

KEY EMPLOYEE INCENTIVE AGREEMENT

This Key Employee Incentive Agreement (the “Agreement”) is effective as of [Date] (the “Effective Date”), by and between [Employee] (the “Employee”), and Northstar Offshore Group, LLC (the “Company”) (together the “Parties”).

RECITALS

WHEREAS, the Employee is presently employed by the Company as [Title] and has significant strategic and management responsibilities necessary to the continued successful operation of the Company’s business;

WHEREAS, the purpose of this Agreement is to provide the Employee certain payments upon the achievement of specified goals in connection with the sale of the Company’ assets;

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that it is in the best interests of the Company to assure that the Company will have the continued dedication of the Employee to achieve the specified goals in connection with the sale of the Company’ assets during its chapter 11 case; and

WHEREAS, the awards payable under this Agreement are intended to provide an incentive to ensure the continued efforts of the Employee.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Parties agree as follows:

1. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) “BOEPD” means barrels of oil equivalent per day. For purposes of calculating oil equivalent, gas shall be equivalent to oil in the ratio of six thousand cubic feet (6 MCF) of gas to one (1) barrel of oil.

(b) “Cause” shall exist where, in the Company’s sole reasonable discretion, the Company determines that (i) the Employee has been insubordinate or refused or failed to carry out the instructions of the Company or the Board relating to the Company’s business and strategic plans for the Company; (ii) the Employee has engaged in misconduct or negligence in performing the Employee’s duties and responsibilities; (iii) the Employee has engaged in conduct which is dishonest, criminal, fraudulent, or otherwise involves moral turpitude, or which is materially injurious to the Company; and/or (iv) the Employee has engaged in activity prohibited by any other agreement between Employee and the Company. For the avoidance of doubt, this definition of Cause shall apply only to this Agreement and shall have no effect on any other agreement, plan or policy of the Company that may apply to the Employee and the definition of “cause” contained in such agreement, plan or policy shall control.

(c) “Code” means the Internal Revenue Code of 1986, as amended from time to time.

(d) “Debtor” means the Company as a debtor-in-possession in a chapter 11 case pending in the U.S. Bankruptcy Court for the Southern District of Texas.

(e) “Disability” shall have the meaning as provided under Section 409A of the Code.

(f) “Gross Yearly Base Salary” means the Employee’s gross yearly base salary as set forth in Schedule A attached hereto.

(g) “Incentive Multiplier” shall mean the percentage set forth on Schedule B based on the applicable Production Target set forth on Schedule B.

(h) “Payment Date” means the thirtieth (30th) day following the consummation of a Qualifying Sale.

(i) “Production Target” means the BOEPD amounts set forth in Schedule B which represents the required average BOEPD production for 30 days prior to the Qualifying Sale to trigger the Incentive Award.

(j) “Salary Multiplier” means the percentage set forth in Schedule A attached hereto.

(k) “Qualifying Sale” means the sale or disposition by the Debtor of some or all of its oil and gas leases in an asset sale transaction authorized under section 363 of the Bankruptcy Code to a third party approved by the Bankruptcy Court, which sale or disposition generates net cash proceeds at closing after satisfaction of all other administrative costs to satisfy the Incentive Award.

(l) “Voluntary Petition Date” means December 2, 2016.

2. Payment of Award

(a) Award Amount. If a Qualifying Sale occurs, the Company shall pay to Employee an award (the “Incentive Award”) equal to the Gross Yearly Base Salary multiplied by the Salary Multiplier multiplied by the Incentive Multiplier based on the applicable Production Target (the “Award Amount”). The Award Amount shall be a cash lump sum made on the Payment Date or as soon as practicable thereafter (but in any event within thirty (30) business days following the Qualifying Sale).

(b) Termination of Employment. In the event that the Employee’s employment with the Company is terminated by the Company without Cause prior to a Qualifying Sale or due to the Employee’s death or Disability at any time prior to the Payment Date, the Company shall pay the Employee the Award Amount, if earned under the terms of this Agreement, pro-rated based on a fraction, the numerator of which will be the number of days the Employee was employed by the Company from the Voluntary Petition Date through the date of such termination of employment and the denominator of which will be the number of days from the Voluntary Petition Date through the Payment Date. If the Employee’s employment with the Company is terminated other than (i) without Cause, or (ii) due to the Employee’s death or

Disability, prior to a Qualifying Sale, the Employee shall forfeit any right to an Incentive Award.

3. Conditions to Award Payments. No Incentive Award shall be paid hereunder unless and until the Employee, in consideration of such Incentive Award has executed, returned, and not revoked, during any revocation period required by applicable law, a Release Agreement in substantially the form attached hereto as Exhibit A (the "Release").

4. Miscellaneous Provisions.

(a) At-Will Employment. Nothing in this Agreement affects the Employee's employment status with the Company as an at-will employee and, as such, the Employee may be terminated by the Company at any time, for any reason and with or without advance notice, subject to the Company's obligations set forth herein.

(b) Waiver, Amendment or Substitution. No provision of this Agreement shall be amended, modified, waived, substituted, or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Employee and by an authorized officer of the Company (other than the Employee). No waiver by either Party of any breach of, or of compliance with, any condition or provision of this Agreement by the other Party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) No Severance. By entering into this Agreement, the Employee waives any right or entitlement to any severance payments or similar benefits payable upon termination of employment at the Company.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Texas. The jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to), this Agreement will be exclusively in the courts in the State of Texas, Harris County, including the Federal Courts located therein (should Federal jurisdiction exist).

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Tax Issues. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes and other authorized deductions. The Employee and the Company will report, as may be required by law for income tax purposes, their respective payment and receipt of the Incentive Award. The Employee acknowledges that the Company has made no representations regarding the tax consequences of any amounts to be paid pursuant to the terms of this Agreement.

(g) No Representations. Each Party acknowledges that it is not relying and has not relied on any promise, representation or statement made by or on behalf of the other Party that is not set forth in this Agreement.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the Parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

NORTHSTAR OFFSHORE GROUP

By: _____
Don Martin
Chief Restructuring Officer

EMPLOYEE

By: _____
Name

Address: _____

Schedule A

KEIP Information

Employee: _____

Title: _____

Gross Yearly
Base Salary: \$_____

Salary Multiplier _____%

Schedule B

Incentive Multiplier

Production Target	Incentive Multiplier
1,500 BOEPD	100%
1,750 BOEPD	125%
2,000 BOEPD	150%
2,250 BOEPD	175%
2,500 BOEPD	200%

Exhibit A

RELEASE

This **RELEASE** (this “Release”) is made and entered into by _____ (“Employee”) for the benefit of Northstar Offshore Group, LLC, its past, present, and future employees, officers, directors, agents, insurers and legal counsel (hereinafter collectively referred to as the “Company”) on this _____ day of _____, 20__ (“Effective Date”).

1. BONUS PAYMENT. The Company shall pay the Employee an Incentive Award (as such term is defined in the KEIP Agreement) pursuant to the terms of the certain Key Employee Incentive Agreement, dated as of _____ by and between Employee and Company (the “KEIP Agreement”). Employee acknowledges and agrees that the Incentive Award is fair and adequate compensation for the promises and covenants of the Employee set forth in this Release.

2. EMPLOYEE'S RELEASE OF CLAIMS. For and in consideration of the Incentive Award as described in Paragraph 1 of this Release, the Employee hereby irrevocably and unconditionally releases, forever discharges, and covenants not to sue, or bring any other legal action against the Company with respect to any and all claims and causes of action of any nature, both past and present, known and unknown, foreseen and unforeseen, which the Employee has or which could be asserted on the Employee’s behalf by any other person or entity, resulting from or relating to any act or omission of any kind occurring on or before the date of the execution of this Agreement. The Employee understands and agrees that this Release includes, but is not limited to, the following:

a. All claims and causes of action arising under contract, tort or other common law, including, without limitation, breach of contract, fraud, estoppel, misrepresentation, express or implied duties of good faith and fair dealing, wrongful discharge, discrimination, retaliation, harassment, negligence, gross negligence, false imprisonment, assault and battery, conspiracy, intentional or negligent infliction of emotional distress, slander, libel, defamation, refusal to perform an illegal act and invasion of privacy.

b. All claims and causes of action arising under any federal, state, or local law, regulation, or ordinance, including without limitation, claims under the Age Discrimination in Employment Act, the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1866, the Americans With Disabilities Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the Texas Commission on Human Rights Act, the Texas Labor Code, the Texas Government Code.

c. All claims and causes of action for past loss of pay or benefits, expenses, damages for pain and suffering, mental anguish or emotional distress damages, liquidated damages, punitive damages, compensatory damages, attorney’s fees, interest, court costs, physical or mental injury, damage to reputation, and any other injury, loss, damage or expense or any other legal or equitable remedy of any kind whatsoever.

d. All claims and causes of action arising out of or in any way connected with, directly or indirectly, the Employee's employment with the Company, or any incident thereof, including, without limitation, the Employee's treatment by the Company; and the terms and conditions of the Employee's employment.

3. CHOICE OF LAW/VENUE. This Release shall be governed by, construed, and enforced in accordance with, and subject to, the laws of the State of Texas or federal law, where applicable. The sole, exclusive and mandatory venue for any disputes arising from or concerning Employee's employment or this Release shall be Houston, Texas.

4. OTHER REPRESENTATIONS: The Employee hereby represents and certifies that the Employee: (1) has carefully read all of this Release; (2) understands its provisions; (3) has been given the opportunity to seek advice and consultation with attorneys regarding this Release; (4) has determined that it is in the Employee's best interests to enter into this Release; (5) has not been influenced to sign this Release by any statement or representation by the Company not contained in this Release or the KEIP Agreement; and (6) enters into this Release knowingly and voluntarily.

READ CAREFULLY BEFORE SIGNING

THIS RELEASE CONTAINS A RELEASE AND WAIVER OF YOUR RIGHTS UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT AS WELL AS OTHER FEDERAL, STATE AND LOCAL LAWS PROTECTING EMPLOYEE RIGHTS. IF YOU SIGN THIS RELEASE, YOU ARE WAIVING ALL OF YOUR RIGHTS TO ASSERT ANY CLAIMS UNDER THESE LAWS. PLEASE READ THIS RELEASE CAREFULLY AND SEEK THE ADVICE OF AN ATTORNEY REGARDING THE LEGAL EFFECT OF SIGNING THIS AGREEMENT.

By: _____

Name: _____

Date: _____