

Rosetta Resources Inc.  
Form 424B5  
November 12, 2013  
Table of Contents

Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-180439

**CALCULATION OF REGISTRATION FEE**

	<b>Title of each class of securities to be registered</b>	<b>Proposed maximum aggregate offering price</b>	<b>Amount of registration fee (1)</b>
5.875% Senior Notes due 2022		\$600,000,000	\$77,280
Guarantees of Senior Notes		(2)	
Total		\$600,000,000	\$77,280

- (1) The filing fee, calculated in accordance with Rule 457(r), has been transmitted to the SEC in connection with the securities offered from Registration Statement File No. 333-180439 by means of this prospectus supplement.
- (2) No separate consideration will be received for such guarantees. Pursuant to Rule 457(n) under the Securities Act, no registration fee is required with respect to such guarantees.

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**Table of Contents**

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated March 29, 2012)

**Rosetta Resources Inc.**

**\$600,000,000 5.875% Senior Notes due 2022**

Rosetta Resources Inc. is offering \$600,000,000 aggregate principal amount of 5.875% senior unsecured notes due 2022 (the "notes"). The notes will mature on June 1, 2022.

Interest on the notes will accrue from November 15, 2013 and we will pay interest twice a year, beginning on June 1, 2014.

We may redeem all or part of the notes on or after December 1, 2017 at the applicable redemption prices described in this prospectus supplement and prior to such date, at a "make-whole" redemption price, in each case, together with any accrued and unpaid interest to the date of redemption. The optional redemption provisions are more fully described in this prospectus supplement under "Description of notes" Optional redemption. In addition, prior to December 1, 2016, we may, at our option, redeem up to 35% of the principal amount of the notes with an amount of cash not greater than the net proceeds of certain equity offerings. If we undergo a change of control or sell assets, we may be required to offer to purchase notes.

The notes will be our senior unsecured obligations, will be equal in right of payment with any of our existing and future senior unsecured indebtedness that is not by its terms subordinated to the notes, including our 9.500% Senior Notes due 2018 (the "2018 notes") and our 5.625% Senior Notes due 2021 (the "2021 notes" and together with the 2018 notes, the "existing notes") and will be effectively junior to our existing and future secured indebtedness, including indebtedness under our senior secured revolving credit facility (the "revolving credit facility"), to the extent of the value of the collateral securing that indebtedness. The notes will initially be guaranteed on a senior unsecured basis by each of our subsidiaries that guarantee the indebtedness under our revolving credit facility. The guarantees will be equal in right of payment to the subsidiary guarantors' existing and future senior indebtedness that is not by its terms subordinated to the guarantees, including guarantees of our existing notes, and will rank effectively junior to the subsidiary guarantors' existing and future secured indebtedness, including guarantees of indebtedness under our revolving credit facility, to the extent of the value of the collateral securing that indebtedness. The notes and guarantees will be structurally subordinated to the indebtedness and other liabilities and the preferred stock of any of our subsidiaries that do not guarantee the notes.

**Investing in the notes involves risks. See Risk factors beginning on page S-12 of this prospectus supplement and on page 1 of the accompanying prospectus.**

**Per note**

**Total**

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Public offering price(1)	100.00%	\$600,000,000
Underwriting discount	1.500%	\$9,000,000
Proceeds, before expenses, to us(1)	98.500%	\$591,000,000

(1) Plus accrued interest from November 15, 2013.

**None of the Securities and Exchange Commission, any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes. We expect delivery of the notes will be made to investors in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking S.A., and Euroclear Bank S.A./N.V., as operator of the Euroclear System, on or about November 15, 2013.

*Joint book-running managers*

**Wells Fargo Securities      Citigroup      J.P. Morgan      Morgan Stanley**

*Senior Co-managers*

**BofA Merrill Lynch**

**Credit Suisse**  
*Co-managers*

**Mitsubishi UFJ Securities**

**BMO Capital Markets**

**RBC Capital Markets**

Prospectus dated November 7, 2013.

**Table of Contents**

**TABLE OF CONTENTS**

**Prospectus supplement**

	<b>Page</b>
<u>About this prospectus supplement</u>	S-ii
<u>Incorporation by reference</u>	S-ii
<u>Forward-looking statements</u>	S-ii
<u>Market and industry data</u>	S-iv
<u>Non-GAAP financial measures</u>	S-iv
<u>Prospectus supplement summary</u>	S-1
<u>Risk factors</u>	S-12
<u>Use of proceeds</u>	S-17
<u>Capitalization</u>	S-18
<u>Ratio of earnings to fixed charges</u>	S-19
<u>Management</u>	S-20
<u>Description of our other indebtedness</u>	S-24
<u>Description of notes</u>	S-26
<u>Book-entry delivery and settlement</u>	S-83
<u>United States federal income tax considerations</u>	S-85
<u>Underwriting; Conflicts of interest</u>	S-90
<u>Legal matters</u>	S-93
<u>Experts</u>	S-93
<u>Glossary of oil and gas terms</u>	S-94

**Prospectus**

	<b>Page</b>
<u>About this Prospectus</u>	i
<u>Where You Can Find More Information</u>	ii
<u>Incorporation by Reference</u>	ii
<u>About Us</u>	1
<u>Risk Factors</u>	1
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	1
<u>Use of Proceeds</u>	3
<u>Ratio of Earnings to Fixed Charges</u>	3
<u>Description of Debt Securities</u>	4
<u>Description of Capital Stock</u>	12
<u>Plan of Distribution</u>	16
<u>Legal Matters</u>	17
<u>Experts</u>	18

---

**Table of Contents**

**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement and the documents incorporated by reference herein, which, among other things, describes the specific terms of this offering. The second part, the accompanying prospectus and the documents incorporated by reference therein, gives more general information, some of which may not apply to this offering. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus. We have not authorized anyone to provide you with different information. We and the underwriters are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

Except in the Description of notes or unless otherwise indicated or the context otherwise requires, all references to Rosetta, the Company, we, and our in this prospectus supplement refer to Rosetta Resources Inc. and its direct and indirect subsidiaries on a consolidated basis.

**INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference the information that we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is an important part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the following documents and all documents that we subsequently file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act ) (other than information furnished rather than filed):

our Annual Report on Form 10-K for the year ended December 31, 2012;

our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013;

our Current Reports on Form 8-K filed on January 17, 2013, February 26, 2013, March 20, 2013, April 15, 2013 (two reports), April 23, 2013, May 2, 2013, May 14, 2013, May 16, 2013 and October 10, 2013 (other than the portions of those documents furnished under Item 2.02 and Item 7.01); and

our Definitive Proxy Statement on Schedule 14A filed on March 27, 2013.

**FORWARD-LOOKING STATEMENTS**

This prospectus supplement includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Exchange Act that are subject to risks and uncertainties. All statements other than statements of historical fact included in this document are forward-looking statements, including, without limitation, all statements regarding future plans, business objectives, strategies, expected future financial position or performance, expected future operational position or performance, budgets and projected costs, future competitive position, or goals and/or projections of management for future operations. In some cases, you can identify a forward-looking statement by terminology such as may, will, could, should, would, expect, plan, project, intend, anticipate, believe, forecast, estimate, predict, potential, pursue, target or continue, the variations thereon, or other comparable terminology.

The forward-looking statements contained in this document are largely based on our expectations for the future, which reflect certain estimates and assumptions made by our management. These estimates and

**Table of Contents**

assumptions reflect our best judgment based on currently known market conditions, operating trends, and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. As such, management's assumptions about future events may prove to be inaccurate. For a more detailed description of the risks and uncertainties involved, see "Risk factors" beginning on page S-12 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events, changes in circumstances, or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf. Management cautions you that the forward-looking statements contained in this prospectus supplement, the accompanying prospectus or the documents incorporated by reference herein and therein are not guarantees of future performance, and we cannot assure you that such statements will be realized or that the events and circumstances they describe will occur. Factors that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements herein include, but are not limited to:

our ability to maintain leasehold positions that require exploration and development activities and material capital expenditures;

unexpected difficulties in integrating our operations as a result of any significant acquisitions, including our recent acquisition of assets in the Permian Basin;

the supply and demand for oil, natural gas liquids ( NGLs ) and natural gas;

changes in the price of oil, NGLs and natural gas;

general economic conditions, either internationally, nationally or in jurisdictions where we conduct business;

conditions in the energy and financial markets;

our ability to obtain credit and/or capital in desired amounts and/or on favorable terms;

the ability and willingness of our current or potential counterparties or vendors to enter into transactions with us and/or to fulfill their obligations to us;

failure of our joint interest partners to fund any or all of their portion of any capital program and/or lease operating expenditures;

failure of joint interest partners to pay us our share of revenue;

the occurrence of property acquisitions or divestitures;

reserve levels;

inflation;

competition in the oil and natural gas industry;

the availability and cost of relevant raw materials, equipment, goods, services and personnel;

changes or advances in technology;

potential reserve revisions;

the availability and cost, as well as limitations and constraints on infrastructure required to gather, transport, process and market oil, NGLs and natural gas;

performance of contracted markets, and companies contracted to provide transportation, processing and trucking of oil, NGLs and natural gas;

S-iii

## **Table of Contents**

developments in oil-producing and natural gas-producing countries;

drilling, production and exploration risks;

legislative initiatives and regulatory changes potentially adversely impacting our business and industry, including, but not limited to, changes in national healthcare, cap and trade, hydraulic fracturing, state and federal corporate income taxes, retroactive royalty or production tax regimes, environmental regulations and environmental risks and liability under federal, state and local environmental laws and regulations;

effects of the application of applicable laws and regulations, including changes in such regulations or the interpretation thereof;

present and possible future claims, litigation and enforcement actions;

lease termination due to lack of activity or other disputes with mineral lease and royalty owners, whether regarding calculation and payment of royalties or otherwise;

the weather, including the occurrence of any adverse weather conditions and/or natural disasters affecting our business;

factors that could impact the cost, extent and pace of executing our capital program, including but not limited to, access to oilfield services, access to water for hydraulic fracture stimulations and permitting delays, unavailability of required permits, lease suspensions, drilling, exploration and production moratoriums and other legislative, executive or judicial actions by federal, state and local authorities, as well as actions by private citizens, environmental groups or other interested persons;

sabotage, terrorism and border issues, including encounters with illegal aliens and drug smugglers; and

any other factors that impact or could impact the exploration and development of oil or natural gas resources, including but not limited to the geology of a resource, the total amount and costs to develop recoverable reserves, legal title, regulatory, natural gas administration, marketing and operational factors relating to the extraction of oil and natural gas.

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by such factors. For additional information with respect to these factors, see Incorporation by reference.

## **MARKET AND INDUSTRY DATA**

Market and industry data and forecasts included or incorporated by reference in this prospectus supplement have been obtained from independent industry sources, as well as from research reports prepared for other purposes. Although we believe these third-party sources to be reliable, we have not independently verified the data obtained from these sources, and we cannot assure you of the accuracy or completeness of the data. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements included or incorporated by reference in this prospectus supplement.

## **NON-GAAP FINANCIAL MEASURES**

We refer to the terms EBITDA and Adjusted EBITDA in this prospectus supplement. EBITDA is calculated as net income, excluding income tax expense, interest expense, net of interest capitalized, other income (expense), net, and depreciation, depletion and amortization. Adjusted EBITDA is calculated as EBITDA excluding unrealized gains or losses on derivative instruments and stock-based compensation expense. EBITDA and Adjusted EBITDA are supplemental financial measures that are not prepared in accordance with U.S. generally accepted



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accounting principles ( GAAP ). Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. We

S-iv

## Table of Contents

believe that EBITDA and Adjusted EBITDA are widely accepted financial indicators that provide additional information about our financial performance and our ability to meet our future requirements for debt service, capital expenditures and working capital, but EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for net income, operating income, net cash provided by operating activities or any other measure of financial performance presented in accordance with GAAP or as a measure of our profitability or liquidity. EBITDA and Adjusted EBITDA are used by our management for various purposes, including as measures of operating performance, as a basis for planning, in presentations to our board of directors, and with certain adjustments, by our lenders pursuant to covenants under our revolving credit agreement. Our definitions of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

The SEC has adopted rules to regulate the use in filings with the SEC and in public disclosures of non-GAAP financial measures, such as EBITDA, Adjusted EBITDA and ratios related thereto. These measures are derived on the basis of methodologies other than in accordance with GAAP. These rules govern the manner in which non-GAAP financial measures are publicly presented and require, among other things:

a presentation with equal or greater prominence of the most comparable financial measure or measures calculated and presented in accordance with GAAP; and

a statement disclosing the purposes for which the company's management uses the non-GAAP financial measure. The rules prohibit, among other things:

the exclusion of charges or liabilities that require, or will require, cash settlement or would have required cash settlement, absent an ability to settle in another manner, from a non-GAAP liquidity measure; and

the adjustment of a non-GAAP performance measure to eliminate or smooth items identified as non-recurring, infrequent or unusual, when the nature of the charge or gain is such that it has occurred in the past two years or is reasonably likely to recur within the next two years.

We also refer to PV-10 in this prospectus supplement. PV-10 is a non-GAAP financial measure and represents the present value of estimated future cash inflows from proved oil and natural gas reserves, less future development and production costs, discounted at 10% per annum to reflect timing of future cash inflows and using the unweighted arithmetic average of the first-day-of-the-month price for each of the preceding twelve months. PV-10 differs from the standardized measure of discounted future net cash flows because it does not include the effects of income taxes. Neither PV-10 nor standardized measure represents an estimate of fair market value of our oil and natural gas properties. PV-10 is used by the industry and our management as an arbitrary reserve asset value measure to compare against past reserve bases and the reserve bases of other business entities that are not dependent on the taxpaying status of the entity.

**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

This summary highlights information from this prospectus supplement and the accompanying prospectus to help you understand the notes. You should read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein for a more complete understanding of this offering. You should read Risk factors beginning on page S-12 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, for more information about important risks that you should consider before making a decision to purchase notes in this offering.

*We have defined certain oil and gas industry terms used in this document in the Glossary of oil and gas terms beginning on page S-95 of this prospectus supplement. Except in the Description of notes or unless otherwise indicated or the context requires otherwise, references to Rosetta, the Company, we, us and our mean Rosetta Resources Inc. and its direct and indirect subsidiaries on a consolidated basis.*

**Rosetta Resources Inc.**

We are an independent oil and natural gas company engaged in the exploration, development, acquisition and production of oil, NGLs and natural gas from unconventional resource plays. Our operations are currently focused in the Eagle Ford area of South Texas and the Permian Basin in West Texas. In the Eagle Ford shale, we hold approximately 65,000 net acres, with 51,000 net acres located in the liquids-rich area of the play. Our activities within the Eagle Ford to date have targeted the delineation and development of four core areas, including the Gates Ranch, Karnes Trough, Dimmit County and Briscoe Ranch areas. We intend to continue to exploit the resource potential within these areas and believe they will provide us with a multi-year project inventory of attractive investment opportunities under current commodity prices. In the second quarter of 2013, we acquired the remaining 10% working interest in 46 gross producing wells and the leasehold associated with 170 future gross drilling locations in the Gates Ranch, resulting in our ownership of a 100% working interest in the entire Gates Ranch leasehold. The net production associated with this acquisition was approximately 1,800 Boe/d at closing on June 5, 2013.

In May 2013, we completed the acquisition (the Permian Acquisition) of certain assets in the Permian Basin from Comstock Oil & Gas, LP (the Permian Basin Assets). The Permian Basin Assets added approximately 40,000 net acres in the Wolfbone play in Reeves County in the Delaware Basin and 13,000 net acres in Gaines County in the Midland Basin. We estimate 1,300 gross, or nearly 800 net, vertical drilling locations can be developed based upon 40-acre spacing, with the potential for doubling such potential drilling locations based upon 20-acre spacing. Additionally, both Rosetta and the industry are actively participating in horizontal well applications to further enhance the value of this large resource. Our third quarter operational and financial results include a full quarter of operating results from the acquired Permian Basin Assets.

As of December 31, 2012, after giving effect to the Permian Acquisition, we had an estimated 226.4 MMBoe of proved reserves, of which approximately 60% were liquids and 35% was proved developed. Our reserves had an estimated standardized measure of discounted future net cash flows of \$1.9 billion and a PV-10 value of \$2.6 billion as of December 31, 2012, after giving effect to the Permian Acquisition. See Non-GAAP financial measures for a definition of PV-10 and Summary historical and pro forma reserve and operating data for a reconciliation to standardized measure. Our production comes primarily from the Eagle Ford area, which averaged 47,500 Boe/d for the nine months ended September 30, 2013, an increase of 44% from the nine months ended September 30, 2012. For the first nine months of 2013, approximately 63% of our total production was attributable to oil and NGLs.

Our principal executive offices are located at 1111 Bagby Street, Suite 1600, Houston, Texas 77002, and our telephone number is (713) 335-4000. Our website is [www.rosettaresources.com](http://www.rosettaresources.com). The information included on our website is not part of, or incorporated by reference into, the prospectus supplement.

## Table of Contents

### **Business strategy**

Our strategy is to deliver sustainable growth from unconventional onshore domestic basins through sound stewardship, wise capital resource management, taking advantage of business cycles and emerging trends and minimizing liabilities through governmental compliance, while minimizing our impact on the environment. Below is a discussion of the key elements of our strategy.

*Exploit existing Eagle Ford asset base.* The Eagle Ford area has become a major source of our production and reserves and reflects our success as an unconventional resource focused company. The Eagle Ford area accounted for approximately 97% of our total production for the nine months ended September 30, 2013. In addition, approximately 62% of the production from the Eagle Ford area in the nine months ended September 30, 2013 was from crude oil and NGLs. We believe that our extensive inventory of investment opportunities in the Eagle Ford area has the potential to provide attractive economic returns, and we plan to continue to deploy capital to develop this area. As of September 30, 2013, approximately 19% of our Eagle Ford inventory was developed, providing an opportunity to further expand our production base.

*Grow oil and liquids production within the Permian Basin.* Our entry into the Permian Basin has provided us additional diversity in our asset base, as well as an extensive inventory of additional investment opportunities in an unconventional resource play. During the third quarter of 2013, we drilled 14 gross wells and completed 13 gross wells (including 12 vertical wells and 1 horizontal well) in the Permian Basin, and we expect our Permian Basin Assets to increase our production volumes as we develop this play. We expect the Permian Basin Assets to provide attractive single well economics and a base from which we may build a substantial development program. Furthermore, we believe there is significant upside potential from the Permian Basin Assets because of the exposure they provide to multiple, oil and liquids-rich stacked pay zones and vertical down-spacing.

*Successfully execute our business plan.* We seek to manage all elements of our cost structure, including drilling and operating costs, as well as overhead costs. We strive to minimize our drilling and operating costs by concentrating our activities within existing and new unconventional resource play areas where we can achieve efficiencies through economies of scale. To handle our increased production, we have secured multiple options for transportation and processing capacity with firm commitments in place to meet total planned production levels through 2014, and we are evaluating adding more firm capacity in our operating areas.

*Test future growth opportunities.* Our strategy involves the potential deployment of free cash flow expected to be generated by our existing Eagle Ford area assets in the near term for the acquisition of assets and leasehold positions in the Eagle Ford area, as well as new basins. The Permian Basin Acquisition and our acquisition of the remaining working interest in the Gates Ranch leasehold exemplify our implementation of this strategy. We intend to maintain, further develop and apply our technological expertise, which helped us achieve a net drilling success rate of 99% for the first nine months of 2013 and helped us establish a major production base in the Eagle Ford area, to our Permian Basin Assets. Through the use of advanced geological and geophysical technologies, detailed petrophysical analyses, advanced reservoir engineering and sophisticated drilling, completion and stimulation techniques, we expect to continue to grow our reserves, production and project inventory. We intend to extend our operational footprint in the Eagle Ford area, the Permian Basin and other areas in the United States characterized by a significant presence of resource potential that can be exploited utilizing our technological expertise. This will include programs to test and assess downspacing and horizontal drilling operations for the Permian Basin Assets. We strive to minimize the cost of entry into new plays through financial discipline in our leasehold acquisition activities and prudent management of financial and operational resources during the testing phase.

*Maintain financial strength and flexibility.* On April 12, 2013, we amended our revolving credit agreement to, among other things, increase the maximum credit amount to \$1.5 billion, increase the

## **Table of Contents**

borrowing base thereunder to \$800.0 million and extend the maturity date to April 12, 2018. The borrowing base is subject to adjustment based on, among other things, the issuance of senior notes, including the notes offered hereby. However, we have launched an amendment to our revolving credit facility which would waive this borrowing base reduction relating to the issuance of the notes offered hereby. As of September 30, 2013, after giving effect to the issuance and sale of the notes and the application of the net proceeds therefrom as set forth under

Use of proceeds, we would have had \$800 million available for borrowing under our revolving credit facility. We expect internally generated cash flows, supplemented by borrowings under our revolving credit facility, to provide financial flexibility to further develop our assets in the next few years. Additionally, we intend to continue to actively manage our exposure to commodity price risk in the marketing of our oil, NGL and natural gas production, and as of October 2013, we have entered into a series of commodity derivative contracts through 2016 as part of this strategy.

### **Our strengths**

We have a number of competitive strengths that we believe will help us to successfully execute our business strategies:

*Liquids rich asset base in leading resource plays.* We believe we have assembled a strong asset base within the Eagle Ford area. Our Eagle Ford area assets provide us with a multi-year inventory of highly economic drilling opportunities under current commodity prices. We plan to grow reserves, production and cash flow from the Eagle Ford area by continuing to develop our undeveloped acreage, delineating acreage in emerging areas, increasing well density and optimizing reserve recovery practices and testing additional horizons. We expect the Permian Basin Assets will add to our inventory of repeatable development opportunities and provide the potential for additional long-term reserve, production and cash flow growth. We plan to exploit these assets through additional development drilling, vertical down-spacing and further delineation of producing and prospective horizons.

*Resource assessment capability and multi-year drilling inventory.* We have established multidisciplinary teams that are skilled at conducting comprehensive resource assessments. This work helps us identify and catalog an inventory of low to moderate risk opportunities that have provided us with multiple years of drilling projects. We expect to continue adding to our portfolio of non-proved resource inventory over time from our existing Eagle Ford area properties and the Permian Basin Assets, as well as from additional investment opportunities which we will evaluate as they arise.

*High degree of operational control.* We operate approximately 100% of our estimated proved reserves in the Eagle Ford area. Additionally, we have a high working interest in most of our properties and relatively low capital requirements to maintain our leasehold interests. These factors allow us to more effectively manage and control the timing of capital spending on our exploration and development activities, as well as achieve opportunities for operating cost efficiencies that may arise. Our Permian Basin Assets are consistent with our philosophy of owning high working interest, operated properties.

*Management team and technical staff with extensive operating experience.* Our executive management team has an average of 28 years of experience, with specific expertise in the areas where our core properties are located. Our Chairman, President and Chief Executive Officer, Mr. Craddock, has more than 30 years of experience in the energy industry, most recently serving as our Senior Vice President of Drilling and Production Operations. Along with Mr. Craddock, our entire executive management team has extensive experience in successfully executing multi-year development drilling programs to create shareholder value. Our executive management team is supported by a technical staff that consists of 45 engineers, geologists, geophysicists, landmen and technicians, averaging over 18 years of relevant technical experience.

**Table of Contents**

**The offering**

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section of this prospectus supplement entitled Description of notes. For purposes of this section of the summary and the description of notes included in this prospectus supplement, references to Rosetta, the Company, issuer, us, we and our refer only to Rosetta Resources Inc. and do not include its subsidiaries or affiliates.

<b>Issuer</b>	Rosetta Resources Inc.
<b>Securities</b>	\$600,000,000 aggregate principal amount of 5.875% senior notes due 2022.
<b>Maturity</b>	June 1, 2022.
<b>Interest payment dates</b>	Interest will be payable semi-annually in arrears on June 1 and December 1 of each year, beginning on June 1, 2014. Interest will accrue from November 15, 2013.
<b>Optional redemption</b>	<p>At any time prior to December 1, 2017, we may, at our option, redeem all or part of the notes at a make-whole price, <i>plus</i> accrued and unpaid interest, if any to the date of redemption.</p> <p>On or after December 1, 2017, we may redeem the notes at fixed redemption prices, <i>plus</i> accrued and unpaid interest, if any, to the date of redemption, as described under Description of notes Optional redemption.</p> <p>In addition, prior to December 1, 2016, we may, at our option, redeem up to 35% of the principal amount of the notes with an amount of cash not greater than the net proceeds of certain equity offerings at a fixed redemption price, <i>plus</i> accrued and unpaid interest, if any, to the date of redemption, as described under Description of notes Optional redemption.</p>
<b>Ranking</b>	<p>The notes will be our senior unsecured obligations. Accordingly, they will rank:</p> <p>effectively subordinated to all our senior secured indebtedness incurred from time to time, including indebtedness under our revolving credit facility, to the extent of the value of our assets securing such indebtedness;</p> <p>structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, of any non-guarantor subsidiaries (other than indebtedness and other liabilities owed to us);</p>

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senior in right of payment to all of our existing and future subordinated indebtedness;  
and

*pari passu* in right of payment with any of our existing and future indebtedness that  
is not by its terms subordinated to the notes, including our existing notes.

As of September 30, 2013, after giving effect to the issuance and sale of the notes and  
the application of the net proceeds

S-4

**Table of Contents**

therefrom as set forth under Use of proceeds, we would have had total indebtedness of approximately \$1,500 million, none of which would have been secured, and \$800 million of borrowing capacity under our revolving credit facility.

**Subsidiary guarantees**

The notes initially will be jointly and severally guaranteed on a senior unsecured basis by each of our subsidiaries that guarantee the indebtedness under our revolving credit facility and our existing notes. In the future, the guarantees could be released or terminated under certain circumstances.

Each subsidiary guarantee will be a general unsecured obligation of the subsidiary guarantor and will rank:

effectively junior to that subsidiary guarantor's existing and future secured indebtedness, including its guarantee of indebtedness under our revolving credit facility, to the extent of the value of the assets of such subsidiary guarantor constituting collateral securing that indebtedness;

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

senior in right of payment to that subsidiary guarantor's existing and future subordinated indebtedness; and

*pari passu* in right of payment to that subsidiary guarantor's existing and future indebtedness that is not by its terms subordinated to the subsidiary guarantee, including its guarantee of our existing notes.

**Covenants**

The indenture governing the notes will contain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to:

incur additional debt;

make certain investments or pay dividends or distributions on our capital stock or purchase or redeem or retire capital stock;

sell assets, including capital stock of our restricted subsidiaries;

restrict dividends or other payments by restricted subsidiaries;

repurchase subordinated debt;



create liens that secure debt;

enter into transactions with affiliates; and

merge or consolidate with another company.

These covenants are subject to a number of important limitations and exceptions that are described later in this prospectus supplement under the caption "Description of notes Certain covenants."

S-5

**Table of Contents**

If the notes achieve investment grade ratings by both Moody's Investors Service, Inc. ( Moody's ) and Standard & Poor's Rating Service ( Standard & Poor's ) and no default or event of default has occurred and is continuing under the indenture governing the notes, we and our restricted subsidiaries will no longer be subject to many of the foregoing covenants. See Description of notes Covenant termination.

**Change of control; Asset sales**

Upon the occurrence of a change of control, unless we have exercised our optional redemption right in respect of the notes, holders of the notes will have the right to require us to repurchase all or a portion of the notes at a price equal to 101% of the aggregate principal amount of the notes, together with any accrued and unpaid interest to the date of purchase. In connection with certain asset dispositions, we will be required to use the net cash proceeds of the asset dispositions to make an offer to purchase the notes at 100% of the principal amount, together with any accrued and unpaid interest to the date of purchase.

**Use of proceeds**

We will receive net proceeds from this offering of approximately \$590.3 million, after deducting the underwriting discount and estimated offering expenses. We intend to use the net proceeds of this offering to repay all of the borrowings outstanding under our revolving credit facility and for general corporate purposes. See Use of proceeds.

**No public market**

The notes are a series of securities for which there is currently no established trading market. The underwriters have advised us that certain underwriters presently intend to make a market in the notes. However, you should be aware that they are not obligated to make a market and may discontinue their market-making activities at any time without notice. As a result, a liquid market for the notes may not be available if you try to sell your notes. We do not intend to apply for a listing of the notes on any securities exchange or any automated dealer quotation system.

**Form**

The notes will be represented by registered global securities registered in the name of Cede & Co., the nominee of the depository, The Depository Trust Company ( DTC ). Beneficial interests in the notes will be shown on, and transfers will be effected through, records maintained by DTC and its participants.

**Risk factors**

See Risk factors beginning on page S-12 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, for a discussion of the risk factors you should carefully consider before deciding to invest in the notes.

**Table of Contents**

**Conflicts of interest**

Certain underwriters or their affiliates are lenders under our revolving credit facility and accordingly will receive a portion of the net proceeds from this offering through the repayment of the borrowings they have extended under that facility. Because 5% or more of the net proceeds of this offering, not including underwriting compensation, may be paid to affiliates of certain of the underwriters, this offering will be made in accordance with Rule 5121 of the Financial Industry Regulatory Authority ( FINRA ), which requires that a qualified independent underwriter ( QIU ) participate in the preparation of the registration statement, prospectus and prospectus supplement and perform the usual standards of due diligence with respect thereto. Morgan Stanley & Co. LLC ( Morgan Stanley ) is assuming the responsibilities of acting as QIU in connection with this offering. We have agreed to indemnify Morgan Stanley against certain liabilities incurred in connection with it acting as QIU in this offering, including liabilities under the Securities Act. For more information, see Underwriting; Conflicts of interest.

S-7

**Table of Contents****SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table sets forth our summary historical consolidated financial data for the periods and as of the dates indicated. The summary statements of income and cash flows for the years ended December 31, 2010, 2011 and 2012 and the balance sheet as of December 31, 2011 and 2012 have been derived from our audited consolidated financial statements. The summary statements of income and cash flows for the nine months ended September 30, 2012 and 2013 and the balance sheet as of September 30, 2012 and 2013 have been derived from our unaudited interim consolidated financial statements.

You should read this historical financial information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, as well as our historical financial statements and notes thereto, all of which are incorporated by reference into this prospectus supplement. Historical results are not necessarily indicative of results that may be expected for any future period.

(Dollars in thousands, except ratios)	Year ended December 31,			Nine months ended September 30,	
	2010	2011	2012	2012	2013
<b>Income statement data:</b>					
<b>Revenues:</b>					
Oil sales	\$ 54,542	\$ 156,284	\$ 318,782	\$ 221,574	\$ 353,119
NGL sales	45,200	125,301	160,461	114,867	144,236
Natural gas sales	208,688	163,382	93,711	62,815	108,369
Derivative instruments		1,233	40,545	35,935	3,484
<b>Total revenues</b>	<b>308,430</b>	<b>446,200</b>	<b>613,499</b>	<b>435,191</b>	<b>609,208</b>
<b>Operating costs and expenses:</b>					
Lease operating expenses	51,085	34,900	42,429	29,434	44,826
Treating and transportation	6,963	22,316	51,826	37,330	52,414
Production taxes	5,953	12,073	16,722	11,551	15,442
Depreciation, depletion and amortization	116,558	123,244	154,223	107,328	153,382
General and administrative costs	56,332	75,256	68,731	48,454	52,830
<b>Total operating costs and expenses</b>	<b>236,891</b>	<b>267,789</b>	<b>333,931</b>	<b>234,097</b>	<b>318,894</b>
<b>Operating income</b>	<b>71,539</b>	<b>178,411</b>	<b>279,568</b>	<b>201,094</b>	<b>290,314</b>
<b>Other expense (Income):</b>					
Interest expense, net of interest capitalized	\$ 27,073	\$ 21,291	\$ 24,316	\$ 18,316	\$ 26,009
Interest income	(38)	(42)	(7)	(6)	
Other (income) expense, net	(1,087)	903	60	(331)	1,061
<b>Total other expense</b>	<b>25,948</b>	<b>22,152</b>	<b>24,369</b>	<b>17,979</b>	<b>27,070</b>
<b>Income before provision of income taxes</b>	<b>45,591</b>	<b>156,259</b>	<b>255,199</b>	<b>183,115</b>	<b>263,244</b>
Income tax expense	26,545	55,713	95,904	66,160	93,387
<b>Net income</b>	<b>\$ 19,046</b>	<b>\$ 100,546</b>	<b>\$ 159,295</b>	<b>\$ 116,955</b>	<b>\$ 169,857</b>
<b>Other financial data:</b>					
Net cash provided by operating activities	\$ 176,861	\$ 299,537	\$ 370,630	259,290	469,423
Net cash used in investing activities	(251,621)	(190,363)	(533,641)	(370,034)	(1,522,245)
Net cash provided by (used in) financing activities	55,138	(103,758)	152,747	112,871	1,079,922
EBITDA(1)	188,135	301,697	433,798	308,428	443,696
Adjusted EBITDA(1)	202,282	329,474	432,675	301,395	455,269
Ratio of earnings to fixed charges(2)	2.2	6.1	9.4	8.9	6.5



**Table of Contents**

(Dollars in thousands)	As of December 31,		As of
	2011	2012	September 30, 2013
<b>Balance sheet data</b>			
Cash and cash equivalents	\$ 47,050	\$ 36,786	\$ 63,956
Total assets	1,065,345	1,415,416	2,879,253
Total liabilities	432,509	611,417	1,563,643
Total equity	632,836	803,999	1,315,610

- (1) EBITDA is calculated as net income, excluding income tax expense, interest expense, net of interest capitalized, other income (expense), net, and depreciation, depletion and amortization. Adjusted EBITDA is calculated as EBITDA excluding unrealized gains or losses on derivative instruments and stock-based compensation expense. For more information relating to these non-GAAP measures, see Non-GAAP financial measures.

The following table provides a reconciliation of net income to EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Year ended December 31,			Nine months ended September 30,	
	2010	2011	2012	2012	2013
<b>Net income</b>	\$ 19,046	\$ 100,546	\$ 159,295	\$ 116,955	\$ 169,857
Income tax expense	26,545	55,713	95,904	66,160	93,387
Interest expense, net of interest capitalized	27,073	21,291	24,316	18,316	26,009
Other income (expense), net	(1,087)	903	60	(331)	1,061
Depreciation, depletion and amortization	116,558	123,244	154,223	107,328	153,382
<b>EBITDA</b>	\$ 188,135	\$ 301,697	\$ 433,798	\$ 308,428	\$ 443,696
Unrealized derivative (gain) loss		(1,233)	(19,662)	(19,069)	3,280
Stock-based compensation expense	14,147	29,010	18,539	12,036	8,293
<b>Adjusted EBITDA</b>	\$ 202,282	\$ 329,474	\$ 432,675	\$ 301,395	\$ 455,269

- (2) For each of the periods presented there were no outstanding shares of preferred stock. The term **fixed charges** means the sum of the following: interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of interest within rental expense (equal to one-third of rental expense).

**Table of Contents****SUMMARY HISTORICAL AND PRO FORMA RESERVE AND OPERATING DATA**

The following table sets forth certain information with respect to our historical consolidated oil and gas reserves as of December 31, 2011 and 2012 and production for the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, as well as our pro forma reserve data at December 31, 2012, giving effect to the Permian Acquisition. Future exploration, exploitation and development expenditures, as well as future commodity prices and service costs will affect the reserve volumes attributable to the Permian Basin Assets.

The historical reserve information included in this table is based upon our reserve estimates which were audited by Netherland, Sewell & Associates, Inc., our independent petroleum engineers. The pro forma reserve information includes reserves of the Permian Basin Assets that are based upon reserve reports prepared by Lee Keeling and Associates, Inc., the independent petroleum engineers of Comstock. The reserve volumes and values were determined using the methods prescribed by the SEC.

This information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the nine months ended September 30, 2013.

	Historical		Pro forma
	Year ended December 31, 2011	Year ended December 31, 2012	Year ended December 31 2012
<b>Estimated net proved reserves (at period end):</b>			
Oil (MMBbls)	36.4	44.4	63.7
NGLs (MMBbls)	50.2	71.6	71.6
Natural gas (Bcf)	446.0	509.5	546.6
Total (MMBoe)	160.9	200.9	226.4
Percent proved developed	36%	37%	35%
PV-10 value (dollars in millions)(1)	\$ 2,290	\$ 2,442	\$ 2,645
Standardized measure (dollars in millions)	\$ 1,706	\$ 1,841	\$ 1,929

	Year ended December 31,		Nine months ended	
	2011	2012	September 30, 2012	2013
<b>Production data:</b>				
Oil (MBbls)	1,863.3	3,496.6	2,422.7	3,622.3
NGLs (MBbls)	2,643.3	4,471.9	3,009.6	4,793.7
Natural gas (MMcf)	33,393.3	33,852.9	24,595.0	29,663.3
Total (MBoe)	10,072.1	13,610.6	9,531.4	13,359.9
Average sales price				
Oil, excluding derivatives (per Bbl)	\$ 85.03	\$ 91.17	\$ 91.46	\$ 97.48
Oil, including realized derivatives (per Bbl)	83.87	89.67	90.35	95.71
NGL, excluding derivatives (per Bbl)	51.26	35.88	38.17	30.09
NGL, including realized derivatives (per Bbl)	47.40	37.84	39.98	32.19
Natural gas, excluding derivatives (per Mcf)	4.00	2.77	2.55	3.65
Natural gas, including realized derivatives (per Mcf)	4.89	3.28	3.13	3.76
Costs and expenses (per Boe of production)				
Lease operating expenses	\$ 3.47	\$ 3.12	\$ 3.09	\$ 3.36
Treating and transportation	2.22	3.81	3.92	3.92
Production taxes	1.20	1.23	1.21	1.16
Depreciation, depletion and amortization	12.24	11.33	11.26	11.48
General and administrative costs	7.47	5.05	5.08	3.95
General and administrative costs, excluding stock-based compensation	4.59	3.69	3.82	3.33
Production costs(2)	2.86	2.58	2.46	2.69





**Table of Contents**

(1) PV-10 is a non-GAAP financial measure. For more information relating to this non-GAAP measure, see Non-GAAP financial measures. The following table provides a reconciliation of our PV-10 value to our standardized measure:

(Dollars in millions)	Historical		Pro forma Year ended December 31, 2012
	Year ended December 31,		
	2011	2012	
<b>PV-10</b>	\$ 2,290	\$ 2,442	\$ 2,645
Income tax effect	584	601	716
<b>Standardized measure</b>	\$ 1,706	\$ 1,841	\$ 1,929

(2) Production costs per Boe include lease operating expenses and excludes ad valorem taxes.

**Table of Contents**

**RISK FACTORS**

An investment in the notes involves risks. You should consider carefully the risk factors included below and under the caption "Risk factors" beginning on page 1 of the accompanying prospectus, as well as those discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, together with all of the other information included in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, when evaluating an investment in the notes.

**Risks relating to the notes**

***We may not be able to generate enough cash flow to meet our debt obligations.***

We expect our earnings and cash flow to vary significantly from year to year due to the cyclical nature of our industry. As a result, the amount of debt that we can manage in some periods may not be appropriate for us in other periods. In addition, our future cash flow and available liquidity under our revolving credit facility may be insufficient to meet our debt obligations and commitments, including the notes. Any insufficiency could negatively impact our business. A range of economic, competitive, business and industry factors will affect our future financial performance, and, as a result, our ability to generate cash flow from operations and to pay our debt, including the notes. Many of these factors, such as oil, NGL and natural gas prices, economic and financial conditions in our industry and the global economy or competitive initiatives of our competitors, are beyond our control.

If we do not generate enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

refinancing or restructuring our debt;

selling assets;

reducing or delaying capital investments; or

seeking to raise additional capital.

However, any alternative financing plans that we undertake may not allow us to meet our debt obligations. Our inability to generate sufficient cash flow to satisfy our debt obligations, including our obligations under the notes, or to obtain alternative financing, could materially and adversely affect our business, financial condition, results of operations and prospects.

Our debt could have important consequences to you. For example, it could:

increase our vulnerability to general adverse economic and industry conditions;

limit our ability to fund future working capital and capital expenditures, to engage in future acquisitions or development and lease maintenance activities, or to otherwise realize the value of our assets and opportunities fully because of the need to dedicate a substantial portion of our cash flow from operations to payments of interest and principal on our debt or to comply with any restrictive terms of our debt;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

impair our ability to obtain additional financing in the future; and

place us at a competitive disadvantage compared to our competitors that have less debt.

In addition, if we fail to comply with the covenants or other terms of any agreements governing our debt, our lenders will have the right to accelerate the maturity of that debt and foreclose upon the collateral, if any, securing that debt. Realization of any of these factors could adversely affect our financial condition.

S-12

**Table of Contents**

***The notes and the guarantees will be unsecured and effectively subordinated to our and our subsidiary guarantors' existing and future secured indebtedness and structurally subordinated to any existing or future indebtedness and other liabilities of our non-guarantor subsidiaries.***

The notes and the guarantees will be our and our subsidiary guarantors' senior unsecured obligations, ranking effectively junior in right of payment to all existing and future secured debt of ours and our subsidiary guarantors, including obligations under our revolving credit facility, to the extent of the value of the collateral securing the debt, and will be structurally subordinated in right of payment to any existing or future indebtedness and other liabilities and preferred stock of our non-guarantor subsidiaries. As of September 30, 2013, after giving effect to the issuance and sale of the notes and the application of the net proceeds therefrom as set forth under "Use of proceeds," we would have had total indebtedness of approximately \$1,500 million, none of which would have been secured, and \$800 million of borrowing capacity under our revolving credit facility.

If we or a subsidiary guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, any secured debt of ours or that subsidiary guarantor will be entitled to be paid in full from our assets or the assets of the subsidiary guarantor, as applicable, securing that debt before any payment may be made with respect to the notes or the affected guarantees. Holders of the notes will participate ratably in our remaining assets with all holders of our unsecured indebtedness that does not rank junior to the notes, including all of our other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, there may not be sufficient assets to pay amounts due on the notes. As a result, holders of the notes would likely receive less, ratably, than holders of secured indebtedness.

In addition, creditors of current and future subsidiaries that do not guarantee the notes will have claims, with respect to the assets of those subsidiaries, that rank structurally senior to the notes. In the event of any distribution or payment of assets of such subsidiaries in any dissolution, winding up, liquidation, reorganization, or other bankruptcy proceeding, the claims of those creditors must be satisfied prior to making any such distribution or payment to us in respect of our direct or indirect equity interests in such subsidiaries.

***We may be able to incur substantially more debt in the future. This could exacerbate the risks associated with our indebtedness.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. As of September 30, 2013, after giving effect to the issuance and sale of the notes and the application of the net proceeds therefrom as set forth under "Use of proceeds," we would have had total indebtedness of approximately \$1,500 million, none of which would have been secured, and \$800 million of borrowing capacity under our revolving credit facility. If new debt is added to our current debt levels, the related risks that we and our subsidiaries now face could intensify, such as: (i) our level of indebtedness may prevent us from engaging in certain transactions that might otherwise be beneficial to us by limiting our ability to obtain additional financing, limiting our flexibility in operating our business or otherwise; (ii) we could be at a competitive disadvantage relative to our less leveraged competitors that have more cash flow to devote to their business and (iii) the holders of our existing notes, as well as the holders of any future debt we may incur that ranks equally with the notes, will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us, which may have the effect of reducing the amount of proceeds paid to you. Any of these factors could result in a material adverse effect on our business, financial condition, results of operations, business prospects and ability to satisfy our obligations under the notes.

## **Table of Contents**

***Restrictions in our existing and future debt agreements could limit our growth and our ability to respond to changing conditions.***

The indentures governing our existing notes and our revolving credit agreement contain, and the indenture governing the notes will contain, a number of significant covenants in addition to covenants restricting the incurrence of additional debt. These covenants limit our ability and the ability of our restricted subsidiaries, among other things, to:

incur additional debt;

make certain investments or pay dividends or distributions on our capital stock or purchase or redeem or retire capital stock;

sell assets, including capital stock of our restricted subsidiaries;

restrict dividends or other payments by restricted subsidiaries;

repurchase subordinated debt;

create liens that secure debt;

enter into transactions with affiliates; and

merge or consolidate with another company.

Our revolving credit agreement requires us to maintain a financial ratio and to satisfy certain financial condition tests or reduce our debt. In addition, our ability to access funds under the revolving credit agreement is subject to changes in our proved reserves, including changes due to downward movement of commodity prices. These restrictions may limit our ability to obtain future financings, withstand a future downturn in our business or the economy in general, or otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants in the indentures governing the notes and our existing notes and the revolving credit agreement impose or may impose on us.

A breach of any covenant in the indentures governing the notes and our existing notes and our revolving credit agreement would result in a default under that agreement after any applicable grace periods. A default, if not waived, could result in acceleration of the debt outstanding under the applicable agreement and in a default with respect to, and acceleration of, the debt outstanding under any other debt agreements. The accelerated debt would become immediately due and payable. If that should occur, we may not be able to make all of the required payments or borrow sufficient funds to refinance it. Even if new financing were then available, it may not be on terms that are acceptable to us. See

Description of our other indebtedness and Description of notes Events of default.

***If the notes achieve investment grade ratings by both Moody's and Standard & Poor's and no default or event of default has occurred and is continuing under the indenture governing the notes, we and our restricted subsidiaries will no longer be subject to many of the restrictive covenants in the indenture governing the notes and you will lose the protection of these covenants.***

The indenture governing the notes will contain certain covenants that will be terminated if the notes achieve investment grade ratings by both Moody's and Standard & Poor's and no default or event of default has occurred and is continuing under the indenture governing the notes. These covenants restrict, among other things, our and our restricted subsidiaries' ability to:

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incur or guarantee additional debt or issue disqualified stock or preferred stock;

pay dividends, make distributions on, or redeem or repurchase, capital stock; and

enter into transactions with affiliates.

S-14

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## **Table of Contents**

Because these restrictions will no longer apply once the notes are rated investment grade, we will be able to incur additional debt and consummate transactions that may impair our ability to satisfy our obligations with respect to the notes. In addition, we will not have to make certain offers to repurchase the notes.

### ***We may not be able to repurchase the notes upon a change of control.***

If we experience a change of control, we must give holders of the notes the opportunity to sell us their notes at 101% of their principal amount, plus accrued and unpaid interest. However, in such an event, we might not be able to pay the required repurchase price for the notes because we might not have sufficient funds available at that time, or the terms of our bank credit agreements, including our revolving credit agreement, may prevent us from applying funds to repurchase the notes. Currently, restrictions under our revolving credit agreement will not allow such repurchases prior to the repayment in full of borrowings under our revolving credit facility. The source of funds for any repurchase required as a result of a change of control will be our available cash or cash generated from our oil and natural gas operations or other sources, including borrowings under our revolving credit facility or other sources, sales of assets or sales of equity.

Sufficient funds may not be available at the time of any change of control to repurchase the notes after first repaying any of our senior debt that may exist at the time. A change of control (as defined in the indenture governing the notes) will also be an event of default under the indentures governing our existing notes and our revolving credit facility that would permit the lenders and noteholders to accelerate the debt outstanding under such facility. Any future credit facilities may also contain such restrictions. Finally, using available cash to fund the potential consequences of a change of control may impair our ability to obtain additional financing in the future, which could negatively impact our ability to conduct our business operations.

### ***A financial failure by us or our subsidiaries may result in the assets of any or all of those entities becoming subject to the claims of all creditors of those entities.***

A financial failure by us or our subsidiaries could affect payment of the notes if a bankruptcy court were to substantively consolidate us and our subsidiaries. If a bankruptcy court substantively consolidated us and our subsidiaries, the assets of each entity would be subject to the claims of creditors of all entities. This would expose you not only to the usual impairments arising from bankruptcy, but also to potential dilution of the amount ultimately recoverable because of the larger creditor base. Furthermore, forced restructuring of the notes could occur through the cram-down provision of the bankruptcy code. Under this provision, the notes could be restructured over your objections as to their general terms, primarily interest rate and maturity.

### ***If the subsidiary guarantees are deemed fraudulent conveyances or preferential transfers, a court may subordinate or void them.***

Under various fraudulent conveyance or fraudulent transfer laws, a court could subordinate or void our subsidiary guarantees. Generally, a United States court may void or subordinate a subsidiary guarantee in favor of the subsidiary's other obligations if it finds that at the time the subsidiary entered into a subsidiary guarantee it:

intended to hinder, delay or defraud any present or future creditor or contemplated insolvency with a design to favor one or more creditors to the exclusion of others;

did not receive fair consideration or reasonably equivalent value for issuing the subsidiary guarantee;

was insolvent or became insolvent as a result of issuing the subsidiary guarantee;

## **Table of Contents**

was engaged or about to engage in a business or transaction for which the remaining assets of the subsidiary constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they matured.

In addition, a guarantee may be voided based on the level of benefits that the subsidiary guarantor received compared to the amount of the subsidiary guarantee. If a subsidiary guarantee is voided or held unenforceable, you would not have any claim against that subsidiary and would be creditors solely of us and any subsidiary guarantors whose guarantees are not held unenforceable. After providing for all prior claims, there may not be sufficient assets to satisfy claims of holders of notes relating to any voided portions of any of the subsidiary guarantees.

There is a risk of a preferential transfer if:

a subsidiary guarantor declares bankruptcy or its creditors force it to declare bankruptcy within 90 days (or in certain cases, one year) after a payment on the guarantee; or

a subsidiary guarantee was made in contemplation of insolvency.

The subsidiary guarantee could be voided by a court as a preferential transfer. In addition, a court could require holders of notes to return any payments made on the notes during the 90-day (or, in certain cases, one-year) period.

***Your ability to transfer the notes may be limited by the absence of an active trading market, and an active trading market may not develop for the notes.***

The notes are a new issue of securities for which there is no established trading market. An active trading market may not develop for the notes. Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may not be free from similar disruptions and any such disruptions may adversely affect the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our operating performance and financial condition and other factors.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

Borrowings under our revolving credit facility bear interest at variable rates and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase although the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness would decrease.



**Table of Contents**

**USE OF PROCEEDS**

We will receive net proceeds from this offering of approximately \$590.3 million, after deducting the underwriting discount and estimated offering expenses. We intend to use the net proceeds of this offering to repay all of the borrowings outstanding under our revolving credit facility and for general corporate purposes.

As of November 5, 2013, an aggregate of approximately \$310 million of borrowings were outstanding under our revolving credit facility. The interest rate on the total amount outstanding under our revolving credit facility at November 5, 2013 was 2.7% inclusive of interest and commitment fees. Our revolving credit facility matures in April 2018. We use revolving credit loans to fund capital expenditures and working capital requirements.

The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business. Affiliates of certain underwriters are lenders under our revolving credit facility and, as such, will receive a portion of the proceeds from this offering from the repayment of borrowings under such facility. Please read [Underwriting; Conflicts of interest](#) in this prospectus supplement.

S-17

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2013:

on a consolidated historical basis; and

on an as adjusted basis, to give effect to the issuance and sale of \$600 million in aggregate principal amount of notes in this offering and the application of the net proceeds therefrom as described in Use of proceeds.

You should read our historical consolidated financial statements and notes thereto that are incorporated by reference into this prospectus supplement.

<b>(Dollars in thousands)</b>	<b>As of September 30, 2013</b>	
	<b>Historical</b>	<b>As adjusted</b>
Cash and cash equivalents	\$ 63,956	\$ 379,206
Long-term debt:		
Revolving credit facility(1)	275,000	
9.500% Senior Notes due 2018	200,000	200,000
5.625% Senior Notes due 2021	700,000	700,000
5.875% Senior Notes due 2022(2)		600,000
Total long-term debt	1,175,000	1,500,000
Total equity	1,315,610	1,315,610
Total capitalization	\$ 2,490,610	\$ 2,815,610

(1) As of November 5, 2013, we had \$310 million outstanding under our revolving credit facility and \$490 million of borrowing capacity under such facility.

(2) Assumes the notes are issued at par.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the periods indicated on a consolidated historical basis.

	Historical				As Adjusted(2)		
	Year ended December 31, 2008(1)	2010	2011	2012	Nine months ended September 30, 2013	Year ended December 31, 2012	Nine months ended September 30, 2013
Ratio of earnings to fixed charges	2.2	6.1	9.4		6.5	4.4	4.2

- (1) Due to non-cash impairment charges of oil and gas properties resulting in our loss for the years ended December 31, 2008 and 2009, the ratio of earnings to fixed charges was less than 1:1. We would have needed additional earnings of \$302.1 million and \$345.1 million for the years ended December 31, 2008 and 2009, respectively, to achieve coverage of 1:1. The term "fixed charges" means the sum of the following: interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of interest within rental expense (equal to one-third of rental expense). Management believes this is a reasonable approximation of the interest factor.
- (2) Gives effect to this offering and the application of the net proceeds therefrom as of the beginning of the period presented. See "Use of proceeds."

**Table of Contents****MANAGEMENT**

Our executive officers and directors are as follows:

<b>Name</b>	<b>Age</b>	<b>Position(s) held</b>
James E. Craddock	54	Chairman, Chief Executive Officer and President
John E. Hagale	57	Executive Vice President and Chief Financial Officer
John D. Clayton	50	Executive Vice President and Chief Operating Officer
J. Chad Driskill	48	Vice President, Marketing and Business Development
Gerald L. Maxwell	60	Vice President, Human Resources and Administration
Don O. McCormack	52	Vice President, Treasurer and Chief Accounting Officer
Nathan P. Murphy	40	Vice President and General Counsel
Philip L. Frederickson	57	Lead Director
Richard W. Beckler	73	Director
Matthew D. Fitzgerald	56	Director
D. Henry Houston	73	Director
Carin S. Knickel	57	Director
Holli C. Ladhani	43	Director
Donald D. Patteson, Jr.	68	Director

*James E. Craddock*, age 54, has served as a Director for Rosetta since February 2013. In February 2013, Mr. Craddock was named Chairman, Chief Executive Officer and President of Rosetta. Mr. Craddock joined Rosetta in April 2008 as Vice President, Drilling and Production Operations and was named a Senior Vice President in January 2011. From April 2006 to March 2008, Mr. Craddock was Chief Operating Officer for BPI Energy, Inc., an exploration and production start-up company focused on coal bed methane development. On February 3, 2009, BPI Energy, Inc. filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Mr. Craddock began his industry career with Superior Oil Company in 1981 and then held a broad range of technical, operational and strategic roles with Burlington Resources Inc. ( Burlington ) and its predecessor companies for more than 20 years. At Burlington, he held a series of positions of increasing responsibility, most recently as Chief Engineer. Mr. Craddock received a Bachelor of Science degree in Mechanical Engineering from Texas A&M University. Mr. Craddock has extensive experience in production operations, reservoir and production engineering, and unconventional oil and gas exploitation. Mr. Craddock has played a key role in the executive management and implementation of strategic initiatives at Rosetta during recent years. His operational expertise, knowledge of the Company and strategic vision are assets to the Company and benefit Rosetta's Board of Directors.

*John E. Hagale*, age 57, has served as Executive Vice President and Chief Financial Officer of Rosetta since November 2011. He was also the Treasurer of the Company from November 2011 until August 2012. Prior to joining the Company, Mr. Hagale was Executive Vice President, Chief Financial Officer and Chief Administrative Officer of The Methodist Hospital System from June 2003 through October 2011. He was also employed with Burlington and its predecessor Burlington Northern Inc. for 15 years where he held a series of executive financial positions with increasing responsibilities, including Executive Vice President and Chief Financial Officer of Burlington. Mr. Hagale began his career with Deloitte Haskins and Sells. Mr. Hagale holds a Bachelor of Business Administration degree in Accounting from the University of Notre Dame. He has more than 30 years of financial and accounting experience and is a certified public accountant.

*John D. Clayton*, age 50, has served as Executive Vice President and Chief Operating Officer of Rosetta since February 2013. Mr. Clayton joined Rosetta as Vice President, Asset Development of the Company in March 2008 and was named a Senior Vice President in January 2011. Mr. Clayton has more than 25 years of industry experience including reservoir, production and drilling engineering, as well as business development activities related to strategic planning, mergers, acquisitions and joint ventures.

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**Table of Contents**

Prior to joining the Company, Mr. Clayton held various leadership and managerial positions with Burlington and ConocoPhillips. Mr. Clayton has a Bachelor of Science degree in Petroleum Engineering from Louisiana State University.

*J. Chad Driskill*, age 48, has served as Vice President, Marketing and Business Development of Rosetta since July 2005. At Rosetta, Mr. Driskill is responsible for both physical and financial commodity marketing and trading. Prior to joining Rosetta in July 2005, Mr. Driskill spent 10 years holding a number of positions in energy trading, business development, and risk management at both Calpine Corporation and Calpine Energy Services. Prior to joining Calpine, Mr. Driskill spent 5 years at LFC Financial Corp. as Director of Gas Trading. Mr. Driskill has over 23 years of experience in the energy trading, oil and gas, and power generation industries. Mr. Driskill holds a Bachelor of Business Administration degree in Finance from Texas Tech University.

*Gerald L. Maxwell*, age 60, has served as the Vice President, Human Resources and Administration since April 2007. Mr. Maxwell joined the Company in May 2005 as an independent consultant. In November 2005, he became the General Manager of Human Resources, and in April 2007, he became Vice President of Human Resources. Previously, Mr. Maxwell was Vice President of Human Resources for several of El Paso Corporation's business units, both domestic and international. Prior to El Paso's acquisition of Tenneco Energy, he was director of human resources for Tenneco Energy. Mr. Maxwell has also held human resources positions at Quintana Petroleum, Anadarko Petroleum, Coastal Corporation, and other companies in the financial industry. He holds dual Bachelor degrees in Management and Economics from Houston Baptist University, and has over 32 years of human resources experience in the energy industry.

*Don O. McCormack*, age 52, has served as Vice President, Treasurer and Chief Accounting Officer of Rosetta since January 2013. Mr. McCormack joined Rosetta as Vice President and Treasurer of the Company in August 2012. Prior to joining the Company, Mr. McCormack served as Vice President and Chief Accounting Officer from 2010 until 2012 for Concho Resources Inc., an independent oil and gas company, in Midland, Texas. From 2007 to 2010, he was the Controller and Chief Accounting Officer for Red Oak Capital Management LLC, an oil and gas investment company based in Houston, Texas. Prior to joining Red Oak Capital Management LLC, Mr. McCormack held various leadership and managerial positions with Burlington and ConocoPhillips for over 17 years and has over 23 total years of experience in the oil and gas industry. Mr. McCormack received a Bachelor of Business Administration degree in Accounting from the University of Texas at Arlington and is a certified public accountant.

*Nathan P. Murphy*, age 40, has served as Vice President and General Counsel of Rosetta since August 1, 2013. In this role, he has responsibility for managing the legal function. Prior to joining the Company, Mr. Murphy served as Senior Counsel of ConocoPhillips from 2004 until 2013. Mr. Murphy has also worked as a Principal Attorney at Reliant Energy and as an associate at Akin, Gump, Strauss, Hauer & Feld, LLP. Mr. Murphy holds an undergraduate degree from Texas A&M University and a Juris Doctorate from New York University School of Law.

*Philip L. Frederickson*, age 57, has served as a Director of Rosetta since July 2008. In May 2011, he was appointed as the lead independent director. Mr. Frederickson retired from ConocoPhillips in January 2008, where he was serving as Executive Vice President, Planning, Strategy and Corporate Affairs. Prior to serving in this role, he held the position of Executive Vice President, Commercial. Mr. Frederickson joined Conoco in 1978 and held various positions in the United States and Europe, with diverse responsibilities including refining and marketing operations, upstream strategy and portfolio management, and business development. Mr. Frederickson serves on the board of directors for Access Midstream Partners, L.P. He is also a director emeritus for The Yellowstone Park Foundation. Mr. Frederickson holds a Bachelor of Science in Industrial Engineering from Texas Tech University. Mr. Frederickson's broad assignments and executive management experience with a Fortune 10 company in the energy industry provide relevant experience in a number of strategic and operational areas including mergers and acquisitions, business development, marketing and trading and logistics.

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**Table of Contents**

*Richard W. Beckler*, age 73, has served as a Director of Rosetta since July 2005. Since March 2011, Mr. Beckler has been a partner in Bracewell & Giuliani LLP's white collar defense practice and head of the litigation practice. From 2003 until March 2011, he served as a partner in the global litigation group and as the head of the firm's Securities, Government Enforcement and White Collar Defense group of the law firm of Howrey LLP. Howrey LLP originally filed under Chapter 7 of the U.S. Bankruptcy Law and was converted to a bankruptcy under Chapter 11 on June 6, 2011. From 1979 through 2003, he was a partner in the law firm of Fulbright & Jaworski and at the end of his tenure, was the head of the litigation group in Washington, D.C. Mr. Beckler also served as a section chief in the Criminal Fraud Section of the U.S. Department of Justice, and as an Assistant District Attorney in the Manhattan District Attorney's Office. Mr. Beckler has a Juris Doctor degree from Fordham Law School and over 40 years of experience practicing law at private firms, the U.S. Department of Justice and the New York County (Manhattan) District Attorney's Office. This has enabled Mr. Beckler to bring legal expertise, and more specifically expertise in securities regulation, to Rosetta's Board of Directors.

*Matthew D. Fitzgerald*, age 56, has served as a Director of Rosetta since September 2008. From September 2009 to July 2013, he served as President of Total Choice Communications LLC, a wireless preferred retailer based in Houston, Texas, which was sold in July 2013. Mr. Fitzgerald retired from Grant Prideco, Inc. in April 2008, where he served as Executive Vice President and Chief Financial Officer from January 2004 until February 2007, and Executive Vice President, Chief Financial Officer and Treasurer from February 2007 until his retirement. Prior to joining Grant Prideco, Inc., Mr. Fitzgerald served as Executive Vice President, Chief Financial Officer, and Treasurer of Veritas DGC from March 2001 until January 2004. Mr. Fitzgerald was employed by BJ Services Company from 1989 to 2001, where he served as Vice President and Controller. Mr. Fitzgerald was also a senior manager with the accounting firm of Ernst & Whinney. Mr. Fitzgerald serves on the board of directors for Independence Contract Drilling, Inc., a privately held provider of contract drilling rig services. Mr. Fitzgerald holds a Bachelor of Business Administration and a Masters in Accountancy from the University of Florida. Mr. Fitzgerald's prior positions of responsibility as chief financial officer and controller for service companies within the energy industry provide strong financial and accounting expertise and valuable insight into the service industry to Rosetta's Board of Directors.

*D. Henry Houston*, age 73, has served as a Director of Rosetta since July 2005. Mr. Houston served as Chairman of the Board from July 2007 until February 2010. From 2002 through 2008, when he retired, Mr. Houston was Executive Vice President, Chief Operating Officer and Chief Financial Officer, as well as a director, of Remote Knowledge, Inc., a company offering communication services for marine pleasure craft. From 1995 through 2002, he served as Executive Vice President and Chief Financial Officer of T.D. Rowe Amusements, a private company operating approximately 25,000 vending and amusement devices. Mr. Houston also previously worked as an oil and gas consultant and served as President of KP Exploration, Inc., Chairman of the Board of Magee Poole Drilling Company, President of Black Hawk Oil Company, Chief Financial Officer of C&K Petroleum, and Vice President, Chief Financial Officer and director of Southdown Inc. Earlier in his career, he worked with Price Waterhouse and with Detsco, Inc. Mr. Houston has a degree in accounting from the University of Arkansas. Mr. Houston's financial accounting background, prior energy experience, and general business acumen are assets to Rosetta's Board of Directors.

*Carin S. Knickel*, age 57, has served as a Director of Rosetta since July 2012. Since January 2013, Ms. Knickel has served as Assistant Dean in the College of Engineering at the University of Colorado, Boulder. From 2003 until her retirement in May 2012, she served as Vice President, Human Resources of ConocoPhillips, an energy company located in Houston, Texas. She joined Conoco in 1979 and held various operating, planning and business development positions throughout her career. Ms. Knickel held positions in Europe as general manager of business development for refining and marketing and later fulfilled the same role for exploration and production. She returned to the United States and served as general manager of refining, marketing and transportation and in 2001 was named President of ConocoPhillips specialty businesses division. Ms. Knickel holds a bachelor's degree in marketing and

**Table of Contents**

statistics from the University of Colorado and a master's degree in management from the Massachusetts Institute of Technology. She has valuable experience guiding CEO succession management and executive compensation processes at the board level. Ms. Knickel is experienced in strategic merger integration and has led human resource processes for a Fortune 10 company. Ms. Knickel's energy industry managerial experience, her business acumen, and human resources expertise are all assets to Rosetta's Board of Directors.

*Holli C. Ladhani*, age 43, was appointed as a Director of Rosetta in October 2013. Since July 2013, Ms. Ladhani has served as the Executive Vice President - Chemical Technologies for Rockwater Energy Solutions, Inc. She was formerly the Executive Vice President and Chief Financial Officer since the time of Rockwater Energy Solution, Inc.'s formation in 2011. From 2001 until 2011, Ms. Ladhani was with Dynegy Inc. and served as Executive Vice President and Chief Financial Officer from November 2005 until she joined Rockwater Energy Solution, Inc. She started her career at PriceWaterhouseCoopers, LLP in 1992 and left in 2000 to join Dynegy Inc. A certified public accountant, Ms. Ladhani received her Bachelor of Business Administration in Accounting from Baylor University and her M.B.A. (Jones Scholar) from Rice University. Ms. Ladhani serves on the board of directors of His Grace Foundation, which supports children who undergo bone marrow transplants, and on the board of directors of Atlantic Power Corporation, a North American independent power producer.

*Donald D. Patteson, Jr.*, age 68, has served as a Director of Rosetta since July 2005. Mr. Patteson is the founder and Chairman of the Board of Directors of Sovereign Business Forms, Inc., a consolidator in the wholesale manufacturing of custom business forms and related products segment of the printing industry. He also served as Chief Executive Officer of Sovereign from August 1996 until his retirement in August 2008. Prior to founding Sovereign in August 1996, he served as Managing Director of Sovereign Capital Partners, an investment firm specializing in leveraged buyouts. Mr. Patteson also previously served as President and Chief Executive Officer of WBC Holdings, Inc., and President and Chief Executive Officer of Temple Marine Drilling, Inc./R.C. Chapman Drilling Co., Inc., and President, Chief Executive Officer and Director of Temple Drilling. He also worked with Atwood Oceanics, Houston Offshore International, Western Oceanic and Arthur Andersen's management consulting practice earlier in his career. In August 2011, Mr. Patteson became a director of Carriage Services, Inc. Mr. Patteson has an MBA with concentration in finance from the University of Texas. Mr. Patteson has 24 years of experience as a chief executive officer in various industries including the oil and gas service industry, which enables him to provide the Board with valuable financial accounting expertise, experience with major financial transactions and insight into the oil and gas service industry.

**Table of Contents****DESCRIPTION OF OUR OTHER INDEBTEDNESS****Revolving credit facility**

On April 9, 2009, we entered into an amended and restated senior revolving credit agreement with Wells Fargo Bank, National Association (as successor-in-interest to BNP Paribas), as administrative agent, and various other lenders party thereto. We entered into an amendment to the revolving credit agreement on April 12, 2013 to increase our borrowing base to \$800.0 million, to increase our revolving line of credit from \$750 million to \$1.5 billion, subject to the borrowing base, and to extend the maturity date from May 2016 to April 2018. Availability under our revolving credit facility is restricted to a borrowing base and committed amount, which are subject to review and adjustment on a semi-annual basis and other interim adjustments, including adjustments based on our hedging arrangements and asset divestitures. The borrowing base is also subject to adjustment based on the issuance of senior notes, including the notes offered hereby. However, we have launched an amendment to our revolving credit facility which would waive this borrowing base reduction relating to the issuance of the notes offered hereby. Amounts outstanding under our revolving credit facility bear interest at specified margins over the London Interbank Offered Rate (LIBOR) of 1.50% to 2.50%. The weighted average borrowing rate for the nine months ended September 30, 2013 under our revolving credit facility was 3.28% inclusive of interest and commitment fees.

We are also subject to certain financial covenants set forth in the revolving credit agreement, including the requirement to maintain (i) a minimum current ratio of consolidated current assets, including the unused amount of available borrowing capacity, to consolidated current liabilities, excluding certain non-cash obligations, of not less than 1.0 to 1.0 as of the end of each fiscal quarter and (ii) a maximum leverage ratio of total debt to earnings before interest expense, income taxes and noncash items, such as depreciation, depletion, amortization and impairment, of not greater than 4.0 to 1.0, calculated at the end of each fiscal quarter for the four fiscal quarters then ended, after giving pro forma effect to acquisitions and divestitures. At September 30, 2013, our current ratio as defined under the revolving credit agreement was 2.7x and our leverage ratio was 2.0x. In addition, we are subject to covenants limiting dividends and other restricted payments, transactions with affiliates, incurrence of debt, changes of control, asset sales, and liens on properties. If we achieve investment grade ratings by both Moody's and Standard & Poor's and no default or event of default has occurred and is continuing under the revolving credit agreement, we will no longer be subject to the covenant restricting the payment of dividends. We were in compliance with all covenants at September 30, 2013.

As of September 30, 2013, we had \$275 million outstanding under our revolving credit facility, with \$525 million of available borrowing capacity. We intend to use a portion of the net proceeds from this offering to repay all of the amounts outstanding under our revolving credit facility.

**Existing notes**

On April 15, 2010, we issued and sold \$200.0 million in aggregate principal amount of 9.500% Senior Notes due 2018 in a private offering, and subsequently exchanged all of the privately placed notes for registered notes on September 21, 2010. In addition, on May 2, 2013, we issued and sold \$700.0 million in aggregate principal amount of 5.625% Senior Notes due 2021. Interest on the 2018 notes is payable semi-annually on April 15 and October 15 of each year, and interest on the 2021 notes is payable semi-annually on May 1 and November 1 of each year.

Each series of existing notes is redeemable at our option, in whole or in part, (i) at any time before April 15, 2014, with respect to the 2018 notes and (ii) at any time before May 1, 2017, with respect to the 2021 notes, in each case, at the make-whole price set forth in the indenture governing the 2018 notes and the 2021 notes, as applicable, and on or after such date at fixed redemption prices, plus accrued and unpaid interest, if any, to the date of redemption. In addition, at any time prior to May 1, 2016, we may redeem up to 35% of the 2021 notes with cash in an amount equal to the net proceeds of certain equity offerings at a redemption price of 105.625% of the principal amount of the 2021 notes redeemed, plus accrued and unpaid



**Table of Contents**

interest, if any, to the date of redemption so long as (i) at least 65% of the aggregate principal amount of the 2021 notes issued remains outstanding after the redemption and (ii) such redemption occurs within 120 days of closing the equity offering.

The indentures governing the existing notes include covenants that limit our ability to, among other things, incur additional indebtedness; pay dividends on our capital stock or purchase, repurchase, redeem, defease or retire capital stock or subordinated indebtedness; make investments; incur liens; create any consensual restriction on the ability of our restricted subsidiaries to pay dividends, make loans or transfer property to us; engage in transactions with affiliates; sell assets; and consolidate, merge or transfer assets. If either series of our existing notes achieve investment grade ratings by both Moody's and Standard & Poor's and no default or event of default has occurred and is continuing under the applicable indenture, we and our restricted subsidiaries will no longer be subject to many of these covenants. The indentures also contain customary events of default. At September 30, 2013, we were in compliance with the terms and provisions as contained within the indentures.

S-25

**Table of Contents**

**DESCRIPTION OF NOTES**

We will issue the Notes under a base indenture, dated as of May 2, 2013 (the *Base Indenture*), and a supplemental indenture, to be dated as of November 15, 2013 (the *Supplemental Indenture* and together with the Base Indenture, the *Indenture*), among us, the Subsidiary Guarantors and Wells Fargo Bank, National Association, as trustee (the *Trustee*). The terms of the Notes include those expressly set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the *Trust Indenture Act*). The Indenture is unlimited in aggregate principal amount, although the issuance of Notes in this offering will be limited to \$600 million. We may issue an unlimited principal amount of additional notes having identical terms and conditions as the Notes (the *Additional Notes*). We will only be permitted to issue such Additional Notes in compliance with the covenant described under the subheading *Certain covenants* *Limitation on indebtedness and preferred stock*. Any Additional Notes will be part of the same issue as the Notes that we are currently offering and will vote on all matters with the holders of the Notes. Unless the context otherwise requires, for all purposes of the Indenture and this *Description of notes*, references to the Notes include any Additional Notes actually issued.

This *Description of notes* is intended to be a useful overview of the material provisions of the Notes and the Indenture. Since this description is only a summary, you should refer to these documents for a complete description of the obligations of the Company and the Subsidiary Guarantors and your rights.

You will find the definitions of capitalized terms used in this *Description of notes* under the heading *Certain definitions*. For purposes of this description, references to the Company, *we*, *our* and *us* refer only to Rosetta Resources Inc. and not to any of its subsidiaries.

**General**

*The notes.* The Notes:

are general unsecured, senior obligations of the Company;

mature on June 1, 2022;

will be issued in denominations of \$2,000 and integral multiples of \$1,000 in excess of \$2,000;

will be represented by one or more registered Notes in global form, but in certain circumstances may be represented by Notes in definitive form, see *Book-entry; delivery and form*;

will rank senior in right of payment to any future Subordinated Obligations of the Company;

will rank equally in right of payment to any senior Indebtedness of the Company, including the Existing Senior Notes and the Senior Secured Credit Agreement, without giving effect to collateral arrangements;

will be initially unconditionally guaranteed on a senior unsecured basis by Rosetta Resources Offshore, LLC, Rosetta Resources Operating GP, LLC, Rosetta Resources Operating LP, Rosetta Resources Michigan Limited Partnership and Rosetta Resources Holdings, LLC, representing each Restricted Subsidiary of the Company that currently guarantees the Senior Secured Credit Agreement and the Existing Senior Notes, see *Subsidiary guarantees*;

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will effectively rank junior to any future secured Indebtedness of the Company, including amounts that may be borrowed under our Senior Secured Credit Agreement, to the extent of the value of the collateral securing such Indebtedness; and

will rank structurally junior to the indebtedness and other obligations of any future non-guarantor subsidiaries, including any future Unrestricted Subsidiaries.

*The guarantees.* Initially, each of the Company's wholly-owned Subsidiaries will unconditionally guarantee the Notes on a senior unsecured basis. Each Guarantee of the Notes:

will be general unsecured, senior obligations of each Subsidiary Guarantor;

S-26

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**Table of Contents**

will rank senior in right of payment to any future Guarantor Subordinated Obligations of any Subsidiary Guarantor;

will rank equally in right of payment to any other existing and future senior Indebtedness of each Subsidiary Guarantor, including the Subsidiary Guarantors Guarantee under the Existing Senior Notes and the Senior Secured Credit Agreement, without giving effect to collateral arrangements;

will effectively rank junior to all existing and future secured Indebtedness of each Subsidiary Guarantor, including any borrowings and guarantees under the Senior Secured Credit Agreement, to the extent of the value of the collateral securing such Indebtedness; and

will effectively rank junior to all future Indebtedness of any non-guarantor Subsidiary of each Subsidiary Guarantor.

Initially, all of the Company's Subsidiaries will be Subsidiary Guarantors and Restricted Subsidiaries. Certain future Subsidiaries may not be required to guarantee the Notes. See Certain covenants Future subsidiary guarantors. Also, under the circumstances described below in the definition of Unrestricted Subsidiary under the heading Certain definitions, the Company may designate certain of its Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not guarantee the Notes and will not be subject to the restrictive covenants in the Indenture.

*Interest.* Interest on the Notes will compound semi-annually and will:

accrue at the rate of 5.875% per annum;

accrue from the Issue Date or, if interest has already been paid on the Notes, from the most recent interest payment date;

be payable in cash semiannually in arrears on June 1 and December 1, commencing on June 1, 2014;

be payable to the holders of record on May 15 and November 15 immediately preceding the related interest payment dates; and

be computed on the basis of a 360-day year comprised of twelve 30-day months.

If an interest payment date falls on a day that is not a Business Day, the interest payment to be made on such interest payment date will be made on the next succeeding Business Day with the same force and effect as if made on such interest payment date, and no additional interest will accrue as a result of such delayed payment. The Company will pay interest on overdue principal of the Notes at the above rate, and overdue installments of interest at such rate, to the extent lawful.

**Payments on the notes; paying agent and registrar**

We will pay principal of, premium, if any, and interest on the Notes at the office or agency designated by the Company in the City and State of New York, except that we may, at our option, pay interest on the Notes by check mailed or delivered to holders of the Notes at their registered address as it appears in the registrar's books. We have initially designated the corporate trust office of the Trustee in Dallas, Texas to act as our paying agent and registrar. We may, however, change the paying agent or registrar without prior notice to the holders of the Notes, and the Company or any of its Restricted Subsidiaries may act as paying agent or registrar.

We will pay principal of, premium, if any, and interest on, Notes in global form registered in the name of or held by The Depository Trust Company or its nominee in immediately available funds to The Depository Trust Company or its nominee, as the case may be, as the registered holder of such global Note.

**Transfer and exchange**

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A holder may transfer or exchange Notes in accordance with the Indenture. The registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. No service charge will be imposed by the Company, the

S-27

**Table of Contents**

Trustee or the registrar for any registration of transfer or exchange of Notes, but the Company may require a holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered holder of a Note will be treated as its owner for all purposes.

**Optional redemption**

On and after December 1, 2017, we may redeem all or, from time to time, a part of the Notes upon not less than 30 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount of the Notes), plus accrued and unpaid interest on the Notes, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on December 1 of the years indicated below:

<b>Year</b>	<b>Percentage</b>
2017	102.938%
2018	101.469%
2019 and thereafter	100.000%

Prior to December 1, 2016, we may, at our option, on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes (including Additional Notes) issued under the Indenture with an amount of cash not greater than the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 105.875% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that

- (1) at least 65% of the original principal amount of the Notes issued on the Issue Date remains outstanding after each such redemption; and
- (2) the redemption occurs within 120 days after the closing of the related Equity Offering.

In addition, the Notes may be redeemed, in whole or in part, at any time prior to December 1, 2017 at the option of the Company upon not less than 30 nor more than 60 days' prior notice sent to each holder of Notes at its registered address, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

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

- (1) 1.0% of the principal amount of such Note; or
- (2) the excess, if any, of:
  - (a) the present value at such redemption date of (i) the redemption price of such Note at December 1, 2017 (such redemption price being set forth in the table appearing above under the caption "Optional redemption") plus (ii) all required interest payments (excluding accrued and unpaid interest to such redemption date) due on such Note through December 1, 2017 computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
  - (b) the principal amount of such Note.

Treasury Rate means, as of any redemption date, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent

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## **Table of Contents**

Federal Reserve Statistical Release H.15 (519) which has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to December 1, 2017; *provided, however*, that if the period from the redemption date to December 1, 2017 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to December 1, 2017 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used. The Company will (a) calculate the Treasury Rate as of the second Business Day preceding the applicable redemption date and (b) prior to such redemption date file with the Trustee an Officers' Certificate setting forth the Applicable Premium and the Treasury Rate and showing the calculation of each in reasonable detail.

### **Selection and notice**

If the Company is redeeming less than all of the outstanding Notes, the Trustee will select the Notes for redemption in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not listed, then on a pro rata basis (and when the Notes are in the form of one or more global notes, in as near a pro rata basis in accordance with the applicable procedures of DTC), by lot or by such other method as the Trustee in its sole discretion will deem to be fair and appropriate, although no Note of \$2,000 in original principal amount or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the partially redeemed Note. On and after the redemption date, interest will cease to accrue on Notes or the portion of them called for redemption unless we default in the payment thereof.

### **Mandatory redemption; offers to purchase; open market purchases**

We are not required to make mandatory redemption payments or sinking fund payments with respect to the Notes. However, under certain circumstances, we may be required to offer to purchase Notes as described under the captions "Change of control" and "Certain covenants: Limitation on sales of assets and subsidiary stock."

We may acquire Notes by means other than a redemption or required repurchase, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture. However, other existing or future agreements of the Company or its Subsidiaries may limit the ability of the Company or its Subsidiaries to purchase Notes prior to maturity.

### **Ranking**

The Notes will be general unsecured obligations of the Company that rank senior in right of payment to all existing and future Indebtedness that is expressly subordinated in right of payment to the Notes. The Notes will rank equally in right of payment with all existing and future liabilities of the Company that are not so subordinated and will be effectively subordinated to all of our secured Indebtedness, including Indebtedness incurred under our Senior Secured Credit Agreement, to the extent of the value of the collateral securing such Indebtedness, and liabilities of any of our Subsidiaries that do not guarantee the Notes (including each of our Restricted Subsidiaries). The obligations of each of the Subsidiary Guarantors under the Subsidiary Guarantees for the Notes will rank equally in right of payment with all other Indebtedness of such Subsidiary Guarantor, except to the extent such other Indebtedness is expressly subordinated in right of payment to the obligations arising under its Subsidiary Guarantee. However, such obligations will effectively rank junior to all existing and future secured Indebtedness of the Subsidiary

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**Table of Contents**

Guarantors, including any borrowings and guarantees under the Senior Secured Credit Agreement, to the extent of the value of the collateral securing such Indebtedness. In the event of bankruptcy, liquidation, reorganization or other winding up of the Company or its Subsidiary Guarantors or upon a default in payment with respect to, or the acceleration of, any Indebtedness under the Senior Secured Credit Agreement or other secured Indebtedness, the assets of the Company and its Subsidiary Guarantors that secure secured Indebtedness will be available to pay obligations on the Notes and the Subsidiary Guarantees only after all Indebtedness under the Senior Secured Credit Agreement and other secured Indebtedness has been repaid in full from such assets. In addition, in the event of bankruptcy, liquidation, reorganization or other winding up of a non-guarantor Subsidiary, the assets of such non-guarantor Subsidiary will be available to pay obligations on the Notes and the Subsidiary Guarantee only after all obligations of such non-guarantor Subsidiary have been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all the Notes and the Subsidiary Guarantees then outstanding.

As of September 30, 2013, after giving effect to the issuance and sale of the notes and the application of the net proceeds therefrom as set forth under Use of proceeds :

we and our Subsidiary Guarantors would have had \$1,500 million of total Indebtedness; and

of the \$1,500 million of total Indebtedness, none of which would have constituted secured Indebtedness under our Senior Secured Credit Agreement, and we would have additional availability of \$800 million under our Senior Secured Credit Agreement.

**Subsidiary guarantees**

The Subsidiary Guarantors will, jointly and severally, fully and unconditionally guarantee on a senior unsecured basis our obligations under the Notes and all obligations under the Indenture. The obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will rank equally in right of payment with other Indebtedness of such Subsidiary Guarantor, except to the extent such other Indebtedness is expressly subordinate to the obligations arising under the Subsidiary Guarantee.

As of September 30, 2013, after giving effect to the issuance and sale of the notes and the application of the net proceeds therefrom as set forth under Use of proceeds, the Subsidiary Guarantors would have had approximately \$1,500 million of total Indebtedness.

Although the Indenture will limit the amount of Indebtedness that the Company and its Restricted Subsidiaries may incur, such Indebtedness may be substantial and such limitation is subject to a number of significant qualifications. Moreover, the Indenture does not impose any limitation on the Incurrence by such Subsidiaries of liabilities that are not considered Indebtedness under the Indenture. See Certain covenants Limitation on indebtedness and preferred stock.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee will be limited as necessary to prevent that Subsidiary Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law, although no assurance can be given that a court would give the holder the benefit of such provision. See Risk Factors Risks relating to the notes If the subsidiary guarantees are deemed fraudulent conveyances or preferential transfers, a court may subordinate or void them. If a Subsidiary Guarantee were rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero. If the obligations of a Subsidiary Guarantor under its Subsidiary Guarantee were avoided, holders of Notes would have to look to the assets of any remaining Subsidiary Guarantors for payment. There can be no assurance in that event that such assets would suffice to pay the outstanding principal and interest on the Notes.

In the event a Subsidiary Guarantor is sold or disposed of (whether by merger, consolidation, the sale of its Capital Stock or the sale of all or substantially all of its assets (other than by lease)) and whether or not



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## Table of Contents

the Subsidiary Guarantor is the surviving entity in such transaction to a Person which is not the Company or a Restricted Subsidiary of the Company, such Subsidiary Guarantor will be released from its obligations under its Subsidiary Guarantee if the sale or other disposition does not violate the covenants described under Certain covenants Limitation on sales of assets and subsidiary stock.

In addition, a Subsidiary Guarantor will be released from its obligations under the Indenture and its Subsidiary Guarantee, upon the release or discharge of the Guarantee that resulted in the creation of such Subsidiary Guarantee pursuant to the covenant described under Certain covenants Future subsidiary guarantors, except a release or discharge by or as a result of payment under such Guarantee; if the Company designates such Subsidiary as an Unrestricted Subsidiary and such designation complies with the other applicable provisions of the Indenture or in connection with any covenant defeasance, legal defeasance or satisfaction and discharge of the Notes as provided below under the captions Defeasance and Satisfaction and discharge.

### **Change of control**

If a Change of Control occurs, unless the Company has previously or concurrently exercised its right to redeem all of the Notes as described under Optional redemption, each holder will have the right to require the Company to repurchase all or any part (equal to \$2,000 or an integral multiple of \$1,000 in excess of \$2,000) of such holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Within 30 days following any Change of Control, unless we have previously or concurrently exercised our right to redeem all of the Notes as described under Optional redemption, we will send a notice (the Change of Control Offer) to each holder, with a copy to the Trustee, stating:

- (1) that a Change of Control has occurred and that such holder has the right to require us to purchase such holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of holders of record on a record date to receive interest on the relevant interest payment date) (the Change of Control Payment);
- (2) the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is sent) (the Change of Control Payment Date);
- (3) that any Note not properly tendered will remain outstanding and continue to accrue interest;
- (4) that unless we default in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date;
- (5) that holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender such Notes, with the form entitled Option of Holder to Elect Purchase on the reverse of such Notes completed, to the paying agent specified in the notice at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;
- (6) that holders will be entitled to withdraw their tendered Notes and their election to require us to purchase such Notes, *provided* that the paying agent receives, not later than the close of business on the 30th day following the date of the Change of Control notice, a telegram, telex, facsimile transmission or letter setting forth the name of the holder of the Notes, the principal amount of Notes tendered for purchase, and a statement that such holder is withdrawing its tendered Notes and its election to have such Notes purchased;
- (7) that if we are repurchasing less than all of the Notes, the holders of the remaining Notes will be issued new Notes and such new Notes will be equal in principal amount to the unpurchased portion of the Notes surrendered. The unpurchased portion of the Notes must be equal to a minimum principal amount of \$2,000 and an integral multiple of \$1,000 in excess of \$2,000; and

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**Table of Contents**

(8) the procedures determined by us, consistent with the Indenture, that a holder must follow in order to have its Notes repurchased.

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes (in a minimum principal amount of \$2,000 and integral multiples of \$1,000 in excess of \$2,000) properly tendered pursuant to the Change of Control Offer and not properly withdrawn;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered and not properly withdrawn; and
- (3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The paying agent will promptly mail or deliver to each holder of Notes properly tendered and not properly withdrawn the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a minimum principal amount of \$2,000 or an integral multiple of \$1,000 in excess of \$2,000.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no further interest will be payable to holders who tender pursuant to the Change of Control Offer.

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

We will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by us and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, (2) notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described above under the caption *Optional redemption*, unless and until there is a default in payment of the applicable redemption price, or (3) in connection with or in contemplation of any Change of Control, the Company has made an offer to purchase (an *Alternate Offer*) any and all Notes validly tendered at a cash price equal to or higher than the Change of Control Payment and has purchased all Notes properly tendered in accordance with the terms of such *Alternate Offer*.

A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of a Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer.

We will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, or compliance with the Change of Control provisions of the Indenture would constitute a violation of any such laws or regulations, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the Indenture by virtue of our compliance with such securities laws or regulations.

Our ability to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would constitute a default under the Senior Secured Credit Agreement. In addition, certain events that may constitute a change of control under the Senior Secured Credit Agreement and cause a default under that agreement

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**Table of Contents**

will not constitute a Change of Control under the Indenture. Future Indebtedness of the Company and its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased or repaid upon a Change of Control. Moreover, the exercise by the holders of their right to require the Company to repurchase the Notes could cause a default under such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. Finally, the Company's ability to pay cash to the holders upon a repurchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

Even if sufficient funds were otherwise available, the terms of the Senior Secured Credit Agreement will, and other and/or future Indebtedness may, prohibit the Company's prepayment or repurchase of Notes before their scheduled maturity. Consequently, if the Company is not able to prepay the Indebtedness under the Senior Secured Credit Agreement and any such other Indebtedness containing similar restrictions or obtain requisite consents, the Company will be unable to fulfill its repurchase obligations if holders of Notes exercise their repurchase rights following a Change of Control, resulting in a default under the Indenture. A default under the Indenture may result in a cross-default under the Senior Secured Credit Agreement.

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

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Company. The Change of Control purchase feature is a result of negotiations between the underwriters and us. As of the Issue Date, we have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to incur additional Indebtedness are contained in the covenants described under "Certain covenants—Limitation on indebtedness and preferred stock" and "Certain covenants—Limitation on liens." Such restrictions in the Indenture can be waived only with the consent of the holders of a majority in principal amount of the Notes then outstanding. Except for the limitations contained in such covenants, however, the Indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a holder of Notes may require the Company to make an offer to repurchase the Notes as described above. The Chancery Court of Delaware has raised the possibility that a Change of Control occurring as a result of a failure to have Continuing Directors comprising a majority of the Board of Directors may be unenforceable on public policy grounds.

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**Table of Contents**

The provisions under the Indenture relative to our obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified or terminated with the written consent of the holders of a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes) prior to the occurrence of such Change of Control.

**Certain covenants**

***Limitation on indebtedness and preferred stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) and the Company will not permit any of its Restricted Subsidiaries to issue Preferred Stock; *provided, however*, that the Company may Incur Indebtedness and any of the Subsidiary Guarantors may Incur Indebtedness and issue Preferred Stock if on the date thereof:

- (1) the Consolidated Coverage Ratio for the Company and its Restricted Subsidiaries is at least 2.25 to 1.00, determined on a pro forma basis (including a pro forma application of proceeds); and
- (2) no Default would occur as a consequence of, and no Event of Default would be continuing following, Incurring the Indebtedness or transactions relating to such Incurrence.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness of the Company or any Subsidiary Guarantor Incurred pursuant to one or more Credit Facilities in an aggregate amount not to exceed the greater of (i) \$900.0 million or (ii) an amount equal to the sum of \$150.0 million and 30.0% of the Company's Adjusted Consolidated Net Tangible Assets determined as of the date of the Incurrence of such Indebtedness after giving effect to the application of the proceeds therefrom;
- (2) Guarantees by the Company or Subsidiary Guarantors of Indebtedness of the Company or a Subsidiary Guarantor, as the case may be, Incurred in accordance with the provisions of the Indenture; *provided* that in the event such Indebtedness that is being Guaranteed is a Subordinated Obligation or a Guarantor Subordinated Obligation, then the related Guarantee shall be subordinated in right of payment to the Notes or the Subsidiary Guarantee to at least the same extent as the Indebtedness being Guaranteed, as the case may be;
- (3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided, however*, that (a) if the Company or a Subsidiary Guarantor is the obligor of such Indebtedness and the obligee is not the Company or a Subsidiary Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of the Notes or all obligations of such Subsidiary Guarantor with respect to its Subsidiary Guarantee, as the case may be and (b) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person other than the Company or a Restricted Subsidiary of the Company shall be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Subsidiary, as the case may be, that was not permitted by this clause;
- (4) Indebtedness represented by (a) the Notes issued on the Issue Date and all Subsidiary Guarantees, (b) the Existing Senior Notes and any other Indebtedness (other than the Indebtedness described in clauses (1), (2) and 4(a)) outstanding on the Issue Date, and (c) any Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clause (5) or (7) or Incurred pursuant to the first paragraph of this covenant;
- (5) Permitted Acquisition Indebtedness;

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**Table of Contents**

(6) Indebtedness Incurred in respect of (a) self-insurance obligations, bid, appeal, reimbursement, performance, surety and similar bonds and completion guarantees provided by the Company or a Restricted Subsidiary in the ordinary course of business and any Guarantees or letters of credit functioning as or supporting any of the foregoing bonds or obligations and (b) obligations represented by letters of credit for the account of the Company or a Restricted Subsidiary in order to provide security for workers' compensation claims (in the case of clauses (a) and (b) other than for an obligation for money borrowed);

(7) Indebtedness of the Company or any Restricted Subsidiary represented by Capitalized Lease Obligations (whether or not incurred pursuant to Sale/Leaseback Transactions) or other Indebtedness incurred or assumed in connection with the acquisition, construction, improvement or development of real or personal, movable or immovable, property, in each case Incurred for the purpose of financing, refinancing, renewing, defeasing or refunding all or any part of the purchase price or cost of acquisition, construction, improvement or development of property used in the business of the Company or its Restricted Subsidiaries; *provided* that the aggregate principal amount incurred by the Company or any Restricted Subsidiary pursuant to this clause (7) and any Refinancing Indebtedness incurred under clause (4)(c) above to refinance any Indebtedness originally incurred under this clause (7) outstanding at any time shall not exceed the greater of (x) \$50.0 million and (y) 2.0% of the Company's Adjusted Consolidated Net Tangible Assets; and *provided further* that the principal amount of any Indebtedness permitted under this clause (7) did not in each case at the time of incurrence exceed the Fair Market Value, as determined in accordance with the definition of such term, of the acquired or constructed asset or improvement so financed;

(8) Capital Stock (other than Disqualified Stock) of the Company or of any of the Subsidiary Guarantors;

(9) Indebtedness of Foreign Subsidiaries if, at the time of incurrence and after giving effect thereto, the aggregate principal amount of all Indebtedness of Foreign Subsidiaries incurred pursuant to this clause (9) and then outstanding does not exceed the greater of \$30.0 million and an amount equal to 10% of the total assets of such Foreign Subsidiaries; and

(10) in addition to the items referred to in clauses (1) through (9) above, Indebtedness of the Company and its Subsidiary Guarantors in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (10) and then outstanding, will not at any time exceed the greater of \$120.0 million or 5.0% of the Company's Adjusted Consolidated Net Tangible Assets, determined as of the date of Incurrence of such Indebtedness after giving effect to such Incurrence and the application of the proceeds therefrom.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event an item of that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will be permitted to divide and classify such item of Indebtedness on the date of Incurrence and, subject to clause (2) below may later classify, reclassify or redivide all or a portion of such item of Indebtedness, in any manner that complies with this covenant;

(2) all Indebtedness outstanding on the date of the Indenture under the Senior Secured Credit Agreement shall be deemed Incurred on the Issue Date under clause (1) of the second paragraph of this covenant;

(3) Guarantees of, or obligations in respect of letters of credit supporting, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) if obligations in respect of letters of credit are Incurred pursuant to a Credit Facility and are being treated as Incurred pursuant to clause (1) of the second paragraph above and the letters of credit relate to other Indebtedness, then such other Indebtedness shall not be included;

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**Table of Contents**

(5) the principal amount of any Disqualified Stock of the Company or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary that is not a Subsidiary Guarantor, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP.

Accrual of interest, accrual of dividends, the amortization of debt discount or the accretion of accreted value, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock and unrealized losses, charges or other similar obligations in respect of Hedging Obligations (including those resulting from the application of Accounting Standards Codification No. 815) will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The Company will not permit any of its Unrestricted Subsidiaries to Incur any Indebtedness, or issue any shares of Disqualified Stock, other than Non-Recourse Debt.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this Limitation on indebtedness and preferred stock covenant, the Company shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

The Indenture will not treat (1) unsecured Indebtedness as subordinated or junior to secured Indebtedness merely because it is unsecured or (2) senior Indebtedness as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral.

***Limitation on restricted payments***

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

(1) declare or pay any dividend or make any payment or distribution on or in respect of the Company's Capital Stock (including any payment or distribution in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) except:

(a) dividends or distributions by the Company payable solely in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Company; and

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**Table of Contents**

(b) dividends or distributions payable to the Company or a Restricted Subsidiary and if such Restricted Subsidiary is not a Wholly-Owned Subsidiary, to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) so long as the Company or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution;

(2) purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Capital Stock of the Company or any direct or indirect parent of the Company held by Persons other than the Company or a Restricted Subsidiary (other than in exchange for Capital Stock of the Company (other than Disqualified Stock));

(3) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Obligations or Guarantor Subordinated Obligations (other than (x) Indebtedness permitted under clause (3) of the second paragraph of the covenant Limitation on indebtedness and preferred stock or (y) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations or Guarantor Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement); or

(4) make any Restricted Investment in any Person

(any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (4) shall be referred to herein as a Restricted Payment ), if at the time the Company or such Restricted Subsidiary makes such Restricted Payment:

(a) a Default shall have occurred and be continuing (or would result therefrom);

(b) the Company is not able to Incur an additional \$1.00 of Indebtedness pursuant to the covenant described under the first paragraph under Limitation on indebtedness and preferred stock after giving effect, on a pro forma basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to April 15, 2010 would exceed the sum of:

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from January 1, 2010 to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal financial statements are in existence (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds and the Fair Market Value of property or securities other than cash (including Capital Stock of Persons engaged primarily in the Oil and Gas Business or assets used in the Oil and Gas Business), in each case received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to April 15, 2010 (other than Net Cash Proceeds received from an issuance or sale of such Capital Stock to (x) management, employees, directors or any direct or indirect parent of the Company, to the extent such Net Cash Proceeds have been used to make a Restricted Payment pursuant to clause (5)(a) of the second succeeding paragraph, (y) a Subsidiary of the Company or (z) an employee stock ownership plan, option plan or similar trust (to the extent such sale to an employee stock ownership plan, option plan or similar trust is financed by loans from or Guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination));

(iii) the amount by which Indebtedness of the Company or its Restricted Subsidiaries Incurred on or after April 15, 2010 is reduced on the Company's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to April 15, 2010

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**Table of Contents**

of any Indebtedness of the Company or its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property (other than such Capital Stock), distributed by the Company upon such conversion or exchange), together with the net proceeds, if any, received by the Company or any of its Restricted Subsidiaries upon such conversion or exchange; and

(iv) the amount equal to the aggregate net reduction in Restricted Investments made by the Company or any of its Restricted Subsidiaries in any Person after April 15, 2010 resulting from:

(A) repurchases, repayments or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale of such Restricted Investment (other than to a Subsidiary of the Company), repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Company or any Restricted Subsidiary;

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued in each case as provided in the definition of Investment ) not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary; and

(C) the sale by the Company or any Restricted Subsidiary (other than to the Company or a Restricted Subsidiary) of all or a portion of the Capital Stock of an Unrestricted Subsidiary or a distribution from an Unrestricted Subsidiary or a dividend from an Unrestricted Subsidiary (whether any such distribution or dividend is made with proceeds from the issuance by such Unrestricted Subsidiary of its Capital Stock or otherwise),

which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided, however*, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income.

As of September 30, 2013, the aggregate amount of availability for Restricted Payments pursuant to the foregoing provisions was approximately \$580 million.

The provisions of the second preceding paragraph will not prohibit:

(1) any Restricted Payment made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Company or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or a substantially concurrent cash capital contribution received by the Company from its shareholders; *provided, however*, that (a) such Restricted Payment will be excluded from subsequent calculations of the amount of Restricted Payments and (b) the Net Cash Proceeds from such sale of Capital Stock or capital contribution will be excluded from clause (c)(ii) of the second preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Company or Guarantor Subordinated Obligations of any Subsidiary Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Company or any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Guarantor Subordinated Obligations made by exchange for or out of the proceeds of the substantially concurrent sale of Guarantor Subordinated Obligations that, in each case, is permitted to be Incurred pursuant to the covenant described under Limitation on indebtedness and preferred stock ; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded from subsequent calculations of the amount of Restricted Payments;



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**Table of Contents**

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Company or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Company or such Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under Limitation on indebtedness and preferred stock ; *provided, however*, that such purchase, repurchase, redemption, defeasance, acquisition or retirement will be excluded from subsequent calculations of the amount of Restricted Payments;

(4) dividends paid or distributions made within 60 days after the date of declaration if at such date of declaration such dividend or distribution would have complied with this covenant; *provided, however*, that such dividends and distributions will be included in subsequent calculations of the amount of Restricted Payments; and *provided further, however*, that for purposes of clarification, this clause (4) shall not include cash payments in lieu of the issuance of fractional shares included in clause (9) below;

(5) so long as no Default has occurred and is continuing, (a) the repurchase or other acquisition of Capital Stock (including options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock) of the Company held by any existing or former employees, management or directors of the Company or any Restricted Subsidiary of the Company or their assigns, estates or heirs, in each case pursuant to the repurchase or other acquisition provisions under employee stock option or stock purchase plans or agreements or other agreements to compensate management, employees or directors, in each case approved by the Company's Board of Directors; *provided* that such repurchases or other acquisitions pursuant to this subclause (a) during any calendar year will not exceed \$3.0 million in the aggregate (with unused amounts in any calendar year being carried over to succeeding calendar years); *provided, further*, that such amount in any calendar year may be increased by an amount not to exceed (A) the cash proceeds received by the Company from the sale of Capital Stock of the Company to members of management or directors of the Company and its Restricted Subsidiaries that occurs after April 15, 2010 (to the extent the cash proceeds from the sale of such Capital Stock have not otherwise been applied to the payment of Restricted Payments by virtue of the clause (c) of the second preceding paragraph), plus (B) the cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries after April 15, 2010, less (C) the amount of any Restricted Payments made pursuant to clauses (A) and (B) of this clause (5)(a); *provided further, however*, that the amount of any such repurchase or other acquisition under this subclause (a) will be excluded in subsequent calculations of the amount of Restricted Payments and the proceeds received from any such transaction will be excluded from clause (c)(ii) of the second preceding paragraph; and (b) loans or advances to employees or directors of the Company or any Subsidiary of the Company, in each case as permitted by Section 402 of the Sarbanes-Oxley Act of 2002, the proceeds of which are used to purchase Capital Stock of the Company, or to refinance loans or advances made pursuant to this clause (5)(b), in an aggregate principal amount not in excess of \$3.0 million at any one time outstanding; *provided, however*, that the amount of such loans and advances will be included in subsequent calculations of the amount of Restricted Payments;

(6) purchases, repurchases, redemptions or other acquisitions or retirements for value of (i) restricted Capital Stock issued to existing or former employees, management or directors of the Company or any Restricted Subsidiary of the Company or their assigns, estates or heirs, in each case pursuant to the repurchase or other acquisition provisions under employee stock option or stock purchase plans or agreements or other agreements to compensate management, employees or directors, in each case approved by the Company's Board of Directors and (ii) Capital Stock deemed to occur upon the exercise of stock options, warrants, rights to acquire Capital Stock or other convertible securities, in each case if such Capital Stock represents a portion of the exercise or exchange price thereof, and any purchases, repurchases, redemptions or other acquisitions or retirements for value of Capital Stock made in lieu of withholding taxes in connection with any issuance, exercise or exchange of warrants, options or rights to acquire Capital Stock; *provided, however*, that such acquisitions or retirements will be excluded from subsequent calculations of the amount of Restricted Payments;

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**Table of Contents**

(7) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligation (i) at a purchase price not greater than 101% of the principal amount of such Subordinated Obligation in the event of a Change of Control in accordance with provisions similar to the covenant described under Change of control or (ii) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to the covenant described under Limitation on sales of assets and subsidiary stock ; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Company has made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the Notes and has completed the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer; *provided, however*, that such repurchases will be included in subsequent calculations of the amount of Restricted Payments;

(8) payments or distributions to dissenting stockholders pursuant to applicable law or in connection with the settlement or other satisfaction of legal claims made pursuant to or in connection with a consolidation, merger or transfer of assets; *provided, however*, that any payment pursuant to this clause (8) shall be included in the calculation of the amount of Restricted Payments;

(9) cash payments in lieu of the issuance of fractional shares; *provided, however*, that any payment pursuant to this clause (9) shall be excluded in the calculation of the amount of Restricted Payments;

(10) the declaration and payment of scheduled or accrued dividends to holders of any class of or series of Disqualified Stock of the Company or any of its Restricted Subsidiaries issued on or after April 15, 2010 in accordance with the covenant captioned Limitation on indebtedness and preferred stock, to the extent such dividends are included in Consolidated Interest Expense; *provided, however*, that any payment pursuant to this clause (10) shall be excluded in the calculation of the amount of Restricted Payments;

(11) Investments in Unrestricted Subsidiaries having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (11) that are at the time outstanding (after giving effect to any dividends, return of capital and subsequent reduction in the amount of any Investments made pursuant to this clause (11) as a result of the repayment or other disposition thereof, or upon designation of an Unrestricted Subsidiary as a Restricted Subsidiary, the Fair Market Value of such Subsidiary to the extent the Investment in such Subsidiary was made pursuant to this clause (11), in an amount not to exceed the amount of such Investments previously made pursuant to this clause (11) not to exceed 2.0% of Adjusted Consolidated Net Tangible Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided, however*, that any Investment pursuant to this clause (11) shall be excluded in the calculation of the amount of Restricted Payments;

(12) Restricted Payments in an amount not to exceed \$40.0 million in the aggregate since April 15, 2010; *provided, however*, that the amount of such Restricted Payments will be included in subsequent calculations of the amount of Restricted Payments; and

(13) any Restricted Payments made in connection with the Transactions and the fees and expenses related thereto or owed to Affiliates, in each case to the extent permitted by the covenant described under Limitation on affiliate transactions ; *provided, however*, that any payment pursuant to this clause (13) shall be excluded in the calculation of the amount of Restricted Payments.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The Fair Market Value of any cash Restricted Payment shall be its face amount and the Fair Market Value of any non-cash Restricted Payment shall be determined in accordance with the definition of that term.

## **Table of Contents**

In the event that a Restricted Payment or Permitted Investment meets the criteria of more than one of the exceptions described in (1) through (13) above, is entitled to be made pursuant to the first paragraph of this covenant or meets the description of one or more Permitted Investments, the Company shall, in its sole discretion, be permitted to divide or classify (or if made pursuant to one or more of the exceptions described in (1) through (13) above or a Permitted Investment, later divide, classify or reclassify in whole or in part such Restricted Payment or Permitted Investment among such clauses).

As of the Issue Date, each of our Subsidiaries will be Restricted Subsidiaries. We will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the last sentence of the definition of Unrestricted Subsidiary. For purpose of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of Investment. Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time, whether pursuant to the first paragraph of this covenant or under clause (12) of the second paragraph of this covenant, or pursuant to the definition of Permitted Investments, and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

### ***Limitation on liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien (the Initial Lien ) other than Permitted Liens upon any of its property or assets (including Capital Stock of Restricted Subsidiaries), including any income or profits therefrom, whether owned on the date of the Indenture or acquired after that date, which Lien is securing any Indebtedness, unless contemporaneously with the incurrence of such Liens effective provision is made to secure the Indebtedness due under the Notes or, in respect of Liens on any Restricted Subsidiary's property or assets, any Subsidiary Guarantee of such Restricted Subsidiary, equally and ratably with (or senior in priority to in the case of Liens with respect to Subordinated Obligations or Guarantor Subordinated Obligations, as the case may be) the Indebtedness secured by such Lien for so long as such Indebtedness is so secured.

Any Lien created for the benefit of the holders of the Notes pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien.

### ***Limitation on restrictions on distributions from restricted subsidiaries***

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

- (1) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);
- (2) make any loans or advances to the Company or any Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or
- (3) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary.

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**Table of Contents**

The preceding provisions will not prohibit:

- (i) any encumbrance or restriction pursuant to or by reason of an agreement in effect at or entered into on the Issue Date, including, without limitation, the Indenture in effect on such date;
- (ii) any encumbrance or restriction with respect to a Person pursuant to or by reason of an agreement relating to any Capital Stock or Indebtedness Incurred by a Person on or before the date on which such Person was acquired by the Company or another Restricted Subsidiary (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person was acquired by the Company or a Restricted Subsidiary or in contemplation of the transaction) and outstanding on such date; *provided* that any such encumbrance or restriction shall not extend to any assets or property of the Company or any other Restricted Subsidiary other than the assets and property so acquired;
- (iii) encumbrances and restrictions contained in contracts entered into in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of, or from the ability of the Company and the Restricted Subsidiaries to realize the value of, property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (iv) any encumbrance or restriction with respect to an Unrestricted Subsidiary pursuant to or by reason of an agreement that the Unrestricted Subsidiary is a party to entered into before the date on which such Unrestricted Subsidiary became a Restricted Subsidiary; *provided* that such agreement was not entered into in anticipation of the Unrestricted Subsidiary becoming a Restricted Subsidiary and any such encumbrance or restriction shall not extend to any assets or property of the Company or any other Restricted Subsidiary other than the assets and property so acquired;
- (v) with respect to any Foreign Subsidiary, any encumbrance or restriction contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was Incurred if either (1) the encumbrance or restriction applies only in the event of a payment default or a default with respect to a financial covenant in such Indebtedness or agreement or (2) the Company determines that any such encumbrance or restriction will not materially affect the Company's ability to make principal or interest payments on the Notes, as determined in good faith by the Board of Directors of the Company, whose determination shall be conclusive;
- (vi) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement effecting a refunding, replacement or refinancing of Indebtedness Incurred pursuant to an agreement referred to in clauses (i) through (v) or clause (xii) of this paragraph or this clause (vi) or contained in any amendment, restatement, modification, renewal, supplemental, refunding, replacement or refinancing of an agreement referred to in clauses (i) through (v) or clause (xii) of this paragraph or this clause (vi); *provided* that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement taken as a whole are no less favorable in any material respect to the holders of the Notes than the encumbrances and restrictions contained in the agreements governing the Indebtedness being refunded, replaced or refinanced;
- (vii) in the case of clause (3) of the first paragraph of this covenant, any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease (including leases governing leasehold interests or farm-in agreements or farm-out agreements relating to leasehold interests in Oil and Gas Properties), license or similar contract, or the assignment or transfer of any such lease (including leases governing leasehold interests or farm-in agreements or farm-out agreements relating to leasehold interests in Oil and Gas Properties), license (including, without limitation, licenses of intellectual property) or other contract;

**Table of Contents**

- (b) contained in mortgages, pledges or other security agreements permitted under the Indenture securing Indebtedness of the Company or a Restricted Subsidiary to the extent such encumbrances or restrictions restrict the transfer of the property subject to such mortgages, pledges or other security agreements;
- (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Company or any Restricted Subsidiary;
- (d) restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business; or
- (e) provisions with respect to the disposition or distribution of assets or property in operating agreements, joint venture agreements, development agreements, area of mutual interest agreements and other agreements that are customary in the Oil and Gas Business and entered into in the ordinary course of business;
- (viii) any encumbrance or restriction contained in (a) purchase money obligations for property acquired in the ordinary course of business and (b) Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property so acquired;
- (ix) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition of all or a portion of the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (x) any customary encumbrances or restrictions imposed pursuant to any agreement of the type described in the definition of Permitted Business Investment ;
- (xi) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order;
- (xii) encumbrances or restrictions contained in agreements governing Indebtedness of the Company or any of its Restricted Subsidiaries permitted to be Incurred pursuant to an agreement entered into subsequent to the Issue Date in accordance with the covenant described under the caption Limitation on indebtedness and preferred stock ; *provided* that the provisions relating to such encumbrance or restriction contained in such Indebtedness are not materially less favorable to the Company taken as a whole, as determined by the Board of Directors of the Company in good faith, than the provisions contained in the Senior Secured Credit Agreement and in the Indenture as in effect on the Issue Date;
- (xiii) the issuance of Preferred Stock by a Restricted Subsidiary or the payment of dividends thereon in accordance with the terms thereof; *provided* that issuance of such Preferred Stock is permitted pursuant to the covenant described under the caption Limitation on indebtedness and preferred stock and the terms of such Preferred Stock do not expressly restrict the ability of a Restricted Subsidiary to pay dividends or make any other distributions on its Capital Stock (other than requirements to pay dividends or liquidation preferences on such Preferred Stock prior to paying any dividends or making any other distributions on such other Capital Stock);
- (xiv) supermajority voting requirements existing under corporate charters, bylaws, stockholders agreements and similar documents and agreements;
- (xv) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;
- (xvi) any encumbrance or restriction contained in the Senior Secured Credit Agreement as in effect as of the Issue Date, and in any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; *provided* that such amendments,

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**Table of Contents**

modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are no more restrictive with respect to such dividend and other payment restrictions than those contained in the Senior Secured Credit Agreement as in effect on the Issue Date; and

(xvii) any encumbrance or restriction that is no more restrictive than any encumbrance or restriction in the Senior Secured Credit Agreement and that is contained in any agreement creating Hedging Obligations permitted from time to time under the Indenture.

***Limitation on sales of assets and subsidiary stock***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(1) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition) of the shares or other assets subject to such Asset Disposition;

(2) at least 75% of the aggregate consideration received by the Company or such Restricted Subsidiary, as the case may be, from such Asset Disposition and all other Asset Dispositions since the Issue Date, on a cumulative basis, is in the form of cash or Cash Equivalents or Additional Assets, or any combination thereof; and

(3) except as provided in the next paragraph, an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied, within 365 days from the later of the date of such Asset Disposition or the receipt of such Net Available Cash, by the Company or such Restricted Subsidiary, as the case may be:

(a) to prepay, repay, redeem or purchase Indebtedness of the Company under the Senior Secured Credit Agreement, any other Indebtedness of the Company or a Subsidiary Guarantor that is secured by a Lien permitted to be Incurred under the Indenture or Indebtedness (other than Disqualified Stock) of any Wholly-Owned Subsidiary that is not a Subsidiary Guarantor (in each case, excluding Indebtedness owed to the Company or an Affiliate of the Company); *provided, however*, that, in connection with any prepayment, repayment, redemption or purchase of Indebtedness pursuant to this clause (a), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, redeemed or purchased;

(b) to invest in or acquire Additional Assets; or

(c) to prepay, repay, redeem or purchase any other Senior Indebtedness (and to correspondingly reduce commitments, if any, with respect thereto); *provided, however*, that the Company shall equally and ratably reduce prepay, repay, redeem or purchase Notes, through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or by making an offer (in accordance with the procedures set forth below for an Asset Disposition Offer) to all holders to purchase their Notes at 100% of the principal amount thereof, plus the amount of accrued but unpaid interest, if any, on the amount of Notes that would otherwise be prepaid.

Pending the final application of any such Net Available Cash in accordance with clauses (a) through (c) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding paragraph will be deemed to constitute Excess Proceeds. Not later than the 366th day from the later of the date of such Asset Disposition or the receipt of such Net Available Cash, if the aggregate amount of Excess Proceeds exceeds \$20.0 million, the Company will be required to make an offer ( Asset Disposition Offer ) to all holders of Notes and, to the extent required by the terms of other Pari Passu

**Table of Contents**

Indebtedness, to all holders of other Pari Passu Indebtedness outstanding with similar provisions requiring the Company to make an offer to purchase such Pari Passu Indebtedness with the proceeds from any Asset Disposition ( Pari Passu Notes ) to purchase the maximum principal amount of Notes and any such Pari Passu Notes to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount (or, in the event such Pari Passu Indebtedness of the Company was issued with significant original issue discount, 100% of the accreted value thereof) of the Notes and Pari Passu Notes plus accrued and unpaid interest, if any (or in respect of such Pari Passu Indebtedness, such lesser price, if any, as may be provided for by the terms of such Indebtedness), to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Notes, as applicable, in each case in minimum principal amount of \$2,000 and integral multiples of \$1,000 in excess of \$2,000. If the aggregate principal amount of Notes surrendered by holders thereof and other Pari Passu Notes surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Notes (and when the Notes and Pari Passu Notes are in the form of one or more global notes, in as near a pro rata basis in accordance with the applicable procedures of DTC). To the extent that the aggregate amount of Notes and Pari Passu Notes so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes, subject to the other covenants contained in the Indenture. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the Asset Disposition Offer Period ). No later than five Business Days after the termination of the Asset Disposition Offer Period (the Asset Disposition Purchase Date ), the Company will purchase the principal amount of Notes and Pari Passu Notes required to be purchased pursuant to this covenant (the Asset Disposition Offer Amount ) or, if less than the Asset Disposition Offer Amount has been so validly tendered and not properly withdrawn, all Notes and Pari Passu Notes validly tendered and not properly withdrawn in response to the Asset Disposition Offer.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest, if any, will be paid to the Person in whose name a Note is registered at the close of business on such record date, and no further interest will be payable to holders who tender Notes pursuant to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Company will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Notes or portions of Notes and Pari Passu Notes so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Notes so validly tendered and not properly withdrawn, in each case in minimum principal amount of \$2,000 and integral multiples of \$1,000 in excess of \$2,000. The Company will deliver to the Trustee an Officers Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this covenant and, in addition, the Company will deliver all certificates and notes required, if any, by the agreements governing the Pari Passu Notes. The Company or the paying agent, as the case may be, will promptly (but in any case not later than five Business Days after the termination of the Asset Disposition Offer Period) mail or deliver to each tendering holder of Notes or holder or lender of Pari Passu Notes, as the case may be, an amount equal to the purchase price of the Notes or Pari Passu Notes so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Company for purchase, and the Company will promptly issue a new Note, and the Trustee, upon delivery of an Officers Certificate from the Company, will authenticate and mail or deliver such new Note to such holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a minimum principal amount of \$2,000 or an integral multiple of \$1,000 in excess of \$2,000.

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**Table of Contents**

In addition, the Company will take any and all other actions required by the agreements governing the Pari Passu Notes. Any Note not so accepted will be promptly mailed or delivered by the Company to the holder thereof. The Company will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

The Company will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to an Asset Disposition Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of its compliance with such securities laws or regulations.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of any liabilities, as shown on the Company's or such Restricted Subsidiary's most recent balance sheet, of the Company or any Restricted Subsidiary, including liabilities with respect to plugging and abandonment (other than Subordinated Obligations, Disqualified Stock, Guarantor Subordinated Obligations or Disqualified Stock of any Restricted Subsidiary that is a Subsidiary Guarantor) and the release of the Company or such Restricted Subsidiary from all such liability in connection with such Asset Disposition in which case the Company will, without further action, be deemed to have applied such deemed cash to Indebtedness in accordance with clause (3)(a) of the first paragraph of this covenant;
- (2) securities, notes or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash within 180 days after receipt thereof; and
- (3) any Designated Non-cash Consideration received by the Company or such Restricted Subsidiary in an Asset Disposition having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (3) that is at that time outstanding, not to exceed 3.0% of Adjusted Consolidated Net Tangible Assets at the time of the receipt of such Designated Non-cash Consideration, with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value.

Notwithstanding the foregoing, the 75% limitation referred to in clause (2) of the first paragraph of this covenant shall be deemed satisfied with respect to any Asset Disposition in which the cash or Cash Equivalents portion of the consideration received therefrom, determined in accordance with the foregoing provision on an after-tax basis, is equal to or greater than what the after-tax proceeds would have been had such Asset Disposition complied with the aforementioned 75% limitation.

The requirement of clause (3)(b) of the first paragraph of this covenant above shall be deemed to be satisfied if an agreement (including a lease, whether a capital lease or an operating lease) committing to make the investments, acquisitions or expenditures referred to therein is entered into by the Company or its Restricted Subsidiary within the specified time period and such Net Available Cash is subsequently applied in accordance with such agreement within six months following such agreement.

The Company will not, and will not permit any Restricted Subsidiary to, engage in any Asset Swaps, unless:

- (1) at the time of entering into such Asset Swap and immediately after giving effect to such Asset Swap, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and
- (2) in the event such Asset Swap involves the transfer by the Company or any Restricted Subsidiary of assets having an aggregate Fair Market Value in excess of \$20.0 million, the terms of such Asset Swap have been approved by a majority of the members of the Board of Directors of the Company.



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**Table of Contents**

***Limitation on affiliate transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, make, amend or conduct any transaction (including making a payment to, the purchase, sale, lease or exchange of any property or the rendering of any service), contract, agreement or understanding with or for the benefit of any Affiliate of the Company (an Affiliate Transaction ) unless:

- (1) the terms of such Affiliate Transaction are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could reasonably be expected to be obtained in a comparable transaction at the time of such transaction in arm's-length dealings with a Person who is not such an Affiliate or, if in the good faith judgment of the Company's Board of Directors, no comparable transaction is available with which to compare such Affiliate Transaction, such Affiliate Transaction is otherwise fair to the Company or the relevant Restricted Subsidiary from a financial point of view; and
- (2) if such Affiliate Transaction involves an aggregate consideration in excess of \$20.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Company having no personal stake in such transaction, if any (and such majority determines that such Affiliate Transaction satisfies the criteria in clause (1) above).

The preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under Limitation on restricted payments or any Permitted Investment;
- (2) any issuance of Capital Stock (other than Disqualified Stock), or other payments, awards or grants in cash, Capital Stock (other than Disqualified Stock) or otherwise pursuant to, or the funding of, employment or severance agreements and other compensation arrangements, options to purchase Capital Stock (other than Disqualified Stock) of the Company, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans and/or insurance and indemnification arrangements provided to or for the benefit of directors and employees approved by the Board of Directors of the Company;
- (3) loans or advances to employees, officers or directors in the ordinary course of business of the Company or any of its Restricted Subsidiaries;
- (4) advances to or reimbursements of employees for moving, entertainment and travel expenses, drawing accounts and similar expenditures in the ordinary course of business of the Company or any of its Restricted Subsidiaries;
- (5) any transaction between the Company and a Restricted Subsidiary or between Restricted Subsidiaries, and Guarantees issued by the Company or a Restricted Subsidiary for the benefit of the Company or a Restricted Subsidiary, as the case may be, in accordance with Limitation on indebtedness and preferred stock ;
- (6) any transaction with a joint venture or similar entity which would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns, directly or indirectly, an Equity Interest in or otherwise controls such joint venture or similar entity;
- (7) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Company to, or the receipt by the Company of any capital contribution from its shareholders;
- (8) indemnities of officers, directors and employees of the Company or any of its Restricted Subsidiaries permitted by bylaw or statutory provisions and any employment agreement or other employee compensation plan or arrangement entered into in the ordinary course of business by the Company or any of its Restricted Subsidiaries;
- (9) the payment of reasonable compensation and fees paid to, and indemnity provided on behalf of, officers or directors of the Company or any Restricted Subsidiary;

## **Table of Contents**

- (10) the performance of obligations of the Company or any of its Restricted Subsidiaries under the terms of any agreement to which the Company or any of its Restricted Subsidiaries is a party as of or on the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time; *provided, however*, that any future amendment, modification, supplement, extension or renewal entered into after the Issue Date will be permitted only to the extent that its terms are not materially more disadvantageous, taken as a whole, to the holders of the Notes than the terms of the agreements in effect on the Issue Date;
- (11) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture; *provided* that in the reasonable determination of the Board of Directors of the Company or the senior management of the Company, such transactions are on terms not materially less favorable to the Company, taken as a whole, than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company;
- (12) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in such Person;
- (13) transactions between the Company or any Restricted Subsidiary and any Person, a director of which is also a director of the Company or any direct or indirect Subsidiary of the Company, and such director is the sole cause for such Person to be deemed an Affiliate of the Company or any Restricted Subsidiary; *provided, however*, that such director shall abstain from voting as a director of the Company or such direct or indirect parent company, as the case may be, on any matter involving such other Person; and
- (14) transactions in which the Board of Directors of the Company has received a written opinion from an independent investment banking, accounting, engineering or appraisal firm of nationally recognized standing that such Affiliate Transaction is fair, from a financial standpoint, to the Company or such Restricted Subsidiary or is not materially less favorable than those that could reasonably be expected to be obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

### ***Provision of financial information***

The Indenture will provide that, whether or not the Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act, to the extent not prohibited by the Exchange Act, the Company will file with the SEC, and make available to the Trustee and the holders of the Notes without cost to any holder, the annual reports and the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that are specified in Sections 13 and 15(d) of the Exchange Act and applicable to a U.S. corporation within the time periods specified therein with respect to an accelerated filer. In the event that the Company is not permitted to file such reports, documents and information with the SEC pursuant to the Exchange Act, the Company will nevertheless make available such Exchange Act information to the Trustee and the holders of the Notes without cost to any holder as if the Company were subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act within the time periods specified therein with respect to a non-accelerated filer.

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

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**Table of Contents**

The availability of the foregoing materials on the SEC's website or on a freely accessible page on the Company's website shall be deemed to satisfy the foregoing delivery obligations.

***Merger and consolidation***

The Company will not consolidate with or merge with or into or wind up into (whether or not the Company is the surviving Person), or convey, transfer or lease all or substantially all its assets in one or more related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the Successor Company) will be a corporation, partnership, trust or limited liability company organized and existing under the laws of the United States of America, any State of the United States or the District of Columbia and the Successor Company (if not the Company) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Notes and the Indenture;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) either (A) immediately after giving effect to such transaction, the Successor Company would be able to Incur at least an additional \$1.00 of Indebtedness pursuant to the first paragraph of the covenant described under Limitation on indebtedness and preferred stock or (B) immediately after giving effect to such transaction on a pro forma basis and any related financing transactions as if the same had occurred at the beginning of the applicable four quarter period, the Consolidated Coverage Ratio of the Company is equal to or greater than the Consolidated Coverage Ratio of the Company immediately before such transaction;
- (4) each Subsidiary Guarantor (unless it is the other party to the transactions above, in which case clause (1) shall apply) shall have by supplemental indenture confirmed that its Subsidiary Guarantee shall apply to such Person's obligations in respect of the Indenture and the Notes and that its Guarantee shall continue to be in effect; and
- (5) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture (if any) comply with the Indenture.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture; and its predecessor Company, except in the case of a lease of all or substantially all its assets, will be released from all obligations under the Indenture and the obligation to pay the principal of and interest on the Notes.

Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve all or substantially all of the assets of a Person.

Notwithstanding the preceding clause (3), (x) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company and the Company may consolidate with, merge into or transfer all or part of its properties and assets to a Subsidiary Guarantor and (y) the

**Table of Contents**

Company may merge with an Affiliate incorporated solely for the purpose of reincorporating the Company in another jurisdiction; *provided* that, in the case of a Restricted Subsidiary that consolidates with, merges into or transfers all or part of its properties and assets to the Company, the Company will not be required to comply with the preceding clause (5).

In addition, the Company will not permit any Subsidiary Guarantor to consolidate with or merge with or into, and will not permit the conveyance, transfer or lease of all or substantially all of the assets of any Subsidiary Guarantor to, any Person (other than the Company or another Subsidiary Guarantor) unless:

- (1) (a) the resulting, surviving or transferee Person will be a corporation, partnership, trust or limited liability company organized and existing under the laws of the United States of America, any State of the United States or the District of Columbia and such Person (if not such Subsidiary Guarantor) will expressly assume, by supplemental indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor under its Subsidiary Guarantee; and (b) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the resulting, surviving or transferee Person or any Restricted Subsidiary as a result of such transaction as having been Incurred by such Person or such Restricted Subsidiary at the time of such transaction), no Default shall have occurred and be continuing; or
- (2) the transaction is made in compliance with the covenants described under Subsidiary guarantees and Limitation on sales of assets and subsidiary stock ; and
- (3) the Company will have delivered to the Trustee an Officer s Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplement indenture (if any) comply with the Indenture.

***Future subsidiary guarantors***

The Indenture will provide that the Company will cause (a) each Restricted Subsidiary that Guarantees any Indebtedness under a Credit Facility, other than a Foreign Subsidiary and (b) any other Domestic Subsidiary that is not already a Subsidiary Guarantor that guarantees any Indebtedness of the Company or a Subsidiary Guarantor, in each case, created or acquired by the Company or one or more of its Restricted Subsidiaries, to execute and deliver to the Trustee within 30 days a supplemental indenture (in the form specified in the Indenture) pursuant to which such Subsidiary will unconditionally Guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest, if any, on the Notes on a senior basis; *provided* that any Restricted Subsidiary that constitutes an Immaterial Subsidiary need not become a Subsidiary Guarantor until such time as it ceases to be an Immaterial Subsidiary.

***Covenant termination***

From and after the occurrence of an Investment Grade Rating Event, the Company and its Restricted Subsidiaries will no longer be subject to the provisions of the Indenture described above under the following headings:

Certain covenants Limitation on indebtedness and preferred stock,

Certain covenants Limitation on restricted payments,

Certain covenants Limitation on restrictions on distributions from restricted subsidiaries,

Certain covenants Limitation on sales of assets and subsidiary stock,

Certain covenants Limitation on affiliate transactions and

clause (3) of Certain covenants Merger and consolidation

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(collectively, the Eliminated Covenants ). As a result, after the date on which the Company and its Restricted Subsidiaries are no longer subject to the Eliminated Covenants, the Notes will be entitled to

S-50

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**Table of Contents**

substantially reduced covenant protection. After the foregoing covenants have been terminated, the Company may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the second sentence of the definition of Unrestricted Subsidiary.

**Events of default**

Each of the following is an Event of Default :

- (1) default in any payment of interest on any Note when due, continued for 30 days;
- (2) default in the payment of principal of or premium, if any, on any Note when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration of acceleration or otherwise;
- (3) failure by the Company or any Subsidiary Guarantor to comply with its obligations under Certain Covenants Merger and consolidation ;
- (4) failure by the Company to comply for 30 days after notice as provided below with any of its obligations under the covenant described under Change of control above or under the covenants described under Certain covenants above (in each case, other than a failure to purchase Notes which will constitute an Event of Default under clause (2) above and other than a failure to comply with Certain Covenants Merger and consolidation which is covered by clause (3));
- (5) failure by the Company to comply for 60 days (or 180 days in the case of a Reporting Failure) after notice as provided below with its other agreements contained in the Indenture;
- (6) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), other than Indebtedness owed to the Company or a Restricted Subsidiary, whether such Indebtedness or guarantee now exists, or is created after the date of the Indenture, which default:
  - (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (and any extensions of any grace period) ( payment default ); or
  - (b) results in the acceleration of such Indebtedness prior to its Maturity (the cross acceleration provision );and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates \$50.0 million or more;
- (7) certain events of bankruptcy, insolvency or reorganization of the Company, the Company or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the bankruptcy provisions );
- (8) failure by the Company or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of \$50.0 million (to the extent not covered by insurance by a reputable and creditworthy insurer as to which the insurer has not disclaimed coverage), which judgments are not paid or discharged, and there shall be any period of 60 consecutive days following entry of such final judgment or decree during which a stay of enforcement of such final judgment or decree, by reason of pending appeal or otherwise, shall not be in effect (the judgment default provision ); or

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**Table of Contents**

(9) any Subsidiary Guarantee of a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries) would constitute a Significant Subsidiary, ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or any Subsidiary Guarantor that is a Significant Subsidiary or group of Subsidiary Guarantors that, taken together (as of the latest audited consolidated financial statements of the Company and its Restricted Subsidiaries) would constitute a Significant Subsidiary, denies or disaffirms its obligations under the Indenture or its Subsidiary Guarantee.

However, a default under clauses (4) and (5) of this paragraph will not constitute an Event of Default until the Trustee or the holders of at least 25% in principal amount of the outstanding Notes notify the Company in writing and, in the case of a notice given by the holders, the Trustee of the default, and the Company does not cure such default within the time specified in clauses (4) and (5) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (7) above) occurs and is continuing, the Trustee by notice to the Company, or the holders of at least 25% in principal amount of the outstanding Notes by notice to the Company and the Trustee, may, and the Trustee at the request of such holders shall, declare the principal of, premium, if any, accrued and unpaid interest, if any, on all the Notes to be due and payable. If an Event of Default described in clause (7) above occurs and is continuing, the principal of, premium, if any, accrued and unpaid interest, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holders. The holders of a majority in principal amount of the outstanding Notes may waive all past defaults (except with respect to nonpayment of principal, premium or interest, if any) and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived.

Notwithstanding the foregoing, if an Event of Default specified in clause (6) above shall have occurred and be continuing, such Event of Default and any consequential acceleration (to the extent not in violation of any applicable law or in conflict with any judgment or decree of a court of competent jurisdiction) shall be automatically rescinded if (i) the Indebtedness that is the subject of such Event of Default has been repaid or (ii) if the default relating to such Indebtedness is waived by the holders of such Indebtedness or cured and if such Indebtedness has been accelerated, then the holders thereof have rescinded their declaration of acceleration in respect of such Indebtedness, in each case within 20 days after the declaration of acceleration with respect thereto, and (iii) any other existing Events of Default, except nonpayment of principal, premium, if any, or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

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

- (1) such holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee reasonable security or indemnity against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

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**Table of Contents**

(5) the holders of a majority in principal amount of the outstanding Notes have not waived such Event of Default or otherwise given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

If a Default occurs and is continuing and is known to the Trustee, the Trustee must send to each holder notice of the Default within 90 days after it occurs. Except in the case of a Default in the payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold such notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the holders. In addition, the Company is required to deliver to the Trustee, within 120 days after the end of each fiscal year, a certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Company also is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events which would constitute certain Defaults, their status and what action the Company is taking or proposing to take in respect thereof.

**Amendments and waivers**

Subject to certain exceptions, the Indenture and the Notes may be amended or supplemented with the consent of the holders of a majority in principal amount of the Notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). However, without the consent of each holder of an outstanding Note affected, no amendment may, among other things:

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Note;
- (3) reduce the principal of or extend the Stated Maturity of any Note;
- (4) reduce the premium payable upon the redemption of any Note as described above under Optional redemption, or change the time at which any Note may be redeemed as described above under Optional redemption or make any change relative to our obligation to make an offer to repurchase the Notes as a result of a Change of Control as described above under Change of control after (but not before) the occurrence of such Change of Control;
- (5) make any Note payable in money other than that stated in the Note;
- (6) impair the right of any holder to receive payment of premium, if any, principal of and interest on such holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Notes;
- (7) make any change in the amendment provisions which require each holder's consent or in the waiver provisions;



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**Table of Contents**

(8) modify the Subsidiary Guarantees in any manner adverse to the holders of the Notes; or

(9) make any change to or modify the ranking of the Notes that would adversely affect the holders.

Notwithstanding the foregoing, without the consent of any holder, the Company, the Subsidiary Guarantors and the Trustee may amend the Indenture and the Notes to:

(1) cure any ambiguity, omission, defect, mistake or inconsistency;

(2) provide for the assumption by a successor of the obligations of the Company or any Subsidiary Guarantor under the Indenture;

(3) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code);

(4) add Subsidiary Guarantees with respect to the Notes, including Subsidiary Guarantees, or release a Subsidiary Guarantor from its Subsidiary Guarantee and terminate such Subsidiary Guarantee; *provided* that the release and termination is in accordance with the applicable provisions of the Indenture;

(5) secure the Notes or Subsidiary Guarantees;

(6) add to the covenants of the Company or a Subsidiary Guarantor for the benefit of the holders or surrender any right or power conferred upon the Company or a Subsidiary Guarantor;

(7) make any change that does not adversely affect the rights of any holder; *provided, however*, that any change to conform the Indenture to this Description of notes will not be deemed to adversely affect the rights of any holder;

(8) comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act; or

(9) provide for the succession of a successor Trustee, *provided* that the successor Trustee is otherwise qualified and eligible to act as such under the Indenture.

The consent of the holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any holder of Notes given in connection with a tender of such holder's Notes will not be rendered invalid by such tender. After an amendment under the Indenture becomes effective, the Company is required to send to the holders a notice briefly describing such amendment. However, the failure to give such notice to all the holders, or any defect in the notice will not impair or affect the validity of the amendment.

**Defeasance**

The Company at any time may terminate all its obligations under the Notes and the Indenture ( legal defeasance ), except for certain obligations, including those respecting the defeasance trust and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain a registrar and paying agent in respect of the Notes.

The Company at any time may terminate its obligations described under Change of control and under covenants described under Certain covenants (other than clauses (1), (2), (4) and (5) of Merger and consolidation ), the operation of the cross default upon a payment default, cross acceleration provisions, the bankruptcy provisions with respect to Significant Subsidiaries, the judgment default provision, the Subsidiary Guarantee provision described under Events of default above and the limitations contained in clause (3) under Certain Covenants Merger and Consolidation above, and the Company and the Subsidiary Guarantors may terminate the obligations of the Subsidiary Guarantors to provide the Subsidiary Guarantees, which thereupon shall be automatically released ( covenant defeasance ).

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## **Table of Contents**

The Company may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Company exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Company exercises its covenant defeasance option, payment of the Notes may not be accelerated because of an Event of Default specified in clause (4), (5), (6), (7) (with respect only to Significant Subsidiaries), (8) or (9) under Events of default above or because of the failure of the Company to comply with clause (3) under Certain covenants Merger and consolidation above.

In order to exercise either defeasance option, the Company must, among other things, irrevocably deposit in trust (the defeasance trust ) with the Trustee money or U.S. Government Obligations for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of an Opinion of Counsel (subject to customary exceptions and exclusions) to the effect that holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and defeasance and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of legal defeasance only, such Opinion of Counsel must be based on a ruling of the Internal Revenue Service or other change in applicable federal income tax law.

### **Satisfaction and discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when either:

- (1) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation, or
- (2) all Notes that have not been delivered to the Trustee for cancellation have become due and payable or will become due and payable within one year by reason of the giving of a notice of redemption or otherwise and the Company or any Subsidiary Guarantor has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust solely for such purpose, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal and accrued interest to the date of maturity or redemption, and in each case certain other requirements set forth in the Indenture are satisfied.

### **No personal liability of directors, officers, employees and stockholders**

No director, officer, employee, incorporator, stockholder, member, partner or trustee of the Company or any Subsidiary Guarantor, as such, shall have any liability for any obligations of the Company or any Subsidiary Guarantor under the Notes, the Indenture or the Subsidiary Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

### **Concerning the trustee**

Wells Fargo Bank, National Association, will be the Trustee under the Indenture and has been appointed by the Company as registrar and paying agent with regard to the Notes.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company or any Subsidiary Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *provided, however*, that if it acquires any conflicting interest (as

## **Table of Contents**

defined in the Trust Indenture Act) while any Default exists it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as Trustee with such conflict or resign as Trustee.

### **Governing law**

The Indenture provides that it and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

### **Certain definitions**

*Acquired Indebtedness* means Indebtedness (i) of a Person or any of its Subsidiaries existing at the time such Person becomes or is merged with and into a Restricted Subsidiary or (ii) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary or such acquisition. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (i) of the preceding sentence, on the date such Person becomes or is merged with and into a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

*Acquisition* means the acquisition by the Company of certain producing and undeveloped oil and gas interests in the Delaware Basin in Gaines and Reeves Counties, Texas from Comstock Oil & Gas, LP pursuant to the Acquisition Agreement.

*Acquisition Agreement* means that certain Purchase and Sale Agreement, dated as of March 14, 2013, by and between Rosetta Resources Operating LP and Comstock Oil & Gas, LP.

*Additional Assets* means:

- (1) any properties or assets to be used by the Company or a Restricted Subsidiary in the Oil and Gas Business;
- (2) capital expenditures by the Company or a Restricted Subsidiary in the Oil and Gas Business;
- (3) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Company or a Restricted Subsidiary; or
- (4) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

*provided, however*, that, in the case of clauses (3) and (4), such Restricted Subsidiary is primarily engaged in the Oil and Gas Business.

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

- (a) the sum of:
  - (i) discounted future net revenues from proved oil and gas reserves of such Person and its Restricted Subsidiaries calculated in accordance with SEC guidelines before any state, federal or foreign income taxes, as estimated by the Company in a reserve report prepared as of the end of the Company's most recently completed fiscal year for which audited financial statements are available, as increased by, as of the date of determination, the estimated discounted future net revenues from
  - (A) estimated proved oil and gas reserves acquired since such year end, which reserves were not reflected in such year end reserve report, and
  - (B) estimated oil and gas reserves attributable to extensions, discoveries and other additions and upward revisions of estimates of proved oil and gas reserves since such year-end due to exploration, development or exploitation, production or other activities, which

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**Table of Contents**

would, in accordance with standard industry practice, cause such revisions (including the impact to proved reserves and future net revenues from estimated development costs incurred and the accretion of discount since such year-end),

and decreased by, as of the date of determination, the estimated discounted future net revenues from

(C) estimated proved oil and gas reserves produced or disposed of since such year end, and

(D) estimated oil and gas reserves attributable to downward revisions of estimates of proved oil and gas reserves since such year-end due to changes in geological conditions or other factors which would, in accordance with standard industry practice, cause such revisions, in each case calculated on a pretax basis and substantially in accordance with SEC guidelines,

in the case of clauses (A) through (D) utilizing prices and costs calculated in accordance with SEC guidelines as if the end of the most recent fiscal quarter preceding the date of determination for which such information is available to the Company were year end; *provided, however*, that in the case of each of the determinations made pursuant to clauses (A) through (D), such increases and decreases shall be as estimated by the Company's petroleum engineers;

(ii) the capitalized costs that are attributable to Oil and Gas Properties of such Person and its Restricted Subsidiaries to which no proved oil and gas reserves are attributable, based on such Person's books and records as of a date no earlier than the date of such Person's latest available annual or quarterly financial statements;

(iii) the Net Working Capital of such Person and its Restricted Subsidiaries on a date no earlier than the date of such Person's latest annual or quarterly financial statements; and

(iv) the greater of

(A) the net book value of other tangible assets of such Person and its Restricted Subsidiaries, as of a date no earlier than the date of such Person's latest annual or quarterly financial statement, and

(B) the appraised value, as estimated by independent appraisers, of other tangible assets of such Person and its Restricted Subsidiaries, as of a date no earlier than the date of such Person's latest audited financial statements; *provided*, that, if no such appraisal has been performed the Company shall not be required to obtain such an appraisal and only clause (iv)(A) of this definition shall apply;

*minus*

(b) the sum of:

(i) Minority Interests;

(ii) any net gas balancing liabilities of such Person and its Restricted Subsidiaries reflected in such Person's latest annual or quarterly balance sheet (to the extent not deducted in calculating Net Working Capital of such Person in accordance with clause (a)(iii) above of this definition);

(iii) to the extent included in (a)(i) above, the discounted future net revenues, calculated in accordance with SEC guidelines (but utilizing prices and costs calculated in accordance with SEC guidelines as if the end of the most recent fiscal quarter preceding the date of determination for which such information is available to the Company were year-end), attributable to reserves which are required to be delivered to third parties to fully satisfy the obligations of the Company and its Restricted Subsidiaries with respect to Volumetric Production Payments (determined, if applicable, using the schedules specified with respect thereto); and

**Table of Contents**

(iv) the discounted future net revenues, calculated in accordance with SEC guidelines, attributable to reserves subject to Dollar-Denominated Production Payments which, based on the estimates of production and price assumptions included in determining the discounted future net revenues specified in (a)(i) above, would be necessary to fully satisfy the payment obligations of such Person and its Subsidiaries with respect to Dollar-Denominated Production Payments (determined, if applicable, using the schedules specified with respect thereto).

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

*Affiliate* of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, *control* when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms *controlling* and *controlled* have meanings correlative to the foregoing.

*Asset Disposition* means any direct or indirect sale, lease (including by means of Production Payments and Reserve Sales and a Sale/Leaseback Transaction but excluding an operating lease entered into in the ordinary course of the Oil and Gas Business), transfer, issuance or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of (A) shares of Capital Stock of a Restricted Subsidiary (other than Preferred Stock of Restricted Subsidiaries issued in compliance with the covenant described under the heading *Certain covenants Limitation on indebtedness and preferred stock, and directors qualifying shares or shares required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary*), (B) all or substantially all the assets of any division or line of business of the Company or any Restricted Subsidiary (excluding any division or line of business the assets of which are owned by an Unrestricted Subsidiary) or (C) any other assets of the Company or any Restricted Subsidiary outside of the ordinary course of business of the Company or such Restricted Subsidiary (each referred to for the purposes of this definition as a *disposition*), in each case by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents or other financial assets in the ordinary course of business;
- (3) a disposition of Hydrocarbons or mineral products inventory in the ordinary course of business;
- (4) a disposition of damaged, unserviceable, obsolete or worn-out assets or assets that are no longer necessary for the proper conduct of the business of the Company and its Restricted Subsidiaries and that are disposed of in each case in the ordinary course of business;
- (5) transactions in accordance with the covenant described under *Certain Covenants Merger and consolidation* ;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to a Restricted Subsidiary;
- (7) the making of a Permitted Investment or a Restricted Payment (or a disposition that would constitute a Restricted Payment but for the exclusions from the definition thereof) permitted by the covenant described under *Certain Covenants Limitation on restricted payments* ;
- (8) an Asset Swap;

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**Table of Contents**

- (9) dispositions of assets with a Fair Market Value of less than \$10.0 million;
- (10) Permitted Liens;
- (11) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (12) the licensing or sublicensing of intellectual property (including, without limitation, the licensing of seismic data) or other general intangibles and licenses, leases or subleases of other property in the ordinary course of business which do not materially interfere with the business of the Company and its Restricted Subsidiaries, taken as a whole;
- (13) foreclosure on assets;
- (14) any Production Payments and Reserve Sales; *provided* that any such Production Payments and Reserve Sales, other than incentive compensation programs on terms that are reasonably customary in the Oil and Gas Business for geologists, geophysicists and other providers of technical services to the Company or a Restricted Subsidiary, shall have been created, Incurred, issued, assumed or Guaranteed in connection with the financing of, and within 60 days after the acquisition of, the property that is subject thereto;
- (15) a disposition of oil and natural gas properties in connection with tax credit transactions complying with Section 29 or any successor or analogous provisions of the Code;
- (16) surrender or waiver of contract rights, oil and gas leases, or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) the abandonment, farm-out, lease or sublease of developed or undeveloped Oil and Gas Properties in the ordinary course of business; and
- (18) a disposition (whether or not in the ordinary course of business) of any Oil and Gas Property or interest therein to which no proved reserves are attributable at the time of such disposition.

*Asset Swap* means any substantially contemporaneous (and in any event occurring within 180 days of each other) purchase and sale or exchange of any oil or natural gas properties or assets or interests therein between the Company or any of its Restricted Subsidiaries and another Person; *provided*, that any cash received must be applied in accordance with Certain covenants Limitation on sales of assets and subsidiary stock as if the Asset Swap were an Asset Disposition.

*Average Life* means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

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

*Board of Directors* means, as to any Person that is a corporation, the board of directors of such Person or any duly authorized committee thereof or as to any Person that is not a corporation, the board of managers or such other individual or group serving a similar function.

*Business Day* means each day that is not a Saturday, Sunday or other day on which commercial banking institutions in New York, New York are authorized or required by law to close.

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**Table of Contents**

*Capital Stock* of any Person means any and all shares, units, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into, or exchangeable for, such equity.

*Capitalized Lease Obligations* means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with GAAP, and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with GAAP, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

*Cash Equivalents* means:

- (1) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality of the United States (*provided* that the full faith and credit of the United States is pledged in support thereof), having maturities of not more than fifteen (15) months from the date of acquisition;
- (2) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within fifteen (15) months from the date of acquisition (*provided* that the full faith and credit of the United States is pledged in support thereof) and, at the time of acquisition, having a credit rating of A (or the equivalent thereof) or better from either S&P or Moody's;
- (3) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than fifteen (15) months from the date of acquisition thereof issued by any commercial bank the short-term deposit of which is rated at the time of acquisition thereof at least A-2 or the equivalent thereof by S&P, or P-2 or the equivalent thereof by Moody's, and having combined capital and surplus in excess of \$100.0 million;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1), (2) and (3) entered into with any bank meeting the qualifications specified in clause (3) above;
- (5) commercial paper rated at the time of acquisition thereof at least A-2 or the equivalent thereof by S&P or P-2 or the equivalent thereof by Moody's, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named Rating Agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and
- (6) interests in any investment company or money market fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (5) above.

*Cash Management Obligations* means, with respect to the Company or any Guarantor, any obligations of such Person to any lender in respect of treasury management arrangements, depository or other cash management services, including any treasury management line of credit.

*Change of Control* means:

- (1) any person or group of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), is or becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company (or its successor by merger, consolidation or purchase of all or substantially all of its assets) (for the purposes of this clause (1), such person or group shall be deemed to Beneficially Own any Voting Stock of the Company held by a parent entity, if such person or group Beneficially Owns, directly or indirectly, more than 50% of the total voting power of the Voting Stock of such parent entity);

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**Table of Contents**

- (2) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors;
- (3) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act); or
- (4) the adoption by the shareholders of the Company of a plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the preceding, a conversion of the Company or any of its Restricted Subsidiaries from a corporation, limited liability company, limited partnership or other form of entity to a corporation, limited liability company, limited partnership or other form of entity or an exchange of all of the outstanding Equity Interests in one form of entity for Equity Interests in another form of entity shall not constitute a Change of Control, so long as following such conversion or exchange the persons or groups of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) who Beneficially Owned the Capital Stock of the Company or its Restricted Subsidiary, as applicable, immediately prior to such transactions continue to Beneficially Own in the aggregate more than 50% of the Voting Stock of such entity, or continue to Beneficially Own sufficient Equity Interests in such entity to elect a majority of its directors, managers, trustees or other persons serving in a similar capacity for such entity or its general partner, as applicable, and, in either case no person or group Beneficially Owns more than 50% of the Voting Stock of such entity or its general partner, as applicable.

*Code* means the Internal Revenue Code of 1986, as amended.

*Commodity Agreements* means, in respect of any Person, any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement in respect of Hydrocarbons used, produced, processed or sold by such Person that are customary in the Oil and Gas Business and designed to protect such Person against fluctuation in Hydrocarbon prices.

*Common Stock* means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

*Consolidated Coverage Ratio* means as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which financial statements are in existence to (y) Consolidated Interest Expense for such four fiscal quarters, *provided, however*, that:

- (1) if the Company or any Restricted Subsidiary:
  - (a) has Incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such Indebtedness and the use of proceeds thereof as if such Indebtedness had been Incurred on the first day of such period and such proceeds had been applied as of such date (except that in making such computation, the amount of Indebtedness under any revolving Credit Facility outstanding on the date of such calculation will be deemed to be (i) the average daily balance of such Indebtedness during such four fiscal quarters or such shorter period for which such facility was outstanding or (ii) if such revolving Credit Facility was created after the end of such four fiscal quarters, the average daily balance of such Indebtedness during the period from the date of creation of such revolving Credit Facility to the date of such calculation, in each case, *provided* that such average daily balance shall take into account any repayment of Indebtedness under such revolving Credit Facility as provided in clause (b)); or



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**Table of Contents**

(b) has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of the period, including with the proceeds of such new Indebtedness, that is no longer outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio involves a discharge of Indebtedness (in each case other than Indebtedness Incurred under any revolving Credit Facility unless such Indebtedness has been permanently repaid and the related commitment terminated), Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving effect on a pro forma basis to such discharge of such Indebtedness as if such discharge had occurred on the first day of such period;

(2) if, since the beginning of such period, the Company or any Restricted Subsidiary has made any Asset Disposition or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is such an Asset Disposition, the Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto for such period and Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with or with the proceeds from such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(3) if, since the beginning of such period, the Company or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary or is merged with or into the Company or a Restricted Subsidiary) or an acquisition (or will have received a contribution) of assets, including any acquisition or contribution of assets occurring in connection with a transaction causing a calculation to be made under the Indenture, which constitutes all or substantially all of a company, division, operating unit, segment, business, group of related assets or line of business, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition or contribution had occurred on the first day of such period; and

(4) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Company or any Restricted Subsidiary since the beginning of such period) made any Asset Disposition or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Company or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving pro forma effect thereto as if such Asset Disposition or Investment or acquisition of assets had occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to any calculation under this definition, the pro forma calculations will be determined in good faith by a responsible financial or accounting officer of the Company; *provided* that such officer may in his or her discretion include any reasonably identifiable and factually supportable pro forma changes to Consolidated EBITDA, including any pro forma expenses and cost reductions, that have occurred or in the judgment of such officer are reasonably expected to occur within 12 months of the date of the applicable transaction (regardless of whether such expense or cost reduction or any other operating improvements could then be reflected properly in pro forma financial statements prepared in accordance with Regulation S-X under the Securities Act or any other regulation or policy of the SEC). If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness will be calculated as if the average

**Table of Contents**

rate in effect from the beginning of such period to the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness, but if the remaining term of such Interest Rate Agreement is less than 12 months, then such Interest Rate Agreement shall only be taken into account for that portion of the period equal to the remaining term thereof). If any Indebtedness that is being given pro forma effect bears an interest rate at the option of the Company, the interest rate shall be calculated by applying such optional rate chosen by the Company. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Company may designate.

*Consolidated EBITDA* for any period means, without duplication, the Consolidated Net Income for such period, plus the following, without duplication and to the extent deducted (and not added back) in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes of the Company and its Restricted Subsidiaries;
- (3) consolidated depletion and depreciation expense of the Company and its Restricted Subsidiaries;
- (4) consolidated amortization expense or impairment charges of the Company and its Restricted Subsidiaries recorded in connection with the application of Accounting Standards Codification No. 350, Intangibles Goodwill and Other and Accounting Standards Codification No. 360, Impairment or Disposal of Long-Lived Assets ;
- (5) other non-cash charges of the Company and its Restricted Subsidiaries (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period not included in the calculation);
- (6) if the Company changes its method of accounting for Oil and Gas Properties from full cost to successful efforts or a similar method of accounting, consolidated exploration and abandonment expense of the Company and its Restricted Subsidiaries; and
- (7) any fees or expenses relating to the Transactions,

if applicable for such period; and less, to the extent included in calculating such Consolidated Net Income and in excess of any costs or expenses attributable thereto that were deducted (and not added back) in calculating such Consolidated Net Income, the sum of (x) the amount of deferred revenues that are amortized during such period and are attributable to reserves that are subject to Volumetric Production Payments, (y) amounts recorded in accordance with GAAP as repayments of principal and interest pursuant to Dollar-Denominated Production Payments and (z) other non-cash gains (excluding any non-cash gain to the extent it represents the reversal of an accrual or reserve for a potential cash item that reduced Consolidated EBITDA in any prior period).

Notwithstanding the preceding sentence, clauses (2) through (7) relating to amounts of a Restricted Subsidiary of a Person will be added to Consolidated Net Income to compute Consolidated EBITDA of such Person only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person and, to the extent the amounts set forth in clauses (2) through (7) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be dividended to the Company by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary.

**Table of Contents**

*Consolidated Income Taxes* means, with respect to any Person for any period, taxes imposed upon such Person or other payments required to be made by such Person by any governmental authority which taxes or other payments are calculated by reference to the income, profits or capital of such Person or such Person and its Restricted Subsidiaries (including state franchise taxes) (to the extent such income or profits were included in computing Consolidated Net Income for such period), regardless of whether such taxes or payments are required to be remitted to any governmental authority.

*Consolidated Interest Expense* means, for any period, the total consolidated interest expense of the Company and its Restricted Subsidiaries, whether paid or accrued, plus, to the extent not included in such interest expense and without duplication:

- (1) interest expense attributable to Capitalized Lease Obligations and the interest component of any deferred payment obligations;
- (2) amortization of debt discount and debt issuance cost (*provided* that any amortization of bond premium will be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such amortization of bond premium has otherwise reduced Consolidated Interest Expense);
- (3) non-cash interest expense;
- (4) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers acceptance financing;
- (5) the interest expense on Indebtedness of another Person that is Guaranteed by the Company or one of its Restricted Subsidiaries or secured by a Lien on assets of the Company or one of its Restricted Subsidiaries, to the extent such Guarantee becomes payable or such Lien becomes subject to foreclosure;
- (6) each costs associated with Interest Rate Agreements (including amortization of fees); *provided, however*, that if Interest Rate Agreements result in net benefits rather than costs, such benefits shall be credited to reduce Consolidated Interest Expense unless, pursuant to GAAP, such net benefits are otherwise reflected in Consolidated Net Income;
- (7) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; and
- (8) all dividends paid or payable in cash, Cash Equivalents or Indebtedness or accrued during such period on any series of Disqualified Stock of the Company or on Preferred Stock of its Restricted Subsidiaries payable to a party other than the Company or a Wholly-Owned Subsidiary,

minus, to the extent included above, write-off of deferred financing costs (and interest) attributable to Dollar-Denominated Production Payments.

For the purpose of calculating the Consolidated Coverage Ratio in connection with the Incurrence of any Indebtedness described in the final paragraph of the definition of Indebtedness, the calculation of Consolidated Interest Expense shall include all interest expense (including any amounts described in clauses (1) through (8) above) relating to any Indebtedness of the Company or any Restricted Subsidiary described in the final paragraph of the definition of Indebtedness.

*Consolidated Net Income* means, for any period, the aggregate net income (loss) (excluding minority interest) of the Company and its consolidated Subsidiaries determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends of such Person; *provided, however*, that there will not be included (to the extent otherwise included therein) in such Consolidated Net Income:

- (1) any net income (loss) of any Person (other than the Company) if such Person is not a Restricted Subsidiary, except that:
  - (a) subject to the limitations contained in clauses (3) and (4) below, the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net

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**Table of Contents**

Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (2) below); and

(b) the Company's equity in a net loss of any such Person for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Company or a Restricted Subsidiary during such period;

(2) any net income (but not loss) of any Restricted Subsidiary if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Company, except that:

(a) subject to the limitations contained in clauses (3), (4) and (5) below, the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause); and

(b) the Company's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

(3) any gain (loss) realized upon the sale or other disposition of any property, plant or equipment of the Company or, its consolidated Subsidiaries (including pursuant to any Sale/ Leaseback Transaction) which is not sold or otherwise disposed of in the ordinary course of business and any gain (loss) realized upon the sale or other disposition of any Capital Stock of any Person;

(4) any extraordinary or nonrecurring gains or losses, together with any related provision for taxes on such gains or losses and all related fees and expenses;

(5) the cumulative effect of a change in accounting principles;

(6) any ceiling limitation on Oil and Gas Properties or other asset impairment write-downs under GAAP or SEC guidelines;

(7) any unrealized non-cash gains or losses or charges in respect of Hedging Obligations (including those resulting from the application of Accounting Standards Codification No. 815);

(8) income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);

(9) all deferred financing costs written off, and premiums paid, in connection with any early extinguishment of Indebtedness; and

(10) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards; *provided* that the proceeds resulting from any such grant will be excluded from clause (c)(ii) of the first paragraph of the covenant described under Certain covenants Limitation on restricted payments.

*Continuing Directors* means, as of any date of determination, any member of the Board of Directors of the Company who: (1) was a member of such Board of Directors on the date of the Indenture; or (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

*Credit Facility* means, with respect to the Company or any Restricted Subsidiary, one or more debt facilities (including, without limitation, the Senior Secured Credit Agreement), indentures or commercial paper facilities providing for revolving credit loans, term loans, receivables financing (including through

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**Table of Contents**

the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), notes, debentures, bonds or similar securities or instruments or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time (and whether or not with the original administrative agent and lenders or another administrative agent or agents or other lenders and whether provided under the original Senior Secured Credit Agreement or any other credit or other agreement or indenture).

*Currency Agreement* means in respect of a Person any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

*Default* means any event which is, or after notice or passage of time or both would be, an Event of Default.

*Designated Non-cash Consideration* means the Fair Market Value of non-cash consideration received by the Company or a Restricted Subsidiary in connection with an Asset Disposition that is so designated as Designated Non-cash Consideration pursuant to an Officers Certificate, setting forth the basis of such valuation, executed by a senior vice president and the principal financial officer of the Company, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of or collection on such Designated Non-cash Consideration.

*Disqualified Stock* means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) at the option of the holder of the Capital Stock or upon the happening of any event:

- (1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary); or
- (3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is 91 days after the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding; *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided further*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that (i) the Company may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Company with the provisions of the Indenture described under the captions Change of control and Certain covenants Limitation on sales of assets and subsidiary stock and (ii) such repurchase or redemption will be permitted solely to the extent also permitted in accordance with the provisions of the Indenture described under the caption Certain covenants Limitation on restricted payments.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to the Indenture; *provided, however*, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

## **Table of Contents**

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

*Domestic Subsidiary* means any Restricted Subsidiary that is organized under the laws of the United States of America or any state thereof or the District of Columbia.

*Equity Interests* means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

*Equity Offering* means a public or private offering for cash by the Company of Capital Stock (other than Disqualified Stock), other than public offerings registered on Form S-8.

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

*Existing Senior Notes* means the Company's \$200.0 million aggregate principal amount of 9.500% senior notes due 2018 and the Company's \$700.0 million aggregate principal amount of 5.625% senior notes due 2021.

*Fair Market Value* means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy. Fair Market Value of an asset or property in excess of \$15.0 million shall be determined by the Board of Directors of the Company acting in good faith, whose determination shall be conclusive and evidenced by a resolution of such Board of Directors, and any lesser Fair Market Value may be determined by an officer of the Company acting in good faith.

*Foreign Subsidiary* means any Restricted Subsidiary that is not organized under the laws of the United States of America or any state thereof or the District of Columbia.

*GAAP* means generally accepted accounting principles in the United States of America as in effect from time to time. All ratios and computations based on GAAP contained in the Indenture will be computed in conformity with GAAP. At any time after the Issue Date, the Company may elect to apply IFRS accounting principles in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean IFRS (except as otherwise provided in the Indenture); *provided* that any such election, once made, shall be irrevocable; *provided, further*, any calculation or determination in the Indenture that requires the application of GAAP for periods that include fiscal quarters ended prior to the Company's election to apply IFRS shall remain as previously calculated or determined in accordance with GAAP. The Company shall give notice of any such election made in accordance with this definition to the Trustee and the holders of Notes.

*Guarantee* means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or