonably practicable before filing any registration statement contemplated by this Agreement or any prospectus or prospectus supplement to be used in connection therewith or any supplement or amendment thereto, upon request, copies of reasonably complete drafts of all such documents proposed to be filed (including furnishing or making available exhibits and each document incorporated by reference

therein to the extent then required by the rules and regulations of the SEC), and provide each Selling Holder the opportunity to object to any information pertaining to a Selling Holder and its plan of distribution that is contained therein and make the corrections reasonably requested by a Selling Holder with respect to such information prior to filing the registration statement or any prospectus or prospectus supplement to be used in connection therewith or supplement or amendment thereto, and (ii) such number of copies of the registration statement and the prospectus included therein and any supplements and amendments thereto as the Selling Holders may reasonably request in order to facilitate the public sale or other disposition of the Registrable Securities covered by the registration statement;

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

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

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

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

(h) in the case of an Underwritten Offering or Overnight Underwritten Offering, use its reasonable best efforts to furnish, or cause to be furnished, upon request and addressed to the underwriters and to the Selling Holders, (i) an opinion of counsel for the Company, dated the effective date of the applicable registration statement or the date of any amendment or supplement thereto, and a letter of like kind dated the date of the closing under the underwriting agreement, and (ii) a “comfort letter,” dated the effective date of the applicable registration statement or the date of any amendment or supplement thereto and a letter of like kind dated the date of the closing under the underwriting agreement, in each case, signed by the independent public accountants (and, if applicable, independent reserve engineers who have certified the Company’s financial statements (or prepared or reviewed or audited, as applicable, oil and gas reserves) included or incorporated by reference into the applicable registration statement), and each of the opinion and the “comfort letter” shall be in customary form and cover substantially the same matters with respect to such registration statement (and the prospectus and any prospectus supplement included therein) as are customarily covered in opinions of issuer’s counsel and in accountants’ (and, if applicable, independent reserve engineers’) letters delivered to the underwriters in Underwritten Offerings or Overnight Underwritten Offerings of securities, and such other matters as such underwriters or a Selling Holder may reasonably request;

(i) otherwise use its reasonable best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder;

(j) make available to the appropriate representatives of the Managing Underwriter and the Selling Holders access to such information and the Company personnel as is reasonable and customary to enable such parties to establish a due diligence defense under the Securities Act; *provided* that the Company need not disclose any information to any such representative unless and until such representative has entered into a confidentiality agreement with the Company;

(k) use its reasonable best efforts to cause all Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange or nationally recognized quotation system on which similar securities issued by the Company are then listed or quoted;

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

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

(n) enter into customary agreements and take such other actions as are reasonably requested by the Selling Holders or the underwriters, if any, in order to expedite or facilitate the disposition of such Registrable Securities and entry of such Registrable Securities in book-entry with The Depository Trust Company (including, making appropriate officers of the Company available to participate in any “road show” presentations before analysts and other customary marketing activities (including one on one meetings with prospective purchasers of the Registrable Securities));

(o) use its reasonable best efforts to cause the Registrable Securities to be initially represented by direct registration with the Company’s transfer agent and provide a CUSIP number for all Registrable Securities; and, in connection therewith, if reasonably required by the Company’s transfer agent, the Company shall promptly deliver any authorizations, certificates and directions required by the transfer agent which authorize and direct the transfer agent to issue such Registrable Securities without legend upon sale by the holder of such shares of Registrable Securities under a shelf registration statement or any other registration statement contemplated by this Agreement;

(p) each Selling Holder, upon receipt of notice from the Company of the happening of any event of the kind described in subsection (f) of this Section 2.4, shall forthwith discontinue disposition of the Registrable Securities until such Selling Holder’s receipt of the copies of the supplemented or amended prospectus contemplated by subsection (f) of this Section 2.4 or until it is advised in writing by the Company that the use of the prospectus may be resumed, and has received copies of any additional or supplemental filings incorporated by reference in the prospectus, and, if so directed by the Company, such Selling Holder will, or will request the Managing Underwriter or Underwriters, if any, to deliver to the Company (at the Company’s expense) all copies in their possession or control, other than permanent file copies then in such Selling Holder’s possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice;

(q) if requested by a Selling Holder, (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as a Selling Holder reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including information with respect to such Holder or any subsequent Holder, the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering; (ii) as soon as practicable make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment; and (iii) as soon as practicable, supplement or make amendments to the registration statement; and

(r) use its reasonable best efforts to take all other steps reasonably necessary to effect the registration of the Registrable Securities contemplated hereby.

Section 2.5 Cooperation by Holders. The Company shall have no obligation to include in any registration statement contemplated by this Agreement Registrable Securities of a Holder who has failed to timely furnish such information which, in the opinion of counsel to the Company, is reasonably required to be furnished or confirmed in order for the registration statement or prospectus supplement thereto, as applicable, to comply with the Securities Act.

Section 2.6 Restrictions on Public Sale by Holders of Registrable Securities. Each Holder of Registrable Securities participating in an Underwritten Offering or Overnight Underwritten Offering of equity securities by the Company agrees, if requested by such Managing Underwriter or Underwriters with respect to such Underwritten Offering or Overnight Underwritten Offering such Holder is participating in, not to effect any public sale or distribution of the Registrable Securities for a period of up to ninety (90) days following completion of such Underwritten Offering or Overnight Underwritten Offering, as applicable, *provided* that (i) the Company gives written notice to the Holders of the date of the commencement and termination of such period with respect to any such Underwritten Offering or Overnight Underwritten Offering and (ii) the duration of the foregoing restrictions shall be no longer than the duration of the shortest restriction generally imposed by the underwriters of such public sale or distribution on the Company or on the officers or directors or any other shareholder of the Company on whom a restriction is imposed; *provided further*, that this Section 2.6 shall not apply to a Holder that holds less than \$10 million of Registrable Securities, which value shall be determined by multiplying the number of Registrable Securities owned by the volume weighted average closing price of Common Stock (as reported by The New York Stock Exchange or, if The New York Stock Exchange is not the Company's primary securities exchange or market, such primary securities exchange or market) for the ten (10) trading days immediately preceding the date on which the determination is made.

Section 2.7 Expenses.

(a) Certain Definitions. "Registration Expenses" means all expenses incident to the Company's performance under or compliance with this Agreement to effect the registration of Registrable Securities on any registration statement, prospectus or prospectus supplement or amendment or supplement contemplated by this Agreement, an Underwritten Offering or Overnight Underwritten Offering covered under this Agreement, and/or the disposition of such securities, including, without limitation, all registration, filing, securities exchange listing fees, all registration, filing, qualification and other fees and expenses of complying with securities or blue sky laws, fees of FINRA and fees of transfer agents and registrars, all word processing, duplicating and printing expenses, and the fees and disbursements of (x) one counsel to the Holders and (y) counsel and independent public accountants (and, if applicable, independent reserve engineers) for the Company, including the expenses of any legal opinions or letters, special audits or "comfort letters" required by or incident to such performance and compliance.

(b) Expenses. The Company will pay all Registration Expenses as determined in good faith, including, in the case of an Underwritten Offering or Overnight Underwritten Offering, whether or not any sale is made pursuant to a registration statement; *provided* that Selling Holders shall pay any and all applicable Selling Expenses.

Section 2.8 Indemnification.

(a) By the Company. In the event of a registration of any Registrable Securities under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless each Selling Holder thereunder, its Affiliates and their respective directors, officers, managers, employees and agents and each underwriter pursuant to the applicable underwriting agreement with such underwriter and each Person, if any, who controls such Selling Holder or underwriter within the meaning of the Securities Act and the Exchange Act and its directors, officers, employees and agents (collectively, the “Selling Holder Indemnified Persons”), against any losses, claims, damages, expenses or liabilities (including reasonable attorneys’, accountants’ and experts’ fees and expenses) (collectively, “Losses”), joint or several, to which such Selling Holder Indemnified Person may become subject under the Securities Act, the Exchange Act or otherwise, insofar as such Losses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any registration statement contemplated by this Agreement, any preliminary prospectus, prospectus supplement, free writing prospectus (or roadshow or other similar marketing material) or final prospectus, or any amendment or supplement thereof, (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein (in the case of a prospectus, in light of the circumstances under which they were made) not misleading, (iii) a Selling Holder being deemed to be an “underwriter,” as defined in Section 2(a)(11) of the Securities Act, or (iv) any violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rules or regulations applicable to the Company, in connection with the registration statement in respect of any registration of the Company’s securities, and will reimburse each such Selling Holder Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such Loss or actions or proceedings; *provided, however*, that the Company will not be liable in any such case if and to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in strict conformity with information furnished by such Selling Holder Indemnified Person in writing specifically for use in a registration statement or any prospectus contained therein or any amendment or supplement thereof. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Selling Holder Indemnified Person and shall survive the transfer of such securities by such Selling Holder.

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

(c) Notice. Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but such indemnified party's failure to so notify the indemnifying party shall not relieve the indemnifying party from any liability which it may have to any indemnified party other than under this Section 2.8 except to the extent it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure. In any action brought against any indemnified party, it shall notify the indemnifying party of the commencement thereof; *provided, however*, that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under this Section 2.8 except to the extent it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure. The indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel reasonably satisfactory to such indemnified party and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 2.8 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected; *provided, however*, that, (i) if the indemnifying party has failed to assume the defense and employ counsel reasonably acceptable to the indemnified party or (ii) if the defendants in any such action include both the indemnified party and the indemnifying party and counsel to the indemnified party shall have concluded that there may be reasonable defenses available to the indemnified party that are different from or additional to those available to the indemnifying party, or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, then the indemnified party shall have the right to select one separate counsel and to assume such legal defense and otherwise to participate in the defense of such action, with the reasonable expenses and fees of one such separate counsel (firm) and other reasonable expenses related to such participation to be reimbursed by the indemnifying party as incurred. Notwithstanding any other provision of this Agreement, no indemnified party shall settle any action brought against it with respect to which it is entitled to indemnification hereunder without the consent of the indemnifying party, in its sole discretion, unless the settlement thereof imposes no liability or obligation on, and includes a complete and unconditional release from all liability of, the indemnifying party.

(d) Contribution. If the indemnification provided for in this Section 2.8 is held by a court or government agency of competent jurisdiction to be unavailable to the Company or any Selling Holder Indemnified Person or is insufficient to hold it harmless in respect of any Losses, then each such indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such Losses as between the Company, on the one hand, and such Selling Holder Indemnified Person, on the other hand, in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and of such Selling Holder Indemnified Person, on the other, in connection with the statements or omissions which resulted in such Losses, as well as any other relevant equitable considerations; *provided, however*, that in no event shall any Selling Holder be required to contribute an aggregate amount in excess of the dollar amount of proceeds received by any Selling Holder from the sale of Registrable Securities giving rise to such indemnification. The relative fault of the Company, on the one hand, and each Selling Holder Indemnified Person, on the other hand, shall be determined by reference

to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact has been made by, or relates to, information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contributions pursuant to this paragraph were to be determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this paragraph. The amount paid by an indemnified party as a result of the Losses referred to in the first sentence of this paragraph shall be deemed to include any legal and other expenses reasonably incurred by such indemnified party in connection with investigating or defending any Loss which is the subject of this paragraph. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who is not guilty of such fraudulent misrepresentation.

(e) Other Indemnification. The provisions of this Section 2.8 shall be in addition to any other rights to indemnification or contribution which an indemnified party may have pursuant to law, equity, contract or otherwise.

Section 2.9 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the SEC that may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its reasonable best efforts to:

(a) make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144, at all times from and after the Closing Date until there are no Registrable Securities outstanding;

(b) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the Closing Date until there are no Registrable Securities outstanding;

(c) so long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as such Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing such Holder to sell any such securities without registration; and

(d) take such further action as any Holder may reasonably request, all to the extent required from time to time to enable the Holders to sell Registrable Securities without registration under the Securities Act within the limitations of the exemption provided by Rule 144.

Section 2.10 Transfer or Assignment of Registration Rights. The rights to cause the Company to include Registrable Securities in any registration statement contemplated by this Agreement may be transferred or assigned by any Holder with a transfer of Registrable Securities to any Affiliate of the Purchasers; *provided*, that (a) the Company is given written notice prior to any said transfer or assignment, stating the name and address of each such transferee and identifying the securities with respect to which such registration rights are being transferred or assigned and (b) each such transferee or assignee assumes in writing responsibility for its portion of the obligations

of such Holder under this Agreement.

Section 2.11 Information by Holder. Any Holder or Holders of Registrable Securities included in any registration statement shall promptly furnish to the Company such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may reasonably request and as shall be required in connection with any registration, qualification or compliance referred to herein.

Section 2.12 No Inconsistent Agreements; Limitation on Subsequent Registration Rights. The Company has not entered, as of the date hereof, and the Company shall not enter, after the date of this Agreement, into any agreement with respect to any of its securities that is inconsistent with the rights granted to the Purchasers in this Agreement. From and after the date of this Agreement until there are no Registrable Securities outstanding, the Company shall not, without the prior written consent of the Holders holding a majority of Registrable Securities, enter into any agreement with any current or future holder of any securities of the Company that would allow such current or future holder to require the Company to include securities in any Piggyback Offering on a basis that is superior in any material respect to the Piggyback Offering rights granted to the Holders pursuant to Section 2.2 of this Agreement.

Section 2.13 Transfer Restrictions. Except as permitted by Section 2.10, each Purchaser shall not, without the prior consent of a majority of the Unaffiliated Directors, transfer any Securities:

(a) to, or in a transaction with, any person or “group” (within the meaning of Section 13(d)(3) of the Exchange Act) where any such person or “group” would acquire in such transaction or, to the knowledge of the such Purchaser after reasonable inquiry, owns or would own, following such transaction, beneficial ownership of an aggregate number of Voting Securities representing 5% or more of the Voting Power; or

(b) to, or in a transaction with, any person, or “group” (within the meaning of Section 13(d)(3) of the Exchange Act) including, any person that, to the knowledge of such Purchaser after reasonable inquiry, competes directly or indirectly with the business of the Company in any material respect;

provided that the restrictions in this Section 2.13 shall not apply to any Securities transferred pursuant to a registration statement or a public distribution in compliance with any applicable requirements of U.S. federal or state securities laws (including Rule 144).

ARTICLE III MISCELLANEOUS

Section 3.1 Communications. All notices and other communications provided for hereunder shall be in writing and shall be given by hand delivery, electronic mail, registered or certified mail, return receipt requested, regular mail or air courier guaranteeing overnight delivery to the following addresses:

If to the Company, to:

California Resources Corporation
9200 Oakdale Avenue, 9th Floor
Los Angeles, California 91311
Attn: Michael L. Preston
Executive Vice President,
General Counsel and Corporate Secretary
Email: Michael.Preston@crc.com

With a copy to (which copy shall not constitute notice):

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, California 90067-1725
Attn: Alison S. Ressler
Email: resslera@sullcrom.com

If to any Purchaser, to:

Ares Management LLC
2000 Avenue of the Stars, 12th Floor
Los Angeles, California 90067
Attn: Nathan Walton
Naseem Sagati
Email: walton@aresmgmt.com
nsagati@aresmgmt.com

With a copy to (which copy shall not constitute notice):

Kirkland & Ellis LLP
609 Main Street
Houston, Texas 77002
Attn: John Pitts, P.C.
Julian Seiguer, P.C.
Email: john.pitts@kirkland.com
julian.seiguer@kirkland.com

or, if to a transferee of a Holder, to the transferee at the address specified pursuant to Section 2.10 above. All notices and communications shall be deemed to have been duly given: (i) at the time delivered by hand, if personally delivered; (ii) when notice is sent to the sender that the recipient has read the message, if sent by electronic mail; (iii) upon actual receipt if sent by registered or certified mail, return receipt requested, or regular mail, if mailed; and (iv) upon actual receipt when delivered to an air courier guaranteeing overnight deliver.

Section 3.2 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties, including subsequent Holders of Registrable Securities to the extent permitted herein.

Section 3.3 Assignment of Rights. All or any portion of the rights and obligations of any Purchaser under this Agreement may be transferred or assigned such Purchaser only in accordance with Section 2.10. The Company may not transfer or assign any portion of its rights and obligations under this Agreement without the prior written consent of the Holders of at least a majority of the outstanding Registrable Securities, except that the Company may assign this Agreement at any time in connection with a sale or acquisition of the Company, whether by merger, consolidation, sale of all or substantially all of the Company's assets, or similar transaction.

Section 3.4 Recapitalization Affecting the Stock. The Company agrees that it shall not effect or permit to occur any combination or subdivision of shares of Common Stock or other securities constituting Registrable Securities which would adversely affect the ability of any Holder of any Registrable Securities to include such Registrable Securities in any registration contemplated by this Agreement or the marketability of such Registrable Securities in any such registration.

Section 3.5 Specific Performance. Damages in the event of breach of this Agreement by a party hereto may be difficult, if not impossible, to ascertain, and it is therefore agreed that each such Person, in addition to and without limiting any other remedy or right it may have, will have the right to an injunction or other equitable relief in any court of competent jurisdiction, enjoining any such breach, and enforcing specifically the terms and provisions hereof, and each of the parties hereto hereby waives any and all defenses it may have on the ground of lack of jurisdiction or competence of the court to grant such an injunction or other equitable relief. The existence of this right will not preclude any such Person from pursuing any other rights and remedies at law or in equity which such Person may have.

Section 3.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement. The parties hereto may deliver this Agreement by facsimile or by electronic mail and each party shall be permitted to rely upon the signatures so transmitted to the same extent and effect as if they were original signatures.

Section 3.7 Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

Section 3.8 Governing Law. This Agreement is governed by and construed and enforced in accordance with the laws of the State of Delaware, without giving effect to any conflicts of law principles that would result in the application of any law other than the law of the State of Delaware.

Section 3.9 Jurisdiction. Each of the parties irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder shall be brought and determined exclusively in the Court of Chancery of the State of Delaware or, if such Court does not have subject matter jurisdiction, to the Superior Court of the State of Delaware or,

if jurisdiction is vested exclusively in the Federal courts of the United States, the Federal courts of the United States sitting in the State of Delaware, and any appellate court from any such state or Federal court, and hereby irrevocably and unconditionally agree that all claims with respect to any such claim shall be heard and determined in such Delaware court or in such Federal court, as applicable. The parties agree that a final judgment in any such claim is conclusive and may be enforced in any other jurisdiction by suit on the judgment or in any other manner provided by law. In addition, each of the parties hereby irrevocably and unconditionally agrees (1) that it is and shall continue to be subject to the jurisdiction of the courts of the State of Delaware and of the federal courts sitting in the State of Delaware, and (2)(A) to the extent that such party is not otherwise subject to service of process in the State of Delaware, to appoint and maintain an agent in the State of Delaware as such party's agent for acceptance of legal processes and notify the other parties of the name and address of such agent, and (B) to the fullest extent permitted by law, that service of process may also be made on such party by prepaid certified mail with a proof of mailing receipt validated by the U.S. Postal Service constituting evidence of valid service, and that, to the fullest extent permitted by applicable law, service made pursuant to (2)(A) or (B) above shall have the same legal force and effect as if served upon such party personally within the State of Delaware.

Section 3.10 WAIVER OF JURY TRIAL. TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW THAT CANNOT BE WAIVED, EACH PARTY HEREBY IRREVOCABLY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE, CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING IN WHOLE OR IN PART UNDER, RELATED TO, BASED ON, OR IN CONNECTION WITH, THIS AGREEMENT OR THE SUBJECT MATTER HEREOF, WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER SOUNDING IN TORT OR CONTRACT OR OTHERWISE. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 3.10 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

Section 3.11 Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting or impairing the validity or enforceability of such provision in any other jurisdiction.

Section 3.12 Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the rights granted by the Company set forth herein. This Agreement and the Stock Purchase Agreement supersede all prior agreements and understandings between the parties with respect to such subject matter.

Section 3.13 Amendment. This Agreement may be amended only by means of a written amendment signed by each of the parties hereto or thereto affected by such amendment; *provided, however*, that (i) Article II may only be amended by means of a written amendment signed by the Company and the Holders of a majority of the then outstanding Registrable Securities and (ii) no such amendment shall materially and adversely affect the rights of any Holder hereunder without the consent of such Holder.

Section 3.14 No Presumption. In the event any claim is made by a party relating to any conflict, omission, or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular party or its counsel.

Section 3.15 Obligations Limited to Parties to Agreement. Each of the parties hereto covenants, agrees and acknowledges that no Person other than the Purchasers (and their transferees or assignees) and the Company shall have any obligation hereunder and that notwithstanding that the Purchasers are each limited partnerships, no recourse under this Agreement shall be had against any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any Purchaser or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any applicable law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any Purchaser or any former, current or future director, officer, employee, agent, general or limited partner, manager, member, stockholder or Affiliate of any of the foregoing, as such, for any obligations of any Purchaser under this Agreement or for any claim based on, in respect of or by reason of such obligation or its creation.

Section 3.16 Independent Nature of Holder's Obligations. The obligations of each Holder under this Agreement are several and not joint with the obligations of any other Holder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder under this Agreement. Nothing contained herein, and no action taken by any Holder pursuant thereto, shall be deemed to constitute the Holder as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that a Holder is in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by this Agreement. Each Holder shall be entitled to independently protect and enforce its rights, including, the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose.

Section 3.17 Further Assurances. The Company and each of the Holders shall cooperate with each other and shall take such further action and shall execute and deliver such further documents as may be reasonably requested by any other party in order to carry out the provisions and purposes of this Agreement.

Section 3.18 Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

Section 3.19 Termination. This Agreement shall terminate with respect to any Holder upon the earlier of such Holder together with its Affiliates ceasing to hold or Beneficially Own (i) at least 1% of the Common Stock or (ii) any Registrable Securities; provided that the provisions of Section 2.7, Section 2.8 and Article III shall survive such termination.

[Signature page follows]

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

CALIFORNIA RESOURCES CORPORATION

By: /s/ Shawn M. Kerns
Name: Shawn M. Kerns
Title: Executive Vice President – Corporate Development

Signature Page to Registration Rights Agreement

PURCHASERS:

Ares Special Situations Fund IV, L.P.

By: ASSF Management IV, L.P.
its general partner

By: ASSF Management IV GP LLC
its general partner

By: /s/ Naseem Sagati Aghili
Name: Naseem Sagati Aghili
Title: Vice President, General Counsel and Secretary

AF V ENERGY IV AIV 2, L.P.

By: ACOF Management V, L.P.
its general partner

By: ACOF Management V GP LLC
its general partner

By: /s/ Naseem Sagati Aghili
Name: Naseem Sagati Aghili
Title: Vice President, General Counsel and Secretary

AF V ENERGY IV AIV 3, L.P.

By: ACOF Management V, L.P.
its general partner

By: ACOF Management V GP LLC
its general partner

By: /s/ Naseem Sagati Aghili
Name: Naseem Sagati Aghili
Title: Vice President, General Counsel and Secretary

AEOF GP Sub, LLC

By: ACOF Investment Management LLC
its manager

By: /s/ Naseem Sagati Aghili
Name: Naseem Sagati Aghili
Title: Vice President, General Counsel and Secretary

AEOF HOLDINGS I, L.P.

By: Ares Energy Opportunities Fund, L.P.
its general partner

By: AEOF Management, L.P.
its general partner

By: AEOF Management GP LLC
its general partner

By: /s/ Naseem Sagati Aghili
Name: Naseem Sagati Aghili
Title: Vice President, General Counsel and Secretary

List of Purchasers and Number of Securities

Schedule A to Registration Rights Agreement

Schedule A to Registration Rights Agreement

NEWS RELEASE**For immediate release****California Resources Corporation Announces New Midstream Joint Venture and Equity Investment**

LOS ANGELES, February 7, 2018 – California Resources Corporation (NYSE: CRC) announced today that it entered into a midstream joint venture with a portfolio company of the Private Equity Group of Ares Management, L.P. The Ares portfolio company invested \$750 million for certain common and preferred equity interests in the venture. In addition, the Ares-led investor group purchased approximately 2.34 million shares of common stock of CRC in a private placement for an aggregate purchase price of \$50 million in cash, or \$21.33 per share based on a recent volume-weighted average price.

The joint venture owns the Elk Hills power plant, a 550 MW natural gas fired power plant, and a 200 million cubic foot per day cryogenic gas processing plant located outside of Bakersfield, California. Under a new long-term commercial agreement, CRC will purchase power and gas processing from the joint venture. CRC has the option to redeem the common and preferred equity interests held by the Ares portfolio company at any point during the first seven and one-half years of the joint venture.

Joint ventures provide an opportunity for CRC to prudently build on its solid track record of performance and accelerate sustainably profitable initiatives. CRC will continue to identify opportunities to invest in high-return projects while also continuing to strengthen its balance sheet.

Todd Stevens, President and CEO of CRC, said, “We are proud to have Ares as a strategic partner in our midstream joint venture at Elk Hills, and believe their equity investment validates the strong positioning of our world-class assets and flexible business model. With our ongoing focus on value creation, we intend to deploy transaction proceeds toward the best available alternatives to drive shareholder returns over the long term.”

Approximately \$297 million of the transaction proceeds is being used to repay the Company’s outstanding bank revolver balance. CRC will continue to allocate capital to its project inventory using its disciplined value creation index (“VCI”) investment methodology, which has generated VCIs of greater than 1.7x over the last two years that are significantly above the Company’s cost of capital.

Additional information regarding the transactions described above is available on the “Earnings and Presentations” page in the Investor Relations section on the Company’s website at www.crc.com.

About California Resources Corporation

California Resources Corporation is the largest oil and natural gas exploration and production company in California on a gross-operated basis. California Resources Corporation operates its world class resource base exclusively within the State of California, applying integrated infrastructure to gather, process and

market its production. Using advanced technology, California Resources Corporation focuses on safely and responsibly supplying affordable energy for California by Californians.

About Ares Management, LP

Ares Management, L.P. is a publicly traded, leading global alternative asset manager with approximately \$106 billion of assets under management ("AUM") and approximately 1,000 employees as of September 30, 2017. Since its inception in 1997, Ares has adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns throughout market cycles. Ares seeks to deliver attractive performance to its investor base across its credit, private equity and real estate strategies. The firm is headquartered in Los Angeles with offices across the United States, Europe, Asia and Australia. Its common units are traded on the New York Stock Exchange (NYSE: ARES).

Forward-Looking Statements

This release contains forward-looking statements that involve risks and uncertainties that could materially affect our expected results of operations, liquidity, cash flows and business prospects. Such statements include those regarding our expectations as to future: financial position, liquidity, cash flows and results of operations; business prospects; transactions and projects; operating costs; operations and operational results including capital investment and expected VCI; and budgets.

Actual results may differ from anticipated results, sometimes materially, and reported results should not be considered an indication of future performance. While we believe the assumptions or bases underlying our expectations are reasonable and make them in good faith, they almost always vary from actual results, sometimes materially. Factors (but not necessarily all the factors) that could cause results to differ include the factors discussed in "Risk Factors" in our Annual Report on Form 10-K available on our website at www.crc.com.

Words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "goal," "intend," "likely," "may," "might," "plan," "potential," "project," "seek," "should," "target," "will" or "would" and similar words that reflect the prospective nature of events or outcomes typically identify forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Contacts:

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