

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into as of _____, 2019 (the “Effective Date”) between Paloma Partners IV, LLC (“Paloma”) and _____ (“Recipient”).

WHEREAS, Recipient has requested that it be permitted to examine certain information in the possession of Paloma for the sole purpose of enabling Recipient to make an economic evaluation of certain properties, interests and assets of Paloma in the sections indicated in yellow color in the plat attached as Exhibit “A” hereto (the “Properties”) in order to determine whether Recipient desires to make an offer to acquire all or a portion thereof (the “Purpose”); and

WHEREAS, the information to be provided by Paloma is confidential and Paloma is requiring that Recipient enter into this Agreement as a condition of making any disclosure thereof.

NOW THEREFORE, in consideration of the premises and mutual covenants herein contained and other true and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Paloma and Recipient do hereby agree as follows:

1. Definitions.

- (a) “Affiliate” shall mean, with respect to any party, any company or legal entity which controls such party, is controlled by such party, or which is controlled by an entity which controls such party.
- (b) “Confidential Information” shall mean (1) all information relating to Paloma or its properties, interests or assets disclosed by Paloma or its Representatives to Recipient or its Representatives (in whatever form, including, without limitation, written, oral or electronic), which may include, but is not limited to, geological and geophysical data, maps, models and interpretations and forecasts, technical designs, marketing arrangements and development plans, and commercial, contractual and financial information, (2) any notes, summaries, interpretations, interpolations, synthesis or other material derived from or generated in connection with the inspection or evaluation of the information included in the preceding clause (1), regardless of the manner maintained, recorded or documented (“Notes”) and (3) the fact that negotiations and/or discussions are taking place regarding a potential transaction with Paloma or that information has been provided by Paloma. The term “Confidential Information” shall not include:
 - (i) any information which at the time of disclosure hereunder was already in the possession of Recipient or its Representatives;
 - (ii) any information which at the time of disclosure hereunder was in the public domain or, subsequent to disclosure hereunder, becomes a part of the public domain through no action or failure to act, whether directly or indirectly, on the part of the Recipient or its Representatives;
 - (iii) any information which, subsequent to disclosure hereunder, is lawfully acquired by Recipient or its Representatives from a source other than Paloma or its Representatives, provided such source was not known by Recipient or its Representatives to be under an obligation of confidence with respect thereto; and

- (iv) any information that is developed by Recipient or its Representatives independently from the Confidential Information.
 - (c) “Representatives” means, with respect to any party, its Affiliates and the directors, officers, employees, partners, lenders, agents, financial advisors, consultants, attorneys and accountants of such party and its Affiliates.
- 2. In consideration of the disclosure of the Confidential Information pursuant hereto, Recipient agrees that the Confidential Information shall be kept strictly confidential by Recipient and its Representatives and shall not be sold, traded, published or otherwise disclosed to anyone in any manner whatsoever, including by means of photocopy, reproduction or electronic media, without Paloma’s prior written consent, except as provided in this Agreement.
- 3. Recipient may disclose the Confidential Information without Paloma’s prior written consent to those of its Representatives to the extent they have a clear need to know in connection with the Purpose. Prior to making any such disclosures, Recipient shall advise each such person of the terms of this Agreement. Recipient shall be responsible to Paloma for the compliance with this Agreement by any person to whom Confidential Information is disclosed under this paragraph 3 as though such person is Recipient.
- 4. Recipient and its Representatives shall not use or allow the use of any portion of the Confidential Information except and exclusively for the Purpose. Paloma understands and acknowledges that Recipient and its Representatives are actively engaged in the business of oil and natural gas exploration, development and operations. Notwithstanding any other provision in this Agreement, the Parties understand and agree that Recipient or its Representatives who review the Information provided hereunder may retain mental impressions of such Information and neither Recipient nor its Representatives shall be precluded by the terms of this Agreement from working on or acquiring interests in any properties solely because of such retained mental impressions.
- 5. Recipient and its Representatives are aware of and agree that any disclosure of Confidential Information made or permitted in violation of this Agreement will seriously and adversely affect the interests of Paloma and that money damages would not be sufficient remedy for such breach. Further, the parties agree that in addition to any monetary damages which may be determined to be payable to Paloma as a result of Recipient and/or its Representatives’ breach of this Agreement, Paloma shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach. Recipient further agrees to waive any requirement that Paloma secure or post a bond in connection with such remedy.
- 6. Paloma retains all rights, title and interest in and to the Confidential Information and Recipient shall acquire no interest therein by virtue of this Agreement or disclosure pursuant hereto.
- 7. Within ten (10) days of receipt of written request from Paloma, Recipient and its Representatives will, except as required by law, promptly return or destroy all Confidential Information, including Notes, without retaining copies thereof (including any electronic copies). Upon request by Paloma, Recipient shall promptly furnish to Paloma a written statement signed by a senior officer of Recipient certifying compliance by Recipient and its Representatives with the provisions of this paragraph 7. Notwithstanding the foregoing, this provision shall not require the deletion of back up tapes or back up media made in the ordinary course of business.

8. If the Recipient or its Representatives are requested or required to disclose any Confidential Information by law, order, decree, regulation or rule of any applicable governmental authority (including, without limitation, those of any regulatory agency, securities commission or stock exchange) or if any person seeks to legally compel (by oral questions, interrogatories, request for information or documents, subpoena or similar process) Recipient or its Representatives to disclose any Confidential Information, Recipient shall promptly provide Paloma with written notice of such requirement in order to afford Paloma an opportunity, at its sole cost and expense, to seek an appropriate protective order(s). Recipient and its Representatives agree to cooperate with any reasonable request of Paloma in its efforts to secure such protective order(s) and Paloma shall reimburse Recipient and its Representatives for any reasonable cost incurred by same in complying with any Paloma request in connection therewith. However, if Paloma is unable to obtain or does not seek such protective order and Recipient or its Representatives are legally compelled to disclose any Confidential Information, disclosure of such Confidential Information may be made without liability hereunder, provided that Recipient shall use reasonable efforts to preserve the confidentiality thereof.
9. Nothing in this Agreement shall be construed, interpreted or implied to obligate Paloma to furnish any specific type of information to Recipient or to require Paloma to consummate any transaction. Unless and until a definitive agreement has been fully executed and delivered, no contract or agreement providing for a transaction between the Parties shall be deemed to exist and neither party will be under any legal obligation of any kind whatsoever with respect to such transaction by virtue of this or any written or oral expression thereof, except, in the case of this Agreement, for the matters specially agreed to herein. For purposes of this Agreement, the term “definitive agreement” means a definitive written agreement, but does not include an executed letter of intent, negotiations between the Parties, exchanges of drafts or documents relating to a potential transaction or any other preliminary written agreement or offer, unless specifically so designated in writing and executed by both Parties.
10. None of Paloma or its Representatives make any representations or warranties, express or implied, in connection with any information made available hereunder, including but not limited to the past, present or future value of the anticipated income, cost, or profits, if any, to be derived from the properties offered for sale or the accuracy or completeness of the Confidential Information. Accordingly, Recipient and its Representatives will rely solely upon its independent examination and assessment of the Confidential Information in making a decision whether and how to bid on the properties offered for sale. Neither Paloma nor any of its Representatives shall have any liability to Recipient or its Representatives resulting from the selection, use or misuse of any information made available hereunder.
11. Recipient shall not acquire any oil and gas rights, oil and gas leasehold, top leases, mineral, farmouts, acreage contributions, or royalty interests (jointly, “Oil and Gas Rights”) covering any mineral interest that is currently subject to an oil and gas lease owned by Paloma in the sections identified in yellow or red hatch marks on the plat attached as Exhibit “A” hereto (an “Existing Lease” and collectively, the “Existing Leases”), for a period of one (1) year from the date of this Agreement. In the event Recipient does secure any Oil and Gas Rights covering an Existing Lease within such period, Recipient shall give written notice, within ten (10) business days of acquiring the Oil and Gas Rights, to Paloma, offering 100% of the Oil and Gas Rights so acquired. Said notice shall specify the actual acquisition costs, including land and brokerage costs, associated with the Oil and Gas Rights being offered and a description of the Oil and Gas Rights acquired, including a copy of the agreements, contracts, and documents pertinent to the acquisition. Paloma shall then have the option, but not the obligation, to acquire said Oil and Gas Rights, or a portion thereof, by advising Recipient, in writing, within fifteen (15) business days of receipt of the notice from Recipient of its election to acquire the Oil and Gas Rights. Failure to respond within said fifteen (15) day period shall be deemed an election not to acquire

any interest in the Oil and Gas Rights. Within ten (10) business days of receipt of Paloma's or its designee's election to acquire the Oil and Gas Rights, or a portion thereof, Recipient shall deliver an assignment to Paloma or its designee of said Oil and Gas Rights on the same terms and conditions (as may apply) on which Recipient acquired the Oil and Gas Rights, and Paloma or its designee shall simultaneously deliver a check to Recipient for Recipient's actual acquisition costs paid to acquire the Oil and Gas Rights so conveyed to Paloma or its designee. Any oil and gas rights acquired prior to the execution date of this Agreement are expressly excluded from this restriction, and Recipient shall not be required to offer those oil and gas rights to Paloma. Notwithstanding the forgoing, any oil and gas interests acquired by Recipient that cover an Existing Lease and are (i) acquired through a merger, consolidation, restructure, reorganization or corporate equity transaction; (ii) acquired through the purchase or exchange of a package of properties from a third party which may include in whole or in part oil and gas interests located on lands covered by an Existing Lease, provided that the oil and gas interests acquired in lands covered by an Existing Lease constitute less than 20% of the value of such package of oil and gas interests; or (iii) acquired through consummation of a transaction or pursuant to an existing contractual right or preferential right to purchase or other right or obligation, negotiated prior to the date of this Agreement, shall be deemed to be permissible hereunder, such acquisition shall not be a breach of this Agreement, Recipient shall not be liable to Paloma in any respects for the acquisition of such oil and gas interests and Recipient shall have no obligation to assign or offer any portion thereof to Paloma.

12. If a Recipient desires physical access to the Properties of Paloma, and if the Recipient does in fact visit and inspect such Properties, the Recipient hereby releases Paloma and its Representatives from any and all liability, and the Recipient will indemnify, defend and hold Paloma and its Representatives harmless from and against any and all losses, costs, expenses (including attorney's fees and court costs), causes of actions and claims for damage and/or injury or death to the Recipient, the Recipient's Representatives, the Recipient's property, Representatives of Paloma, Paloma's property, and the property and Representatives of third parties, arising out of, incident to, or in connection with the Recipient's entry on the Properties of Paloma, WHETHER OR NOT SUCH PERSONAL INJURY, DEATH OR PROPERTY DAMAGE IS OCCASIONED BY OR INCIDENT TO OR THE RESULT OF THE NEGLIGENCE OR FAULT OF PALOMA (OTHER THAN PALOMA'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT), OR OF PALOMA'S RESPECTIVE REPRESENTATIVES. The Recipient hereby assumes the entire risk of and will be solely responsible for any damage caused in whole or in part by the Recipient or the Recipient's Representatives to property owned by Paloma arising out of the Recipient's entry on the Properties of Paloma.
13. No failure or delay by Paloma in exercising any right, power or privilege hereunder shall be deemed a waiver thereof or preclude exercise of any other or further, right, power or privilege hereunder.
14. Recipient shall not assign its rights and obligations under this Agreement without the prior written consent of Paloma. Any attempted assignment without the prior written consent of Paloma shall be null and void.
15. The duties and obligations of each party under this Agreement are deemed to have commenced as of the Effective Date of this Agreement and shall remain in effect until the first anniversary of the Effective Date unless otherwise mutually agreed by the Parties in writing. Termination of this Agreement, whether by expiration or mutual agreement of the Parties, shall not release any obligations, liabilities, rights and remedies arising out any breach of, or failure to comply with, this Agreement occurring prior to such termination.
16. Any notices which are required to be sent under this Agreement may be sent by U.S. mail, courier or facsimile as follows:

To Recipient:

Attention: _____

Phone:

Email:

To Paloma:

Paloma Partners IV, LLC
Attention: Mark J. Gabrisch
Executive Vice President, Land and Legal
1100 Louisiana, Suite 5100
Houston, Texas 77002
Phone: 713 650-8500
Email:

15. This Agreement will be governed by and construed in accordance with the laws of the State of Texas, without giving effect to principles of conflicts of law of any state including the State of Texas.
16. Recipient agrees on behalf of itself and its Representatives that jurisdiction and venue for any action arising out of this Agreement, or any breach thereto, shall lie exclusively in any State or Federal Court sitting in Harris County, Texas.
17. In the event any provision of the Agreement is held to be void or unenforceable, then any such provision shall be deemed to be deleted as of the date hereof, and the remainder of this Agreement shall remain in full force and effect.
18. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors, as well as their respective Representatives, subsidiaries and Affiliates.

PALOMA:

PALOMA PARTNERS IV, LLC

Name: Mark J Gabrisch
Title: Executive Vice President, Land & Legal

RECIPIENT:

Name:
Title:

