UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 4, 2009 (November 27, 2009)**

Vanguard Natural Resources, LLC

(Exact name of registrant as specified in its charter)

DELAWARE	**001-33756**	**61-1521161**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7700 San Felipe, Suite 485
Houston, Texas 77063
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(832) 327-2255**

(Former name or former address, if changed since last report.)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. ***Entry into a Material Definitive Agreement.***

On November 27, 2009, pursuant to a Purchase and Sale Agreement, Lease Amendment and Lease Royalty Conveyance Agreement and a Conveyance Agreement (the "Purchase Agreements"), Vanguard Natural Resources, LLC (the "Company"), and its wholly-owned subsidiary Vanguard Permian, LLC ("Vanguard Permian"), agreed to acquire producing natural gas and oil assets from private sellers ("Sellers"), in the Permian Basin (the "Purchased Assets") for $55.0 million (the "Acquisition") and paid one of the Sellers a non-refundable deposit of $5.5 million. This transaction has an effective date of October 1, 2009 and was closed on December 2, 2009, as disclosed below, and is subject to customary closing conditions and purchase price adjustments. The Company funded this acquisition with borrowings under its existing reserve-based credit facility.

The Purchased Assets have total estimated proved reserves of 3.2 million barrels of oil equivalent, of which approximately 83% are oil reserves and 65% is proved developed. Based on current net production of approximately 780 barrels of oil equivalent per day, the properties have a reserve to production ratio of approximately 11 years. At closing, the Company expects to operate all but one of the producing wells located on the acquired properties.

The parties have made customary representations, warranties, covenants and agreements in the Purchase Agreements.

The foregoing description of the Purchase Agreements is qualified in its entirety by reference to the full text of the Purchase Agreements, which are attached as Exhibit 10.1, 10.2 and 10.3 to this Form 8-K and incorporated herein by reference.

In an effort to support stable cash flows from this transaction, the Company entered into crude oil swaps based on NYMEX pricing for approximately 90% of the estimated oil production from existing producing wells in the acquired properties for the period beginning January 2010 extending through December 2013. A schedule of the oil hedges entered into is shown below:

Hedging Schedule

Swaps

Contract Period	Volume (Bbls)	Price (1)
January 1, 2010 - December 31, 2010	146,000	$ 86.24
January 1, 2011 - December 31, 2011	109,500	$ 86.99
January 1, 2012 - December 31, 2012	91,500	$ 87.18
January 1, 2013 - December 31, 2013	73,000	$ 87.43

(1) Weighted Average NYMEX Fixed Price.

In addition to the NYMEX oil price swaps entered into above, the Company entered into the following additional NYMEX oil derivative contracts to support the cash flow to be received on its oil production in other areas:

Swaps

Contract Period	Volume (Bbls)	Price
January 1, 2012 - December 31, 2012	45,750	$ 90.02
January 1, 2013 - December 31, 2013	45,625	$ 90.02

Collars

Contract Period	Volume (Bbls)	Floor	Ceiling
January 1, 2012 - December 31, 2012	45,750	$ 80.00	$ 100.25
January 1, 2013 - December 31, 2013	45,625	$ 80.00	$ 100.25

Item 2.01. ***Completion of Acquisition of Assets.***

On December 2, 2009, pursuant to Purchase Agreements the Company, and its wholly-owned subsidiary Vanguard Permian, LLC, consummated the Acquisition of Purchased Assets from the Sellers for $55.0 million in cash.

The $55.0 million purchase price was funded from borrowings under the Company's reserve-based credit facility. The purchase price is subject to final purchase price adjustments to be determined based on an effective date of October 1, 2009.

Item 7.01 and 8.01 ***Regulation FD Disclosure; Other Events.***

On November 30, 2009, the Company issued a press release announcing the execution and delivery of the Purchase Agreement, a copy of which is filed as Exhibit 99.1 hereto and incorporated herein by reference.

On December 4, 2009, the Company issued a press release announcing the closing of the Acquisition, a copy of which is filed as Exhibit 99.2 hereto and incorporated herein by reference.

On December 4, 2009, the Company issued a press release announcing that the borrowing base on its reserve-based credit facility has been set at

$195 million as a result of an interim borrowing base redetermination performed in conjunction with the Acquisition. A copy of the press release is filed as Exhibit 99.2 hereto and incorporated herein by reference.

Item 9.01. ***Financial Statements and Exhibits.***

(d) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
Exhibit 10.1	Purchase and Sale Agreement, dated November 27, 2009 among Vanguard Permian, LLC, Fortson Production Company, and Benco Energy, Inc.
Exhibit 10.2	Lease Amendment and Lease Royalty Conveyance Agreement, dated November 27, 2009, among Vanguard Permian, LLC and Ben J. Fortson and Fortson Parties
Exhibit 10.3	Conveyance Agreement, dated November 27, 2009 among Vanguard Permian, LLC and Exile Oil & Gas Company
Exhibit 99.1	Press Release dated November 30, 2009
Exhibit 99.2	Press Release dated December 4, 2009

SIGNATURES

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

VANGUARD NATURAL RESOURCES, LLC

By: /s/ Scott W. Smith
Name: Scott W. Smith
Title: President and Chief Executive Officer

December 4, 2009

EXHIBIT INDEX

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Exhibit 10.1

PURCHASE AND SALE AGREEMENT

BETWEEN

FORTSON PRODUCTION COMPANY and BENCO ENERGY, INC.

AS "SELLER"

AND

VANGUARD PERMIAN, LLC

AS "PURCHASER"

EXHIBITS

Exhibit "A" Properties

Exhibit "A-1" Wells and Units

Exhibit "A-2" Equipment

Exhibit "B" Conveyance

Exhibit "C" Press Release

SCHEDULES

Schedule 1.2(d) Contracts

Schedule 1.2(e) Surface Contracts

Schedule 1.2(g) Pipelines

Schedule 1.2(j) Field Offices

Schedule 2.3 Allocation of Purchase Price for Tax Purposes

Schedule 5.7(a) Litigation

Schedule 5.8 Taxes and Assessments

Schedule 5.9 Compliance with Laws

Schedule 5.10 Contract Matters

Schedule 5.11 Hydrocarbon Production Payments

Schedule 5.12 Governmental Authorizations

Schedule 5.13 Preference Rights and Transfer Requirements

Schedule 5.15 Outstanding Capital Commitments

Schedule 5.16 Imbalances

Schedule 7.6 Operation of Business

Schedule 11.3 Interests Held in Suspense

DEFINITIONS

“Adjustment Period” has the meaning set forth in Section 2.2(a).

“Adjusted Purchase Price” shall mean the Purchase Price after calculating and applying the adjustments set forth in Section 2.2.

"AFE" means authority for expenditure.

“Affiliates” with respect to any Person, means any person that directly or indirectly controls, is controlled by or is under common control with such Person. “Control” means ownership of fifty percent (50%) or more of the voting interest (stock or otherwise) of such entity.

“Agreement” means this Purchase and Sale Agreement.

“Aggregate Benefit Deductible” has the meaning set forth in Section 3.4(k).

“Aggregate Title Deductible” has the meaning set forth in Section 3.4(j).

“Allocated Value” has the meaning set forth in Section 3.4(a).

"Assessment" has the meaning set forth in Section 4.1.

“Assets” has the meaning set forth in Section 1.2.

“Assumed Seller Obligations” has the meaning set forth in Section 11.3.

“Bonds” has the meaning set forth in Section 6.11.

“Business Day” means each calendar day except Saturdays, Sundays, and Federal holidays.

“Claim” or “Claims” has the meaning set forth in Section 11.4(a).

“Claim Notice” has the meaning set forth in Section 11.5(b).

“Closing” has the meaning set forth in Section 9.1(a).

“Closing Date” has the meaning set forth in Section 9.1(b).

“Closing Payment” has the meaning set forth in Section 9.4(a).

“Code” has the meaning set forth in Section 2.3.

“Confidentiality Agreement” has the meaning set forth in Section 7.1.

“Contracts” has the meaning set forth in Section 1.2(d).

“Conveyance” has the meaning set forth in Section 3.1(b).

"Cure Period" has the meaning set forth in Section 3.4(c).

"Defensible Title" has the meaning set forth in Section 3.2.

“Deposit” has the meaning set forth in Section 2.4.

"DTPA" has the meaning set forth in Section 11.9.1.

“Effective Time” has the meaning set forth in Section 1.4(a).

“Environmental Laws” means, as the same may have been amended, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq. the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 et seq.; the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq.; the Atomic Energy Act, 42 U.S.C. § 2011 et seq.; and all applicable related law, whether local, state, territorial, or national, of any Governmental Body having jurisdiction over the property in question addressing pollution or protection of human health, safety, natural resources or the environment and all regulations implementing the foregoing.

“Environmental Liabilities” shall mean any and all environmental response costs (including costs of remediation), damages, natural resource damages, settlements, consulting fees, expenses, penalties, fines, orphan share, prejudgment and post-judgment interest, court costs, attorneys’ fees, and other liabilities incurred or imposed (i) pursuant to any order, notice of responsibility, directive (including requirements embodied in Environmental Laws), injunction, judgment or similar act (including settlements) by any Governmental Body or court of competent jurisdiction to the extent arising out of any violation of, or remedial obligation under, any Environmental Laws which are attributable to the ownership or operation of the Assets prior to the Effective Time or (ii) pursuant to any claim or cause of action by a Governmental Body or other Person for personal injury, property damage, damage to natural resources, remediation or response costs to the extent arising out of any violation of, or any remediation obligation under, any Environmental Laws which is attributable to the ownership or operation of the Assets prior to the Effective Time.

“Equipment” has the meaning set forth in Section 1.2(f).

“Excluded Assets” has the meaning set forth in Section 1.3.

“Financial Statements” has the meaning set forth in Section 7.7(a).

“Governmental Authorizations” has the meaning set forth in Section 5.12.

“Governmental Body” or “Governmental Bodies” means any federal, state, local, municipal, or other governments; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; and any court or governmental tribunal.

"HSR Act" means the Hart-Scott Rodino Antitrust Improvements Act of 1976.

"Hydrocarbons" means oil, gas, condensate and other gaseous and liquid hydrocarbons or any combination thereof and sulphur extracted from hydrocarbons.

"Imbalance" or "Imbalances" means over-production of Hydrocarbons or under-production of Hydrocarbons or over-deliveries or under-deliveries with respect to Hydrocarbons produced from or allocated to the Assets, regardless of whether such over-production of Hydrocarbons or under-production of Hydrocarbons or over-deliveries or under-deliveries arise at the platform, wellhead, pipeline, gathering system, transportation or other location.

"Indemnified Party" has the meaning set forth in Section 11.5(a).

"Indemnifying Party" has the meaning set forth in Section 11.5(a).

"Indemnity Claim" has the meaning set forth in Section 11.5(b).

"Individual Benefit Threshold" has the meaning set forth in Section 3.4(k).

"Individual Environmental Threshold" has the meaning set forth in Section 3.4(j).

"Individual Title Threshold" has the meaning set forth in Section 3.4(j).

"Invasive Activity" has the meaning set forth in Section 4.1.

"Lands" has the meaning set forth in Section 1.2(a).

"Laws" means all statutes, laws, rules, regulations, ordinances, orders, and codes of Governmental Bodies.

"Leases" has the meaning set forth in Section 1.2(a).

"Like-Kind Exchange" has the meaning set forth in Section 7.9(b).

"Material Adverse Effect" means any effect that is reasonably expected to have an adverse effect on the ownership, operation or value of the Assets, as currently operated, in an amount in excess of ten percent (10%) of the Purchase Price; provided, however, that "Material Adverse Effect" shall not include (i) any effect resulting from entering into this Agreement or the announcement of the transactions contemplated by this Agreement; (ii) any effect resulting from changes in general market, economic, financial or political conditions or any outbreak of hostilities or war, (iii) any effect that affects the Hydrocarbon exploration, production, development, processing, gathering and/or transportation industry generally (including changes in commodity prices or general market prices in the Hydrocarbon exploration, production, development, processing, gathering and/or transportation industry generally), and (iv) any effect resulting from a change in Laws or regulatory policies.

"Minerals and Royalties" has the meaning set forth in Section 1.3(j).

"Net Revenue Interest" has the meaning set forth in Section 3.2(a).

"NORM" means naturally occurring radioactive material.

"Permitted Encumbrances" has the meaning set forth in Section 3.3.

"Pipelines" has the meaning set forth in Section 1.2(g).

"Person" means any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Body or any other entity.

"Preference Property" has the meaning set forth in Section 7.8(b).

"Preference Right" means any right or agreement that enables any Person to purchase or acquire any Asset or any interest therein or portion thereof as a result of or in connection with (i) the sale, assignment or other transfer of any Asset or any interest therein or portion thereof or (ii) the execution or delivery of this Agreement or the consummation or performance of the terms and conditions contemplated by this Agreement.

"Properties" has the meaning set forth in Section 1.2(c).

"Property Costs" has the meaning set forth in Section 1.4(b).

"Purchase Price" has the meaning set forth in Section 2.1.

"Purchaser" means Vanguard Permian, LLC.

"Purchaser Indemnitees" shall mean Purchaser, Purchaser's Affiliates, joint owners and venturers, co-lessees and partners, and Purchaser's contractors and each of their respective officers, directors, employees, agents, representatives, insurers, subcontractors, successors and permitted assigns.

"Records" has the meaning set forth in Section 1.2(i).

"REGARDLESS OF FAULT" has the meaning set forth in Section 11.4(a).

"Retained Asset" has the meaning set forth in Section 7.8(d).

"Seller" means, collectively, Fortson Production Company, a Texas corporation, and Benco Energy, Inc., a Texas corporation.

"Seller Indemnitees" shall mean Seller, Seller's Affiliates, joint owners and venturers, co-lessees and partners, and Seller's contractors, and each of their respective officers, directors, employees, agents, representatives, insurers, subcontractors, successors and permitted assigns.

"Seller Operated Assets" shall mean Assets operated by Seller.

"Surface Contracts" has the meaning set forth in Section 1.2(e).

"Tax Allocated Value" has the meaning set forth in Section 2.3.

"Taxes" means all federal, state, local, and foreign income, profits, franchise, sales, use, ad valorem, property, severance, production, excise, stamp, documentary, real property transfer or gain, gross receipts, goods and services, registration, capital, transfer, or withholding taxes or other governmental fees or charges imposed by any taxing authority, including any interest, penalties or additional amounts which may be imposed with respect thereto.

"Tax Returns" has the meaning set forth in Section 5.8.

"Title Arbitrator" has the meaning set forth in Section 3.4(i).

"Title Benefit" has the meaning set forth in Section 3.2.

"Title Benefit Amount" has the meaning set forth in Section 3.4(e).

"Title Benefit Notice" has the meaning set forth in Section 3.4(b).

"Title Claim Date" has the meaning set forth in Section 3.4(a).

"Title Defect" has the meaning set forth in Section 3.2.

"Title Defect Amount" has the meaning set forth in Section 3.4(d).

"Title Defect Notice" has the meaning set forth in Section 3.4(a).

"Title Defect Property" has the meaning set forth in Section 3.4(a).

"Transfer Requirement" means any consent, approval, authorization or permit of, or filing with or notification to, any Person which is required to be obtained, made or complied with for or in connection with any sale, assignment or transfer of any Asset or any interest therein, other than any consent of, notice to, filing with, or other action by Governmental Bodies in connection with the sale or conveyance of oil and/or gas leases or interests therein or Surface Contracts or interests therein, if they are not required prior to the assignment of such oil and/or gas leases, Surface Contracts or interests or they are customarily obtained subsequent to the sale or conveyance (including consents from state agencies).

"Units" has the meaning set forth in Section 1.2(c).

"Wells" has the meaning set forth in Section 1.2(b).

PURCHASE AND SALE AGREEMENT

This Agreement is executed on November 27, 2009 by and between Fortson Production Company, a Texas corporation, and Benco Energy, Inc., a Texas corporation, collectively as "Seller," and Vanguard Permian, LLC, a Delaware limited liability company, as "Purchaser". Seller and Purchaser are collectively referred to herein as "Parties" and individually referred to as a "Party".

RECITALS

A. Seller owns various working interests in certain oil and gas leases, either of record or beneficially, more fully described in the Exhibits hereto.

B. Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller such working interests of Seller hereafter described, in the manner and upon the terms and conditions hereafter set forth.

C. Capitalized terms used herein shall have the meanings ascribed to them in this Agreement as such terms are identified and/or defined in the preceding Definitions section hereof.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound by the terms hereof, agree as follows:

ARTICLE 1

PURCHASE AND SALE

Section 1.1 Purchase and Sale.

At the Closing, and upon the terms and subject to the conditions of this Agreement, Seller agrees to sell, transfer and convey the Assets to Purchaser, and Purchaser agrees to purchase, accept and pay for the Assets and to assume the Assumed Seller Obligations attributable to the Assets.

Section 1.2 Assets.

As used herein, the term "Assets" means, subject to the terms and conditions of this Agreement, all of Seller's right, title, and interest in and to the following (but excluding the Excluded Assets):

(a) Seller's working interest in and to all of the oil and gas leases described on Exhibit A, subject to such depth limitations and other restrictions as may be expressly set forth on Exhibit A (collectively, the "Leases");

(b) All oil, gas, water or injection wells located on the lands covered by the Leases (the "Lands"), whether producing, shut-in, or temporarily abandoned, including the interests in the wells shown on Exhibit A-1 attached hereto (the "Wells");

(c) Except for the Excluded Assets, all interests of Seller in or to any currently existing pools or units which include any Lands or all or a part of any Leases or any Wells, including those pools or units shown on Exhibit A-1 (the "Units"; the Units, together with the Leases, Lands and Wells, being hereinafter collectively referred to as the "Properties"), and including all interests of Seller in production of Hydrocarbons from any such Unit, whether such Unit production of Hydrocarbons comes from Wells located on or off of a Lease or the Lands, and all tenements, hereditaments and appurtenances belonging to the Wells, Leases and Units;

(d) All contracts, agreements and instruments by which the Properties are bound, or that relate to or are otherwise applicable to the Properties, but only to the extent applicable to the Properties and not Seller's other properties, including but not limited to: operating agreements, unitization, pooling and communitization agreements, declarations and orders, joint venture agreements, farmin and farmout agreements, exploration agreements, participation agreements, exchange agreements, transportation or gathering agreements, agreements for the sale and purchase of oil, gas, casinghead gas or processing agreements to the extent applicable to the Properties or the production of Hydrocarbons produced in association therewith from the Properties, including those identified on Schedule 1.2(d) (hereinafter collectively referred to as "Contracts"), but excluding any contracts, agreements and instruments to the extent transfer is restricted by third-party agreement or applicable Law and the necessary consents to transfer are not obtained pursuant to Section 7.8 and provided, that "Contracts" shall not include the instruments constituting the Leases;

(e) All easements, permits, licenses, servitudes, rights-of-way, surface leases and other surface rights appurtenant to, and used or held for use primarily in connection with the Properties (including those identified on Schedule 1.2(e) ("Surface Contracts"), but excluding any permits and other rights to the extent transfer is restricted by third-party agreement or applicable Law and the necessary consents to transfer are not obtained pursuant to Section 7.8;

(f) All equipment, machinery, fixtures and other tangible personal property and improvements located on the Properties or used or held for use primarily in connection with the operation of the Properties, including those identified on Exhibit A-2 ("Equipment");

(g) All flow lines, pipelines, gathering systems and appurtenances thereto located on the Properties or used, or held for use, primarily in connection with the operation of the Properties, including those identified on Schedule 1.2(g) ("Pipelines");

(h) All Hydrocarbons produced from or attributable to the Leases, Lands, and Wells from and after the Effective Time;

(i) All lease files; land files; well files; gas and oil sales contract files; gas processing files; division order files; abstracts; title opinions; computer and communications software or intellectual property presently used for the operation of the Assets and located on the Properties and within the possession and control of Seller (including codes, tapes, data and program documentation and related technical information); land surveys; logs, interpretive data, technical evaluations and technical outputs, but only to the extent such logs, data, evaluations and outputs are not subject to any third-party confidentiality limitations or transfer restrictions; maps; engineering data and reports; and other books, records, data, files, and accounting and financial records, in each case to the extent related primarily to the Assets, or used or held for use primarily in connection with the maintenance or operation thereof, but excluding (i) any books, records, data, files, maps and accounting records to the extent disclosure or transfer is restricted by third-party agreement or applicable Law and the necessary consents to transfer are not obtained pursuant to Section 7.8, (ii) attorney-client privileged communications and work product of Seller's legal counsel (other than title opinions related to the Properties), (iii) reserve studies and evaluations, and (iv) records relating to the negotiation and consummation of the sale of the Assets (subject to such exclusions, the "Records"); and

(j) The field offices identified on Schedule 1.2(j); and

(k) Proprietary seismic data or licenses related to the Properties to the extent transferable.

Section 1.3 Excluded Assets.

Notwithstanding the foregoing, the Assets shall not include, and there is excepted, reserved and excluded from the purchase and sale contemplated hereby (collectively, the "Excluded Assets"):

(a) all corporate, financial, income and franchise tax and legal records of Seller that relate to Seller's business generally (whether or not relating to the Assets), and all books, records and files that relate to the Excluded Assets and those records retained by Seller pursuant to Section 1.2(i) or proprietary data or licenses shared with third parties that is restricted or not otherwise transferable, without the payment of a fee and copies of any other Records retained by Seller pursuant to Section 1.5;

(b) all non-proprietary seismic data, including reprocessed geological and geophysical data, and, to the extent not expressly included in Section 1.2(i), all logs, interpretive data, technical evaluations, technical outputs, reserve estimates and economic estimates;

(c) all rights to any refund of Taxes or other costs or expenses borne by Seller or Seller's predecessors in interest and title attributable to periods prior to the Effective Time;

(d) Seller's area-wide Bonds, permits and licenses or other permits, licenses or authorizations used in the conduct of Seller's business generally;

(e) all trade credits, account receivables, note receivables, take-or-pay amounts receivable, and other receivables attributable to the Assets with respect to any period of time prior to the Effective Time;

(f) all rights, titles, claims and interests of Seller or any Affiliate of Seller (i) to or under any policy or agreement of insurance or any insurance proceeds; except to the extent provided in Section 3.5, and (ii) to or under any Bonds or Bond proceeds;

(g) any patent, patent application, logo, service mark, copyright, trade name or trademark of or associated with Seller or any Affiliate of Seller or any business of Seller or of any Affiliate of Seller;

(h) a non-exclusive right to freely use any logs, maps, engineering data and reports, reserve studies and evaluations, and other geological or geophysical data and information being transferred as a part of the Assets except to the extent any such use or transfer is restricted by a currently existing third-party agreement or applicable Law;

(i) a non-exclusive license to use the proprietary seismic data related to the Properties and included in the Assets except to the extent any such use or transfer is restricted by a currently existing third-party agreement or applicable Law; and

(j) all fee mineral interest, fee royalty interest and other fee interests in oil, gas and other minerals and all overriding royalty interest, net profits interest, and other non-cost bearing interests in the Properties (the "Minerals and Royalties").

Section 1.4 Effective Time; Proration of Costs and Revenues.

(a) Subject to Section 1.5, possession of and title to the Assets shall be transferred from Seller to Purchaser at the Closing, but certain financial benefits and burdens of the Assets shall be transferred effective as of 7:00 A.M., local time, where the respective Assets are located, on October 1, 2009 (the "Effective Time"), as described below.

(b) Purchaser shall be entitled to all Hydrocarbon production from or attributable to the Leases, Units and Wells at and after the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets at or after the Effective Time, and shall be responsible for (and entitled to any refunds with respect to) all Property Costs incurred at and after the Effective Time. Seller shall be entitled to all Hydrocarbon production from or attributable to Leases , Units and Wells prior to the Effective Time (and all products and proceeds attributable thereto), and to all other income, proceeds, receipts and credits earned with respect to the Assets prior to the Effective Time, and shall be responsible for (and entitled to any refunds with respect to) all Property Costs incurred prior to the Effective Time.

For purposes of this Agreement, the terms "earned" and "incurred", as used in this Agreement, shall be interpreted in accordance with generally accepted accounting principles and Council of Petroleum Accountants Society (COPAS) standards. "Property Costs" means all costs attributable to the ownership and operation of the Assets (including without limitation costs of insurance and ad valorem, property, severance, Hydrocarbon production and similar Taxes based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons therefrom, but excluding any other Taxes) and all royalties and other payments due to third parties in respect of Hydrocarbon production or the sale thereof and capital expenditures incurred in the ownership and operation of the Assets in the ordinary course of business and, where applicable, in accordance with the relevant operating or unit agreement, if any, and overhead costs charged to the Assets under the relevant operating agreement or unit agreement, if any, but excluding without limitation liabilities, losses, costs, and expenses attributable to (i) Claims for personal injury or death, property damage or violation of any Law, (ii) obligations to plug wells or dismantle, abandon and salvage facilities, (iii) obligations to remediate any contamination of groundwater, surface water, soil, Equipment or Pipelines under applicable Environmental Laws, and (iv) obligations to pay working interests, royalties, overriding royalties or other interests held in suspense, all of which are addressed in Article 11. For purposes of this Section 1.4, determination of whether Property Costs are attributable to the period before or after the Effective Time shall be based on when services are rendered, when the goods are delivered, or when the work is performed. For clarification, the date an item or work is ordered is not the date of a pre-Effective Time transaction for settlement purposes, but rather the date on which the item ordered is delivered to the job site, or the date on which the work ordered is performed, shall be the relevant date. For purposes of allocating Hydrocarbon production (and accounts receivable with respect thereto), under this Section 1.4, (i) liquid Hydrocarbons shall be deemed to be "from or attributable to" the Leases, Units and Wells when they pass through the pipeline connecting into the storage facilities into which they are run and (ii) gaseous Hydrocarbons shall be deemed to be "from or attributable to" the Leases, Units and Wells when they pass through the delivery point sales meters on the pipelines through which they are transported. Seller shall utilize reasonable interpolative procedures to arrive at an allocation of Hydrocarbon production when exact meter readings or gauging and strapping data is not available. Seller shall provide to Purchaser, no later than three (3) Business Days prior to Closing, all data necessary to support any estimated allocation, for purposes of establishing the adjustment to the Purchase Price pursuant to Section 2.2 hereof that will be used to determine the Closing Payment (as defined in Section 9.4(a)). Taxes, right-of-way fees, insurance premiums and other Property Costs that are paid periodically shall be prorated based on the number of days in the applicable period falling before and the number of days in the applicable period falling at or after the Effective Time, except that Hydrocarbon production, severance and similar Taxes shall be prorated based on the number of units actually produced, purchased or sold or proceeds of sale, as applicable, before, and at or after, the Effective Time. In each case, Purchaser shall be responsible for the portion allocated to the period at and after the Effective Time and Seller shall be responsible for the portion allocated to the period before the Effective Time. If the Seller or Purchaser determines that an additional gas imbalance exists as to Seller's net revenue interest in the Properties as of the Effective Time other than as disclosed on **Schedule 5.16**, then such imbalance will be treated as a Property Cost and the Purchase Price will be adjusted upwards or downward as appropriate.

Section 1.5 Delivery and Maintenance of Records.

(a) Seller, at Purchaser's sole cost and expenses shall deliver the Records to Purchaser within thirty (30) days following Closing. Seller may retain copies of any Records and shall have access to the Records following the Closing as provided below.

(b) Purchaser, or its successors or assigns, for a period of five (5) years following Closing, will (i) retain the Records, (ii) provide Seller, its Affiliates, and its and their officers, employees and representatives with access to the Records during normal business hours for review and copying at Seller's sole cost and expense, and (iii) provide Seller, its Affiliates, and its and their officers, employees and representatives with access, during normal business hours, to materials received or produced after Closing relating to any Indemnity Claim made under Section 11.4 of this Agreement for review and copying.

ARTICLE 2
PURCHASE PRICE

Section 2.1 Purchase Price.

The purchase price for the Assets (the "Purchase Price") shall be Forty Eight Million Nine Hundred Twenty Six Thousand Seven Hundred Ninety Three Dollars and No Cents ($48,926,793.00), adjusted as provided in Section 2.2.

Section 2.2 Adjustments to Purchase Price.

The Purchase Price for the Assets shall be adjusted as follows with all such amounts being determined in accordance with generally accepted accounting principles and Council of Petroleum Accountants Society (COPAS) standards:

(a) Reduced by the aggregate amount of the following proceeds received by Seller between the Effective Time and the Closing Date (with the period between the Effective Time and the Closing Date referred to as the "Adjustment Period"): (i) proceeds from the sale of Hydrocarbons (net of any royalties, overriding royalties or other burdens paid to third-parties on or payable out of Hydrocarbon production, gathering, processing and transportation costs and any Hydrocarbon production, severance, sales or excise Taxes not reimbursed to Seller by the purchaser of Hydrocarbon production) produced from or attributable to the Properties during the Adjustment Period, and (ii) other proceeds earned with respect to the Assets during the Adjustment Period;

(b) Reduced to the extent provided in Section 7.8 with respect to Preference Rights and Retained Assets;

(c) (i) If Seller makes the election under Section 3.4(d)(i) with respect to a Title Defect, subject to the Individual Title Threshold or the Individual Environmental Threshold, as applicable, and in each case subject to the Aggregate Title Deductible, reduced by the Title Defect Amount with respect to such Title Defect, if the Title Defect Amount has been determined prior to Closing, or (ii) subject to the Individual Benefit Threshold and the Aggregate Benefit Deductible, increased by the Title Benefit Amount with respect to each Title Benefit for which the Title Benefit Amount has been determined prior to Closing;

(d) Increased by the amount of all Property Costs and other costs attributable to the ownership and operation of the Assets which are paid by Seller and incurred at or after the Effective Time, except any Property Costs and other such costs already deducted in the determination of proceeds in Section 2.2(a);

(e) Reduced to the extent provided in Section 3.4(d)(iii) for any Properties excluded from the Assets pursuant to Section 3.4(d)(iii);

(f) Increased or reduced as agreed upon in writing by Seller and Purchaser;

(g) Increased by the amount of merchantable Hydrocarbons stored in tanks and pipelines attributable to the ownership and operation of the Assets that belong to Seller as of the Effective Time, which shall be valued based upon the price reflected in existing Contracts of Seller for the sale of such Hydrocarbons; and

(h) Reduced by the amount of funds held in suspense, as reflected on Schedule 11.3.

Each adjustment made pursuant to Section 2.2(a) shall serve to satisfy, up to the amount of the adjustment, Purchaser's entitlement under Section 1.4 to Hydrocarbon production from or attributable to the Properties during the Adjustment Period, and to the value of other income, proceeds, receipts and credits earned with respect to the Assets during the Adjustment Period, and as such, Purchaser shall not have any separate rights to receive any Hydrocarbon production or income, proceeds, receipts and credits with respect to which an adjustment has been made. Similarly, the adjustment described in Section 2.2(d) shall serve to satisfy, up to the amount of the adjustment, Purchaser's obligation under Section 1.4 to pay Property Costs and other costs attributable to the ownership and operation of the Assets which are incurred during the Adjustment Period, and as such, Purchaser shall not be separately obligated to pay for any Property Costs or other such costs with respect to which an adjustment has been made.

Section 2.3 Allocation of Purchase Price for Tax Purposes.

Concurrent with the execution of this Agreement, Purchaser and Seller will agree upon an allocation of the unadjusted Purchase Price among the Assets, in compliance with the principles of Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury regulations thereunder. Such allocation of value shall be attached to this Agreement as **Schedule 2.3** and shall be treated as Class V assets for purposes of Internal Revenue Service Form 8594. The "Tax Allocated Value" for any Asset equals the portion of the unadjusted Purchase Price allocated to such Asset on **Schedule 2.3**, increased or reduced as described in this Article 2. Any adjustments to the Purchase Price other than the adjustments provided for in Sections 2.2(b) and 2.2(c) shall be applied on a pro rata basis to the amounts set forth on Schedule 2.3 for all Assets. After all such adjustments are made, any adjustments to the Purchase Price pursuant to Sections 2.2(b) and 2.2(c) shall be applied to the amounts set forth in **Schedule 2.3** for the particular affected Assets. After Seller and Purchaser have agreed on the Tax Allocated Values for the Assets, Seller will be deemed to have accepted such Tax Allocated Values for purposes of this Agreement and the transactions contemplated hereby, but otherwise makes no representation or warranty as to the accuracy of such values. Seller and Purchaser agree (i) that the Tax Allocated Values shall be used by Seller and Purchaser as the basis for reporting asset values and other items for purposes of all federal, state, and local Tax Returns, including without limitation Internal Revenue Service Form 8594 and (ii) that neither they nor their Affiliates will take positions inconsistent with the Tax Allocated Values in notices to government authorities or in audit or other proceedings with respect to Taxes. Purchaser and Seller further agree that the portion of Tax Allocated Values included in **Schedule 2.3** attributable to tangible personal property shall equal the fair value of such property on the Closing Date.

Section 2.4 Deposit.

Concurrently with the execution of this Agreement, Purchaser has paid to Seller an earnest money deposit of Five Million Four Hundred Fifty Nine Thousand, Four Hundred Eighty Five Dollars ($5,459,485.00) (the "Deposit"). The Deposit shall be non-interest bearing and applied against the Purchase Price if the Closing occurs, or shall be otherwise distributed in accordance with the terms of this Agreement.

ARTICLE 3
TITLE MATTERS

Section 3.1 Seller's Title.

(a) Except for the special warranty of title referenced in Section 3.1(b) and without limiting Purchaser's right to adjust the Purchase Price by operation of this Article 3, Seller makes no warranty or representation, express, implied, statutory or otherwise, with respect to Seller's title to any of the Assets and Purchaser hereby acknowledges and agrees that Purchaser's sole remedy for any defect of title, including any Title Defect, with respect to any of the Assets (i) before Closing, shall be Purchaser's right to adjust the Purchase Price to the extent provided in this Article 3 and (ii) after Closing, shall be pursuant to the special warranty of title referenced in Section 3.1(b).

(b) The conveyance to be delivered by Seller to Purchaser shall be substantially in the form of Exhibit B hereto (the "Conveyance") and contain a special warranty of Defensible Title (as defined below) by, through and under Seller, but not otherwise, to the Properties shown in Exhibit A-1, subject to the Permitted Encumbrances, but shall otherwise be without warranty of title of any kind, express, implied or statutory or otherwise.

(c) Purchaser shall not be entitled to protection under Seller's special warranty of title in the Conveyance against any Title Defect reported under this Article 3 and/or any Title Defect disclosed to Purchaser or provided in writing to Purchaser in any abstract of title, title opinion or landman's title chain prior to the Title Claim Date.

(d) Notwithstanding anything herein provided to the contrary, if a Title Defect under this Article 3 results from any matter which could also result in the breach of any representation or warranty of Seller set forth in Article 5, then Purchaser shall only be entitled to assert such matter (i) before Closing, as a Title Defect to the extent permitted by this Article 3, or (ii) after Closing, as a breach of Seller's special warranty of title contained in the Conveyance to the extent permitted by this Section 3.1, and shall be precluded from also asserting such matter as the basis of the breach of any such representation or warranty.

Section 3.2 Definition of Defensible Title.

As used in this Agreement, the term "Defensible Title" means that title of Seller with respect to the Properties shown in **Exhibit A-1** that, except for and subject to Permitted Encumbrances which:

(a) Entitles Seller to receive a share of the Hydrocarbons produced, saved and marketed from any Properties shown in Exhibit A-1 throughout the duration of the productive life of such Properties (after satisfaction of all royalties, overriding royalties, net profits interests or other similar burdens paid to third parties on or measured by production of Hydrocarbons, hereinafter "Net Revenue Interest"), of not less than the Net Revenue Interest shown in Exhibit A-1 for such Properties, except decreases in connection with those operations in which Seller may after the date of this Agreement be a non-consenting co-owner, decreases resulting from the establishment or amendment after the date of this Agreement of pools or units, and except as stated in such Exhibit A-1;

(b) Obligates Seller to bear a percentage of the costs and expenses for the maintenance and development of, and operations relating to, (i) any Properties shown in Exhibit A-1 not greater than the "working interest" shown in Exhibit A-1 for such Properties, without increase throughout the productive life of such Properties except as stated in Exhibit A-1 and except increases resulting from contribution requirements with respect to non-consenting co-owners under applicable operating agreements and increases that are accompanied by at least a proportionate increase in Seller's Net Revenue Interest; and

(c) Is free and clear of liens, encumbrances, obligations, security interests, irregularities, pledges, Environmental Liabilities, or other defects.

As used in this Agreement, the term "Title Defect" means any lien, charge, encumbrance, obligation (including contract obligation), defect, Environmental Liability or other matter (including without limitation a discrepancy in Net Revenue Interest or working interest) that causes Seller not to have Defensible Title in and to the Properties shown in **Exhibit A-1** as of the Effective Time and the Closing Date. As used in this Agreement, the term "Title Benefit" shall mean any right, circumstance or condition that operates to increase the Net Revenue Interest of Seller in any Properties shown on **Exhibit A-1**, without causing a greater than proportionate increase in Seller's working interest above that shown in **Exhibit A-1** as of the Effective Time. Notwithstanding the foregoing, the following shall not be considered Title Defects:

1. defects based solely on (i) lack of information in the Seller's files, or (ii) references to a document(s) if such document(s) is not in Seller's files;

2. defects arising out of lack of corporate or other entity authorization of Persons other than Seller or its Affiliates, unless Purchaser provides affirmative evidence that the action was not authorized and results in a third-party's actual and superior claim of title to the relevant Property;

3. defects based on failure to record Leases issued by any Governmental Body, or any assignments of record title or operating rights in such Leases, in the real property, conveyance or other records of the county in which such Property is located;

4. defects based on a gap in Seller's chain of title in the county records as to fee Leases, unless such gap is affirmatively shown to exist in such records by an abstract of title, title opinion or landman's title chain, which documents shall be included in a Title Defect Notice; and

5. defects that have been cured by applicable Laws of limitations or prescription.

Section 3.3 Definition of Permitted Encumbrances.

As used herein, the term "Permitted Encumbrances" means any or all of the following:

(a) Royalties and any overriding royalties, reversionary interests and other burdens to the extent that the net cumulative effect of such burdens does not reduce Seller's Net Revenue Interest below that shown in Exhibit A-1 or increase Seller's working interest above that shown in Exhibit A-1 without a corresponding increase in the Net Revenue Interest;

(b) All Leases, unit agreements, pooling agreements, operating agreements, Hydrocarbon production sales contracts, division orders and other contracts, agreements and instruments applicable to the Assets, to the extent that the net cumulative effect of such instruments does not reduce Seller's Net Revenue Interest below that shown in Exhibit A-1 or increase Seller's working interest above that shown in Exhibit A-1 without a corresponding increase in the Net Revenue Interest;

(c) Preference Rights applicable to the Assets;

(d) Third-party consent requirements and similar restrictions;

(e) Liens for current Taxes or assessments not yet delinquent or, if delinquent, contested in good faith by appropriate actions;

(f) Materialman's, mechanic's, repairman's, employee's, contractor's, operator's and other similar liens or charges arising in the ordinary course of business for amounts not yet delinquent (including any amounts being withheld as provided by Law), or if delinquent, contested in good faith by appropriate actions;

(g) All rights to consent by, required notices to, filings with, or other actions by Governmental Bodies in connection with the sale or conveyance of the Assets or interests therein if they are not required or customarily obtained prior to the sale or conveyance;

(h) Excepting circumstances where such rights have already been triggered, rights of reassignment arising upon final intention to abandon or release the Assets, or any of them;

(i) Easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations to the extent that they do not unreasonably interfere with the operation of the Assets;

(j) All rights reserved to or vested in any Governmental Body to control or regulate any of the Assets in any manner and all obligations and duties under all applicable laws, rules and orders of any such Governmental Body or under any franchise, grant, license or permit issued by any such Governmental Body;

(k) Any encumbrance on or affecting the Assets which is expressly assumed, bonded or paid by Purchaser at or prior to Closing or which is discharged by Seller at or prior to Closing;

(l) Any matters shown on Exhibit A-1;

(m) Any other liens, charges, encumbrances, defects or irregularities which do not, individually or in the aggregate, materially interfere with the use or ownership of the Assets subject thereto or affected thereby (as currently used or owned), which would be accepted by a reasonably prudent purchaser engaged in the business of owning and operating oil and gas properties, and which do not reduce Seller's Net Revenue Interest below that shown in Exhibit A-1, or increase Seller's working interest above that shown in Exhibit A-1 without a corresponding increase in Net Revenue Interest;

(n) Matters that would otherwise be considered Title Defects but that do not meet the Individual Title Threshold or Individual Environmental Threshold, as applicable, set forth in Section 3.4(j); and

(o) Liens granted under applicable joint operating agreements.

Section 3.4 Notice of Title Defect Adjustments.

(a) To assert a claim of a Title Defect, Purchaser must deliver claim notices to Seller (each a "Title Defect Notice") on or before fifteen (15) days prior to the Closing (the "Title Claim Date"). Each Title Defect Notice shall be in writing and shall include (i) a description of the alleged Title Defect(s), (ii) the Properties affected by the Title Defect (each a "Title Defect Property"), (iii) the Allocated Value of each Title Defect Property, (iv) supporting documents reasonably necessary for Seller (as well as any title attorney, environmental attorney or examiner hired by Seller) to verify the existence of the alleged Title Defect(s), and (v) the amount by which Purchaser reasonably believes the Allocated Value of each Title Defect Property is reduced by the alleged Title Defect(s) and the computations and information upon which Purchaser's belief is based. Notwithstanding any other provision of this Agreement to the contrary, Purchaser shall be deemed to have waived its right to assert Title Defects if Seller has not been given notice on or before the Title Claim Date; provided, however, subject to the limitation set forth in Section 3.1(c), such waiver shall have no effect or limitation on the special warranty of title referenced in Section 3.1(b). For purposes of this Agreement, the term "Allocated Value" shall mean the portion of the Purchase Price that has been allocated to a Property in Exhibit A-1.

(b) Seller shall have the right, but not the obligation, to deliver to Purchaser on or before the Title Claim Date with respect to each Title Benefit a notice (a "Title Benefit Notice") including (i) a description of the Title Benefit, (ii) the Properties affected, (iii) the Allocated Value of the Properties subject to such Title Benefit and (iv) the amount by which the Seller reasonably believes the Allocated Value of those Properties is increased by the Title Benefit, and the computations and information upon which Seller's belief is based. Seller shall be deemed to have waived all Title Benefits of which it has not given notice on or before the Title Claim Date.

(c) Seller shall have the right, but not the obligation, to attempt, at its sole cost and expense, to cure or remove at any time prior to Closing (the "Cure Period"), unless the Parties otherwise agree, any Title Defects of which it has been advised by Purchaser.

(d) Remedies for Title Defects.

In the event that any Title Defect is not waived by Purchaser or cured on or before Closing, Seller shall, at its sole election, elect to:

(i) subject to the Individual Title Threshold or the Individual Environmental Threshold, as applicable, and the Aggregate Title Deductible, reduce the Purchase Price by an amount agreed upon ("Title Defect Amount") pursuant to Sections 3.4(g), 3.4(i) or 3.4(l) by Purchaser and Seller as being the value of such Title Defect, (taking into consideration the Allocated Value of the Property subject to such Title Defect, the portion of the Property subject to such Title Defect and the legal effect of such Title Defect on the Property affected thereby); provided, however, that the methodology, terms and conditions of Sections 3.4(g) and 3.4(l) shall control any such determination;

(ii) [reserved];

(iii) retain the entirety of the Property that is subject to such Title Defect, together with all associated Assets, in which event the Purchase Price shall be reduced by an amount equal to the Allocated Value of such Property; provided, however, that this remedy shall not be applicable if such Title Defect results from an increase in Seller's working interest or decrease in Seller's Net Revenue Interest in such Property; or

(iv) if applicable, to the extent provided under Section 8.1(e) of this Agreement, terminate this Agreement.

(e) Subject to the Individual Benefit Threshold and the Aggregate Benefit Deductible, with respect to each Property affected by Title Benefits reported under Section 3.4(b), the Purchase Price shall be increased by an amount (the "Title Benefit Amount") equal to the increase in the Allocated Value for such Property caused by such Title Benefits, as determined pursuant to Section 3.4(h).

(f) Section 3.4(d) shall be the exclusive right and remedy of Purchaser with respect to Title Defects asserted by Purchaser pursuant to Section 3.4.

(g) The Title Defect Amount resulting from a Title Defect shall be the amount by which the Allocated Value of the Title Defect Property affected by such Title Defect is reduced as a result of the existence of such Title Defect and shall be determined in accordance with the following methodology, terms and conditions:

(i) if Purchaser and Seller agree on the Title Defect Amount, that amount shall be the Title Defect Amount;

(ii) if the Title Defect is a lien, encumbrance or other charge which is undisputed and liquidated in amount, then the Title Defect Amount shall be the undisputed and liquidated amount;

(iii) if the Title Defect represents a discrepancy between (A) the Net Revenue Interest for any Title Defect Property and (B) the Net Revenue Interest stated on **Exhibit A-1**, then the Title Defect Amount shall be the product of the Allocated Value of such Title Defect Property multiplied by a fraction, the numerator of which is the Net Revenue Interest decrease and the denominator of which is the Net Revenue Interest stated on **Exhibit A-1**;

(iv) if the Title Defect represents an obligation, encumbrance, burden or charge upon or other defect in title to the Title Defect Property of a type not described in subsections (i), (ii) or (iii) above, the Title Defect Amount shall be determined by taking into account the Allocated Value of the Title Defect Property, the portion of the Title Defect Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the Title Defect Property, the values placed upon the Title Defect by Purchaser and Seller and such other factors as are necessary to make a proper evaluation; and

(v) notwithstanding anything to the contrary in this Article 3, the aggregate Title Defect Amounts attributable to the effects of all Title Defects (other than those resulting exclusively from Environmental Liabilities) upon any Title Defect Property shall not exceed the Allocated Value of the Title Defect Property.

(h) The Title Benefit Amount for any Title Benefit shall be the product of the Allocated Value of the affected Property multiplied by a fraction, the numerator of which is the Net Revenue Interest increase and the denominator of which is the Net Revenue Interest stated on Exhibit A-1.

(i) Seller and Purchaser shall attempt to agree on all Title Defect Amounts and Title Benefit Amounts prior to Closing. If Seller and Purchaser are unable to agree by Closing, the Title Defect Amounts and Title Benefit Amounts in dispute shall be exclusively and finally resolved by arbitration pursuant to this Section 3.4(i). There shall be a single arbitrator, who shall be a title attorney with at least ten (10) years experience in oil and gas titles involving properties in the regional area in which the Properties are located, as selected by mutual agreement of Purchaser and Seller within fifteen (15) Business Days after the end of the Cure Period, and absent such agreement, by the Dallas office of the American Arbitration Association (the "Title Arbitrator"). The arbitration proceeding shall be held in Tarrant County, Texas and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this Section. The Title Arbitrator's determination shall be made within fifteen (15) Business Days after submission of the matters in dispute and shall be final and binding upon both Parties, without right of appeal. In making his determination, the Title Arbitrator shall be bound by the rules set forth in Sections 3.4(g) and 3.4(h) and may consider such other matters as in the opinion of the Title Arbitrator are necessary or helpful to make a proper determination. Additionally, the Title Arbitrator may consult with and engage disinterested third parties to advise the arbitrator, including, without limitation, petroleum engineers. The Title Arbitrator shall act as an expert for the limited purpose of determining the specific disputed Title Defect Amounts and Title Benefit Amounts submitted by either Party and shall not be empowered to award damages, interest or penalties to either Party with respect to any matter. Seller and Purchaser shall each bear its own legal fees and other costs of presenting its case and indemnify and hold harmless the other Party with respect thereto. Each Party shall bear one-half of the costs and expenses of the Title Arbitrator, including any costs incurred by the Title Arbitrator that are attributable to such third party consultation. Within ten (10) days after the Title Arbitrator delivers written notice to Purchaser and Seller of his award with respect to a Title Defect Amount or a Title Benefit Amount, (i) Purchaser shall pay to Seller the amount, if any, so awarded by the Title Arbitrator to Seller and (ii) Seller shall pay to Purchaser the amount, if any, so awarded by the Title Arbitrator to Purchaser.

(j) Notwithstanding anything to the contrary in this Agreement, (i) in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller for (x) individual Title Defects (excluding Title Defects related to Environmental Liabilities) that do not exceed two and one-half percent (2.5%) of the Allocated Value of the Property affected by the Title Defect as listed in Exhibit A-1 ("Individual Title Threshold"); and (y) individual Environmental Liabilities that constitute Title Defects that do not exceed two and one-half percent (2.5%) of the Allocated Value of the Property affected by the Title Defect ("Individual Environmental Threshold"); and (ii) in no event shall there be any adjustments to the Purchase Price or other remedies provided by Seller for Title Defects (including without limitation those resulting from Environmental Liabilities) unless the amount of all such Title Defects (assuming that such Title Defect exceeds the Individual Title Threshold or the Individual Environmental Threshold, as applicable), in the aggregate (excluding any Title Defects cured by Seller) exceeds seven and one-half percent (7.5%) of the Allocated Value of the Properties (the "Aggregate Title Deductible"), after which point Purchaser shall be entitled to adjustments to the Purchase Price or other remedies only with respect to Title Defects in excess of such Aggregate Title Deductible.

(k) Notwithstanding anything to the contrary in this Agreement, (i) in no event shall there be any increase in the Purchase Price for Individual Title Benefits that do not exceed (A) two and one-half percent (2.5%) of the Allocated Value of the Properties listed in Exhibit A-1 ("Individual Benefit Threshold"); and (ii) in no event shall there be any increase in the Purchase Price for any Title Benefits unless the amount of all Title Benefits, in the aggregate, exceeds a deductible in an amount equal to seven and one-half percent (7.5%) of the Allocated Value of the Properties ("Aggregate Benefit Deductible"), after which point Seller shall be entitled to an increase to the Purchase Price in excess of such Aggregate Benefit Deductible.

(l) Subject to the Individual Title Threshold and the Individual Environmental Threshold, as applicable, if the amount of all Title Defects is in excess of the Aggregate Title Deductible, then the Purchase Price shall be adjusted downward on account of additional Environmental Liabilities that constitute Title Defects, by a mutually agreed amount equal to the estimated costs of cleanup or remediation of such condition, or Seller, at its sole option, may elect to cure such Environmental Liabilities before Closing; provided, however, that if such cure shall take place after Closing, Seller shall first obtain Purchaser's approval of any plan to cure such Environmental Liabilities, which approval shall not be unreasonably withheld or conditioned. If Seller does not elect to so cure, and if the Parties have not agreed upon a Purchase Price adjustment amount, then the amount of such adjustment shall be determined in accordance with the provisions of Section 3.4(i) above, except that the Title Arbitrator will be an environmental law attorney or other professional with at least ten (10) years experience in oilfield environmental and cleanup matters.

Section 3.5 Casualty or Condemnation Loss.

(a) Purchaser shall assume all risk of loss with respect to, and any change in the condition of the Assets from the Effective Time until Closing for production of Hydrocarbons through normal depletion (including, but not limited to, the watering out of any Well, collapsed casing or sand infiltration of any Well) and the depreciation of personal property due to ordinary wear and tear.

(b) Subject to the provisions of Sections 8.1(f) and 8.2(f) hereof, if, after the date of this Agreement but prior to the Closing Date, any portion of the Assets is destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain, and the loss as a result of such individual casualty or taking exceeds ten percent (10%) of the Purchase Price, Purchaser shall nevertheless be required to close, and Seller shall elect by written notice to Purchaser prior to Closing either (i) to cause the Assets affected by any casualty or taking to be repaired or restored to at least its condition prior to such casualty, at Seller's sole cost, as promptly as reasonably practicable (which work may extend after the Closing Date), or (ii) to treat such casualty or taking as a Title Defect with respect to the affected Property or Properties under Section 3.4. In each case, Seller shall retain all rights to insurance and other claims against third parties with respect to the casualty or taking, except to the extent the Parties otherwise agree in writing.

(c) If, after the date of this Agreement but prior to the Closing Date, any portion of the Assets is destroyed by fire or other casualty or is taken in condemnation or under right of eminent domain, and the loss as a result of such individual casualty or taking is ten percent (10%) or less of the Purchase Price, Purchaser shall nevertheless be required to close and Seller shall, at Closing, pay to Purchaser all sums paid to Seller by third parties by reason of such casualty or taking and shall assign, transfer and set over to Purchaser or subrogate Purchaser to all of Seller's right, title and interest (if any) in insurance claims, unpaid awards, and other rights against third parties (other than Affiliates of Seller and its and their directors, officers, employees and agents) arising out of the casualty or taking.

Section 3.6 Limitations on Applicability.

The right of Purchaser to assert a Title Defect under this Agreement shall terminate as of the Title Claim Date; provided there shall be no termination of Purchaser's or Seller's rights under Section 3.4 with respect to any bona fide Title Defect properly reported in a Title Defect Notice or bona fide Title Benefit Claim properly reported in a Title Benefit Notice on or before the Title Claim Date. Thereafter, Purchaser's sole and exclusive rights and remedies with regard to title to the Assets shall be as set forth in, and arise under, the Conveyance transferring the Assets from Seller to Purchaser.

Section 3.7 Government Approvals Respecting Assets .

(a) Purchaser, within thirty (30) days after Closing, shall file for approval with the applicable government agencies all assignment documents and other state and federal transfer documents required to effectuate the transfer of the Assets. Purchaser and Seller further agree promptly after Closing to take all other actions reasonably required of them by federal or state agencies having jurisdiction to obtain all requisite regulatory approvals with respect to this transaction, and to use reasonable commercial efforts to obtain the approval by such federal or state agencies, as applicable, of Seller's assignment documents requiring federal or state approval in order for Purchaser to be recognized by the federal or state agencies as the owner of the Assets. Purchaser shall timely provide Seller with the resignation and designation of operator instruments, approved copies of the assignment documents and other state and federal transfer documents.

(b) Until all of the governmental approvals provided for in Section 3.7(a) have been obtained, the following shall occur with respect to the affected portion of the Assets:

(i) Seller shall continue to hold record title to the affected Properties and other affected portion of the Assets as nominee for Purchaser;

(ii) Purchaser shall be responsible for all assumed obligations with respect to the affected Leases and other affected portion of the Assets as if Purchaser was the record owner of such Properties and other portion of the Assets as of the Effective Date; and

(iii) Seller shall act as Purchaser's nominee but shall be authorized to act only upon and in accordance with Purchaser's written instructions, and Seller shall have no authority, responsibility or discretion to perform any tasks or functions with respect to the affected Properties and other affected portion of the Assets other than those which arise as a result of an emergency where the failure to act may result in injury or damage to Persons or Property or are purely administrative or ministerial in nature, unless otherwise specifically requested and authorized by Purchaser.

(c) Denial of Required Governmental Approvals. If the federal or state agency fails to grant approval within twenty-four (24) months after the Closing, Seller may continue to hold record title to the affected Properties and other affected Assets as Purchaser's nominee or, at Seller's sole option, it may terminate this Agreement and all its obligations hereunder as to the affected Properties and other affected portion of the Assets by giving sixty (60) days written notice to Purchaser. Upon such termination: (i) this Agreement shall be null and void and terminated only as to the affected Properties and other affected portion of the Assets, (ii) Purchaser shall immediately reassign and return to Seller the assignment documents and any and all other documents, materials and data previously delivered to Purchaser with respect to the affected Properties and other affected portion of the Assets, and (iii) Seller shall pay to Purchaser the Allocated Value of the affected Property, without interest, less the proceeds of Hydrocarbon production received by Purchaser (which shall be retained by Purchaser as its sole property) net of all expenses, overhead, royalties, and costs of operations (including plugging and abandonment expenses but excluding mortgage interest and any burdens, liens, or encumbrances created by Purchaser which must be released prior to this payment) attributable to the affected Properties or other affected portion of the Assets from the Effective Date forward. In no event, however, shall Seller ever be required to reimburse Purchaser for any expenditures associated with workovers, recompletions, sidetracks, or the drilling, completion or plugging and abandonment of wells drilled or work performed by Seller with respect to such affected Properties.

ARTICLE 4
ENVIRONMENTAL MATTERS

Section 4.1 Assessment.

Upon notice to Seller, Purchaser shall, subject to the provisions of Section 11.4(b)(vi), have the right to conduct an environmental assessment of all or any portion of the Properties (the "Assessment") to be conducted by a reputable environmental consulting or engineering firm approved in advance in writing by Seller. The Assessment shall be conducted at the sole cost and expense of Purchaser, and shall be subject to the indemnity provisions of Section 4.3 and Section 11.4(b)(vi). Prior to conducting any sampling, boring, drilling or other invasive investigative activity with respect to the Properties ("Invasive Activity"), Purchaser shall furnish for Seller's review a proposed scope of such Invasive Activity, including a description of the activities to be conducted and a description of the approximate locations of such activities. If any of the proposed activities may unreasonably interfere with normal operation of the Properties, Seller may request an appropriate modification of the proposed Invasive Activity. Seller shall have the right to be present during any Assessment of the Properties and shall have the right, at its option and expense, to split samples with Purchaser. After completing any Assessment of the Properties, Purchaser shall, at its sole cost and expense, restore the Properties in all material respects to their condition prior to the commencement of such Assessment (unless Seller requests otherwise) and shall promptly and properly dispose of all drill cuttings, corings, or other investigative-derived wastes generated in the course of the Assessment. Purchaser shall maintain, and shall cause its officers, employees, representatives, consultants, agents and advisors to maintain, all information obtained by Purchaser pursuant to any Assessment or other due diligence activity as strictly confidential in perpetuity, unless disclosure of any facts as a result of such Assessment is required under any Environmental Laws. Purchaser shall provide Seller with a copy of the final product of all environmental reports prepared by, or on behalf of, Purchaser with respect to any Assessment or Invasive Activity conducted on the Properties. In the event that any necessary disclosures under applicable Environmental Laws are required with respect to matters discovered by any Assessment conducted by, for or on behalf of Purchaser, Purchaser agrees that Seller shall be the responsible Party for disclosing such matters to the appropriate Governmental Bodies.

Section 4.2 NORM, Wastes and Other Substances.

Purchaser acknowledges that the Assets have been used for exploration, development, and production Hydrocarbons and that there may be petroleum, produced water, wastes, or other substances or materials located in, on or under the Properties or associated with the Assets. Equipment and sites included in the Assets may contain asbestos, hazardous substances, or NORM. NORM may affix or attach itself to the inside of wells, materials, and equipment as scale, or in other forms. The wells, materials, and equipment located on the Properties or included in the Assets may contain NORM and other wastes or hazardous substances. NORM containing material and/or other wastes or hazardous substances may have come in contact with various environmental media, including without limitation, water, soils or sediment. Special procedures may be required for the assessment, remediation, removal, transportation, or disposal of environmental media, wastes, asbestos, hazardous substances, and NORM from the Assets.

Section 4.3 Inspection Indemnity.

PURCHASER HEREBY AGREES TO DEFEND, INDEMNIFY, RELEASE, PROTECT, SAVE AND HOLD HARMLESS THE SELLER INDEMNITEES FROM AND AGAINST ANY AND ALL LOSSES AND CLAIMS RESULTING FROM ANY DUE DILIGENCE ACTIVITY CONDUCTED BY PURCHASER OR ITS AGENTS, WHETHER BEFORE OR AFTER THE EXECUTION OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY LOSSES RESULTING, IN WHOLE OR IN PART, FROM THE NEGLIGENCE OR STRICT LIABILITY OF SELLER.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF SELLER

Section 5.1 Generally.

(a) Any representation or warranty qualified "to the knowledge of Seller" or "to Seller's knowledge" or with any similar knowledge qualification is limited to matters within the actual knowledge of the officers of Seller. "Actual knowledge" for purposes of this Agreement means information personally known by the officers of the Party referenced.

(b) Inclusion of a matter on a Schedule to this Agreement in relation to a representation or warranty which addresses matters having a Material Adverse Effect shall not be deemed an indication that such matter does, or may, have a Material Adverse Effect. Likewise, the inclusion of a matter on a Schedule in this Agreement in relation to a representation or warranty shall not be deemed an indication that such matter necessarily would, or may, breach such representation or warranty absent its inclusion on such Schedule. Matters may be disclosed on a Schedule to this Agreement for purposes of information only.

(c) Subject to the foregoing provisions of this Section 5.1, the disclaimers and waivers contained in Sections 11.8 and 11.9 and the other terms and conditions of this Agreement, Seller represents and warrants to Purchaser the matters set out in Sections 5.2 through 5.20.

Section 5.2 Existence and Qualification.

Seller is each a corporation duly organized, validly existing and in good standing under the laws of the State of Texas and is duly qualified to do business as a foreign corporation where the Assets are located, except where the failure to so qualify would not have a Material Adverse Effect.

Section 5.3 Power.

Seller has the power to enter into and perform this Agreement and consummate the transactions contemplated by this Agreement.

Section 5.4 Authorization and Enforceability.

The execution, delivery and performance of this Agreement, and the performance of the transactions contemplated hereby, have been duly and validly authorized by all necessary partnership actions on the part of Seller. This Agreement has been duly executed and delivered by Seller (and all documents required hereunder to be executed and delivered by Seller at Closing will be duly executed and delivered by Seller) and this Agreement constitutes, and at the Closing such documents will constitute, the valid and binding obligations of Seller, enforceable against Seller in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.5 No Conflicts.

Subject to compliance with the Preference Rights and Transfer Requirements set forth in **Schedule 5.13**, the execution, delivery and performance of this Agreement by Seller, and the transactions contemplated by this Agreement will not (i) violate any provision of the articles of incorporation, bylaws, or similar governing documents of Seller, (ii) result in default (with due notice or lapse of time or both) or the creation of any lien or encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, Bond, mortgage, indenture, license or agreement to which Seller is a Party or which affect the Assets, (iii) violate any judgment, order, ruling, or decree applicable to Seller as a party in interest, (iv) violate any Laws applicable to Seller or any of the Assets, except for (a) rights to consent by, required notices to, filings with, approval or authorizations of, or other actions by any Governmental Body where the same are not required prior to the assignment of the related Asset or they are customarily obtained subsequent to the sale or conveyance thereof, and (b) any matters described in clauses (ii), (iii) or (iv) above which would not have a Material Adverse Effect.

Section 5.6 Liability for Brokers' Fees.

Purchaser shall not directly or indirectly have any responsibility, liability or expense, as a result of undertakings or agreements of Seller, for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with this Agreement or any agreement or transaction contemplated hereby.

Section 5.7 Litigation.

Except as set forth in **Schedule 5.7(a)**, (a) no investigation, proceeding, action, suit, or other legal proceeding of any kind or nature before any Governmental Body or arbitrator (including any take-or-pay claims) is pending or, to Seller's knowledge, threatened to which Seller is a party and which relates to the Assets; (b) no notice in writing from any Governmental Body which could have a Material Adverse Effect has been received by Seller claiming any violation of or noncompliance with any Law with respect to the Assets; and (c) to Seller's knowledge, there are no presently existing or threatened claims for personal injury or death related to the Assets.

Section 5.8 Taxes and Assessments.

With respect to all Taxes related to the Assets and to the knowledge of Seller, (a) all reports, returns, statements (including estimated reports, returns or statements), and other similar filings (the "Tax Returns") relating to the Assets required to be filed by Seller with respect to such Taxes have been timely filed with the appropriate Governmental Body in all jurisdictions in which such Tax Returns are required to be filed; and (b) such Tax Returns are true and correct in all material respects, and (c) all Taxes reported on such Tax Returns have been paid, except those being contested in good faith.

With respect to all Taxes related to the Assets, except as set forth on **Schedule 5.8**, (a) there are not currently in effect any extension or waiver of any statute of limitations of any jurisdiction regarding the assessment or collection of any such Tax; (b) there are no administrative proceedings or lawsuits pending against the Assets or Seller by any taxing authority; and (c) there are no Tax liens on any of the Assets except for liens for Taxes not yet due.

Section 5.9 Compliance with Laws.

Except as disclosed on **Schedule 5.9**, the Assets are, and the operation of the Assets is, in compliance with the provisions and requirements of all Laws of all Governmental Bodies having jurisdiction with respect to the Assets, or the ownership, operation, development, maintenance, or use of any thereof, except where the failure to so comply would not have a Material Adverse Effect. Notwithstanding the foregoing, Seller makes no representation or warranty, express or implied, under this Section relating to any Environmental Liabilities or Environmental Law.

Section 5.10 Contracts.

Except as disclosed on **Schedule 5.10**, to the knowledge of Seller, Seller has paid its share of all costs payable by it under the contracts and agreements described in **Schedule 1.2(d)**, except those being contested in good faith. To Seller's knowledge, Seller is in compliance with all Contracts listed on **Schedule 1.2(d)** except as disclosed on **Schedule 5.10** and except such non-compliance as would not, individually or the aggregate, have a Material Adverse Effect.

Section 5.11 Payments for Hydrocarbon Production.

Except as set forth on **Schedule 5.11**, to the knowledge of Seller, (a) all rentals, royalties, excess royalty, overriding royalty interests, Hydrocarbon production payments, and other payments due and/or payable by Seller to any other interest owners in the Properties with respect to production occurring on or prior to the Effective Time under or with respect to the Assets and the Hydrocarbons produced therefrom or attributable thereto, have been paid, and (b) Seller is not obligated under any contract or agreement for the sale of gas from the Assets containing a take-or-pay, advance payment, prepayment, or similar provision, or under any gathering, transmission, or any other contract or agreement with respect to any of the Assets to gather, deliver, process, or transport any gas without then or thereafter receiving full payment therefor.

Section 5.12 Governmental Authorizations.

To Seller's knowledge, except as disclosed on **Schedule 5.12**, Seller has obtained and is maintaining all material federal, state and local governmental licenses, permits, franchises, orders, exemptions, variances, waivers, authorizations, certificates, consents, rights, privileges and applications therefor (the "Governmental Authorizations") that are presently necessary or required for the ownership and operation of the Seller Operated Assets as currently owned and operated. Except as disclosed in **Schedule 5.7(a)**, **Schedule 5.7(b)** or **Schedule 5.12** and except as would not, individually or in the aggregate, have a Material Adverse Effect, (i) Seller has operated the Seller Operated Assets in accordance with the conditions and provisions of such Governmental Authorizations, and (ii) no written notices of violation have been received by Seller, and no proceedings are pending or, to Seller's knowledge, threatened in writing that might result in any modification, revocation, termination or suspension of any such Governmental Authorizations or which would require any corrective or remedial action by Seller.

Section 5.13 Preference Rights and Transfer Requirements.

To Sellers knowledge, except as disclosed on **Schedule 5.13**, none of the Assets, or any portion thereof, is subject to any Preference Right or Transfer Requirement which may be applicable to the transactions contemplated by this Agreement.

Section 5.14 (Reserved).

Section 5.15 Outstanding Capital Commitments.

As of the date hereof, there are no outstanding AFEs or other commitments to make capital expenditures which are binding on the Assets and which Seller reasonably anticipates will individually require expenditures by the owner of the Assets after the Closing Date in excess of One Hundred Fifty Thousand dollars ($150,000.00) other than those shown on **Schedule 5.15**.

Section 5.16 Imbalances.

To Seller's knowledge, except as disclosed on **Schedule 5.16**, Seller does not have any Imbalances arising with respect to the Assets, and (i) no Person is entitled to receive any material portion of the Seller's Hydrocarbons produced from the Assets or to receive material cash or other payments to "balance" any disproportionate allocation of Hydrocarbons produced from the Assets under any operating agreement, gas balancing or storage agreement, gas processing or dehydration agreement, gas transportation agreement, gas purchase agreement, or other agreements, whether similar or dissimilar, (ii) Seller is not obligated to deliver any material quantities of gas or to pay any material penalties or other amounts, in connection with the violation of any of the terms of any gas contract or other agreement with shippers with respect to the Assets, and (iii) Seller is not obligated to pay any material penalties or other material payments under any gas transportation or other agreement as a result of the delivery of quantities of gas from the Wells in excess of the contract requirements.

Section 5.17 Condemnation.

To Seller's knowledge, there is no actual or threatened taking (whether permanent, temporary, whole or partial) of any part of the Properties by reason of condemnation or the threat of condemnation.

Section 5.18 Bankruptcy.

To Seller's knowledge, there are no bankruptcy, reorganization, or similar arrangement proceedings pending, being contemplated by or threatened against Seller or any Affiliate of Seller.

Section 5.19 PUHCA/NGA.

Seller is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company," or an "affiliate" of a "subsidiary" of a "holding company," or a "public-utility company" within the meaning of the Public Utility Holding Company Act of 1935, as amended. No consent is required in connection with the transaction contemplated hereby under the Natural Gas Policy Act of 1978, as amended. Seller is not an interstate pipeline company within the meaning of the Natural Gas Act of 1938.

Section 5.20 Investment Company.

Seller is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller the following:

Section 6.1 Existence and Qualification.

Purchaser is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware; and Purchaser is duly qualified to do business as a foreign corporation in every jurisdiction in which it is required to qualify in order to conduct its business except where the failure to so qualify would not have a material adverse effect on Purchaser or its properties; and Purchaser is, or will be at the Closing, duly qualified to do business as a foreign corporation in the respective jurisdictions where the Assets are located.

Section 6.2 Power.

Purchaser has the corporate power to enter into and perform this Agreement and consummate the transactions contemplated by this Agreement.

Section 6.3 Authorization and Enforceability.

The execution, delivery and performance of this Agreement, and the performance of the transaction contemplated hereby, have been duly and validly authorized by all necessary corporate actions on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser (and all documents required hereunder to be executed and delivered by Purchaser at Closing will be duly executed and delivered by Purchaser) and this Agreement constitutes, and at the Closing such documents will constitute, the valid and binding obligations of Purchaser, enforceable in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 6.4 No Conflicts.

The execution, delivery and performance of this Agreement by Purchaser, and the transactions contemplated by this Agreement will not (i) violate any provision of the [certificate of incorporation or bylaws] of Purchaser, (ii) result in a default (with due notice or lapse of time or both) or the creation of any lien or encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license or agreement to which Purchaser is a party, (iii) violate any judgment, order, ruling, or regulation applicable to Purchaser as a party in interest, or (iv) violate any Law applicable to Purchaser or any of its assets, or (v) require any filing with, notification of or consent, approval or authorization of any Governmental Body or authority, except any matters described in clauses (ii), (iii), (iv) or (v) above which would not have a material adverse effect on Purchaser or the transactions contemplated hereby.

Section 6.5 Liability for Brokers' Fees.

Seller shall not directly or indirectly have any responsibility, liability or expense, as a result of undertakings or agreements of Purchaser, for brokerage fees, finder's fees, agent's commissions or other similar forms of compensation in connection with this Agreement or any agreement or transaction contemplated hereby.

Section 6.6 Litigation.

There are no actions, suits or proceedings pending, or to the knowledge of Purchaser's officers and directors, threatened in writing before any Governmental Body against Purchaser or any Affiliate of Purchaser which are reasonably likely to impair materially Purchaser's ability to perform its obligations under this Agreement.

Section 6.7 Financing.

Purchaser has sufficient cash, available lines of credit or other sources of immediately available funds (in United States dollars) to enable it to pay the Closing Payment to Seller at the Closing.

Section 6.8 Limitation.

Except for the representations and warranties expressly made by Seller in Article 5 of this Agreement, the special warranty of title referenced in Section 3.1(b), or confirmed in any certificate furnished or to be furnished to Purchaser pursuant to this Agreement, Purchaser represents and acknowledges that (i) there are no representations or warranties, express, statutory or implied, as to the Assets or prospects thereof, and (ii) Purchaser has not relied upon any oral or written information provided by Seller. Without limiting the generality of the foregoing, Purchaser represents and acknowledges that Seller has made and will make no representation or warranty regarding any matter or circumstance relating to Environmental Laws, Environmental Liabilities, the release of materials into the environment or protection of human health, safety, natural resources or the environment or any other environmental condition of the Assets. Purchaser further represents and acknowledges (i) that it is knowledgeable of the oil and gas business and of the usual and customary practices of oil and gas producers, (ii) in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, Purchaser has relied solely on the basis of its own independent due diligence investigation of the Assets and the terms and conditions of this Agreement, and (iii) all the information and data furnished to Buyer by Seller (its officers, employers, representatives, consultants, agents or any third party on Seller's behalf) is furnished only as an accommodation to Buyer without any representation or warranty.

Section 6.9 SEC Disclosure.

Purchaser is acquiring the Assets for its own account for use in its trade or business, and not with a view toward or for sale associated with any distribution thereof, nor with any present intention of making a distribution thereof within the meaning of the Securities Act of 1933, as amended and applicable state securities laws.

Section 6.10 Bankruptcy.

There are no bankruptcy, reorganization or receivership proceedings pending against, being contemplated by, or threatened against Purchaser.

Section 6.11 Qualification.

Purchaser is now, and hereafter shall continue to be, qualified to own and assume operatorship of federal and state oil, gas and mineral leases in all jurisdictions where the Assets to be transferred to it are located, and the consummation of the transactions contemplated in this Agreement will not cause Purchaser to be disqualified as such an owner or operator. To the extent required by the applicable state and federal Governmental Bodies, Purchaser currently has, and will continue to maintain, lease bonds, area-wide bonds or any other surety bonds as may be required by, and in accordance with, such state or federal regulations governing the ownership and operation of such leases. For purposes of this Agreement, the term bond, lease bond, area-wide bonds or surety bonds mean "Bonds", respectively. Purchaser represents and acknowledges that it is not relying on the effectiveness of Seller's Bonds in purchasing the Assets; and in the event any of Seller's Bonds are not released as a result of Purchaser's failure to timely secure any such Bond in connection with the operation of the Assets, Purchaser shall indemnify Seller for any damages related to such failure pursuant to Section 11.4 of this Agreement.

ARTICLE 7
COVENANTS OF THE PARTIES

Section 7.1 Access.

(a) Between the date of execution of this Agreement and continuing until seven (7) days prior to the Closing Date, Seller will give Purchaser and its representatives access to the Assets and access to the Records in Seller's possession, for the purpose of conducting an investigation of the Assets, but only to the extent that Seller may do so without violating any confidentiality or other obligations to any third party and to the extent that Seller has authority to grant such access without breaching any restriction binding on Seller. Such access by Purchaser shall be limited to Seller's normal business hours, and any weekends and after hours requested by Purchaser that can be reasonably accommodated by Seller, and Purchaser's investigation shall be conducted in a manner that minimizes interference with the operation of the Assets. All information obtained by Purchaser and its representatives under this Section shall be subject to the terms of Section 11.4(b)(vi) and the terms of that certain confidentiality agreement between Seller and Vanguard Natural Resources, LLC, dated September 25, 2009 (as to which Purchaser agrees hereby to be bound)(the "Confidentiality Agreement").

(b) Purchaser acknowledges that the permission of the operator (if other than Seller) or another third person may be required before Purchaser will be able to inspect portions of the Properties and that such permission must be obtained prior to the inspection of such portions. Seller shall use reasonable efforts to obtain such permission for Purchaser upon Purchaser's request. All inspections pursuant to this Section 7.1 shall be at Purchaser's sole risk, cost, and expense, and Purchaser shall indemnify, defend, and hold Seller and Seller's respective officers, directors, employees, contractors, and agents harmless from and against any and all losses, liabilities, liens, or encumbrances for labor or materials, claims, causes of action, and costs and expenses (including, but not limited to, attorneys' fees) arising out of or related to any personal injury to or death of any Person or damage to property occurring to or on the Properties as a result of Purchaser's exercise of its right under this Section 7.1. The foregoing indemnity shall continue in full force and effect notwithstanding any termination of this Agreement. Purchaser agrees to comply with the rules, regulations, and instructions issued by Seller and other operators of the Properties regarding the actions of Purchaser while upon, entering, or leaving the Properties.

Section 7.2 Government Reviews.

Seller and Purchaser shall in a timely manner (a) make all required filings, if any, with and prepare applications to and conduct negotiations with, each governmental agency as to which such filings, applications or negotiations are necessary or appropriate in the consummation of the transactions contemplated hereby specifically including, but not limited to, the HSR Act, (b) provide such information as each may reasonably request to make such filings, prepare such applications and conduct such negotiations, and (c) request early termination or waiver of any applicable waiting period under the HSR Act. Each Party shall cooperate with and use all commercially reasonable efforts to assist the other with respect to such filings, applications and negotiations.

Section 7.3 Notification of Breaches.

Until the Closing,

(a) Purchaser shall notify Seller promptly after Purchaser obtains actual knowledge that any representation or warranty of Seller contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or that any covenant or agreement to be performed or observed by Seller prior to or on the Closing Date has not been so performed or observed in any material respect.

(b) Seller shall notify Purchaser promptly after Seller obtains actual knowledge that any representation or warranty of Purchaser contained in this Agreement is untrue in any material respect or will be untrue in any material respect as of the Closing Date or that any covenant or agreement to be performed or observed by Purchaser prior to or on the Closing Date has not been so performed or observed in any material respect.

(c) If any of Purchaser's or Seller's representations or warranties is untrue or shall become untrue in any material respect between the date of execution of this Agreement and the Closing Date, or if any of Purchaser's or Seller's covenants or agreements to be performed or observed prior to or on the Closing Date shall not have been so performed or observed in any material respect, but if such breach of representation, warranty, covenant or agreement shall (if curable) be cured by the Closing (or, if the Closing does not occur, by the date set forth in Section 10.1), then such breach shall be considered not to have occurred for all purposes of this Agreement.

Section 7.4 Letters-in-Lieu; Assignments; Operatorship.

(a) Seller will execute on the Closing Date letters in lieu of division and transfer orders relating to the Assets on forms prepared by Seller and reasonably satisfactory to Purchaser to reflect the transaction contemplated hereby.

(b) Seller will prepare and Seller and Purchaser will execute on the Closing Date all assignments necessary to convey to Purchaser all Leases in the form as prescribed by the applicable Governmental Body and otherwise acceptable to Purchaser and Seller.

(c) Seller makes no representations or warranties to Buyer as to transferability or assignability of operatorship of any Seller Operated Assets. Rights and obligations associated with operatorship of such Properties are governed by operating and similar agreements covering the Properties and will be decided in accordance with the terms of such agreements. However, Seller will assist Purchaser in its efforts to succeed Seller as operator of any Wells included in the Assets. Purchaser shall, promptly following Closing, file all appropriate forms and declarations or Bonds with federal and state agencies relative to its assumption of operatorship. For all Seller Operated Assets, Seller shall execute and deliver to Purchaser and Purchaser shall promptly file the appropriate forms with the applicable regulatory agency transferring operatorship of such Assets to Purchaser.

Section 7.5 Public Announcements.

Purchaser shall not make any press release or other public announcement regarding the existence of this Agreement, the contents hereof or the transactions contemplated hereby without the prior written consent of the Seller (which consent shall not be unreasonably withheld or delayed); provided, however, the foregoing shall not restrict disclosures by Purchaser which are required by applicable securities or other laws or regulations or the applicable rules of any stock exchange having jurisdiction over Purchaser or its Affiliates. In this connection, Purchaser will issue a press release upon the execution of this Agreement substantially in the form set forth in **Exhibit C**.

Section 7.6 Operation of Business.

Except as set forth on **Schedule 7.6**, until the Closing, Seller (i) will operate its business in the ordinary course, (ii) will not, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, commit to any operation, or series of related operations, reasonably anticipated by Seller to require future capital expenditures by the owner of the Assets in excess of One Hundred Fifty Thousand dollars ($150,000.00) proportionate to Seller's working interest, or make any capital expenditures in excess of One Hundred Fifty Thousand dollars ($150,000.00), proportionate to Seller's working interest, or terminate, materially amend, execute or extend any material agreements affecting the Assets, (iii) will maintain insurance coverage on the Assets presently furnished by nonaffiliated third parties in the amounts and of the types presently in force, (iv) will use commercially reasonable efforts to maintain in full force and effect all Leases, (v) will maintain all material governmental permits and approvals affecting the Assets, (vi) will not transfer, farmout, sell, hypothecate, encumber or otherwise dispose of any Assets, except for sales and dispositions of Hydrocarbon production and Equipment made in the ordinary course of business, consistent with past practices, and (vii) will not commit to do any of the foregoing. Purchaser's approval of any action restricted by this Section 7.6 shall be considered granted within ten (10) days (unless a shorter time is reasonably required by the circumstances and such shorter time is specified in Seller's written notice) of Seller's notice to Purchaser requesting such consent unless Purchaser notifies Seller to the contrary in writing during that period. In the event of an emergency, Seller may take such action as a prudent operator would take and shall notify Purchaser of such action promptly thereafter.

Notwithstanding anything to the contrary in this Agreement, Seller shall have no liability to Purchaser for the incorrect payment of delay rentals, royalties, shut-in payments or similar payments made during the period from the Effective Time to the Closing Date or for failure to make such payments through mistake or oversight (including Seller's negligence).

Purchaser acknowledges that Seller may own an undivided interest in certain of the Assets and Purchaser agrees that the acts or omissions of the other working interest owners who are not affiliated with Seller shall not constitute a violation of the provisions of this Section 7.6, nor shall any action required by a vote of working interest owners constitute such a violation so long as Seller has voted its interest in a manner consistent with the provisions of this Section 7.6.

Section 7.7 _

[Reserved]

Section 7.8 Preference Rights and Transfer Requirements.

(a) Purchaser's purchase of the Assets is expressly subject to all validly existing and applicable Preference Rights and Transfer Requirements. Prior to the Closing Date, Seller shall initiate all procedures which in Seller's good faith judgment are reasonably required to comply with or obtain the waiver of all Preference Rights and Transfer Requirements set forth in Schedule 5.13 with respect to the transactions contemplated by this Agreement. Seller shall not be obligated to pay any consideration to (or incur any cost or expense for the benefit of) the holder of any Preference Right or Transfer Requirement in order to obtain the waiver thereof or compliance therewith.

(b) The portion of the Purchase Price to be allocated to any Asset or portion thereof affected by a Preference Right (a "Preference Property") or that becomes a Retained Asset shall be the portion of the Purchase Price allocated thereto in Exhibit A-1. If a Preference Property or a Retained Asset affects only a portion of a Property and a portion of the Purchase Price has not been allocated specifically to such portion of a Property in Exhibit A-1, then the portion of the Purchase Price to be allocated to such Preference Property or Retained Asset shall be determined in a reasonable manner taking into account the net acreage (or net acre feet, as appropriate) that the portion of such Property affected by such Preference Property or Retained Asset bears to the net acreage (or net acre feet, as appropriate) in the entire Property. Any Preference Property or Retained Asset that is a Property shall include a pro rata share of all of Seller's right, title and interest in, to and under all Contracts, Surface Contracts, Equipment, Hydrocarbon production and Records included in the Assets that are directly related or attributable to such Preference Property or Retained Asset.

(c) If the holder of a Preference Right who has been offered a Preference Property pursuant to Section 7.8(a) elects prior to Closing to purchase such Preference Property in accordance with the terms of such Preference Right, and Seller and Purchaser receive written notice of such election prior to the Closing, such Preference Property will be eliminated from the Assets and the Purchase Price shall be reduced by the portion of the Purchase Price allocated to such Preference Property pursuant to Section 7.8(b). Except as provided in Section 7.8(d), if the holder of a Preference Right who has been offered a Preference Property or who has been requested to waive its Preference Right pursuant to Section 7.8(a) does not elect to purchase such Preference Property or waive such Preference Right with respect to the transactions contemplated by this Agreement prior to the Closing Date and the time in which the Preference Right may be exercised has not expired, such Preference Property shall be conveyed to Purchaser at Closing subject to the rights, if any, of the holder of such Preference Right. In such event, Seller shall continue its efforts to obtain the waiver of such Preference Rights to the extent provided in Section 7.8(a) and Purchaser shall cooperate with such efforts. If the holder of a Preference Right elects to purchase a Preference Property subject to its Preference Right and Closing has already occurred with respect to such Preference Property, Purchaser shall be obligated to comply with such Preference Right to the extent, if any, that the same remains valid and enforceable with respect to this transaction and Purchaser shall be entitled to the consideration for the sale of such Preference Property from Purchaser to such Preference Right holder.

(d) In the event

(i) a third party brings any suit, action or other proceeding prior to the Closing seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated hereby in connection with a claim to enforce a Preference Right; or

(ii) an Asset is subject to a Transfer Requirement that provides that transfer of such Asset without compliance with such Transfer Requirement will result in termination or other material impairment of any rights in relation to such Asset, and such Transfer Requirement is not waived, complied with or otherwise satisfied prior to the Closing Date, then, unless otherwise mutually agreed by Seller and Purchaser, the Asset or portion thereof affected by such Preference Right or Transfer Requirement (a "Retained Asset") shall be held back from the Assets to be transferred and conveyed to Purchaser at Closing and the Purchase Price to be paid at Closing shall be reduced by the portion of the Purchase Price which is allocated to such Retained Asset pursuant to Section 7.8(b).

(iii) Any Retained Asset so held back at the initial Closing will be conveyed to Purchaser at a delayed Closing (which shall become the new Closing Date with respect to such Retained Asset), within ten (10) days following the date on which the suit, action or other proceeding, if any, referenced in clause (i) above is settled or a judgment is rendered (and no longer subject to appeal) permitting transfer of the Retained Asset to Purchaser pursuant to this Agreement and Seller obtains, complies with, obtains a waiver of or notice of election not to exercise or otherwise satisfies all remaining Preference Rights and Transfer Requirements with respect to such Retained Asset as contemplated by this Section. At the delayed Closing, Purchaser shall pay Seller a purchase price equal to the amount by which the Purchase Price was reduced on account of the holding back of such Retained Asset (as adjusted pursuant to Section 2.2 through the new Closing Date therefor); provided, however, if all such Preference Rights and Transfer Requirements with respect to any Retained Asset so held back at the initial Closing are not obtained, complied with, waived or otherwise satisfied as contemplated by this Section within one hundred eighty (180) days after the initial Closing has occurred with respect to any Assets, then such Retained Asset shall be eliminated from the Assets and this Agreement (unless Seller and Purchaser mutually agree to proceed with a closing on such Retained Asset in which case Purchaser shall be deemed to have waived any objection and shall be obligated to indemnify the Seller Indemnitees for all Claims) with respect to non-compliance with such Preference Rights and Transfer Requirements related to such Retained Asset.

(e) Purchaser acknowledges that Seller desires to sell all of the Assets and would not have entered into this Agreement but for Purchaser's agreement to purchase all of the Assets as herein provided. Accordingly, it is expressly understood and agreed that Seller does not desire to sell any Preference Property unless the sale of all of the Assets is consummated by the Closing Date in accordance with the terms of this Agreement. In furtherance of the foregoing, Seller's obligation hereunder to sell the Preference Properties to Purchaser is expressly conditioned upon the consummation by the Closing Date of the sale of all of the Assets to be conveyed under this Agreement in accordance with the terms of this Agreement, either by conveyance to Purchaser or conveyance pursuant to an applicable Preference Right; provided that, nothing herein is intended or shall operate to extend or apply any Preference Right to any portion of the Assets which is not otherwise burdened thereby. Time is of the essence with respect to the Parties' agreement to consummate the sale of the Assets by the Closing Date (or by the delayed Closing Date pursuant to Section 7.8(d)).

Section 7.9 Tax Matters.

(a) Subject to the provisions of Section 12.3, Seller shall be responsible for all Taxes related to the Assets (other than ad valorem, property, severance, Hydrocarbon production and similar Taxes based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons therefrom, which are addressed in Section 1.4) attributable to any period of time at or prior to the Closing Date, and Purchaser shall be responsible for all such Taxes related to the Assets attributable to any period of time after the Closing Date. Regardless of which Party is responsible, Seller shall handle payment to the appropriate Governmental Body of all Taxes with respect to the Assets which are required to be paid prior to Closing (and shall file all Tax Returns with respect to such Taxes). Seller shall deliver to Purchaser within thirty (30) days of filing copies of all Tax Returns filed by Seller after the Closing Date relating to the Assets and any supporting documentation provided by Seller to taxing authorities, excluding Tax Returns related to income tax, franchise tax, or other similar Taxes.

(b) Purchaser agrees to cooperate (at no cost or liability to Purchaser) with Seller so that Seller's transfer of the Assets to Purchaser shall, at Seller's election, be accomplished in a manner enabling the transfer to qualify as a part of a like-kind exchange of property by Seller within the meaning of Section 1031 of the Code (a "Like-Kind Exchange"). If Seller so elects, Purchaser shall cooperate with Seller to effect such like-kind exchange, which cooperation shall include, without limitation, taking such actions as Seller reasonably requests in order to pay the Purchase Price in a manner which enables such transfer to qualify as part of a like-kind exchange of property within the meaning of Section 1031 of the Code, and Purchaser agrees that Seller may assign its rights (but not its obligations) under this Agreement to a qualified intermediary as defined in Treasury Regulations Section 1.1031(k) - 1(g)(4)(iii) under United States Treasury Regulations, to qualify the transfer of the Purchase Price as a part of a like-kind exchange of property within the meaning of Section 1031 of the Code. Notwithstanding the foregoing, (i) Seller agrees to indemnify and hold harmless Purchaser from any costs and expenses relating to its cooperation arising out of any such Like-Kind Exchange of Seller, which indemnity shall survive the Closing; (ii) nothing in this Section 7.9(b) is intended to relieve any Party from its obligations hereunder; (iii) Purchaser does not represent, warrant or covenant to Seller that any particular Tax treatment will be given to any such Like-Kind Exchange, including that the Like-Kind Exchange will qualify as a "like kind" exchange for purposes of Section 1031 of the Code; and (iv) the sale of the Assets shall not be contingent or otherwise subject to the consummation of any such Like-Kind Exchange.

(c) Seller agrees to cooperate (at no cost or liability to Seller) with Purchaser so that Seller's transfer of the Assets to Purchaser shall, at Purchaser's election, be accomplished in a manner enabling the transfer to qualify as a part of a Like-Kind Exchange of property by Purchaser. If Purchaser so elects, Seller shall cooperate with Purchaser to effect such like-kind exchange, which cooperation shall include, without limitation, taking such actions as Purchaser reasonably requests in order to transfer the Assets in a manner which enables such transfer to qualify as part of a like-kind exchange of property by Purchaser within the meaning of Section 1031 of the Code, and Seller agrees that Purchaser may assign its rights (but not its obligations) under this Agreement to an exchange accommodation titleholder as defined in IRS Revenue Procedure 2000-37, to qualify the transfer of the Assets as a part of a like-kind exchange of property by Purchaser within the meaning of Section 1031 of the Code. Notwithstanding the foregoing, (i) Purchaser agrees to indemnify and hold harmless Seller from any costs and expenses relating to its cooperation arising out of any such Like-Kind Exchange of Purchaser, which indemnity shall survive the Closing; (ii) nothing in this Section 7.9(c) is intended to relieve any Party from its obligations hereunder; (iii) Seller does not represent, warrant or covenant to Purchaser that any particular Tax treatment will be given to any such Like-Kind Exchange, including that the Like-Kind Exchange will qualify as a "like kind" exchange for purposes of Section 1031 of the Code; and (iv) the purchase of the Assets shall not be contingent or otherwise subject to the consummation of any such Like-Kind Exchange.

Section 7.10 Further Assurances.

After Closing, Seller and Purchaser each agrees to take such further actions and to execute, acknowledge and deliver all such further documents as are reasonably requested by the other Party for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement.

Section 7.11 Insurance.

Effective as of the Closing Date, Purchaser shall carry and maintain the following: (i) general liability insurance with combined single limits per occurrence of not less than $2,000,000.00 for bodily injury and property damage, including property damage by blowout and cratering, completed operations, and contractual liability as respects any contract into which the Purchaser may enter under the terms of this Agreement; and (ii) operators extra expense insurance with limits of not less than $2,000,000.00 per occurrence, covering the costs of controlling a blowout, and certain other related and/or resulting costs and seepage and pollution liability.

Section 7.12 Audit Rights

Following the Closing, Purchaser, at Purchaser's expense, may engage an auditing firm to conduct an audit of the revenues and expenses of Seller attributable to the Assets for calendar year 2008 and to prepare unaudited statements for January 2008 through September 2008 and 2009. Seller agrees that it will cooperate and assist such auditors including, without limitation, making available (at Purchaser's sole cost and expense) books, records, and personnel reasonably requested by such auditing firm.

ARTICLE 8
CONDITIONS TO CLOSING

Section 8.1 Conditions of Seller to Closing.

The obligations of Seller to consummate the transactions contemplated by this Agreement are subject, at the option of Seller, to the satisfaction on or prior to Closing of each of the following conditions:

(a) Representations. The representations and warranties of Purchaser set forth in Article 6 shall be true and correct in all material respects, other than representations and warranties that are already qualified as to materiality, which shall be true and correct in all respects , as of the Closing Date as though made on and as of the Closing Date;

(b) Performance. Purchaser shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by it under this Agreement prior to or on the Closing Date;

(c) Pending Litigation. No suit, action or other proceeding by a third party (including any Governmental Body) seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body; provided, however, Closing shall proceed notwithstanding any suits, actions or other proceedings seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated hereby brought by holders of Preference Rights seeking to enforce such rights with respect to Assets with aggregate Allocated Values of less than thirty percent (30%) of the unadjusted Purchase Price, and the Assets subject to such suits, actions or other proceedings shall be treated in accordance with Section 7.8;

(d) Deliveries. Purchaser shall have delivered to Seller duly executed counterparts of the Conveyance and the other documents and certificates to be delivered by Purchaser under Section 9.3;

(e) Payment. Purchaser shall have paid the Closing Payment;

(f) HSR Act. Any waiting period applicable to the consummation of the transaction contemplated by this Agreement under the HSR Act shall have lapsed or terminated (by early termination or otherwise); and

(g) The sum of (i) the Allocated Value of the Preference Properties for which holders of Preference Rights have elected prior to Closing to exercise their Preference Rights, plus (ii) the adjustment to the Purchase Price on account of the sum of all Title Defect Amounts for Title Defects determined under Section 3.4(g) prior to Closing, less the sum of all Title Benefit Amounts for Title Benefits determined under Section 3.4(h) prior to the Closing, plus (iii) the aggregate losses from casualties to the Assets and takings of Assets under right of eminent domain, shall be less than twenty-five percent (25%) of the Allocated Value of the Properties.

Section 8.2 Conditions of Purchaser to Closing.

The obligations of Purchaser to consummate the transactions contemplated by this Agreement are subject, at the option of Purchaser, to the satisfaction on or prior to Closing of each of the following conditions:

(a) Representations. The representations and warranties of Seller set forth in Article 5 shall be true and correct in all material respects, other than representations and warranties that are already qualified as to materiality, which shall be true and correct in all respects, as of the Closing Date as though made on and as of the Closing Date (other than representations and warranties that refer to a specified date which need only be true and correct on and as of such specified date);

(b) Performance. Seller shall have performed and observed, in all material respects, all covenants and agreements to be performed or observed by it under this Agreement prior to or on the Closing Date;

(c) Pending Litigation. No suit, action or other proceeding by a third party (including any Governmental Body) seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated by this Agreement shall be pending before any Governmental Body; provided, however, Closing shall proceed notwithstanding any suits, actions or other proceedings seeking to restrain, enjoin or otherwise prohibit the consummation of the transactions contemplated hereby brought by holders of Preference Rights seeking to enforce such rights with respect to Assets with aggregate Allocated Values of less than thirty percent (30%) of the unadjusted Purchase Price, and the Assets subject to such suits, actions or other proceedings shall be treated in accordance with Section 7.8;

(d) Deliveries. Seller shall have delivered to Purchaser duly executed counterparts of the Conveyance and the other documents and certificates to be delivered by Seller under Section 9.2;

(e) HSR Act. Any waiting period applicable to the consummation of the transaction contemplated by this Agreement under the HSR Act shall have lapsed or terminated (by early termination or otherwise); and

(f) The sum of (i) the Allocated Value of the Preference Properties for which holders of Preference Rights have elected prior to Closing to exercise their Preference Rights, plus (ii) the adjustment to the Purchase Price on account of the sum of all Title Defect Amounts for Title Defects determined under Section 3.4(g) prior to Closing, less the sum of all Title Benefit Amounts for Title Benefits determined under Section 3.4(h) prior to the Closing, plus (iii) the aggregate losses from casualties to the Assets and takings of Assets under right of eminent domain, shall be less than twenty-five percent (25%) of the Allocated Value of the Properties.

(g) Purchaser shall have received (i) a release of any mortgages or liens covering or affecting the Properties and any properties covered by that certain Lease Amendment and Lease Royalty Conveyance Agreement between Ben Fortson, Jr., et al. and Purchaser, of even date herewith, including the Lease Amendments and Royalty Deeds, executed in recordable form, in form and substance agreeable to Purchaser, and (ii) any required consents or approvals from any holders of such mortgages or liens.

ARTICLE 9
CLOSING

Section 9.1 Time and Place of Closing.

(a) Consummation of the purchase and sale transaction as contemplated by this Agreement (the "Closing"), shall, unless otherwise agreed to in writing by Purchaser and Seller, take place at the offices of Kelly Hart & Hallman LLP, located at 201 Main Street, Suite 2500, Fort Worth, Texas at 10:00 a.m., local time, on or before December 15, 2009, or if all conditions in Article 8 to be satisfied prior to Closing have not yet been satisfied or waived, as soon thereafter as such conditions have been satisfied or waived, subject to the rights of the Parties under Article 10.

(b) The date on which the Closing occurs is herein referred to as the "Closing Date."

Section 9.2 Obligations of Seller at Closing.

At the Closing, upon the terms and subject to the conditions of this Agreement, Seller shall deliver or cause to be delivered to Purchaser, the following:

(a) the Conveyance, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices, duly executed by Seller;

(b) letters-in-lieu of transfer orders covering the Assets, duly executed by Seller;

(c) a certificate, duly executed by an authorized corporate officer of Seller, dated as of Closing, certifying on behalf of Seller that the conditions set forth in Sections 8.2(a) and 8.2(b) have been fulfilled;

(d) one (1) original executed statement described in Treasury Regulation §1.1445-2(b)(2) certifying that Seller is not a foreign person within the meaning of the Code;

(e) the Lease Amendments, as that term is defined in that certain letter agreement between Ben Fortson, Jr., et al. and Purchaser, of even date herewith; and

(f) the Royalty Deed, as that term is defined in that certain letter agreement between Ben Fortson, Jr., et al. and Purchaser, of even date herewith.

Section 9.3 Obligations of Purchaser at Closing.

At the Closing, upon the terms and subject to the conditions of this Agreement, Purchaser shall deliver or cause to be delivered to Seller, the following:

(a) a wire transfer of the Closing Payment in same-day funds;

(b) the Conveyance, duly executed by Purchaser;

(c) letters-in-lieu of transfer orders covering the Assets, duly executed by Purchaser;

(d) a certificate, duly executed by an authorized corporate officer of Purchaser, dated as of Closing, certifying on behalf of Purchaser that the conditions set forth in Sections 8.1(a) and 8.1(b) have been fulfilled; and

(e) the payment to the "Lessors" as contemplated by that certain letter agreement between Ben Fortson, Jr., et al. and Purchaser, of even date herewith.

Section 9.4 Closing Payment & Post-Closing Purchase Price Adjustments.

(a) Not later than three (3) Business Days prior to the Closing Date, Seller shall prepare and deliver to Purchaser, based upon the best information available to Seller, a preliminary settlement statement estimating in good faith the Adjusted Purchase Price after giving effect to all Purchase Price adjustments provided for in this Agreement. The estimate delivered in accordance with this Section 9.4(a) shall constitute the dollar amount to be paid by Purchaser to Seller at the Closing (the "Closing Payment").

(b) As soon as reasonably practicable after the Closing but not later than one hundred and twenty (120) days following the Closing Date, Seller shall prepare and deliver to Purchaser a statement setting forth the final calculation of the Adjusted Purchase Price and showing the calculation of each adjustment, based, to the extent possible, on actual credits, charges, receipts and other items before and after the Effective Time and taking into account all adjustments provided for in this Agreement. Seller shall at Purchaser's request supply reasonable documentation available to support any credit, charge, receipt or other item. As soon as reasonably practicable but not later than the 30th day following receipt of Seller's statement hereunder, Purchaser shall deliver to Seller a written report containing any changes that Purchaser proposes be made to such Statement. The Parties shall undertake to agree on the final statement of the Adjusted Purchase Price no later than one hundred eighty (180) days after the Closing Date. In the event that the Parties cannot reach agreement within such period of time, either Party may refer the remaining matters in dispute to a nationally-recognized independent accounting firm as may be accepted by Purchaser and Seller, for review and final determination. The accounting firm shall conduct the arbitration proceedings in Tarrant County, Texas in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this Section 9.4. The accounting firm's determination shall be made within thirty (30) days after submission of the matters in dispute and shall be final and binding on both Parties, without right of appeal. In determining the proper amount of any adjustment to the Purchase Price, the accounting firm shall not increase the Purchase Price more than the increase proposed by Seller nor decrease the Purchase Price more than the decrease proposed by Purchaser, as applicable. The accounting firm shall act as an expert for the limited purpose of determining the specific disputed matters submitted by either Party and may not award damages or penalties to either Party with respect to any matter. Seller and Purchaser shall each bear its own legal fees and other costs of presenting its case. Each Party shall bear one-half of the costs and expenses of the accounting firm. Within ten (10) Business Days after the date on which the Parties or the accounting firm, as applicable, finally determines the disputed matters, (x) Purchaser shall pay to Seller the amount by which the Adjusted Purchase Price exceeds the Closing Payment or (y) Seller shall pay to Purchaser the amount by which the Closing Payment exceeds the Adjusted Purchase Price, as applicable.

(c) All payments made or to be made hereunder to Seller shall be by electronic transfer of immediately available funds to a bank and account specified by Seller in writing to Purchaser, and all payments made or to be made hereunder to Purchaser shall be by electronic transfer of immediately available funds to a bank and account specified by Purchaser in writing to Seller.

ARTICLE 10
TERMINATION

Section 10.1 Termination.

Unless terminated earlier pursuant to other provisions provided herein, this Agreement may be terminated at any time prior to Closing: (i) by the mutual prior written consent of Seller and Purchaser; or (ii) by Seller, if Closing has not occurred on or before December 31, 2009 other than due to default by Seller, or (iii) by Purchaser, if Closing has not occurred on or before December 31, 2009, other than due to default by Purchaser.

Section 10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1, this Agreement shall become void and of no further force or effect (except for the provisions of Sections 5.6, 6.5, 7.5, 11.4(b)(vi), 11.8, 11.9.(a), 11.9.(b), 12.7, 12.13 and 12.16 of this Agreement all of which shall continue in full force and effect) and Seller shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any Party without any restriction under this Agreement. Notwithstanding anything to the contrary in this Agreement, except as provided in Section 10.3, the termination of this Agreement under Section 10.1(ii) or 10.1(iii) shall not relieve any Party from liability for any willful or negligent failure to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed or observed at or prior to Closing. In the event this Agreement terminates under Sections 10.1(ii) or 10.1(iii) because a Party has willfully or negligently failed to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed at or prior to Closing, then the other Party shall be entitled to all remedies available at law or in equity and shall be entitled to recover court costs and attorneys' fees in addition to any other relief to which such Party may be entitled, except as provided in Section 10.3.

Section 10.3 Distribution of Deposit Upon Termination.

(a) If Seller terminates this Agreement (i) because Purchaser wrongfully fails to tender performance at Closing; or (ii) as the result of any default or breach by Purchaser of Purchaser's obligations hereunder, and Seller is ready to tender performance at Closing and is not in default or breach of this Agreement, then Seller may retain the Deposit as liquidated damages, free of any claims by Purchaser or any other Person with respect thereto. Purchaser's failure to close shall not be considered wrongful if Purchaser has validly terminated this Agreement under Section 10.1(iii). The remedy set forth herein shall be Seller's sole and exclusive remedy for Purchaser's failure to close the transactions described in this Agreement and Seller expressly waives any and all other remedies, legal and equitable, that it otherwise may have had for Purchaser's failure to close. It is expressly stipulated by the Parties that the actual amount of damages resulting from such a termination would be difficult if not impossible to determine accurately because of the unique nature of this Agreement, the unique nature of the Assets, the uncertainties of applicable commodity markets and differences of opinion with respect to such matters, and that the liquidated damages provided for herein are a reasonable estimate by the Parties of such damages.

(b) If this Agreement is terminated for any reason other than the reasons set forth in Section 10.3(a), then Seller shall deliver the Deposit to Purchaser, free of any claims by Seller or any other Person with respect thereto.

(c) Notwithstanding anything to the contrary in this Agreement, Purchaser shall not be entitled to receive interest on the Deposit, whether the Deposit is applied against the Purchase Price or returned to Purchaser pursuant to this Section 10.3.

ARTICLE 11
POST-CLOSING OBLIGATIONS; INDEMNIFICATION; LIMITATIONS; DISCLAIMERS AND WAIVERS

Section 11.1 Receipts.

Except as otherwise provided in this Agreement, any Hydrocarbons produced from or attributable to the Assets (and all products and proceeds attributable thereto) and any other income, proceeds, receipts and credits attributable to the Assets which are not reflected in the adjustments to the Purchase Price following the final adjustment pursuant to Section 9.4(b) shall be treated as follows: (a) all Hydrocarbons produced from or attributable to the Assets (and all products and proceeds attributable thereto) and all other income, proceeds, receipts and credits earned with respect to the Assets to which Purchaser is entitled under Section 1.4 shall be the sole property and entitlement of Purchaser, and, to the extent received by Seller, Seller shall fully disclose, account for and remit the same promptly to Purchaser, and (b) all Hydrocarbons produced from or attributable to the Assets (and all products and proceeds attributable thereto) and all other income, proceeds, receipts and credits earned with respect to the Assets to which Seller is entitled under Section 1.4 shall be the sole property and entitlement of Seller and, to the extent received by Purchaser, Purchaser shall fully disclose, account for and remit the same promptly to Seller.

Section 11.2 Expenses.

Any Property Costs which are not reflected in the adjustments to the Purchase Price following the final adjustment pursuant to Section 9.4(b) shall be treated as follows: (a) all Property Costs for which Seller is responsible under Section 1.4 shall be the sole obligation of Seller and Seller shall promptly pay, or if paid by Purchaser, promptly reimburse Purchaser for and hold Purchaser harmless from and against same; and (b) all Property Costs for which Purchaser is responsible under Section 1.4 shall be the sole obligation of Purchaser and Purchaser shall promptly pay, or if paid by Seller, promptly reimburse Seller for and hold Seller harmless from and against same. Seller is entitled to resolve all joint interest audits and other audits of Property Costs covering periods for which Seller is in whole or in part responsible, provided that Seller shall not agree to any adjustments to previously assessed costs for which Purchaser is liable without the prior written consent of Purchaser, such consent not to be unreasonably withheld. Seller shall provide Purchaser with a copy of all applicable audit reports and written audit agreements received by Seller and relating to periods for which Purchaser is partially responsible.

Section 11.3 Assumed Seller Obligations.

Without limiting Purchaser's rights to indemnity under this Article 11, on the Closing Date, except as provided in this Agreement, Purchaser shall assume and hereby agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged) all of the obligations and liabilities of Seller, known or unknown, with respect to the Assets, regardless of whether such obligations or liabilities arose prior to, on or after the Effective Time, including but not limited to, obligations to (i) pay working interests, royalties, overriding royalties and other interests held in suspense, to the extent shown on **Schedule 11.3**, (ii) properly plug and abandon any and all wells, including inactive wells or temporarily abandoned wells, drilled on the Properties or otherwise pursuant to the Assets, (iii) replug any well, wellbore, or previously plugged well on the Properties to the extent required by Governmental Body, (iv) dismantle, salvage and remove any equipment, structures, materials, platforms, flowlines, and property of whatever kind related to or associated with operations and activities conducted on the Properties or otherwise pursuant to the Assets, (v) clean up, restore and/or remediate the premises covered by or related to the Assets in accordance with applicable agreements and Laws, and (vi) perform all obligations applicable to or imposed on the lessee, owner, or operator under the Leases and related contracts, or as required by applicable Laws or Environmental Laws (all of said obligations and liabilities, subject to the exclusions below, herein being referred to as the "Assumed Seller Obligations"); provided, however, that Purchaser does not accrue any rights or assume any obligations or liabilities of Seller to the extent that they are:

(i) attributable to or arise out of the Excluded Assets; or

(ii) the continuing responsibility of the Seller under Sections 11.1 and 11.2 or matters for which Seller is required to indemnify Purchaser under Section 11.4(c); or

(iii) Claims (A) arising from Seller's gross negligence or willful misconduct; (B) relating to any matters listed on Schedule 5.7(a); or (C) relating to amounts owed to Seller's employees, officers, directors or Affiliates.

For purposes of determining the amount of any obligations and liabilities of Seller constituting Assumed Seller Obligations, such amount shall be reduced by the amount of any insurance benefits and proceeds paid or payable to or for the benefit of Seller in respect of any Claims.

Section 11.4 Indemnities.

(a) **Definitions.**

For purposes of this Agreement, the terms "Claim" or "Claims" mean, unless specifically provided otherwise, all claims (including, but not limited to, those for damage to property, bodily injury and death, personal injury, illness, disease, maintenance, cure, loss of parental and spousal consortium, wrongful death, loss of support, and wrongful termination of employment), damages, liabilities, losses, demands, liens, encumbrances, fines, penalties, causes of action of any kind (including actions for indirect, consequential, punitive and exemplary damages), obligations, costs (including payment of all reasonable attorneys' fees and costs of litigation), judgments, interest, and awards or amounts, of any kind or character, whether under judicial proceedings, administrative proceedings, investigation by a Governmental Body or otherwise, or conditions in the premises of or attributable to any Person or Persons or any Party or parties, breach of representation or warranty (expressed or implied), under any theory of tort, contract, breach of contract (including any Claims which arise by reason of indemnification or assumption of liability contained in other contracts entered into by an Indemnified Party hereunder), at law or in equity, under statute, or otherwise, arising out of, or incident to or in connection with this Agreement or the ownership or operation of the Assets.

The phrase **"REGARDLESS OF FAULT"** means **WITHOUT REGARD TO THE CAUSE OR CAUSES OF ANY CLAIM, INCLUDING, WITHOUT LIMITATION, EVEN THOUGH A CLAIM IS CAUSED IN WHOLE OR IN PART BY:**

THE NEGLIGENCE (WHETHER SOLE, JOINT, CONCURRENT, COMPARATIVE, CONTRIBUTORY, ACTIVE OR PASSIVE), STRICT LIABILITY, OR OTHER FAULT OF PURCHASER INDEMNITEES, SELLER INDEMNITEES, INVITEES AND/OR THIRD PARTIES (BUT EXCLUDING GROSS NEGLIGENCE AND WILLFUL MISCONDUCT OF AN INDEMNITEE); AND/OR A PRE-EXISTING DEFECT, WHETHER PATENT OR LATENT, OF THE PREMISES OF PURCHASER'S PROPERTY OR SELLER'S PROPERTY (INCLUDING WITHOUT LIMITATION THE ASSETS), INVITEES AND/OR THIRD PARTIES; AND/OR THE UNSEAWORTHINESS OF ANY VESSEL OR UNAIRWORTHINESS OF ANY AIRCRAFT OF A PARTYWHETHER CHARTERED, OWNED, OR PROVIDED BY PURCHASER INDEMNITEES, SELLER INDEMNITEES, INVITEES AND/OR THIRD PARTIES.

(b) **Purchaser Indemnity Obligation. Subject only to Section 11.4(c) and the limitations contained in Section 11.7, Purchaser shall be responsible for and indemnify, defend, release and hold harmless Seller Indemnitees from and against all Claims caused by, arising out of or resulting from:**

(i) the Assumed Seller Obligations, **REGARDLESS OF FAULT**;

(ii) the ownership, use or operation of the Assets after the Effective Time, **REGARDLESS OF FAULT**;

(iii) Purchaser's breach of any of Purchaser's covenants or agreements contained in Article 7, **REGARDLESS OF FAULT**;

(iv) any breach of any representation or warranty made by Purchaser contained in Article 6 of this Agreement or confirmed in the certificate delivered by Purchaser at Closing pursuant to Section 9.3(d), **REGARDLESS OF FAULT**;

(v) the release of materials into the environment or protection of human health, safety, natural resources or the environment, or any other environmental condition of the Assets, **REGARDLESS OF FAULT;** and

(vi) Purchaser Indemnitees' access under Section 4.1, Section 7.1, or otherwise, to the Assets, the Records and other related activities or information prior to the Closing, **REGARDLESS OF FAULT**.

(c) **Seller Indemnity Obligation. Subject to the limitations contained in Section 11.7, Seller shall be responsible for and indemnify, defend and hold harmless Purchaser against and from all Claims caused by, arising out of or resulting from:**

(i) the ownership, use or operation of the Excluded Assets;

(ii) Seller's breach of any of Seller's covenants or agreements contained in Article 7; and

(iii) any breach of any representation or warranty made by Seller contained in Article 5 of this Agreement or confirmed in the certificate delivered by Seller at Closing pursuant to Section 9.2(c).

(d) **Additional Provisions.**

It is the intention of the Parties that this Article 11 shall govern the allocation of risks and liabilities between Purchaser and Seller except to the extent that it is expressly stated (whether elsewhere in this Article 11 or in some other Article hereof) that the provisions of such other Article (or part thereof) shall control over the terms of all or part of this Article 11.

Notwithstanding anything to the contrary contained in this Agreement, this Section 11.4 contains the Parties' exclusive remedy against each other with respect to breaches of the representations, warranties, covenants and agreements of the Parties contained in Articles 5, 6 and Sections 7.1, 7.2, 7.3, 7.4, 7.5 and 7.6 and the affirmations of such representations, warranties, covenants and agreements contained in the certificate delivered by each Party at Closing pursuant to Sections 9.2(c) or 9.3(d), as applicable.

Claims for Property Costs shall be exclusively handled pursuant to the Purchase Price adjustments in Section 2.2, and pursuant to Section 11.2, and shall not be subject to indemnification under this Section 11.4.

In connection with Purchaser Indemnitees' access to the Assets prior to Closing, the Parties acknowledge that such access may be subject to confidentiality agreements, releases or other agreements required by Seller or the operator of non-Seller Operated Properties. In the event of a conflict between the provisions of such agreements and Section 11.4(b)(vi) of this Agreement, Section 11.4(b)(vi) of this Agreement shall control.

Section 11.5 Indemnification Actions.

All claims for indemnification under Section 11.4 shall be asserted and resolved as follows:

(a) For purposes of this Article 11, the term "Indemnifying Party" shall mean the party or parties having an obligation to indemnify another party or parties pursuant to the terms of this Agreement. The term "Indemnified Party" shall mean the Party or Parties having the right to be indemnified by another Party or Parties pursuant to the terms of this Agreement.

(b) To make a claim for indemnification ("Indemnity Claim") under Section 11.4, and/or any other Article (or part thereof) expressly stating that it controls over the terms of this Article 11, an Indemnified Party shall notify the Indemnifying Party in writing of its Indemnity Claim, including the specific details of and specific basis under this Agreement for its Indemnity Claim (the "Claim Notice"). The Indemnified Party shall provide its Claim Notice promptly after the Indemnified Party has actual knowledge of the Claim for which it seeks indemnification and shall enclose a copy of all papers (if any) served with respect to the Claim; provided that the failure of any Indemnified Party to give notice of a Claim as provided in this Section 11.5 shall not relieve the Indemnifying Party of its obligations under Section 11.4 except to the extent such failure results in insufficient time being available to permit the Indemnifying Party to effectively defend against the Claim or otherwise prejudices the Indemnifying Party's ability to defend against the Claim. In the event that the Indemnity Claim is based upon an inaccuracy or breach of a representation, warranty, covenant or agreement, the Claim Notice shall specify the representation, warranty, covenant or agreement which was inaccurate or breached.

(c) The Indemnifying Party shall have thirty (30) days from its receipt of the Claim Notice to notify the Indemnified Party whether it admits or denies its liability to defend the Indemnified Party against the relevant Claim at the sole cost and expense of the Indemnifying Party. The Indemnified Party is authorized, prior to and during such 30-day period, to file any motion, answer or other pleading that it shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party and that is not prejudicial to the Indemnifying Party.

(d) If the Indemnifying Party admits its liability to indemnify the Indemnified Party, it shall have the right and obligation to diligently defend, at its sole cost and expense, the Claim. The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate in contesting any Claim which the Indemnifying Party elects to contest. The Indemnified Party may participate in, but not control, any defense or settlement of any Claim controlled by the Indemnifying Party pursuant to this Section 11.5(d). An Indemnifying Party shall not, without the written consent of the Indemnified Party, (i) settle any Claim or consent to the entry of any judgment with respect thereto which does not include an unconditional written release of the Indemnified Party from all liability in respect of such Claim, or (ii) settle any Claim or consent to the entry of any judgment with respect thereto in any manner that may materially and adversely affect the Indemnified Party (other than as a result of money damages covered by the indemnity).

(e) If the Indemnifying Party does not admit its liability to indemnify the Indemnified Party or admits its liability but fails to diligently prosecute or settle the Claim, then the Indemnified Party shall have the right to defend against the Claim at the sole cost and expense of the Indemnifying Party, with counsel of the Indemnified Party's choosing, subject to the right of the Indemnifying Party to admit its liability and assume the defense of the Claim at any time prior to settlement or final determination thereof. If the Indemnifying Party has not yet admitted its liability for a Claim, the Indemnified Party shall send written notice to the Indemnifying Party of any proposed settlement and the Indemnifying Party shall have the option for ten (10) Business Days following receipt of such notice to (i) admit in writing its liability to indemnify the Indemnified Party from and against the Claim and (ii) if liability is so admitted, reject, in its reasonable judgment, the proposed settlement.

Section 11.6 Release.

(a) **PURCHASER RELEASES, REMISES AND FOREVER DISCHARGES SELLER INDEMNITEES FROM ANY AND ALL CLAIMS, KNOWN OR UNKNOWN, WHETHER NOW EXISTING OR ARISING IN THE FUTURE, CONTINGENT OR OTHERWISE, WHICH PURCHASER MIGHT NOW OR SUBSEQUENTLY MAY HAVE AGAINST SELLER INDEMNITEES, RELATING DIRECTLY OR INDIRECTLY TO THE ASSETS, INCLUDING WITHOUT LIMITATION CLAIMS ARISING OUT OF OR INCIDENT TO ENVIRONMENTAL LAWS, ENVIRONMENTAL LIABILITIES, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, INCLUDING, WITHOUT LIMITATION, RIGHTS TO CONTRIBUTION UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT OF 1980, AS AMENDED, REGARDLESS OF FAULT, BUT EXCLUDING MATTERS FOR WHICH PURCHASER IS ENTITLED TO INDEMNITY FROM SELLER.**

(b) Purchaser covenants and agrees that it will not attempt to avoid the effect of the release made by it hereinabove by later arguing that at the time of the release it did not fully appreciate the extent of any such Claims, including without limitation, environmental Claims.

Section 11.7 Limitation on Actions.

(a) The representations and warranties of the parties in Articles 5 and 6 terminate one year after Closing, except that Section 6.11 shall survive indefinitely. The remainder of the representations, warranties, covenants and agreements provided for in this Agreement shall survive Closing for one (1) year except that covenants and agreements contemplated to be complied with or performed following the Closing shall survive indefinitely. Representations, warranties, covenants and agreements shall be of no further force and effect after the date of their expiration, provided that there shall be no termination of any bona fide Claim asserted pursuant to this Agreement with respect to the breach of such a representation, warranty, covenant or agreement on or before its expiration date.

(b) The indemnities in Sections 11.4(b)(iii) and 11.4(b)(iv) and 11.4(c)(ii) and 11.4(c)(iii) shall terminate as of the termination date of each respective representation, warranty, covenant or agreement that is subject to indemnification, except in each case as to Claims asserted pursuant to this Agreement with respect to the breach of such representation, warranty, covenant or agreement on or before such termination date. Purchaser's indemnities in Sections 7.9(c), 11.4(b)(i), 11.4(b)(ii), 11.4(b)(v), and 11.4(b)(vi) and Seller's indemnities under Sections 7.9(b) and 11.4(c)(i) shall continue without time limit.

(c) Neither Seller nor Purchaser shall have any liability for any indemnification under Section 11.4 until and unless the aggregate amount of the liability for all Claims for which Claim Notices are delivered by Purchaser or Seller, as applicable, exceeds ten percent (10%) of the Purchase Price, and then only to the extent such damages exceed such ten percent (10%) of the Purchase Price. The adjustments to the Purchase Price under Section 2.2 and any payments in respect thereof shall not be limited by this Section.

(d) Notwithstanding anything to the contrary contained elsewhere in this Agreement, neither party shall be required to indemnify the other Party for aggregate damages in excess of an amount equal to fifty percent (50%) of the final Adjusted Purchase Price.

Section 11.8 Disclaimers.

(a) **EXCEPT AS AND TO THE EXTENT EXPRESSLY SET FORTH IN ARTICLE 5 OF THIS AGREEMENT, OR CONFIRMED IN THE CERTIFICATE OF SELLER TO BE DELIVERED PURSUANT TO SECTION 9.2(c), OR IN THE CONVEYANCE, (I) SELLER MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, STATUTORY OR IMPLIED, AND (II) SELLER EXPRESSLY DISCLAIMS ALL LIABILITY AND RESPONSIBILITY FOR ANY REPRESENTATION, WARRANTY, STATEMENT OR INFORMATION MADE OR COMMUNICATED (ORALLY OR IN WRITING) TO PURCHASER OR ANY OF ITS AFFILIATES, EMPLOYEES, AGENTS, CONSULTANTS OR REPRESENTATIVES (INCLUDING, WITHOUT LIMITATION, ANY OPINION, INFORMATION, PROJECTION OR ADVICE THAT MAY HAVE BEEN PROVIDED TO PURCHASER BY ANY OFFICER, DIRECTOR, EMPLOYEE, AGENT, CONSULTANT, REPRESENTATIVE OR ADVISOR OF SELLER OR ANY OF ITS AFFILIATES).**

(b) **EXCEPT AS EXPRESSLY REPRESENTED OTHERWISE IN ARTICLE 5 OF THIS AGREEMENT, OR CONFIRMED IN THE CERTIFICATE OF SELLER TO BE DELIVERED PURSUANT TO SECTION 9.2(c), OR IN THE CONVEYANCE, AND WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER EXPRESSLY DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE CONTENTS, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, OR ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT, OR ANY GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (III) THE QUANTITY, QUALITY OR RECOVERABILITY OF PETROLEUM SUBSTANCES IN OR FROM THE ASSETS, (IV) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES GENERATED BY THE ASSETS, (V) THE PRODUCTION OF HYDROCARBONS FROM THE ASSETS, (VI) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE ASSETS, (VII) THE CONTENT, CHARACTER OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, REPORTS, BROCHURES, CHARTS OR STATEMENTS PREPARED BY THIRD PARTIES, (VIII) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADEAVAILABLE OR COMMUNICATED TO PURCHASER OR ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, CONSULTANTS, REPRESENTATIVES OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO, AND FURTHER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS, STATUTORY OR IMPLIED, OF MERCHANTABILITY, FREEDOM FROM REDHIBITORY VICES OR DEFECTS, FITNESS FOR A PARTICULAR PURPOSE OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY EQUIPMENT, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES HERETO THAT PURCHASER SHALL BE DEEMED TO BE OBTAINING THE ASSETS IN THEIR PRESENT STATUS, CONDITION AND STATE OF REPAIR, "AS IS" AND "WHERE IS" WITH ALL FAULTS AND THAT PURCHASER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS PURCHASER DEEMS APPROPRIATE, OR (IX) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT.**

(c) **SELLER HAS NOT AND WILL NOT MAKE ANY REPRESENTATION OR WARRANTY REGARDING ANY MATTER OR CIRCUMSTANCE RELATING TO ENVIRONMENTAL LAWS, ENVIRONMENTAL LIABILITIES, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR THE PROTECTION OF HUMAN HEALTH, SAFETY, NATURAL RESOURCES OR THE ENVIRONMENT, OR ANY OTHER ENVIRONMENTAL CONDITION OF THE ASSETS, AND NOTHING IN THIS AGREEMENT OR OTHERWISE SHALL BE CONSTRUED AS SUCH A REPRESENTATION OR WARRANTY, AND PURCHASER SHALL BE DEEMED TO BE TAKING THE ASSETS "AS IS" AND "WHERE IS" FOR PURPOSES OF THEIR ENVIRONMENTAL CONDITION.**

Section 11.9 Waiver of Trade Practices Acts.

(a) It is the intention of the Parties that Purchaser's rights and remedies with respect to this transaction and with respect to all acts or practices of Seller, past, present or future, in connection with this transaction shall be governed by legal principles other than the Texas Deceptive Trade Practices--Consumer Protection Act, Tex. Bus. & Com. Code Ann. § 17.41 *et seq*. (the "DTPA"). As such, Purchaser hereby waives the applicability of the DTPA to this transaction and any and all duties, rights or remedies that might be imposed by the DTPA, whether such duties, rights and remedies are applied directly by the DTPA itself or indirectly in connection with other statutes; *provided, however*, Purchaser does not waive § 17.555 of the DTPA. Purchaser acknowledges, represents and warrants that it is purchasing the goods and/or services covered by this Agreement for commercial or business use; that it has assets of $5 million or more according to its most recent financial statement prepared in accordance with generally accepted accounting principles; that it has knowledge and experience in financial and business matters that enable it to evaluate the merits and risks of a transaction such as contemplated in this Agreement; and that it is not in a significantly disparate bargaining position with Seller.

(b) Purchaser expressly recognizes that the price for which Seller has agreed to perform its obligations under this Agreement has been predicated upon the inapplicability of the DTPA and this waiver of the DTPA. Purchaser further recognizes that Seller, in determining to proceed with the entering into of this Agreement, has expressly relied on this waiver and the inapplicability of the DTPA.

Section 11.10 Recording.

As soon as practicable after Closing, Purchaser shall record the Conveyance in the appropriate counties and/or parishes and provide Seller with copies of all recorded or approved instruments.

The conveyance in the form attached as **Exhibit B** is intended to convey all of the Properties being conveyed pursuant to this Agreement. Certain Properties or specific portions of the Properties that are leased from, or require the approval to transfer by, a governmental entity are conveyed under the Conveyance and also are described and covered other separate assignments made by Seller to Purchaser on officially approved forms, or forms acceptable to such entity, in sufficient multiple originals to satisfy applicable statutory and regulatory requirements. **The interests conveyed by such separate assignments are the same, and not in addition to, the interests conveyed in the Conveyance attached as Exhibit B. Further, such assignments shall be deemed to contain the special warranty of title of Seller and all of the exceptions, reservations, rights, titles, power and privileges set forth herein and in the Conveyance as fully and only to the extent as though they were set forth in each such separate assignment.**

ARTICLE 12
MISCELLANEOUS

Section 12.1 Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

Section 12.2 Notice.

All notices which are required or may be given pursuant to this Agreement shall be sufficient in all respects if given in writing and delivered personally, by telecopy or by registered or certified mail, postage prepaid, as follows:

If to Purchaser: Vanguard Permian, LLC

7700 San Felipe, Suite 465

Houston, Texas 77063

Attn: Scott W. Smith

Telephone: (832) 327-2259

Telecopy: (832) 327-2260

With a copy to: J. Patrick Doherty

Doherty & Doherty LLP

1717 St. James Place, Suite 520

Houston, Texas 77056

Telephone: (713) 572-1000

Telecopy: (713) 572-1001

If to Seller : Fortson Production Company

301 Commerce St., Suite 2900

Fort Worth, Texas 76102

Attn: David Frazier

Telephone: (817) 335-5641

Telecopy: (817) 336-4853

With a copy to: Robert C. Grable

Kelly Hart & Hallman LLP

201 Main Street, Suite 2500

Fort Worth, Texas 76102

Telephone: (817) 878-3550

Telecopy: (817) 878-9280

Either Party may change its address for notice by notice to the other in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

Section 12.3 Sales or Use Tax Recording Fees and Similar Taxes and Fees.

Purchaser shall bear any sales, use, excise, real property transfer or gain, gross receipts, goods and services, registration, capital, documentary, stamp or transfer Taxes, recording fees and similar Taxes and fees incurred and imposed upon, or with respect to, the property transfers or other transactions contemplated hereby. Seller will determine, and Purchaser agrees to cooperate with Seller in determining, sales tax, if any, that is due in connection with the sale of Assets and Purchaser agrees to pay any such tax to Seller at Closing. If such transfers or transactions are exempt from any such taxes or fees upon the filing of an appropriate certificate or other evidence of exemption, Purchaser will timely furnish to Seller such certificate or evidence.

Section 12.4 Expenses.

Except as provided in Section 12.3, all expenses incurred by Seller in connection with or related to the authorization, preparation or execution of this Agreement, the Conveyance delivered hereunder and the Exhibits and Schedules hereto and thereto, and all other matters related to the Closing, including without limitation, all fees and expenses of counsel, accountants and financial advisers employed by Seller, shall be borne solely and entirely by Seller, and all such expenses incurred by Purchaser shall be borne solely and entirely by Purchaser.

Section 12.5 Change of Name.

As promptly as practicable, but in any case within thirty (30) days after the Closing Date, Purchaser shall eliminate the names "Fortson Oil Company," "Fortson Production Company" and any variants thereof from the Assets acquired pursuant to this Agreement and, except with respect to such grace period for eliminating existing usage, shall have no right to use any logos, trademarks or trade names belonging to Seller or any of its Affiliates.

Section 12.6 Replacement of Bonds, Letters of Credit and Guarantees.

The Parties understand that none of the Bonds, letters of credit and guarantees, if any, posted by Seller with Governmental Bodies and relating to the Assets may be transferable to Purchaser. Promptly following Closing, Purchaser shall obtain, or cause to be obtained in the name of Purchaser, replacements for such Bonds, letters of credit and guarantees, to the extent such replacements are necessary to permit the cancellation of the Bonds, letters of credit and guarantees posted by Seller or to consummate the transactions contemplated by this Agreement.

Section 12.7 Governing Law and Venue.

THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS OTHERWISE APPLICABLE TO SUCH DETERMINATIONS. JURISDICTION AND VENUE WITH RESPECT TO ANY DISPUTES ARISING HEREUNDER SHALL BE PROPER ONLY IN TARRANT COUNTY,TEXAS.

Section 12.8 Captions.

The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

Section 12.9 Waivers.

Any failure by any Party or Parties to comply with any of its or their obligations, agreements or conditions herein contained may be waived in writing, but not in any other manner, by the Party or Parties to whom such compliance is owed. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 12.10 Assignment.

No Party shall assign all or any part of this Agreement, nor shall any Party assign or delegate any of its rights or duties hereunder, without the prior written consent of the other Party and any assignment or delegation made without such consent shall be void. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns.

Section 12.11 Entire Agreement.

The Confidentiality Agreement, this Agreement and the Exhibits and Schedules attached hereto, and the documents to be executed hereunder constitute the entire agreement between the Parties pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

Section 12.12 Amendment.

(a) This Agreement may be amended or modified only by an agreement in writing executed by both Parties.

(b) No waiver of any right under this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

Section 12.13 No Third-Party Beneficiaries.

Nothing in this Agreement shall entitle any Person other than Purchaser and Seller to any Claims, remedy or right of any kind, except as to those rights expressly provided to Seller Indemnitees and Purchaser Indemnitees (provided, however, any claim for indemnity hereunder on behalf of a Seller Indemnitee or a Purchaser Indemnitee must be made and administered by a Party to this Agreement).

Section 12.14 References.

In this Agreement:

(a) References to any gender includes a reference to all other genders;

(b) References to the singular includes the plural, and vice versa;

(c) Reference to any Article or Section means an Article or Section of this Agreement;

(d) Reference to any Exhibit or Schedule means an Exhibit or Schedule to this Agreement, all of which are incorporated into and made a part of this Agreement;

(e) Unless expressly provided to the contrary, “hereunder”, “hereof”, “herein” and words of similar import are references to this Agreement as a whole and not any particular Section or other provision of this Agreement; and

(f) “Include” and “including” shall mean include or including without limiting the generality of the description preceding such term.

Section 12.15 Construction.

Purchaser is a Party capable of making such investigation, inspection, review and evaluation of the Assets as a prudent purchaser would deem appropriate under the circumstances including with respect to all matters relating to the Assets, their value, operation and suitability. Each of Seller and Purchaser has had substantial input into the drafting and preparation of this Agreement and has had the opportunity to exercise business discretion in relation to the negotiation of the details of the transactions contemplated hereby. This Agreement is the result of arm’s-length negotiations from equal bargaining positions. In the event of a dispute over the meaning or application of this Agreement, it shall be construed fairly and reasonably and neither more strongly for nor against either Party.

Section 12.16 Limitation on Damages.

Notwithstanding any other provision contained elsewhere in this Agreement to the contrary, the Parties acknowledge that this Agreement does not authorize one Party to sue for or collect from the other Party its own punitive damages, or its own consequential or indirect damages in connection with this Agreement and the transactions contemplated hereby and each Party expressly waives for itself and on behalf of its Affiliates, any and all Claims it may have against the other Party for its own such damages in connection with this Agreement and the transactions contemplated hereby.

Section 12.17 Conspicuousness.

The Parties agree that provisions in this Agreement in "bold" type satisfy any requirements of the "express negligence rule" and any other requirements at law or in equity that provisions be conspicuously marked or highlighted.

Section 12.18 Severability.

If any term or other provisions of this Agreement is held invalid, illegal or incapable of being enforced under any rule of law, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a materially adverse manner with respect to either Party.

Section 12.19 Time of Essence.

Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

[SIGNATURES BEGIN ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement has been signed by each of the Parties hereto on the date first above written.

Purchaser:

VANGUARD PERMIAN, LLC

By Vanguard Natural Gas, LLC, manager

By: /s/ Scott W. Smith

Title: Manager

SELLER:

Fortson Production Company

By: /s/ Ben Fortson

Title: President

Benco ENERGY, Inc.

By: /s/ Ben Fortson

Title: President

Exhibit 10.2

LEASE AMENDMENT AND LEASE ROYALTY CONVEYANCE AGREEMENT

This LEASE AMENDMENT AND LEASE ROYALTY CONVEYANCE AGREEMENT ("Agreement") is made and entered into by and between Ben J. Fortson also known as Benjamin J. Fortson, trustee of the Mattie K. Carter Trust, and Ben J. Fortson, individually, Benco Energy, Inc., Katherine Fortson Wynne, Karen Fortson Davis, and Lisa Fortson Burton, each dealing in their separate property, Hannah E. Davis 2006 Trust, David Paul Davis 2006 Trust a/k/a David P. Davis 2006 Trust, Katherine Rose Davis 2006 Trust a/k/a Katherine R. Davis 2006 Trust, Wynne Children's Irrevocable Asset Trust f/b/o John R. Wynne II a/k/a Wynne Children's Irrevocable Asset Trust f/b/o John Robert Wynne II, Wynne Children's Irrevocable Asset Trust f/b/o Lisa Katherine Wynne a/k/a Wynne Children's Irrevocable Asset Trust f/b/o Lisa Wynne Trust, Wynne Children's Irrevocable Asset Trust f/b/o David Mitchell Wynne a/k/a Wynne Children's Irrevocable Asset Trust f/b/o David Mitchell Wynne Trust, and Burton Family Children's Trust (collectively the "Fortson Parties"), and Vanguard Permian, LLC ("Vanguard").

WHEREAS, Ben J. Fortson also known as Benjamin J. Fortson, Trustee of the Mattie K. Carter Trust, and Ben J. Fortson, individually, Benco Energy, Inc., Katherine Fortson Wynne, Karen Fortson Davis, and Lisa Fortson Burton, each dealing in their separate property, (the "Fortson Lessors"), are current lessors under those certain oil and gas leases described on Exhibit "A" hereto (the "Leases");

WHEREAS, Ben J. Fortson also known as Benjamin J. Fortson, Trustee of the Mattie K. Carter Trust, and Ben J. Fortson, individually, Benco Energy, Inc., Katherine Fortson Wynne, Karen Fortson Davis, and Lisa Fortson Burton, each dealing in their separate property, Hannah E. Davis 2006 Trust, David Paul Davis 2006 Trust a/k/a David P. Davis 2006 Trust, Katherine Rose Davis 2006 Trust a/k/a Katherine R. Davis 2006 Trust, Wynne Children's Irrevocable Asset Trust f/b/o John R. Wynne II a/k/a Wynne Children's Irrevocable Asset Trust f/b/o John Robert Wynne II, Wynne Children's Irrevocable Asset Trust f/b/o Lisa Katherine Wynne a/k/a Wynne Children's Irrevocable Asset Trust f/b/o Lisa Wynne Trust, Wynne Children's Irrevocable Asset Trust f/b/o David Mitchell Wynne a/k/a Wynne Children's Irrevocable Asset Trust f/b/o David Mitchell Wynne Trust, and Burton Family Children's Trust (collectively the "Royalty Owners") are the current lessors and/or owners of the lessor's royalties under the three oil and gas leases described on Exhibit "B" hereto (the "Fortson 47 Leases");

WHEREAS, Vanguard has entered into a Purchase and Sale Agreement (the "PSA") of even date herewith, in order to acquire working interests in the Leases and the Fortson 47 Leases and this Agreement constitutes the "letter agreement" described in Section 9.2 and 9.3 of the PSA;

WHEREAS, contingent upon, and immediately after, the transfer of the working interest in the Leases to Vanguard at the closing pursuant to the PSA (the "Closing"), Vanguard and the Fortson Lessors have agreed to enter into one or more amendments of the Leases, in the form attached hereto as Exhibit "C" (the "Lease Amendments"), in order to accomplish a reduction in the lessor's royalty burden in each of the Leases from one-quarter (1/4) to three-sixteenths (3/16);

WHEREAS, contingent upon, and immediately after, the Closing, the Royalty Owners have agreed to execute and deliver the conveyance of royalty interests, in the form attached hereto as Exhibit "D" (the "Royalty Deed"), conveying to Vanguard one-quarter (1/4) of the royalties the Royalty Owners are currently entitled to under the Fortson 47 Leases.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, the Fortson Parties and Vanguard agree as follows:

1. Execution and Delivery of the Lease Amendments. At the Closing, immediately following the transfer of the working interest in the Leases and the Fortson 47 Leases to be transferred pursuant to the PSA, the Fortson Lessors shall execute and deliver to Vanguard the Lease Amendments. Vanguard shall promptly record the Lease Amendments in the appropriate deed records, and thereafter deliver to the Fortson Lessors a recorded copy of the Lease Amendments.

2. Execution and Delivery of the Royalty Deed. At the Closing, immediately following the transfer of the working interest in the Leases and the Fortson 47 Leases to be transferred pursuant to the PSA, the Royalty Owners shall execute and deliver to Vanguard the Royalty Deed in order to accomplish a reduction in the lessor's royalty burden (as to the Royalty Owners' interest) in each of the Fortson 47 Leases from one-quarter (1/4) to three-sixteenths (3/16). Vanguard shall promptly record the Royalty Deed in the appropriate deed records and notify Cimarex Energy Co. of the transfer, and thereafter deliver to the Royalty Owners a recorded copy of the Royalty Deed.

3. Payment. As consideration for execution and delivery of the Lease Amendments and the Royalty Deed, Vanguard will pay to the Fortson Parties, at Closing, the sum of Five Million Six Hundred Sixty Eight Thousand Fifty Nine Dollars and No Cents ($ **5,668,059.00**) by wire transfer of immediately available funds into an account to be designated by the Fortson Parties.

4. Agreements and Acknowledgements by Royalty Owners. The Royalty Owners acknowledge and agree with Vanguard as follows:

a) All notices to Royalty Owners and/or information to be provided to Royalty Owners which are required or may be given under any Fortson 47 Lease may be made jointly to the Royalty Owners at the following address:

Fortson Production Company
301 Commerce St., Suite 2900
Fort Worth, Texas 76102

Attn: David Frazier
Telephone: (817) 335-5641
Telecopy: (817) 336-4853

b) The Royalty Owners hereby waive any claims against Vanguard (but no other working interest owners in the Fortson 47 Leases) for: (i) lack of consent to the execution of any currently in place production sales contracts, marketing contracts and other contracts applicable to the sale of oil or the sale of gas produced from the lands covered by the applicable Fortson 47 Lease; or (ii) any claim asserting that the methodology for the calculation of prices under such existing contracts does not reflect the "market value" for purposes of the calculation of royalties under the applicable Fortson 47 Lease.

c) The Royalty Owners hereby waive any claims against Vanguard (but no other working interest owner in the Fortson 47 Leases) arising prior to the Effective Date of this Agreement, asserting that royalties under any of the Fortson 47 Leases have been improperly charged with deduction or cost of gathering, transporting, separating, dehydrating, compressing or otherwise in making the oil or gas ready for sale or use as prohibited by the Fortson 47 Leases.

d) Any forfeiture described in each Fortson 47 Lease shall apply with respect to the well for which the applicable sum has not been paid, and a portion of the leased premises sufficient (a) to include the entire wellbore, (b) to permit such well to produce with a full allowable, and (c) to make the location of its entire wellbore in compliance with all applicable well spacing and density rules of the Railroad Commission of Texas; such portion of the leased premises shall be designated by the Royalty Owners in their reasonable discretion.

e) Each Fortson 47 Lease is in full force and effect, and the Royalty Owners ratify each Fortson 47 Lease as to all of its terms including those contained herein, and agree that no default or breach has occurred under any Fortson 47 Lease.

5. Further Assurances. The Fortson Parties and Vanguard agree to execute and deliver such other and further instruments, documents and assurances as either of them may reasonably request of the other to effectuate the purpose and intent of this agreement.

6. Ad-Valorem Tax Issues. Ad valorem real property and personal property taxes and assessments related to the interest conveyed in the Royalty Deed, and the reduced lessor's royalty burden accomplished by the Lease Amendments, shall all be prorated as of October 1, 2009. All such prorations shall be allocated so that those items relating to time periods ending on or prior to October 1, 2009 shall be allocated to the Fortson Lessors in the case of the Lease Amendments, and to the Royalty Owners in the case of the Royalty Deed, and items relating to time periods beginning after October 1, 2009 shall be allocated to Vanguard. The amount of all such prorations shall be finally settled and paid at Closing based upon the most recent available tax bill, tax notice or notification of appraised value.

7. Entire Agreement. This Agreement (including the exhibits hereto) contains the entire agreement between the parties, and no oral statements or prior written matter not specifically incorporated herein shall be of any force and effect. No variation, modification, or changes hereof shall be binding on either party hereto unless set forth in a document executed by all parties hereto.

8. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of Texas.

9. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall, for all purposes, be deemed an original, but which together shall constitute one and the same instrument.

EXECUTED and EFFECTIVE on this the 27 day of November, 2009.

FORTSON PARTIES:

By: /s/ Ben J. Fortson
BEN J. FORTSON, INDIVIDUALLY

FORTSON PARTIES (con't):

/s/ Katherine Fortson Wynne
KATHERINE FORTSON WYNNE

FORTSON PARTIES (con't):

BENCO ENERGY, INC.

By: /s/ Ben J. Fortson, III
Ben J. Fortson, III, its President

FORTSON PARTIES (con't):

/s/ Karen Fortson Davis
KAREN FORTSON DAVIS

FORTSON PARTIES (con't):

/s/ Lisa Fortson Burton
LISA FORTSON BURTON

FORTSON PARTIES (con't):

MATTIE K. CARTER TRUST

By: /s/ Ben J. Fortson
Ben J. Fortson, as Trustee

FORTSON PARTIES (con't):

HANNAH E. DAVIS 2006 TRUST

By: /s/ Ben J. Fortson, III
Ben J. Fortson, III, as Trustee

FORTSON PARTIES (con't):

KATHERINE ROSE DAVIS 2006 TRUST

By: /s/ Ben J. Fortson, III
Ben J. Fortson, III, as Trustee

FORTSON PARTIES (con't):

DAVID PAUL DAVIS 2006 TRUST

By: /s/ Ben J. Fortson, III
Ben J. Fortson, III, as Trustee

FORTSON PARTIES (con't):

WYNNE CHILDREN'S IRREVOCABLE ASSET TRUST
F/B/O JOHN R. WYNNE II

By: /s/ Mitchell S. Wynne
Mitchell S. Wynne, as Trustee

FORTSON PARTIES (con't):

WYNNE CHILDREN'S IRREVOCABLE ASSET TRUST
F/B/O LISA KATHERINE WYNNE

By: /s/ Mitchell S. Wynne
Mitchell S. Wynne, as Trustee

FORTSON PARTIES (con't):

WYNNE CHILDREN'S IRREVOCABLE ASSET TRUST
F/B/O DAVID MITCHELL WYNNE

By: /s/ Mitchell S. Wynne
Mitchell S. Wynne, as Trustee

FORTSON PARTIES (con't):

BURTON FAMILY CHILDREN'S TRUST

By: /s/ William K. Burton
William K. Burton, as Trustee

VANGUARD:

VANGUARD PERMIAN, LLC.

By: /s/ Scott W. Smith

Name: Scott W. Smith

Title: Manager

EXHIBIT "A"

[list "Leases" to be amended]

Lease #	Lessor	Lessee	Lease Date	Vol./Page	Description
Benjamin					
FEE-0002	Mattie Kay Carter Trust, et al	Fortson Oil Company	5/1/2003	740 /695	Tract 1: 526.64 acres, more or less, being all of Section No. 47, Scrap File 7850, Ward County, Texas by re-survey determined to contain 766.64 acres, **LESS AND EXCEPT** 80 acres covered by those two certain Oil, Gas and Mineral Leases("Pioneer and Parker & Parsley Leases"), one dated September 20, 1997, by and between Ben J. Fortson, Trustee, et al, Lessor, and Pioneer Natural Resources USA, Inc., Lessee, recorded in Volume 663, Pages 681-688; and one dated July 18, 1997, by and between Benjamin J. Fortson, Trustee, et al, Lessor, and Parker & Parsley Development, L.P., Lessee recorded in Volume 662, Page 66-74 of the Deed Records, Ward County, Texas, and **LESS AND EXCEPT** 80 acres covered by that certain Oil and Gas Lease dated February 22, 1998, by and between Ben J. Fortson, Trustee of the Mattie K. Carter Trust, Lessor, and Ben J. Fortson, Individually, et al, Lessees, recorded in Volume 666, Page 573, of the Deed Records, Ward County, Texas, said 80 acres surrounding the Fortson Oil Company Benjamin #3, located 660 feet from the northwest line and 330 feet from the southwest line of Section 47, D. T. Johnson Survey, Ward County, Texas, as described in that certain Correction of Assignment and Bill of Sale dated August 7, 2003 from Benjamin J. Fortson, Trustee, et al, to Fortson Oil Company, recorded in Volume743, Page 433, Official Public Records, Ward County, Texas, and **LESS AND EXCEPT** the south 80 acres, more or less, also known as the Fortson Tract, being those acres not included in the "Pioneer and Parker and Parsley Leases", included in that certain Pooling Agreement and Designation of Pooled Unit Fortson 47 Unit No. 1H Well (160-Acre Oil and Gas Unit No. 1), dated effective February 6, 2008, by and between Cimarex Energy Co., Fortson Oil Company, and Energen Resources Corporation, recorded in Volume 837, Page 88, Official Public Records, Ward County, Texas, **limited INSOFAR AS AND ONLY INSOFAR AS** to the Interval Pooled as more fully described therein. Tract 2: 462.63 acres, more or less, out of Section 45, D. T. Johnson Survey, Scrap 7849, Ward County, Texas.
Miller					
FEE-0003	Mattie Kay Carter Trust, et al	Fortson Oil Company	9/1/2008	850 /399	Section 7, G. D. Houston Survey, SF 7038, Ward County, Texas, containing 634.5 acres, more or less.
Benjamin #3-H					
FEE-0004	Mattie Kay Carter Trust et al	Benjamin J. Fortson, Trustee, et al	2/22/1998	666 /573	80 acres surrounding and associated with the Fortson Oil Company Benjamin #3, located 660 feet from the northwest line and 330 feet from the southwest line of Section 47, D. T. Johnson Survey, Ward County, Texas, as described in that certain Correction of Assignment and Bill of Sale dated August 7, 2003 from Benjamin J. Fortson, Trustee, et al, to Fortson Oil Company, recorded in Volume743, Page 433, Official Public Records, Ward County, Texas, as to those depths described in that certain Amendment of Oil and Gas Lease dated effective July 1, 2007 from Ben J. Fortson, Trustee, et al, to Mattie K. Carter

Trust, et al, recorded in Vol. , Page , Official Public Records, Ward, County, Texas.

EXHIBIT "B"

[list the three "Fortson 47 Leases"]

Lease #	Lessor	Lessee	Lease Date	Vol./Page	Description
	Fortson 47 #1-H				
FEE-0002	Mattie Kay Carter Trust, et al	Fortson Oil Company	5/1/2003	740 /695	80 acres, more or less, out of Tract 1 being the south 80 acres, also known as the Fortson Tract, described in that certain Pooling Agreement and Designation of Pooled Unit Fortson 47 Unit No. 1H Well (160-Acre Oil and Gas Unit No. 1), dated effective February 6, 2008, by and between Cimarex Energy Co., Fortson Oil Company, and Energen Resources Corporation, recorded in Volume 837, Page 88, Official Public Records, Ward County, Texas, **limited INSOFAR AS AND ONLY INSOFAR AS** to the Interval Pooled as more fully described therein.
FEE-0005	Mattie Kay Carter Trust et al	Pioneer Natural Resources USA, Inc.	9/20/1997	663 /681	80 acres of land out of Section 47, Scrap File 7850 Ward County, Texas.
FEE-0006	Benjamin J. Fortson, Trustee	Parker & Parsley Development L.P.	7/18/1997	662 /66	80 acres of land out of Section 47, Scrap File 7850 Ward County, Texas.

EXHIBIT "C"

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKEANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF WARD §

AMENDMENT TO OIL AND GAS LEASE

Reference is hereby made to that certain Oil and Gas Lease, entered into as of the ___ day of _____ ___, by and between _____, and _____, recorded at Volume ___ Page _____ of the Deed Records of Ward County, Texas (the "Lease").

WHEREAS, _____, whose addresses collectively are 301 Commerce Street, Suite 2900, Fort Worth, Texas 76102 are the current owners of the lessor's interest under the Lease (collectively the "Current Lessors"");

WHEREAS, Vanguard Permian, LLC, whose address is 7700 San Felipe, Suite 465, Houston, Texas 77063 is the current owner of the lessee's interest in the Lease (the "Current Lessee"); and

WHEREAS, the Current Lessors and the Current Lessee hereby desire to execute this Amendment to Oil and Gas Lease (the "Lease Amendment") to reduce the Current Lessors' royalty currently provided for in the Lease;

NOW, THEREFORE, the Current Lessors and Current Lessee, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, and the covenants and agreements stated herein, hereby amend the terms of the Lease as set forth below:

1. All of the references to the amount "twenty-five percent (25%)" in paragraph 5 of the Lease shall be **deleted** and **replaced** with the amount "three-sixteenths ($3/16^{th}$)."

2. All notices to Current Lessors and/or information to be provided to Current Lessors which are required or may be given under the Lease may be made jointly to the Current Lessors at the following address:

Fortson Production Company
301 Commerce St., Suite 2900
Fort Worth, Texas 76102
Attn: David Frazier
Telephone: (817) 335-5641
Telecopy: (817) 336-4853

3. Current Lessors acknowledge that Current Lessors have provided their consent to the execution of all currently in place production sales contracts, marketing contracts and other contracts applicable to the sale of oil or the sale of gas produced from the lands covered by the Lease, and that the methodology for the calculation of prices under such contracts reflects "market value" for purposes of the calculation of royalties under the Lease.

4. Current Lessors acknowledge that all royalties that have been paid under the Lease have been made without deduction or cost of gathering, transporting, separating, dehydrating, compressing or otherwise in making the oil or gas ready for sale or use as required by the Lease.

5. Current Lessors agree that any forfeiture described in Section 5(i) of the Lease shall apply with respect to the well for which the applicable sum has not been paid, and a portion of the leased premises sufficient (a) to include the entire wellbore, (b) to permit such well to produce with a full allowable, and (c) to make the location of its entire wellbore in compliance with all applicable well spacing and density rules of the Railroad Commission of Texas; such portion of the leased premises shall be designated by the Current Lessors in their reasonable discretion.

6. Pursuant to Section 14 of the Lease, Current Lessors acknowledge that Current Lessors have received all information required to be furnished to Current Lessors and Current Lessors have approved the assignment of the Lease to the Current Lessee.

7. This Lease Amendment may be signed in any number of counterparts, each of which shall be considered an original for all purposes, with the same effect as if the signatures thereto and hereto were upon the same instrument.

8. By executing this Lease Amendment, the Current Lessors acknowledge that the Lease is in full force and effect, and ratify the Lease as to all of its

terms including those contained herein, and the Current Lessors acknowledge that no default or breach has occurred under the Lease.

EXECUTED on the date(s) subscribed to the acknowledgements below, but for all purposes effective as of 7:00 am CST, on October 1, 2009.

CURRENT LESSORS:

[insert signature blocks]

CURRENT LESSEE:

[insert signature blocks]

ACKNOWLEDGMENTS

[insert acknowledgements]

EXHIBIT "D"

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAYREMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

ROYALTY DEED

STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF WARD §

That Ben J. Fortson also known as Benjamin J. Fortson, Trustee of the Mattie K. Carter Trust, and Ben J. Fortson, individually, Benco Energy, Inc., Katherine Fortson Wynne, Karen Fortson Davis, and Lisa Fortson Burton, each dealing in their separate property, Hannah E. Davis 2006 Trust, David Paul Davis 2006 Trust a/k/a David P. Davis 2006 Trust, Katherine Rose Davis 2006 Trust a/k/a Katherine R. Davis 2006 Trust, Wynne Children's Irrevocable Asset Trust f/b/o John R. Wynne II a/k/a Wynne Children's Irrevocable Asset Trust f/b/o John Robert Wynne II, Wynne Children's Irrevocable Asset Trust f/b/o Lisa Katherine Wynne a/k/a Wynne Children's Irrevocable Asset Trust f/b/o Lisa Wynne Trust, Wynne Children's Irrevocable Asset Trust f/b/o David Mitchell Wynne a/k/a Wynne Children's Irrevocable Asset Trust f/b/o David Mitchell Wynne Trust, and Burton Family Children's Trust, all of whose address is 301 Commerce Street, Suite 2900, Fort Worth, Texas 76102 (collectively, "Grantor"), for good and valuable consideration in hand paid by Vanguard Permian, LLC, whose address is 7700 San Felipe, Suite 465, Houston, Texas 77063 ("Grantee"), the receipt and sufficiency of which is hereby acknowledged and confessed, has GRANTED, BARGAINED, SOLD and CONVEYED, and by these presents does hereby GRANT, BARGAIN, SELL and CONVEY unto Grantee, an undivided twenty-five percent (25%) of Grantor's right, title, and interest in and to all of the royalties payable to the lessor under the three oil and gas leases described on Exhibit "1" hereto (the "Subject Leases"), reserving unto Grantor an undivided seventy-five percent (75%) of Grantor's right, title, and interest in and to all of the royalties payable to the lessor under the Subject Leases.

Grantor hereby agrees to WARRANT and FOREVER DEFEND, all and singular the above-conveyed undivided interest in the lease royalties unto Grantee and Grantee's successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under Grantor, but not otherwise.

This conveyance may be executed in multiple counterparts, each of which shall constitute an original hereof, and the execution and delivery of any one of such counterparts by any signatory party shall have the same force and effect and shall be binding upon such signatory to the same extent as if the same counterpart were executed and delivered by all of the signatory parties.

IN WITNESS WHEREOF, this Royalty Deed is executed as of the dates subscribed to the respective acknowledgments set forth below to be EFFECTIVE as of 7:00 A.M., C.S.T., on October 1, 2009.

[*INSERT SIGNATURE BLOCK FOR EACH GRANTOR*]

ACKNOWLEDGMENTS

[*INSERT FORM OF ACKNOWLEDGMENT FOR EACH GRANTOR*]

STATE OF TEXAS §
§
COUNTY OF_____ §

This instrument was acknowledged before me on this the ___ day of _____, 2009 by _____.

Notary Public in and for the State of Texas

(Type or print Notary's name)
My commission expires:

Exhibit "1"

[describe the 3 Fortson 47 Leases here]

Exhibit 10.3

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAYREMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

CONVEYANCE

EXILE OIL & GAS COMPANY, a Texas corporation, whose address is 512 Main Street, Suite 1007, Fort Worth, Texas 76102 (herein called "Grantor"), for Ten Dollars and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), does hereby GRANT, BARGAIN, SELL, CONVEY, ASSIGN, TRANSFER, SET OVER, and DELIVER unto VANGUARD PERMIAN, LLC, a Delaware limited liability company, whose address is 7700 San Felipe, Ste 485 Houston, Texas 77063 (herein called "Grantee"), the following described properties, rights and interests:

(a) The "Gross Working Interests" and "Net Revenue Interests" specified on Exhibit A attached hereto and made a part hereof in, and in addition thereto, but subject to the reservation set forth below, all right, title and interest of Grantor in and to the oil and gas leases described on Exhibit A attached hereto and made a part hereof (and any extensions, ratifications and amendments thereof, whether or not the same are described on Exhibit A) and in and to the wells located thereon; and

(b) Without limitation of the foregoing, all other right, title and interest (of whatever kind or character, whether legal or equitable, and whether vested or contingent) of Grantor in and to the oil, gas and other minerals in and under or that may be produced from the lands described in Exhibit A hereto (including interests in oil, gas or mineral leases covering such lands, overriding royalties, production payments and net profits interests in such lands or such leases, and fee mineral interests, fee royalty interests and other interests in such oil, gas and other minerals), whether such lands be described in a description set forth in such Exhibit A or be described in such Exhibit A by reference to another instrument (and without limitation by any depth limitations that may be set forth in such Exhibit A or in any such instrument so referred to for description), even though Grantor's interest in such oil, gas and other minerals may be incorrectly described in, or omitted from, such Exhibit A;

(c) All rights, titles and interests of Grantor in and to, or otherwise derived from, all presently existing and valid oil, gas or mineral unitization, pooling, and/or communitization agreements, declarations and/or orders and in and to the properties covered and the units created thereby (including all units formed under orders, rules, regulations, or other official acts of any federal, state, or other authority having jurisdiction, voluntary unitization agreements, designations and/or declarations) relating to the properties described in paragraphs (a) and (b) above;

(d) All rights, titles and interests of Grantor in and to all presently existing and valid production sales (and sales related) contracts, operating agreements, and other agreements and contracts which relate to any of the properties described in paragraphs (a), (b) and (c) above, or which relate to the exploration, development, operation, or maintenance thereof or the treatment, storage, transportation or marketing of production therefrom (or allocated thereto);

(e) All rights, titles and interests of Grantor in and to all materials, supplies, machinery, equipment, improvements and other personal property and fixtures (including all wells, wellhead equipment, pumping units, flowlines, tanks, buildings, injection facilities, saltwater disposal facilities, compression facilities, gathering systems, and other equipment), and all easements, rights-of-way, surface leases and other surface rights, all permits and licenses, and all other appurtenances being used or held for use in connection with, or otherwise related to, the exploration, development, operation or maintenance of any of the properties described in paragraphs (a), (b) and (c) above, or the treatment, storage, transportation or marketing of production therefrom (or allocated thereto); and

(f) All of Grantor's lease files, abstracts and title opinions, production records, well files, accounting records (but not including general financial accounting records), seismic records and surveys, gravity maps, electric logs, geological or geophysical data and records, and other files, documents and records of every kind and description which relate to the properties described above.

The properties, rights and interests described in subparagraphs (a) through (e) above, are herein sometimes called the "Properties".

TO HAVE AND TO HOLD the Properties unto Grantee, and its successors and assigns, forever, and Grantor agrees to warrant and forever defend title to the Properties unto Grantee and its successors and assigns by, through and under Grantor only, but not otherwise.

Grantee hereby agrees (a) to assume, and to timely pay and perform, all duties, obligations and liabilities relating to the ownership and/or operation of the Properties arising or occurring after the Effective Time, and (b) to indemnify and hold Grantor (and the affiliates of Grantor, and the respective directors, officers, employees, attorneys, contractors and agents of such affiliates and Grantor) harmless from and against any and all claims, actions, causes of action, liabilities, damages, losses, costs or expenses (including, without limitation, court costs and attorneys' fees) of any kind or character arising out of or otherwise relating to the duties, obligations and liabilities assumed by Grantee. In connection with (but not in limitation of) the foregoing, it is specifically understood and agreed that such duties, obligations and liabilities arising out or otherwise relating to the ownership and/or operation of the Properties arising or occurring after the Effective Time shall (notwithstanding anything herein appearing to be to the contrary) be deemed to include all matters arising out of the condition of the Properties on the Effective Time (including, without limitation, within such matters all obligations to properly plug and abandon, or replug and re-abandon, wells located on the Properties, to restore the surface of the Properties and to comply with, or to bring the Properties into compliance with, applicable environmental laws, rules, regulations and orders, including conducting any remediation activities which may be required on or otherwise in connection with activities on the Properties), regardless of whether such condition or the events giving rise to such condition arose or occurred before or after the Effective Time, and the assumptions and indemnifications by Grantee provided for in the first sentence of this paragraph shall expressly cover and include such matters. Grantor hereby agrees (a) to timely pay and perform, all duties, obligations and liabilities relating to the ownership and/or operation of

the Properties arising or occurring prior to the Effective Time, and (b) to indemnify and hold Grantee (and the affiliates of Grantee, and the respective directors, officers, employees, attorneys, contractors and agents of such affiliates and Grantee) harmless from and against any and all claims, actions, causes of action, liabilities, damages, losses, costs or expenses (including, without limitation, court costs and attorneys' fees) of any kind or character arising out of or otherwise relating to the duties, obligations and liabilities arising or occurring prior to the Effective Time. **THE FOREGOING ASSUMPTIONS AND INDEMNIFICATIONS SHALL APPLY WHETHER OR NOT SUCH DUTIES, OBLIGATIONS OR LIABILITIES, OR SUCH CLAIMS, ACTIONS, CAUSES OF ACTION, LIABILITIES, DAMAGES, LOSSES, COSTS OR EXPENSES ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SINGLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXPRESSLY NOT INCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF ANY INDEMNIFIED PARTY, OR (ii) STRICT LIABILITY.**

Grantor agrees to execute and deliver to Grantee, from time to time, such other and additional instruments, notices, division orders, transfer orders and other documents, and to do all such other and further acts and things as may be necessary to more fully and effectively grant, convey and assign to Grantee the Properties.

Grantor shall be entitled to all proceeds of production from the Properties and shall bear all costs, liabilities, obligations and expenses arising from or related to the ownership and operation of the Properties prior to the Effective Time (as defined below) and Grantee shall be entitled to all proceeds of production from the Properties and shall bear all costs, liabilities, obligations and expenses arising from or related to the ownership and operation of the Properties after the Effective Time.

Grantor warrants and represents to Grantee that:

1. The Properties are free and clear of all liens, charges and encumbrances created by, through or under Grantor;

2. Grantor has the right and power to make the transfer and conveyance effectuated by this instrument.

This Conveyance may be executed in several counterparts all of which are identical. All of such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF this Conveyance has been executed by the Grantor on the dates of its acknowledgement, effective as to runs of oil and deliveries of gas, and for all other purposes, as of 7:00 a.m. Central Time on October 1, 2009 (the "Effective Time").

EXILE OIL & GAS COMPANY

By: /s/ John S. Tittl

Title: President

STATE OF TEXAS §
§
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 2009, by _____, _____ of EXILE OIL & GAS COMPANY, a Texascorporation, on behalf of said corporation.

_____
Notary Public in and for the State of Texas

Name:_____
(typed, printed or stamped)

My Commission Expires:

_____

Exhibit A

Attached to and made a part of that certain Conveyance from Exile Oil & Gas Company to Vanguard Permian, LLC

LESSOR	LESSEE	LEASE DATE	RECORDING
Lochridge, Lloyd P. Jr	Fortson Oil Company	4/1/2003	738/738
Bull, Stephen Medaris	Fortson Oil Company	4/1/2003	738/720
Bull, Jefferson Lochridge	Fortson Oil Company	4/1/2003	738/718
Hartwell, Ware	Fortson Oil Company	4/1/2003	739/632
Hartwell, Jay	Fortson Oil Company	4/1/2003	738/730
Beyer, John L., III	Fortson Oil Company	4/1/2003	741/486
Beyersmith, Holly	Fortson Oil Company	4/1/2003	685/686
Beyer, Andrew L.	Fortson Oil Company	4/1/2003	738/716
Beyer John, Jr. Trust	Fortson Oil Company	4/1/2003	741/488
Massie, Chloe Lochridge	Fortson Oil Company	4/1/2003	738/740
Ross, James B.	Fortson Oil Company	4/1/2003	738/742
Hoover, Wanda Sue	Fortson Oil Company	4/1/2003	740/657
Whitener, Charles C.	Fortson Oil Company	4/1/2003	740/661
Lewis, Ben H. Estate	Fortson Oil Company	4/1/2003	738/736
Kirk, Mary Anne	Fortson Oil Company	4/1/2003	738/734
Graham, Charles Carter	Fortson Oil Company	4/1/2003	738/726
Graham, Ambrose W., Jr.	Fortson Oil Company	4/1/2003	738/746
Chinn, Elizabeth Graham	Fortson Oil Company	4/1/2003	738/724
Graham, Cecilia Louise	Fortson Oil Company	4/1/2003	738/744
Graham, Grady Ross	Fortson Oil Company	4/1/2003	738/728
Graham, Robert Bruce Trust	Fortson Oil Company	4/1/2003	740/659
Carter, Reeves B.	Fortson Oil Company	4/1/2003	738/722
Jones, Susan Carter	Fortson Oil Company	4/1/2003	739/634
Hill, Vernon B. Jr., et al	Fortson Oil Company	4/1/2003	738/732
Seely, Linda Byrd	Fortson Oil Company	2/10/2003	738/445
Stacey, Gretchen	Fortson Oil Company	2/10/2003	738/443
Williamson, Ralph E.	Fortson Oil Company	2/10/2003	738/441
Lord, Hodge Edward	Fortson Oil Company	2/10/2003	738/439
Lord, Brenda Gail	Fortson Oil Company	2/10/2003	738/437
Lord, Kent Edward	Fortson Oil Company	2/10/2003	738/435
Richards, Sidney Lord Trust	Fortson Oil Company	2/10/2003	738/447
Cotugno, Jane L. Martin	Fortson Oil Company	2/10/2003	738/427
Martin, Mark G.	Fortson Oil Company	2/10/2003	738/429
Martin, Roy Jr.	Fortson Oil Company	2/10/2003	738/431
Martin, Stewart K.	Fortson Oil Company	2/10/2003	738/433
Martin, Thomas L.	Fortson Oil Company	2/10/2003	738/748
Uppercu, Ella K. et al	C. L. Milburn	4/21/1962	246/444
McDonnold, M., Jr.	Fortson Oil Company	4/28/2003	739/366
Uppercu, Ella K. et al	C. L. Milburn	4/21/1962	246/444

All Memorandum and Leases recorded in the Official Records of Ward County, Texas

Exhibit 99.1

Vanguard Natural Resources to Acquire Oil Properties in the Permian Basin

Houston, November 30, 2009 – (Business Wire) – Vanguard Natural Resources, LLC (NYSE VNR) ("Vanguard" or "Company") today announced it has entered into a definitive agreement to acquire producing oil and gas assets in the Permian Basin for $55 million from a private seller. The properties to be acquired have estimated total proved reserves of 3.2 million barrels of oil equivalent, of which approximately 83% are oil reserves and 65% are proved developed. Current net production attributable to the assets being acquired is approximately 780 Boe/d. At closing, Vanguard will operate the majority of the producing wells located on the acquired properties. The effective date of the acquisition is October 1, 2009 and the Company anticipates closing this acquisition during December 2009.

Scott W. Smith, President and Chief Executive Officer, commented that "The assets being acquired in this transaction are an excellent addition to our existing Permian Basin operating platform. As the operator of the assets, we have plans for a development drilling program over the next several years that should maintain our production rates at or above current levels for these properties. These assets are primarily oil production and with the hedges we contemplate putting in place upon closing the acquisition, this acquisition should be a major contributor to our cash flow next year and for several years thereafter".

After closing this transaction, management intends to recommend to the Company's Board of Directors an increase in the quarterly distribution rate for the fourth quarter 2009 distribution payable on February 14, 2010. The Company is currently distributing $0.50 per quarter ($2.00 annualized).

The Company intends to fund this acquisition with borrowings under its existing reserve-based credit facility. Vanguard has requested that the banks perform an interim borrowing base redetermination to include the properties from this acquisition. We anticipate an increase to the current borrowing base of $170 million to take into account the additional value of the assets being acquired.

About Vanguard Natural Resources, LLC

Vanguard Natural Resources, LLC is a publicly traded limited liability company focused on the acquisition, production and development of natural gas and oil properties. The Company's assets consist primarily of producing and non-producing natural gas and oil reserves located in the southern portion of the Appalachian Basin, the Permian Basin and South Texas. More information on the Company can be found at www.vnrllc.com.

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the federal securities laws. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include but are not limited to statements about the acquisition announced in this press release, the related financing plans, and statements with respect to future distributions. These statements are based on certain assumptions made by the Company based on management's experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include risks relating to financial performance and results, availability of sufficient cash flow to pay distributions and execute our business plan, prices and demand for oil, natural gas and natural gas liquids, our ability to replace reserves and efficiently develop our current reserves and other important factors that could cause actual results to differ materially from those projected as described in the Company's reports filed with the Securities and Exchange Commission. Please see "Risk Factors" in the Company's public filings.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to publicly correct or update any forward-looking statement, whether as a result of new information, future events or otherwise.

CONTACT: Vanguard Natural Resources, LLC
Investor Relations
Lisa Godfrey, 832-327-2234
investorrelations@vnrllc.com

SOURCE: Vanguard Natural Resources, LLC

Exhibit 99.2

Vanguard Natural Resources Announces Closing of Permian Basin Acquisition

Houston, December 4, 2009 – Vanguard Natural Resources, LLC (NYSE: VNR) ("Vanguard" or "Company") today announced that on December 2, 2009 it closed its previously announced acquisition of certain producing oil and natural gas properties in the Permian Basin from a private seller. After preliminary purchase price adjustments based on an effective date of October 1, 2009, Vanguard paid $55 million in cash. The purchase price was funded from borrowings under our reserve-based credit facility. In conjunction with this acquisition, the Company requested that lenders under our reserve-based credit facility perform an interim borrowing base redetermination. Pursuant to this interim redetermination, our borrowing base was increased from $170 million to $195 million.

The acquired properties have total estimated proved reserves of 3.2 million barrels of oil equivalent as of October 1, 2009, of which 83% is oil and 65% is proved developed. Vanguard will operate all but one of the wells acquired in this transaction which are located in Ward County, Texas. Based on the current net daily production of approximately 780 Boepd, the properties have a reserve to production ratio of approximately 11 years.

Mr. Scott W. Smith, President and CEO of Vanguard commented, "With the closing of this acquisition we will have increased our current total production by approximately 20% and increased our oil reserves by 74%. After consideration of the oil hedges that we have put in place through 2013, these assets will be a meaningful contributor to our cash flows for years to come."

In an effort to support stable cash flows from this transaction, Vanguard entered into crude oil swaps based on NYMEX pricing for approximately 90% of the estimated oil production from existing producing wells in the acquired properties for the period beginning January 2010 through December 2013. A schedule of the oil hedges entered into is shown below:

Hedging Schedule

Swaps

Contract Period	Volume (Bbls)	Price(1)
January 1, 2010 - December 31, 2010	146,000	$ 86.24
January 1, 2011 - December 31, 2011	109,500	$ 86.99
January 1, 2012 - December 31, 2012	91,500	$ 87.18
January 1, 2013 - December 31, 2013	73,000	$ 87.43

(1) Weighted Average NYMEX Fixed Price.

In addition to the NYMEX oil price swaps entered into above, the Company recently entered into the following additional NYMEX oil derivative contracts to support the cash flow to be received on its oil production in other areas:

Swaps

Contract Period	Volume (Bbls)	Price
January 1, 2012 - December 31, 2012	45,750	$ 90.02
January 1, 2013 - December 31, 2013	45,625	$ 90.02

Collars

Contract Period	Volume (Bbls)	Floor	Ceiling
January 1, 2012 - December 31, 2012	45,750	$ 80.00	$ 100.25
January 1, 2013 - December 31, 2013	45,625	$ 80.00	$ 100.25

About Vanguard Natural Resources, LLC

Vanguard Natural Resources, LLC is a publicly traded limited liability company focused on the acquisition, production and development of natural gas and oil properties. The Company's assets consist primarily of producing and non-producing natural gas and oil reserves located in the southern portion of the Appalachian Basin, the Permian Basin, and South Texas. More information on the Company can be found at www.vnrllc.com.

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the federal securities laws. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. These statements include but are not limited to statements about the acquisition announced in this press release. These statements are based on certain assumptions made by the Company based on management's experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include risks relating to financial performance and results, availability of sufficient cash flow to pay distributions and execute our business plan, prices and demand for oil, natural gas and natural gas liquids, our ability to replace reserves and efficiently develop our current reserves and other important factors that could cause actual results to differ materially from those projected as described in the Company's reports filed with the Securities and Exchange Commission. Please see "Risk Factors" in the Company's public filings.

Any forward-looking statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to publicly correct or update any forward-looking statement, whether as a result of new information, future events or otherwise.

CONTACT: Vanguard Natural Resources, LLC

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