

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

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

For the fiscal year ended June 30, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number 001-32942

EVOLUTION PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

41-1781991

(IRS Employer Identification No.)

2500 CityWest Blvd., Suite 1300, Houston, Texas 77042

(Address of principal executive offices and zip code)

(713) 935-0122

(Registrant's telephone number, including area code)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes: No:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes: No:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes: No:

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.).

Yes: No:

The aggregate market value of the voting and non-voting common equity held by non-affiliates on December 31, 2007, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing price on that date of \$5.05 on the American Stock Exchange was \$66,387,795

The number of shares outstanding of the registrant's common stock, par value \$0.001, as of September 24, was 26,917,234.

EXPLANATORY NOTE

Evolution Petroleum Corporation (the "Company") is filing this Form 10-K/A as Amendment No. 1 (the "Amendment") to its Annual Report on Form 10-K for the year ended June 30, 2008 (the "Annual Report") that was filed with the Securities and Exchange Commission on September 24, 2008, to include two exhibits that were inadvertently omitted from the original Annual Report. Included in this filing is Part IV, the signature page, the previously omitted exhibits and the certifications required by Securities Exchange Act Rule 15d-14(a).

Except as described above, no other amendments are being made to the Annual Report. This Amendment does not reflect events occurring after the June 30, 2008 filing of the Annual Report, or modify or update the disclosure contained in the Annual Report in any way other than as required to reflect the additions discussed above and reflected below.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents included as a part of this Amendment

1. Financial Statements — See the Index to the Consolidated Financial Statements included in Item 8. of the Annual Report.

2. Financial Statement Schedules — See the Index to the Financial Statement Schedules included in Item 8. of the Annual Report.

3. Exhibits - A list of the exhibits filed or furnished with this report on Form 10-K/A (or incorporated by reference to exhibits previously filed or furnished by us) is provided in the Exhibit Index. Those exhibits incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. Otherwise, the exhibits are filed herewith.

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this Amendment to the Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Houston, Texas, on the date indicated.

Evolution Petroleum Corporation

By: /s/ ROBERT S. HERLIN
Robert S. Herlin
Chief Executive Officer
(Principal Executive Officer)

By: /s/ STERLING H. MCDONALD
Sterling H. McDonald
Vice President and Chief Financial
(Principal Financial and
Accounting Officer)

Date: April 7, 2009

INDEX OF EXHIBITS**MASTER EXHIBIT INDEX**

EXHIBIT NUMBER	DESCRIPTION
2.1	Asset Purchase Agreement for Tullus Field, dated September 3, 2004 (Previously filed as an exhibit to Form 8-K on September 9, 2004)
2.2	Definitive Asset Purchase Agreement, dated as of February 2, 2005, by and between Chadco, Inc., Alan Chadwick McCartney, Sonya McCartney and NGS Sub. Corp. (Previously filed as an exhibit in Form 8-K on February 8, 2005)
2.3	Purchase and Sale Agreement, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006 (Previously filed as an exhibit to Form 8-K on May 11, 2006)
2.4	Purchase and Sale Agreement I, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006 (Previously filed as an exhibit to Form 8-K on June 16, 2006)
2.5	Purchase and Sale Agreement II, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006 (Previously filed as an exhibit to Form 8-K on June 16, 2006)
2.6	Conveyance, Assignment and Bill of Sale Agreement, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006 (Previously filed as an exhibit to Form 8-K on June 16, 2006)
2.7	Agreement and Plan of Reorganization dated as of April 12, 2004 among Reality Interactive, Inc., Reality Acquisition Corp., Global Marketing Associates, Inc., Dean H. Becker and Natural Gas Systems, Inc. (incorporated by reference to the Current Report on Form 8-K/A filed by Natural Gas Systems, Inc. with the Securities and Exchange Commission on April 27, 2004) (Previously filed as an exhibit to Form Schedule 13D on July 11, 2008)
3.1	Articles of Incorporation (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 7, 2002)
3.2	Certificate of Amendment to Articles of Incorporation (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 7, 2002)
3.3	Certificate of Amendment to Articles of Incorporation (Previously filed as an exhibit to Form SB 2/A on October 19, 2005)
3.4	Bylaws (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 7, 2002)
3.5	Amended Bylaws (Previously filed as an exhibit to Form 10KSB on March 31, 2004)
4.1	Form of Stock Option Agreement for the Natural Gas Systems 2004 Stock Plan (Previously filed as an exhibit to the Current Report on Form 8-K on April 8, 2005)
4.2	Articles of Merger (Previously filed as an exhibit to Form SB — 2/A on October 19, 2005)
4.3	Form of Warrant Agreement between Natural Gas Systems, Inc. and Tatum CFO Partners, LLP (Previously filed as an exhibit to the Company's Current Report on Form 8-K on April 8, 2005)
4.4	Revocable Warrant Agreement between Natural Gas Systems, Inc. and Daryl V. Mazzanti (Previously filed as an exhibit to the Company's Current Report on Form 8-K on June 29, 2005)

4.5	Specimen form of the Company's Common Stock Certificate (Previously filed herewith as an exhibit to Form SB — 2/A on October 19, 2005)
4.6	Securities Purchase Agreement dated as of May 6, 2005, by and between Natural Gas Systems, Inc. and Rubicon Master Fund (Previously filed as an exhibit to the Company's Current Report on Form 8-K on May 11, 2005)
4.7	Registration Rights Agreement dated as of May 6, 2005, by and between Natural Gas Systems, Inc. and Rubicon Master Fund (Previously filed as an exhibit to the Company's Current Report on Form 8-K on May 11, 2005)
4.8	Stock Grant Agreement, dated as of May 4, 2005, by and between Natural Gas Systems, Inc. and Liviakis Financial Communications, Inc. (Previously filed as an exhibit to the Company's Current Report on Form 8-K on May 11, 2005)
4.9	Herlin Stock Option Agreement, dated April 4, 2005 (Previously filed as an exhibit to the Company's Current Report on Form 8-K on April 8, 2005)
4.10	Revocable Warrant Agreement between Natural Gas Systems, Inc. and Robert S. Herlin, dated April 4, 2005 (Previously filed as an exhibit to the Company's Current Report on Form 8-K on April 8, 2005)

- 4.11 Amended and Restated Tatum Resources Agreement, dated January 1, 2005 (Previously filed as an exhibit to the Company's Current Report on Form 8-K on April 8, 2005)
- 4.12 Warrant Agreement between Natural Gas Systems, Inc. and Tatum CFO Partners, LLP, dated January 1, 2005 (Previously filed as an exhibit to the Company's Current Report on Form 8-K on April 8, 2005)
- 4.13 McDonald Stock Option Agreement, dated April 4, 2005 (Previously filed as an exhibit to the Company's Current Report on Form 8-K on April 8, 2005)
- 4.14 Warrant Agreement, dated as of February 2, 2005, between Natural Gas Systems, Inc. and Prospect Energy Corporation (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 8, 2005)
- 4.15 Natural Gas Systems, Inc. Common Stock Purchase Warrant in favor of Prospect Energy Corporation, dated as of February 2, 2005 (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 8, 2005)
- 4.16 Revocable Warrant Agreement, dated as of February 2, 2005, between Natural Gas Systems, Inc. and Prospect Energy Corporation (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 8, 2005)
- 4.17 Natural Gas Systems, Inc. Revocable Common Stock Purchase Warrant in favor of Prospect Energy Corporation, dated as of February 2, 2005 (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 8, 2005)
- 4.18 Registration Rights Agreement, dated as of February 2, 2005, between Natural Gas Systems, Inc. and Holders of Common Stock of Natural Gas Systems, Inc. (Previously filed as an exhibit to the Company's Current Report on Form 8-K on February 8, 2005)
- 4.19 Form of Registration Rights Agreement (Previously filed as an exhibit to the Company's Current Report on Form 8-K on October 26, 2004)

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- 4.20 2004 Stock Plan (Previously filed as an exhibit to the Company's Definitive Information Statement on Schedule 14C on August 9, 2004)
 - 4.21 2003 Stock Option Plan, adopted September 25, 2003 (Previously filed as an exhibit to the Company's Form 8-K on January 24, 2007)
 - 4.22 Second Revocable Warrant Agreement, dated as of September 27, 2005, between Natural Gas Systems, Inc. and Prospect Energy Corporation (Previously filed as an exhibit to the Company's Report on Form 10-KSB on September 28, 2005)
 - 4.23 Stock Option Agreement, dated June 23, 2005 between Natural Gas Systems, Inc. and Daryl V. Mazzanti (Previously filed as an exhibit to the Company's Current Report on Form 8-K on June 29, 2005)
 - 4.24 Stock Option Grant Agreement, dated June 23, 2005 between Natural Gas Systems, Inc. and Daryl V. Mazzanti (Previously filed as an exhibit to the Company's Current Report on Form 8-K on June 29, 2005)
 - 4.25 Securities Purchase Agreement dated as of January 13, 2006, by and between Natural Gas Systems, Inc. and Rubicon Master Fund (Previously filed as an exhibit to the Company's Current Report on Form 8-K on January 20, 2006)
 - 4.26 Amended and Restated Registration Rights Agreement dated as of January 13, 2006, by and between Natural Gas Systems, Inc. and Rubicon Master Fund (Previously filed as an exhibit to the Company's Current Report on Form 8-K on January 20, 2006)
 - 4.27 Third Revocable Warrant Agreement, by and between Prospect Energy Corporation and Natural Gas Systems, Inc., dated January 31, 2006 (Previously filed as an exhibit to Form SB — 2/A on March 3, 2006)
 - 4.28 Amendment No. 1 to the Registration Rights Agreement, by and between Prospect Energy Corporation and Natural Gas Systems, Inc., dated January 31, 2006 (Previously filed as an exhibit to Form SB — 2/A on March 3, 2006)
 - 4.29 Subordinated Promissory Note, dated March 3, 2006, between Natural Gas Systems, Inc. and Laird Q. Cagan (Previously filed as an exhibit to Form 8-K on March 8, 2006)
 - 10.1 Third Amendment to Consulting Agreement between Liviakis Financial Communications, Inc. and Evolution Petroleum dated November 14, 2006 (Previously filed as an exhibit to Form 10-QSB on February 14, 2007)
 - 10.2 Executive Employment Agreement of Robert S. Herlin, dated April 4, 2005 (Previously filed as an exhibit to Form 8-K on April 8, 2005)
 - 10.3 Executive Employment Agreement of Sterling H. McDonald, dated April 4, 2005 (Previously filed as an exhibit to Form 8-K on April 8, 2005)
 - 10.4 Executive Employment Agreement of Daryl V. Mazzanti, dated June 23, 2005 (Previously filed as an exhibit to Form 8-K on June 29, 2005)
 - 10.5 Master Services Agreement, dated September 29, 2005, by and between the NGS Technologies, Inc. and MTEM, Ltd. (Previously filed as an exhibit on Form 8-K on October 7, 2005)

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- 10.6 Agreement with Chadbourn Securities, Inc., dated February 13, 2006 (Previously filed as an exhibit to Form 10QSB on February 14, 2006)
 - 10.7 Agreement with Cagan McAfee Capital Partners, LLC, dated February 13, 2006 (Previously filed as an exhibit to Form 10QSB on February 14, 2006)
 - 10.8 Unit Operating Agreement, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006 (Previously filed as an exhibit to Form 8-K on June 16, 2006)
 - 10.9 Form of Indemnification Agreement for Officers and Directors, as adopted on September 20, 2006 (Previously filed as an exhibit to Form 8-K on September 22, 2006)
 - 10.10 Asset Purchase and Sale Agreement by and between NGS SUB. CORP. (Seller) and MWM Energy, LLC (Buyer), dated February 15, 2008 (Previously filed as an exhibit to Form 10-Q on May 14, 2008)
 - 10.11 Evolution Petroleum Corporation Amended and Restated 2004 Stock Plan (Previously filed as Annex A to Form Schedule 14A on October 29, 2007)
 - 10.12 Gas Purchase and Gas Processing Contract by and between ETC TEXAS PIPELINE, LTD. (Buyer) and EVOLUTION OPERATION CO., INC. (Seller) dated

October 8, 2007 (Filed herewith)

- 10.13 Gas Purchase Contract by and between EVOLUTION OPERATING CO., INC., (seller) and DCP MIDSTREAM, LP (buyer) dated December 1, 2007 (Filed herewith) MIDSTREAM
- 14.1 Code of Business Conduct and Ethics for Natural Gas Systems, Inc. (Previously filed as an exhibit to Form 8-K on May 4, 2006)
- 21.1 List of Subsidiaries of Evolution Petroleum Corporation (Previously filed as an exhibit to Form 10-K on September 24, 2008)
- 23.1 Consent of Hein & Associates, LLP, independent auditors (Previously filed as an exhibit to Form 10-K on September 24, 2008)
- 23.2 Consent of W. D. Von Gonten & Co. (Previously filed as an exhibit to Form 10-K on September 24, 2008)
- 31.1 Certification of Chief Executive Officer Robert S. Herlin Pursuant to Rule 15D-14 of the Securities Exchange Act of 1934, as Amended as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
- 31.2 Certification of Chief Financial Officer Sterling H. McDonald Pursuant to Rule 15D-14 of the Securities Exchange Act of 1934, as Amended as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Filed herewith)
- 32.1 Certification of Chief Executive Officer Robert S. Herlin Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Previously filed as an exhibit to Form 10-K on September 24, 2008)
- 32.2 Certification of Chief Financial Officer Sterling H. McDonald Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Previously filed as an exhibit to Form 10-K on September 24, 2008)
- 99.1 Audit Committee Charter of the Board of Directors of Natural Gas Systems, Inc. (Previously filed as an exhibit to Form 8-K on May 4, 2006)

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- 99.2 Compensation Committee Charter of the Board of Directors of Natural Gas Systems, Inc. (Previously filed as an exhibit to Form 8-K on May 4, 2006)
- 99.3 Nominating Committee Charter of the Board of Directors of Natural Gas Systems, Inc. (Previously filed as an exhibit to Form 8-K on May 4, 2006)

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GAS PURCHASE AND GAS PROCESSING CONTRACT

ETC TEXAS PIPELINE, LTD.
"BUYER"

AND

EVOLUTION OPERATING CO., INC.
"SELLER"

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GAS PURCHASE AND GAS PROCESSING CONTRACT

THIS CONTRACT, made and entered into as of the 8th day of October, 2007, by and between ETC TEXAS PIPELINE, LTD., an intrastate pipeline company, herein referred to as "Buyer"; and EVOLUTION OPERATING CO., INC. ("EVOP") herein referred to as "Seller" (whether one or more).

WITNESSETH

WHEREAS, Seller is the current operator of certain oil and gas leases which are more particularly described on Exhibit "A" hereto from which Seller has or will have a supply of gas available for sale hereunder and desires to sell same to Buyer.

WHEREAS, Buyer has or plans to construct and operate a natural gas pipeline system in the area of Seller's oil and gas leases and desires to purchase the gas which Seller from time to time has available for sale.

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, the parties hereto mutually covenant and agree as follows:

ARTICLE I

DEFINITIONS

For the purpose of this Contract, unless the context of the instrument requires otherwise, the following definitions shall be applicable:

1.1 "Casinghead Gas" shall mean natural gas issuing from a well classified as an oil well by the Railroad Commission of Texas, whether produced from the same sand or strata



from which oil is produced or as the result of the induction of gas by any method for assisting the production of oil.

1.2 "Gas Well Gas" shall mean natural gas issuing from a well classified as a gas well or statutory gas well by the Railroad Commission of Texas.

1.3 "Gas" shall mean the gaseous effluent and all constituents thereof from Seller's conventional gas-oil field separators to which Seller's wells are connected and when used herein without further description, shall mean and include both Gas Well Gas type gas and Casinghead Gas type gas.

1.4 "Lease or Leases" shall mean the oil and gas leases, land(s) and/or well(s) described in Exhibit "A" hereto, together with listed, or unlisted, amendments to said Leases in effect on the effective date hereof and shall also include any renewals and/or extensions to such leases. Said term shall include by reference the land covered by such leases or allocated to such wells.

1.5 "Day" shall mean the 24-hour period commencing at seven o'clock a.m. local time ("7:00 a.m.") on one calendar day and ending at 7:00 a.m. local time on the following calendar day.

1.6 "Month" shall mean the period beginning at 7:00 a.m. local time on the first day of a calendar month and ending at 7:00 a.m. local time on the first day of the next succeeding calendar month.

1.7 "Mcf" shall mean one thousand (1,000) cubic feet.

1.8 "MMcf" shall mean one thousand (1,000) Mcf.

1.9 "BTU" shall mean British thermal unit.

1.10 "MMBTU" shall mean one million (1,000,000) BTU's.

1.11 "Psia" shall mean pounds per square inch, absolute.

1.12 "Psig" shall mean pounds per square inch, gauge.

1.13 "Seller's Delivery Capacity" shall mean the maximum stabilized quantity of Gas Well Gas which can be delivered to Buyer under and subject to all valid rules and regulations of regulatory authorities less those quantities actually excepted and reserved by Seller pursuant to Article IV hereof, at the Point of Delivery against Buyer's existing line pressure during a twenty-four (24) hour period following a seventy-two (72) hour period of stabilized flow; such determined delivery capacity shall be effective from the first day of the next succeeding month after such determination; provided, however, Seller's Delivery Capacity at no time shall exceed the stabilized quantity of Gas Well Gas actually available for delivery to Buyer. Seller's Delivery Capacity shall be reduced by the quantity of Gas Seller utilizes pursuant to the reservations contained in Article IV of this Contract.

1.14 "Seller's Gas Reserves" shall mean the total quantity of gas which Seller has the right to market from the Lease(s) described in Exhibit "A" hereto.

1.15 "Buyer" shall mean Buyer and/or its nominee.

1.16 "Unfavorable Market Conditions" shall mean that point in time when the price of Gas is \$3.00 or less per MMBTU based on the Houston Ship Channel Price Index or, if not published, a substitute price index as determined in accordance with Paragraph 11.3(1)(a). Notwithstanding the foregoing, in no event shall the Buyer be required to pay the above referenced price as a base price for Gas under this Contract.



ARTICLE II

PRELIMINARY STATEMENT

2.1 Seller represents and warrants that the Gas that is the subject of this Contract is free of prior dedication (other than to Buyer) and has not heretofore been committed or dedicated to interstate commerce and, as such, is not subject to the Federal Energy Regulatory Commission's jurisdiction under Section 1(b) of the Natural Gas Act. In the event it should be determined that such Gas is subject to prior dedication or was committed or dedicated to interstate commerce, Seller agrees to fully indemnify and hold Buyer harmless against any claims or losses arising from or out of any such prior commitment or dedication. Further, in the event Buyer is required to make restitution of volumes previously purchased hereunder due to such prior commitment or dedication, then Seller agrees to indemnify and hold Buyer harmless for the replacement cost of Gas Buyer is required to return.

2.2 Seller represents that, as operator of Leases, it has the right to market the Gas attributable to the Leases described in Exhibit "A" hereto, and that it will construct, or cause to be constructed, the facilities necessary to enable it to sell and deliver to Buyer at the Point(s) of Delivery, as hereinafter set forth, all Gas attributable to such interest and/or marketing right in accordance with the provisions of this Contract.

ARTICLE III

DEDICATION

3.1 Subject to the terms and conditions of this Contract, Seller hereby commits and dedicates to the performance of this Contract all of Seller's Gas Reserves and, to insure the performance of the provisions of this Contract, covenants to sell and deliver Seller's

Gas Reserves to Buyer at the Point(s) of Delivery without other disposition during the term of this Contract, except as herein otherwise provided.

ARTICLE IV

RESERVATIONS OF SELLER

4.1 Seller hereby expressly reserves the following rights with respect to the Gas subject hereto and the Leases described in Exhibit "A" hereto:

(1) The right to use Gas prior to delivery to Buyer for the following purposes:

(a) For fuel used above ground in the development and operation of Leases dedicated to this Contract; and

(b) For delivery to the parties "lessor" from whom the Leases were obtained, that Gas which such "lessors" are entitled to receive in kind under the terms of the Leases; and

(c) For fuel used in the operation of the facilities which Seller may install in order to deliver gas hereunder in accordance with the terms hereof.

(2) The right to pool or unitize the Leases (or any portion thereof) with other lands and leases. In the event of pooling or unitization, this Contract will cover Seller's interest in the pool or unit and the Gas attributable thereto to the extent, and only to the extent, that such interest is attributable to Seller's Gas Reserves.

(3) The right to retain all oil and condensate separated from Seller's Gas by Lease Separation Facilities prior to delivery to Buyer. The term "Lease Separation Facilities" shall mean conventional mechanical oil-gas field separators which may include adiabatic

expansion utilizing natural pressure available from a well without recompression but shall exclude facilities utilizing adsorption, absorption, expanders, mechanical refrigeration or low temperature separation processes with heat exchangers.

(4) Seller shall furnish Buyer, at reasonable intervals, a written report of the volumes of gas utilized pursuant to the foregoing provisions of this Article IV; provided, however, if a regulatory body requires submission of monthly reports of gas so utilized, Seller agrees to furnish Buyer a copy of each such report. Seller's Delivery Capacity shall be reduced by the quantity of Gas Seller utilizes pursuant to the foregoing reservations.

ARTICLE V

QUANTITY

5.1 During the term of this Contract, Buyer shall have the right to take and purchase one hundred percent (100%) of Seller's Delivery Capacity subject only to Seller's control to the extent necessary to prevent damage to the well or producing formation or due to poor market conditions.

5.2 Buyer agrees to take and Seller agrees to deliver Gas hereunder in accordance with all applicable laws, rules, and regulations, including but not limited to the rules of the Railroad Commission of Texas governing the determination of Gas market demand and procedures for the establishment and allocation of allowables and for ratable nominations and takes of Gas; provided, however, that if such laws, rules or regulations are at any time and from time to time modified, amended, revised, or interpreted after the date of this Contract, then Buyer or Seller may terminate this Contract upon thirty (30) days notice if Buyer or Seller determine that the laws, rules, or regulations as modified, amended, revised or interpreted, impose on Buyer

or Seller greater burdens, restrictions, or obligations than existed at the date of this Contract. The parties expressly recognize that Buyer's obligations to take pursuant to the rules or otherwise shall be subject to the ability of Buyer's facilities to handle all Gas connected thereto, lessening or fluctuating demand for Gas on Buyer's or its resale purchaser's pipeline system, the location on Buyer's or its resale purchaser's system of Gas supplies and demand, or force majeure as hereinbefore defined.

In the event such rules or regulations are no longer applicable to Buyer's takes of Gas under this Contract, Buyer agrees to purchase and take Seller's Gas on a ratable basis with other Gas Buyer purchases and takes from the same Railroad Commission of Texas recognized field.

5.3 Commencing on the date Buyer first takes delivery of Casinghead Gas, Buyer shall take and purchase and Seller agrees to deliver and sell to Buyer from Seller's Gas Reserves all of the Casinghead Gas produced from wells of Seller on or attributable to the Lease(s) and/or wells subject hereto and connected to Buyer's pipeline system.

5.4 It is recognized that in order for Buyer to efficiently operate its pipeline system, it is essential that Gas received into such pipeline system be made available to Buyer under as uniform operating conditions as possible. Commensurate with good production and operating practices, Unfavorable Market Conditions and in accordance with proper conservation measures, Seller agrees to deliver Gas to Buyer at such rates of flow as Buyer may from time to time request, in writing. Buyer agrees to give Seller reasonable notice in the event Buyer desires at any time to increase or decrease the quantity of Gas requested hereunder.

5.5 In the event any of Buyer's facilities are of insufficient capacity to handle all of the Gas connected thereto, Buyer shall be obligated only to take gas ratably from all Leases

and/or wells delivering into such facilities; provided however, in the event Buyer has not remedied the insufficient capacity problem within ninety (90) days after written notice from Seller, Buyer shall at Seller's option and upon Seller's request, release that part of Seller's gas affected by such insufficient capacity in Buyer's facilities.

5.6 Seller shall from time to time, at Buyer's request, make available to Buyer such factual, geological, engineering, and production data possessed by or available to Seller, not considered by Seller to be confidential, that may be needed for study by Buyer of Seller's existing or potential gas reserves and/or Seller's Delivery Capacity. Buyer shall have the right from time to time to require a determination of Seller's Delivery Capacity.

5.7 It is understood and agreed that nothing in this Contract shall be construed to require Buyer to pay for any quantities of gas not taken, or to require Seller to deliver or Buyer to purchase and receive from Seller any quantities of gas in excess of that which may be produced and taken under the applicable rules, regulations and orders of all regulatory bodies having jurisdiction and/or under Paragraph 5.2 of this Contract.

5.8 Seller agrees to have field personnel available to operate Seller's wells and lease facilities and to receive and timely comply with Buyer's requests (verbal or written) to increase or decrease the delivery of gas to Buyer.

ARTICLE VI

QUALITY

6.1 The Gas as delivered by Seller to Buyer shall be delivered commercially free of solids, dust, paraffin and paraffin forming constituents, gum and gum-forming

constituents, free water and other matter which may interfere with the delivery thereof or become separated therefrom during transportation.

6.2 The Gas as delivered by Seller to Buyer shall be as produced in its natural state and shall be of such quality that it shall meet the following specifications:

(1) Contain not more than one-fourth ($\frac{1}{4}$) grain of hydrogen sulfide per 100 cubic feet; and

(2) Contain not more than five (5) grains of total sulfur per one hundred (100) cubic feet; and

(3) Contain not more than two percent (2%) by volume of carbon dioxide; and contain not more than a total of three percent (3%) by volume of non-hydrocarbon gases; and

(4) Contain not more than one percent (1%) by volume of oxygen; and

(5) Contain a gross heating value equivalent to at least one thousand (1,000) BTU per cubic foot; and

(6) Have a temperature of not more than one hundred (100°) degrees Fahrenheit, nor less than forty (40°) degrees Fahrenheit, when delivered to Buyer.

6.3 Seller shall have the right to be represented and to participate in all tests of the Gas delivered hereunder, and to inspect any equipment used in determining the nature or quality of the Gas.

6.4 Should Gas tendered by Seller fail at any time to conform to all of the specifications set forth in this Article VI, Buyer may refuse to accept such non-specification Gas. In the event Seller delivers non-specification Gas to Buyer, Seller shall hold Buyer harmless with respect to any loss caused Buyer thereby. Seller shall have the right to treat non-specification gas to conform same with all of the above specifications. If Seller does not elect to treat such Gas,

Buyer may at its option, accept the delivery of such Gas and Seller shall pay Buyer a fee as specified in Exhibit "C" hereto in consideration of Buyer's acceptance of such non-specification Gas. The initial notification that gas from one or more wells is out of specification shall constitute continuing notice for all non-specification Gas tendered hereunder with no further notice required. The continued acceptance of any non-specification Gas by Buyer hereunder shall constitute recognition by Seller of Buyer's ongoing right at any time without further notification to (a) reject all of such Gas; or (b) accept all of such Gas; or (c) accept any quantity of such Gas and reject the rest and shall satisfy all of Buyer's obligations to purchase Gas hereunder. If neither party elects to treat such non-specification Gas and Buyer continues to refuse to accept same, Seller shall have the right upon thirty (30) days prior written notice to Buyer, to have released from this Contract, all (but only that) Gas that Buyer refuses to take.

6.5 Seller shall not introduce corrosion inhibitors, chemicals, antifreeze agents or other materials containing constituents harmful or injurious to Buyer's operations into gas delivered hereunder. Gas delivered hereunder shall not contain any substance that is a hazardous or toxic waste or contaminant under state or federal law. Should Seller deliver gas into any of Buyer's facilities whereon dehydration facilities are installed, then Seller agrees to furnish its prorata share of fuel for said dehydration at no cost to Buyer.

ARTICLE VII

POINT(S) OF DELIVERY, CONSTRUCTION OF FACILITIES,

OWNERSHIP AND CONTROL OF GAS

7.1 The Point(s) of Delivery shall be at a mutually agreeable point on Buyer's pipeline system. Upon delivery, title to the Gas and all components thereof shall pass to and vest in Buyer without regard to the purpose for which it may thereafter be sold or used by Buyer.


7.2 Seller, at its own expense, shall construct, equip, maintain and operate all lines and necessary facilities to deliver Gas committed hereunder to Buyer at the Point(s) of Delivery, including but not limited to, installation and maintenance of lease separation facilities (as defined herein), line heaters, chokes and safety valves.

7.3 Buyer shall construct, maintain, own and operate all necessary facilities to accept Seller's Gas from Seller at the Point(s) of Delivery.

7.4 Each party shall promptly perform any necessary acts and construct and install the necessary facilities that may be required to commence the delivery of Gas in accordance with the provisions of this Contract. Buyer's obligation to accept Gas from each well qualifying under Paragraph 7.5 below shall commence thirty (30) days following the latter of (i) written notice from Seller of the completion thereof, or (ii) receipt by Buyer of the test data, logs and other information necessary to evaluate the deliverability and reserves; provided, however, that Seller shall have the right to accelerate the Buyer's obligation to accept Gas from each well, that qualifies under Paragraph 7.5, as of the date of first material sustained production if the Seller provides Buyer with written notice of Seller's agreement to indemnify Buyer for the actual third party costs expended by the Buyer for the construction of the necessary facilities to accept Seller's Gas at the Point(s) of Delivery ("**Construction Indemnification Notice**"). The

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Buyer shall, within thirty (30) days of the completion of the construction of any necessary facilities pursuant to this provision, provide the Seller with a written statement of the total actual third party costs expended ("**Construction Indemnification Amount**"). The Construction Indemnification Amount for each applicable well shall be reduced based upon the gross amount of Gas delivered to the Point of Delivery from the applicable well. The parties agree, solely for the purposes of calculating the reduction of the value of the Construction Indemnification Amount, that the rate of \$0.45 per mmbtu will be utilized. The reduction to the Construction Indemnification Amount will be calculated on a monthly basis over a three (3) year period beginning the month of the date of first material sustained production from the each applicable well. Buyer shall provide Seller with a statement of the balance of the Construction Indemnity Amount for each applicable well on a quarterly basis. Once an applicable well has produced a gross quantity of Gas to reduce the Construction Indemnification Amount to zero, Seller shall no longer have any liability to Buyer for the third party costs expended by the Buyer for the construction of the necessary facilities to accept Seller's Gas at the Point(s) of Delivery. In the event that an applicable well has failed to produce a gross quantity of Gas within the three (3) year period sufficient to reduce the Construction Indemnification Amount to zero, or the applicable well has been plugged and abandoned, whichever is the first to occur, the Seller shall pay to Buyer an amount equal to the difference between the Construction Indemnification Amount and the calculated reduction amount. By way of example and for the purpose of clarification, if Buyer expends \$45,000 in actual third party costs to connect Seller's well after receipt of a Construction Indemnity Notice, then Seller shall indemnify Buyer in the amount of \$45,000 and such indemnity shall be reduced monthly by gross production delivered to the Point of Delivery until 100,000 MMBTU of gross gas production has been delivered to Buyer (100,000



x \$0.45 = \$45,000). If, however, at the end of the three (3) year period the gross gas production that has been delivered to Buyer is only 70,000 MMBTU, then the Seller shall pay to Buyer the sum of \$13,500.00 (\$45,000.00 less (70,000 x \$0.45 = \$31,500.00) = \$13,500.00).

7.5 With respect to all wells completed by Seller upon Leases committed and dedicated hereunder, Seller shall promptly give written notice of each such completion to Buyer together with logs, Railroad Commission of Texas potential test and other test data sufficient to determine the deliverability of each such well and the quantity of recoverable gas reserves attributable thereto. Provisions of Paragraphs 7.2, 7.3, and 7.4 above shall apply to each particular well provided such well has sufficient deliverability and gas reserves to enable Buyer, in its sole opinion, to economically justify the installation of the pipeline required to connect such well to its nearest existing pipeline that has the capability to handle the quality and volume of Gas production therefrom. In the event a well does not meet Buyer's economic standards for connection Buyer shall notify Seller of such fact and Seller shall then have the option of either connecting same to Buyer's pipeline system at a mutually agreeable point at Seller's sole cost and expense or requesting Buyer to release same herefrom. In the latter instance, Buyer shall forthwith furnish to Seller a release for said well. Furthermore, nothing in this Contract shall require Buyer, in its sole opinion, to make or maintain any connection to any well and/or Point of Delivery if it is or becomes uneconomical for Buyer to do so.

7.6 Seller shall be in control and possession of the Gas sold and purchased hereunder and responsible for any damage or injury caused thereby until same shall have been delivered to Buyer at the Point(s) of Delivery.

7.7 Buyer shall be in control and possession of the Gas sold and purchased hereunder and responsible for any damage or injury caused thereby after same shall have been delivered to Buyer at the Point(s) of Delivery.

ARTICLE VIII

PRESSURE

8.1 Seller agrees to deliver Gas to Buyer at the Point(s) of Delivery at a pressure sufficient to overcome the operating pressure in Buyer's pipeline system. Such operating pressure may vary from time to time, but will not exceed twelve hundred (1200) pounds per square inch gauge (psig).

8.2 Should Seller at any Point of Delivery deliver gas into one of Buyer's pipelines whereon compression facilities are installed, or in the event the natural well pressure available from one or more of Seller's wells is insufficient to produce and deliver Gas in economic quantities into Buyer's high pressure pipeline system without compression and Buyer reduces the pressure of its pipeline system at the affected Point of Delivery, then Buyer shall have the right to deduct each month from the proceeds otherwise due and payable to Seller hereunder, a compression fee equal to seven cents (7¢) per stage per Mcf of Seller's Gas so compressed. Seller agrees to furnish its prorata share of fuel for said compression at no cost to Buyer.



ARTICLE IX

MEASUREMENT

9.1 Measurement shall be accomplished in accordance with the following principles:

(1) The unit of volume for measurement of Gas delivered hereunder shall be one (1) cubic foot of Gas at a base temperature of sixty (60°) degrees Fahrenheit and at an absolute pressure of fourteen and sixty-five hundredths (14.65) psi, and otherwise as provided by the Natural Resources Code of the State of Texas (Section 91.051 through 91.062 of Vernon's Texas Civil Statutes). Except as provided by that law, all fundamental constants, observations, records and procedures involved in determining and/or verifying the quantity and other characteristics of Gas delivered hereunder shall, unless otherwise specified herein, be in accordance with the standards prescribed in Report No. 3 of the Gas Measurement Committee of the American Gas Association (AGA), as now and from time to time revised, amended or supplemented. All measurements of Gas shall be determined by calculation into terms of such unit. All quantities given herein, unless expressly stated, are in terms of such unit.

(2) Deviation from Boyle's law shall be determined by use of the table or formulae published by the AGA Par Research Project NX-19 corrected for Nitrogen (N₂) and Carbon Dioxide (CO₂). Determination of the molecular percentage of N₂ and CO₂ in the Gas shall be made within thirty (30) days after commencement of deliveries and at least quarterly. The molecular percentage of N₂ and CO₂ thus determined will be used to determine the supercompressibility factors during the ensuing period, with corrections for specific gravity, temperature and pressure.



(3) The unit of measurement for payment purposes shall be one million BTU's (MMBTU) determined by multiplying the measured volume in Mcf by the gross heating value (determined as established herein) in BTU's per Mcf and then dividing by one million (1,000,000).

9.2 During the term of this Contract, Buyer shall install, maintain, own and operate a measuring station located on its pipeline system adjacent to each Point(s) of Delivery; provided, however, Seller shall secure the easement, or otherwise obtain the right or permission, necessary for Buyer to so install, maintain and operate such station at said point(s). Said measuring station shall be used for settlement hereunder and shall be so equipped with orifice meters, recording gauges, or other types of meter or meters of standard make and design commonly acceptable in the industry, as to accomplish the accurate measurement of gas delivered hereunder. The changing of the charts and calibrating and adjusting of meters shall be done by Buyer. Buyer shall bear all of the maintenance and operations costs of said measuring station(s). All equipment installed by Seller at any such measuring station shall be and remain the property of the Seller. Buyer's right to use any such easement, right of way or other surface use shall terminate upon the termination of this contract.

9.3 Seller may, at its option and expense, install check meters at any Point(s) of Delivery for checking metering equipment; provided same shall be so installed as not to interfere with the operation of Buyer's facilities. Seller agrees to monitor its deliveries of Gas so that any differential pressure pulsations at the Point(s) of Delivery shall not exceed ten percent (10%).

9.4 The temperature of the Gas flowing through the meter or meters shall be determined at Buyer's option by the continuous use of a recording thermometer installed by

Buyer so that it will properly record the temperature of the Gas flowing through the meter or meters. The arithmetical average of the hourly temperature recorded each day during the time that Gas was actually flowing through the meter shall be used in computing measurements for that day. In the event Buyer does not install a recording thermometer, the temperature of the Gas shall be determined by use of an indicating thermometer at the time of chart changes and recorded on the chart; the temperature so recorded will be used for that specific chart period.

9.5 The specific gravity of the Gas flowing through the meter or meters shall be determined at quarterly intervals, or more often, at Buyer's election, by use of an AGA accepted gravitometer or by computation from fractional analysis of samples of the gas taken at the point of measurement. Specific gravities so determined will be used in calculating Gas deliveries for the month in which the test is made, and for all following months until the next specific gravity test is made.

9.6 The gross heating value of the Gas shall be determined by Buyer at least quarterly by taking of samples at Buyer's meter; said samples may be run on a calorimeter at another location, or the gross heating value may be computed from fractional analysis of such samples. The result shall be applied to Gas deliveries during the month when the sample is taken and for all following months until a new sample is taken. Should Seller not be satisfied with the results of such analysis, it shall notify Buyer in writing. Promptly thereafter, representatives of the parties shall, using mutually satisfactory procedures, obtain simultaneously under normal conditions, two (2) individual samples of the Gas at the delivery point in question and by appropriate laboratory analysis determine the total gross heating value thereof in accordance with the terms of this Contract, reporting the results to the other in writing. The average of the total

gross heating value shown by such two (2) analyses shall be used for all purposes of this Contract for the period covered by the analysis made by Buyer which gave rise to the joint determination.

9.7 The "gross heating value" is defined as the number of BTU's produced by combustion, at a constant pressure, of the amount of Gas which would occupy a volume of one (1) cubic foot at a temperature of sixty (60°) degrees Fahrenheit, if saturated with water vapor and under a pressure of fourteen and sixty-five hundredths (14.65) pounds per square inch absolute, with air of the same temperature and pressure as the Gas, when the products of combustion are cooled to the initial temperature of gas and air, and when the water formed by combustion is condensed to the liquid state.

9.8 Buyer shall determine or cause to be determined at each Point(s) of Delivery, the hydrocarbon content of the Gas at or about such time as the gross heating value is determined. Fractional analysis of samples shall be performed by Buyer utilizing gas chromatography equipment or such other method as may be commonly used in the industry. From such fractional analysis, Buyer shall determine the composition in molecular percent of each of the following chemical compounds: (1) carbon dioxide, (2) nitrogen, (3) methane, (4) ethane, (5) propane, (6) iso-butane, (7) normal butane, (8) iso-pentane, (9) normal pentane and (10) hexanes and heavier hydrocarbons.

9.9 Either party shall have the right to be present at the time of any installing, reading, cleaning, changing, repairing, inspecting, testing, calibrating, or adjusting done in connection with the other's measuring equipment used in measuring deliveries hereunder. The records from such measuring equipment shall remain the property of their owner, but upon request, each will submit to the other its records and charts, together with calculations therefrom



subject to return within thirty (30) days after receipt thereof, after which the charts shall be kept on file for a period of one (1) year.

At least once each three (3) months, Buyer shall calibrate the meters and instruments or cause the same to be calibrated. Buyer shall give Seller sufficient notice in advance of such tests so that Seller may, at its election, be present in person or by its representative to observe adjustments, if any, which are made. For the purpose of measurement and meter calibration, the atmospheric pressure shall be assumed to be fourteen and sixty-five hundredths (14.65) pounds per square inch, irrespective of variations in natural atmospheric pressure from time to time.

Each party shall have the right to challenge the accuracy of the other's measuring equipment and when challenged, the measuring equipment shall be tested (special test), and if necessary, repaired by the owner, the cost of such special test to be borne by Seller.

9.10 If upon any test the metering equipment in the aggregate is found to be inaccurate by one percent (1%) or more, registration thereof and any payment based upon such registration shall be corrected at the rate of such inaccuracy for any period of inaccuracy which is definitely known or agreed upon, or if not known or agreed upon, then for a period extending back to the last day of the calibration. Following any test, any metering equipment found to be inaccurate to any degree shall be adjusted immediately to measure accurately. If for any reason any meter is out of service or out of repair so that the quantity of gas delivered through such meter cannot be ascertained or computed from the reading thereof, the quantity of gas so delivered during such period same is out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best available data, using the first of the following methods which is feasible:



(1) By using the registration of any check measuring equipment of Seller, if installed and registering accurately and the testing of such accuracy was witnessed by Buyer within sixty (60) days prior to the period in question;

(2) By correcting the error if the percentage of error is ascertainable by calibration, test or mathematical calculation;

(3) By estimating the quantity of deliveries by deliveries during preceding periods under similar conditions when the meter was registering accurately.

9.11 The measurement hereunder shall be corrected for deviation from Boyle's Law at the pressure and temperatures under which gas is delivered hereunder.

ARTICLE X

PROCESSING OF SELLER'S GAS

10.1 Seller does hereby grant, assign and convey to Buyer all of its rights, to process or cause to be processed for the removal and recovery of all components other than methane, all of the Gas produced and saved from the Leases dedicated hereto except that portion of said Gas that may be unavoidably lost or used in the normal operation of Seller's facilities, lost or used for compression and treating fuel or in other of Buyer's pipeline system operations.

10.2 For all purposes, unless the context of this instrument requires otherwise, the following definitions shall be applicable:

(1) "Plant" shall mean the gas processing facilities from time to time utilized by Buyer or Buyer's nominee for the purpose of processing Gas delivered from the pipeline system receiving gas dedicated hereunder, whether such facilities consist of one or more Gas

processing facilities, or portions thereof, and recovering a raw unfractionated liquid hydrocarbon mix.

(2) "Plant Product" or "Plant Products" shall mean the unfractionated liquid hydrocarbon mix consisting of (i) ethane, (ii) propane, (iii) iso-butane, (iv) normal butane, and (v) pentanes plus, adsorbed, absorbed or condensed in the plant from Gas delivered to the plant. Plant products shall also be deemed to include marketable hydrocarbon liquids accumulated in Buyer's pipeline facilities and not processed in the plant (such marketable hydrocarbon liquids being hereinafter referenced to as "Field Liquids").

(3) "Component Plant Products" shall be (i) ethane, (ii) propane, (iii) iso-butane, (iv) normal butane, and (v) pentanes plus (including iso-pentane, normal pentane and hydrocarbon components of higher molecular weight) for the purposes of settlement and allocation hereunder.

(4) "Residue Gas" shall mean that portion, as determined at the plant outlet, of gas remaining after extraction therefrom of plant products, fuel requirements, losses and other usage within the plant and Buyer's pipeline, plus any Gas by-passed around the plant.

(5) "Processed Volume" shall mean the volume of gas (in Mcf) received by Buyer at a particular Point of Delivery less said point's attributable share of compression, treating and dehydration fuel (in Mcf) allocated on the basis of beneficial usage to the handling of said Gas after said Point of Delivery by Buyer or its nominee but prior to receipt thereof at the plant.

(6) "Theoretical Test Gallons" of a particular component plant product shall mean the result obtained by multiplying the particular component plant product content of a particular Gas stream (expressed in gallons per Mcf) by the processed volume (in Mcf) of that particular stream delivered for processing (the result being expressed in gallons).

ARTICLE XI

PRICE AND BILLING

11.1 As full consideration for the Gas and all components thereof delivered to Buyer hereunder, Buyer shall pay Seller for the processing rights assigned herein to Buyer an amount as computed in Paragraph 11.2 of this Article and Buyer shall pay Seller for the Residue Gas attributable to such Gas an amount as computed in Paragraph 11.3 of this Article. In making such computations, the volume of Gas delivered to Buyer at each Point of Delivery shall first be reduced by the volume of Gas, if any, redelivered to Seller for Lease use without adjustments; i.e., Gas redelivered to Seller shall be deemed to have the same composition as Gas delivered to Buyer at the Point of Delivery to which same is attributed.

11.2 The amount to be paid for all processing rights shall be ninety-five percent (95%) of the sum determined by aggregating the results obtained by multiplying the volume of each component Plant Product, including Field Liquids, at each Point of Delivery hereunder attributable to Seller by the weighted average monthly sales price for each such component Plant Product and/or Field Liquids.

(1) Each month the quantity (in gallons) of a particular component Plant Product recovered and saved in the Plant and attributable to a particular Point of Delivery shall be determined by multiplying the actual net component Plant Product produced by a fraction, the numerator of which is the Theoretical Test Gallons of the particular component Plant Product contained in the Processed Volume attributable to the particular Point of Delivery and the denominator of which is the total quantity of Theoretical Test Gallons of the particular component Plant Product contained in the Processed Volume attributable to all delivery points on

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Buyer's pipeline system. Actual net plant production of a particular component Plant Product shall be the total net deliveries of that component Plant Product at the plant to purchasers during the month, plus or minus any change in inventory.

(2) The "weighted average monthly sales price" of a particular component Plant Product shall be determined by dividing the total value invoiced and received for deliveries of the particular component Plant Product and Field Liquids during the month by the total net deliveries of the particular component Plant Product and Field Liquids during the month. The total value invoiced and received shall be adjusted to the FOB Plant basis and may include without limitation, a marketing fee of one and a half percent (1½%), adjustments for contamination claims allowed, reductions for Plant Products not allocated to Buyer or for which value is not received by Buyer, transportation costs and other costs and expenses incurred in connection with the marketing and/or handling of Plant Products and Field Liquids.

11.3 The amount to be paid for Residue Gas shall be one hundred percent (100%) of the sum obtained by aggregating the results obtained by multiplying the quantity of Residue Gas (in MMBTU) at each Point of Delivery hereunder attributable to Seller by the appropriate price per MMBTU of Residue Gas.

(1) The base price for Residue Gas delivered to Buyer hereunder during each month shall be determined as follows:

(a) Buyer shall pay Seller for all Residue Gas a price per MMBTU (as defined in Article IX herein) equal to ninety-five percent (95%) of the price quoted in PLATTS (or any successor(s) thereto) "GAS DAILY PRICE GUIDE" under the heading "MARKET CENTER SPOT GAS PRICES (per MMBtu)", the category "East-Texas", for the "Houston Ship



Channel" Index for the applicable month of delivery ("Houston Ship Channel Price"), less 12¢ per MMBtu. [Example: (95% x "Houston Ship Channel Price), less 12¢ per MMBtu]. In the event the aforementioned "Houston Ship Channel Price" is not reported in a given month(s), Buyer and Seller shall agree, within thirty (30) days thereafter, on a substitute price index from which to determine the price payable for Gas dedicated hereunder for such month(s) only. The substitute price index as adjusted will reflect the spot market price of Gas in the producing area subject to this Contract.

(b) As to, and only as to well(s) dedicated hereunder and/or re-entries of well(s) dedicated hereunder which make initial delivery to Buyer on any day during a month before the third (3rd) business day of the immediate forthcoming month, the price for such well(s) during the month of initial delivery hereunder shall be ninety-five percent (95%) of the "Daily Midpoint" gas prices listed in PLATTS (or any successor(s) thereto) "GAS DAILY" for the Houston Ship Channel ("HSC Daily Midpoint Average") for all the applicable days of delivery during such month of initial delivery, less 12¢ per MMBtu. In arriving at the price for applicable normal work days of delivery, the corresponding date of the "GAS DAILY" issue shall be utilized. In arriving at weekend day or holiday prices, the issue of "GAS DAILY" published immediately following the applicable weekend or holiday shall be used in arriving at the price for such days. Each day's calculated price hereunder shall apply to the corresponding actual

production of the well(s). For well(s) subject to the provisions of this Paragraph 11.3(1)(b), the price for all months after the month of initial delivery shall be as provided for in Paragraph 11.3(1)(a) above.

(c) As to, and only as to well(s) dedicated hereunder and/or re-entries of well(s) dedicated hereunder which make initial delivery to Buyer on the third (3rd) business day or any day thereafter before the first (1st) day of the immediate forthcoming month, the price for such well(s) during the month of initial delivery and the month thereafter shall be ninety-five percent (95%) of the "HSC Daily Midpoint Average" for all the applicable days of delivery during such months, less 12¢ per MMBtu. In arriving at the price for applicable normal work days of delivery, the corresponding date of the "GAS DAILY" issue shall be utilized. In arriving at weekend day or holiday prices, the issue of "GAS DAILY" published immediately following the applicable weekend or holiday shall be used in arriving at the price for such days. Each day's calculated price hereunder shall apply to the corresponding actual production of the well(s). For well(s) subject to the provisions of this Paragraph 10.1(1)(c), the price for all months after the month of initial delivery and the month thereafter shall be as provided for in Paragraph 10.1(1)(a) above.

(2) In the event it is determined by the appropriate agency that the maximum lawful price which Seller may collect for all or any portion of the Gas sold hereunder is less than the price paid hereunder, then Seller shall notify Buyer immediately of such maximum lawful price and refund to Buyer the excess collected plus interest thereon, as provided for under

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applicable regulations. Seller shall make any and all filings with the appropriate state and federal agencies which are required or necessary under applicable regulations.

(3) Residue Gas attributable to a particular Point of Delivery shall be determined by multiplying the total heating value of the Residue Gas (in MMBTU) available at the outlet of the Plant plus the total gross heating value of Gas (in MMBTU) available for processing but by-passed around the Plant unprocessed by a fraction, the numerator of which shall be the total gross heating value of the Processed Volume (in MMBTU) less theoretical plant fuel (in MMBTU) and theoretical plant product shrinkage (in MMBTU) attributable to the particular Point of Delivery and the denominator of which shall be the aggregate of such determination for all delivery points on Buyer's pipeline system. To determine the total gross heating value, the processed volume (in MCF) attributable to a particular Point of Delivery shall be multiplied by the gross heating value (in BTU per cubic foot) for that particular Point of Delivery as determined pursuant to Article IX, Paragraph 9.7, hereof and the result divided by one thousand (1,000) yielding the total gross heating value in millions of BTU (MMBTU).

(4) Theoretical plant fuel attributable to a particular Point of Delivery shall be determined by multiplying the total gross heating value of plant fuel (in MMBTU) by a fraction, the numerator of which shall be the Processed Volume (in MCF) attributable to that particular Point of Delivery and the denominator of which shall be the Processed Volume (in MCF) attributable to all delivery points on Buyer's pipeline system.

(5) Theoretical plant product shrinkage attributable to a particular Point of Delivery shall be determined by conversion of the actual volume of each Component Plant Product attributed to the particular Point of Delivery to its respective heat content equivalent (in MMBTU) by multiplying the gallons thereof by the following factor applicable: ethane

(.0663690), propane (.0915990), N-butane (.1037240), iso-butane (.0996520), pentanes & heavier (.1152600).

11.4 After deliveries of Gas have commenced, Buyer shall on or about the 25th of each month deliver to the Seller, via electronic mail (Seller to provide Buyer with the correct electronic mail address), a written statement of account for all Residue Gas and Gas processed during the preceding month. After the deliveries of Gas have commenced, Buyer shall on or about the last day of each month render to Seller a written statement with full payment for the quantity of Residue Gas delivered during the preceding calendar month. Buyer shall on or about the last day of each month render to Seller a statement of account for Seller's Gas processed during the preceding calendar month. Buyer shall make payment to Seller as to each statement of account for Gas processed within ten (10) days after such statement is rendered. Buyer may deduct from its payments to Seller hereunder any sums due by Seller to Buyer unless Seller has a good faith dispute regarding any such sums. Late payments by Buyer will carry simple interest at the lower of eight percent (8%) per annum or the maximum lawful interest rate, and shall be applicable to all late payment or underpayment amounts to be paid by Buyer to Seller.

11.5 Each party shall cause to be preserved for the period required by law all records pertaining to the purchase and sale of Gas hereunder. Seller shall have the right at reasonable times during normal office hours and at its expense to examine the books and records which pertain to the basis of payment hereunder at the office where same is kept. In the event an error is discovered in the amount shown to be due on any statement rendered, such error shall be adjusted without penalty or interest as soon as reasonably possible after discovery thereof, however all statements, payments and invoices shall be deemed correct unless questioned within two (2) years of the date such statement or invoice is prepared and/or such payment is rendered.



ARTICLE XII

TAXES, ASSESSMENTS AND FEES

12.1 Seller shall bear and pay all excise, severance, sales, transaction, occupation, and other taxes and the oil field cleanup fee levied on or in respect to the Gas and the handling thereof prior to the delivery to Buyer, excepting that associated with the five percent (5%) of the Plant Products and Residue Gas accruing to Buyer.

12.2 In the event a tax is hereafter imposed upon the act, right or privilege of processing Gas for the recovery of Plant Products, or any tax similar in effect is imposed with respect to Buyer's operations hereunder, the tax shall be borne by both Seller and Buyer in the same ratio that the parties share the value of Plant Products extracted in the Plant.

12.3 Buyer shall be entitled to deduct from the amount due Seller all taxes, the oil field clean up fee and the gross receipts tax levied upon or in respect to the Gas delivered hereunder which may be borne by Seller, but which are required by law or regulation to be paid by Buyer.

ARTICLE XIII

REGULATORY BODIES

13.1 This Contract is subject to all present and future valid laws and lawful orders of all regulatory bodies now or hereafter having jurisdiction of the parties. If either party be ordered or required to do any act inconsistent with the provisions of this Contract, then this Contract shall continue nevertheless and shall be deemed modified to conform with the requirements of such law or regulation.

ARTICLE XIV

FORCE MAJEURE

14.1 In the event that either party hereto is rendered unable, wholly or in part, by force majeure or other causes herein specified, to carry out its obligation under this Contract, it is agreed that on such party's giving notice, so far as they are affected by such force majeure or other causes herein specified, its obligation shall be suspended during the continuance of any inability so caused, but for no longer period and such cause shall so far as possible be remedied with all reasonable dispatch.

14.2 The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, and restraints of the Government, either federal or state, civil or military, civil disturbances, explosions, sabotage, malicious mischief, breakage or accident to machinery or lines of pipe, necessity of making repairs and maintenance to Buyer's facilities, freezing of wells or lines of pipe, refusal or inability of Buyer's resale purchaser(s), gatherer(s) and/or transporter(s) to take deliveries, partial or entire failure of gas supply or market, Unfavorable Market Prices for Gas and/or Residue Gas, administrative and/or operational issues, occurrences and/or problems, inability of any party hereto to obtain right-of-way, necessary materials, supplies or permits, any of the foregoing or any action due to existing or future rules, regulations, orders, laws or proclamations of governmental authorities (both federal and state), including both civil and military, and any other cause whether of the kind herein enumerated or otherwise, not reasonably within the control of the party claiming suspension.



14.3 It is understood and agreed that the settlement of strikes or other labor difficulties shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of labor difficulties by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

ARTICLE XV

WARRANTY OF TITLE TO GAS

15.1 Seller hereby warrants that it has the good and lawful right to market all the Gas (including Residue Gas and/or Plant Products) delivered hereunder and that Seller warrants it has the right and authority to act on behalf of the party owning such Gas (including Residue Gas and/or Plant Products) with respect to all matters covered by this Contract, free and clear of any and all liens, encumbrances, and claims whatsoever. Seller shall at all times have the obligation to make settlements for all royalties due, and to make settlements with all other persons having any interest in the commodities sold hereunder which are applicable prior to title passing to Buyer. Seller agrees to indemnify Buyer and save it harmless from all suits, actions, debts, accounts, damages, costs and losses and expenses arising from or out of adverse claims of any and all persons, firms or corporations to said Gas (including Residue Gas and/or Plant Products) or payments therefor or to royalties, overriding royalties, taxes, license fees, or charges thereon, which are applicable before the title passes to Buyer. Buyer may, at any time thereafter when it reasonably appears to Buyer that the ownership or title to all or any portion of the Gas (including Residue Gas and/or Plant Products) delivered hereunder may be vested in or claimed by some party other than Seller, or upon learning of any other adverse claims retain that portion



of the purchase price subject to question thereof until Buyer has been satisfied reasonably as to the amount of such claim or ownership claimed, until such claim has been finally determined and satisfied or until Seller shall have furnished security to Buyer for the repayment of any such claim satisfactory to Buyer conditioned to hold Buyer harmless. Without impairment of Seller's warranty of title, it is agreed that if Seller owns or controls less than full title to the Gas, Residue Gas or Plant Products delivered hereunder, the payments provided for herein may be made only in the proportion the interest that Seller owns or controls bears to the full title.

15.2 Seller shall execute Buyer's form of a 100% Indemnifying Gas Division Order prior to Buyer releasing any payments to Seller hereunder.

ARTICLE XVI

EASEMENTS

16.1 To the extent that it may contractually or lawfully do so Seller hereby assigns and transfers to Buyer an easement across Leases described in Exhibit "A" hereto, for the purpose of installing, using, inspecting, repairing, operating, replacing, and/or removing Buyer's pipe, meters, lines and other equipment used in the performance of this Contract. Any property of Buyer placed in or upon any of such land shall remain the personal property of Buyer, subject to removal by it upon the expiration or termination of this Contract for any reason; after which Buyer shall have a reasonable time after the expiration of this Contract to remove same, but no longer than the period allowed by the Leases. Buyer shall indemnify and hold Seller harmless from all claims and damages for all injuries to persons, including death, and to property arising out of or incident to Buyer's use of the easement hereunder transferred.



ARTICLE XVII

TERM

17.1 For each well(s), Lease(s) and/or land(s) committed and dedicated to Buyer hereunder, this Contract shall be effective from the date first above written and shall continue and remain in full force and effect for a term of ten (10) years from the date of initial deliveries hereunder of each such well(s), Lease(s) and/or land(s) and shall continue in force and effect thereafter for successive periods of one (1) year for each such well(s), Lease(s) and/or land(s) until terminated either by Seller or Buyer upon sixty (60) days' prior written notice to the other party hereto specifying a termination date at the end of such ten (10) year term, or any yearly period thereafter.

ARTICLE XVIII

SELLER'S LEASES

18.1 Seller represents and warrants that it has the right to market the Gas from the Leases described in Exhibit "A" hereto.

18.2 Seller shall have the right to operate said Leases, free from any control by Buyer, and in such manner as Seller or the operator thereof, may deem advisable; including without limitation, the right to drill or not drill new wells and to repair and rework old wells, and to abandon any well or surrender any Lease when no longer deemed by Seller to be capable of producing Gas under normal methods of operation or in commercially paying quantities; provided, however, that notice of the surrender of any Lease shall be given to Buyer as soon as practical.

ARTICLE XIX

MISCELLANEOUS

19.1 No waiver by either Seller or Buyer of any default of the other under this Contract shall operate as a waiver of any future default, whether of like or different character or nature, nor shall any failure to exercise any right hereunder be considered as a waiver of such right in the future.

19.2 This Contract shall be binding upon and inure to the benefit of the successors, assigns, legal representatives, administrators, and/or Seller's Operator(s). Any party hereto may assign its right, title, and interest in, to and under this Contract, including, without limitation, any and all renewals, extensions, amendments, and/or supplements hereto; provided, however, that no such assignment shall in any way operate to enlarge, alter, or change any obligation of the other party or parties thereto. No assignment shall be effective or binding until a copy of same has been furnished to the other party. Nothing in this Contract, express or implied, confers any right or remedies on any person or entity not a party hereto other than successors and assigns, or heirs, administrators or executors of the parties hereto.

19.3 The quantities of Gas specified in Article V of this Contract are based on the assumption that all Gas in, under, and that may be produced from the Leases described in Exhibit "A" hereto will be committed, delivered and sold to Buyer in accordance with the terms and provisions of this Contract. In the event all Gas in, under and that may be produced from said Leases is not committed to Buyer under this Contract; then in such event the volumes of Gas specified in Article V hereof shall be reduced to a new volume obtained as follows: The applicable quantity specified in Article V hereof shall be multiplied by a fraction, the numerator



of which shall be the Gas reserves dedicated to this Contract and the denominator of which shall be the total Gas reserves underlying the Leases described in Exhibit "A" hereto.

19.4 All notices and communications between the parties shall be in writing and shall be directed and mailed to the respective parties hereto at the following addresses:

Seller: Evolution Operating Co., Inc.
2500 CityWest Blvd., #1300
Houston, Texas 77042

Buyer: ETC Texas Pipeline, LTD.
800 E. Sonterra Blvd.
Suite 400
San Antonio, Texas 78258-3941

Either party may from time to time change the address to which notices to it shall be directed by furnishing the other party with written notice of the change. All notices provided and authorized to be given hereunder shall be considered as given only if and when received by the party to whom addressed; provided, however, any notice sent by registered or certified mail with return receipt requested and all postage and fees therefor paid shall be deemed to have been given on the date deposited in the United States mail addressed to the party being notified, if the party being notified has received the registered or certified mail within three (3) days of the date of deposit in the United States mail. Telecopier transmission shall be deemed to be written delivery if received in legible form by the recipient. If there is now or hereafter more than one person or entity within the designation of "Seller", as above named, the Seller shall designate a single "Seller's Representative" to execute amendments and/or supplements hereto, to receive and give notice and requests, to witness tests, to deliver the quantity of Gas deliverable, to render and receive statements for Gas delivered, to receive payments, to inform Buyer as required with respect to the status of production from each well, and said Seller's Representative shall be



responsible for making allocation with respect to quantities of Gas delivered hereunder or delivery capacities of any wells covered hereunder between or among the individual parties Seller hereto. Respecting performance of the above mentioned items and matters, Buyer need look only to Seller's Representative and not to any individual party "Seller", and Buyer shall not be liable to any party Seller regarding any failure of Seller's Representative in such performance. The initial Seller's Representative is designated in Exhibit "B" hereto. No change as to Seller's Representative shall be binding on Buyer until Buyer has been furnished with a notice in writing, properly executed by each Seller in interest under this Contract, giving the name and address of such designated representative.

19.5 Any provision of this Contract which reasonably contemplates the disconnection of any well or lease, shall constitute specific pregranted written approval to disconnect from any well or lease and shall satisfy the provisions of any rule or regulation of any regulatory agency (or successor thereto) having jurisdiction which requires written consent prior to severance.

19.6 Subject to all other terms and conditions of this Contract, in the event Seller's deliveries of Gas to Buyer at the Point(s) of Delivery from any well subject to this Contract are less than 1,000 Mcf of gas per month for any one consecutive calendar month period, then for each month thereafter in which Seller's deliveries from such well are less than 1,000 Mcf, Seller shall pay to Buyer a per well fee of one hundred and seventy-five dollars (\$175) per month as additional consideration for Buyer to maintain its existing pipeline system and to continue to take delivery of Gas from such well.

19.7 This Contract terminates and supersedes any prior Contract(s) between the parties hereto to the extent that such Contract(s) cover Seller's interest in the Lease, Leases and



Gas committed and dedicated to Buyer under the terms and conditions of this Contract. In consideration of the covenants herein contained, Seller hereby acknowledges payment in full by Buyer of all sums owed Seller by Buyer, including interest on said sums for Gas produced from the lands subject to the superseded Contract(s) and any other sums owed Seller related to any Contract which is hereby terminated or superseded and Seller hereby releases and waives any and all causes of action therefor; provided, however, this termination and release does not include Buyer's obligation to pay for Gas taken under the superseded Contract(s) during the sixty (60) day period preceding the date of Seller's execution of this Contract. Except as hereinabove modified, the superseded Contract(s) shall remain in full force and effect.

19.8 This Contract contains the entire agreement between the parties and there are no other oral promises, agreements, contracts or warranties affecting this Contract or its performance.

19.9 Notwithstanding any other provision herein, in no event shall either party be liable to the other party for any loss of profits, incidental, consequential, special, exemplary, punitive or similar damages arising out of any breach of contract, tort or other cause of action related to this Contract.

19.10 The parties hereto agree and confirm that in the consideration and interpretation of this Contract same shall be construed under the laws of the State of Texas and this Contract was prepared by all parties hereto and not by any party to the exclusion of the other or others.

19.11 The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of the Contract between the parties hereto nor should they be used to aid in any manner in interpreting or construing this Contract.



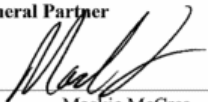
19.12 Exhibit "A", "B", "C" and "D" are incorporated herein by this reference.

The singular neuter and masculine pronouns as used herein shall include any gender and number as the context may require.

IN WITNESS WHEREOF, the parties have executed this Contract in one or more copies or counterparts, each of which, when executed by Buyer and any Seller, shall constitute and be an original effective Contract between such Buyer and such Seller (as to such Seller's interest) executing same as of the date first above written, whether or not this copy or any counterpart is signed by all the parties named herein.

BUYER:

ETC TEXAS PIPELINE, LTD.
By LG PL, LLC
Its General Partner

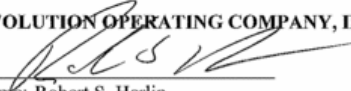


Name: Mackie McCrea
Title: President


MA
Aug
28/2

SELLER:

EVOLUTION OPERATING COMPANY, INC.



Name: Robert S. Herlin
Title: President

493599.1

EXHIBIT "A"

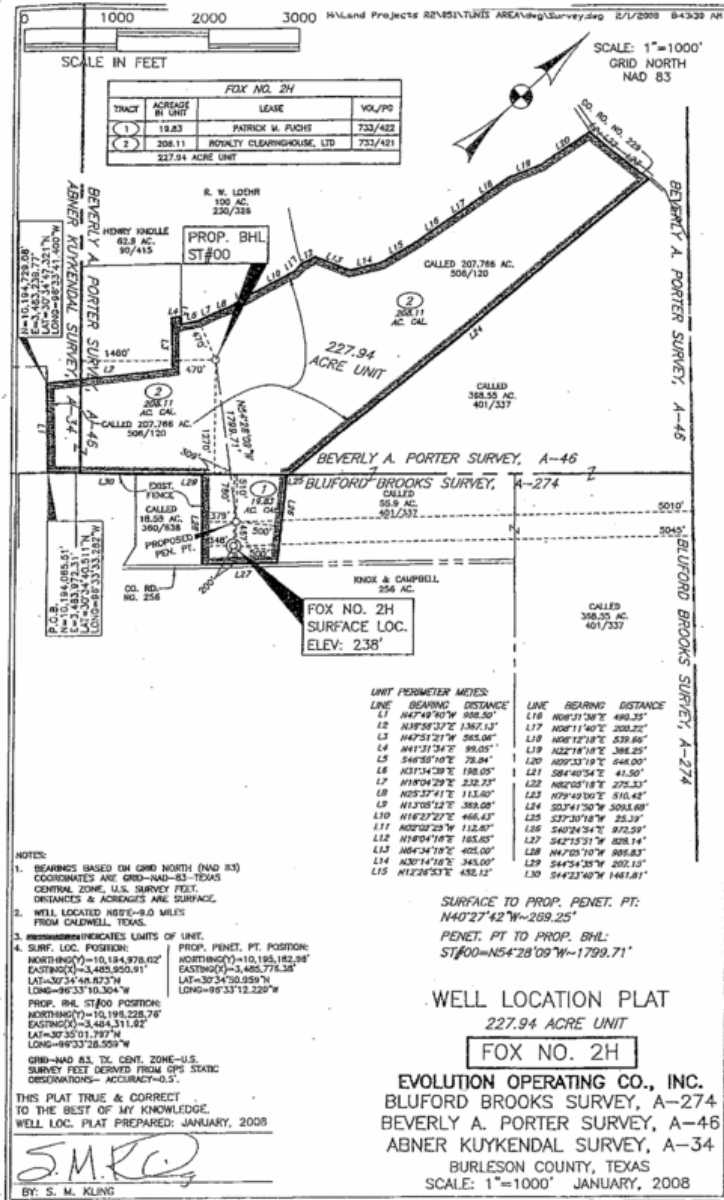


EXHIBIT "A"

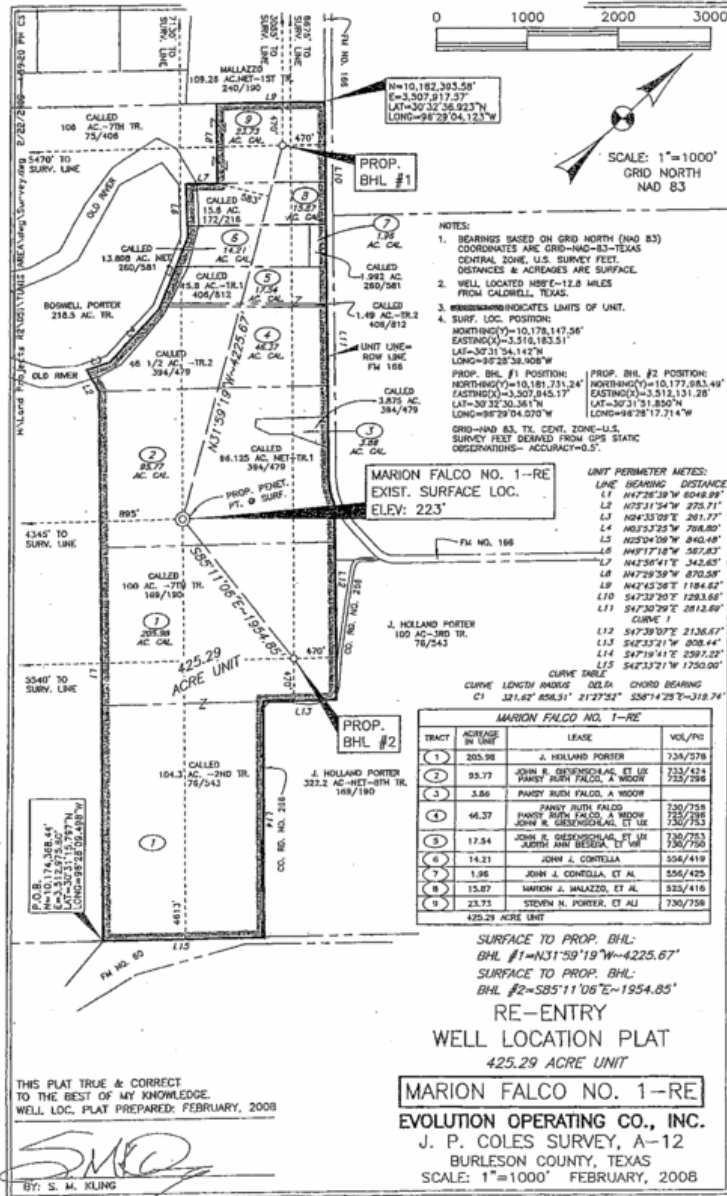
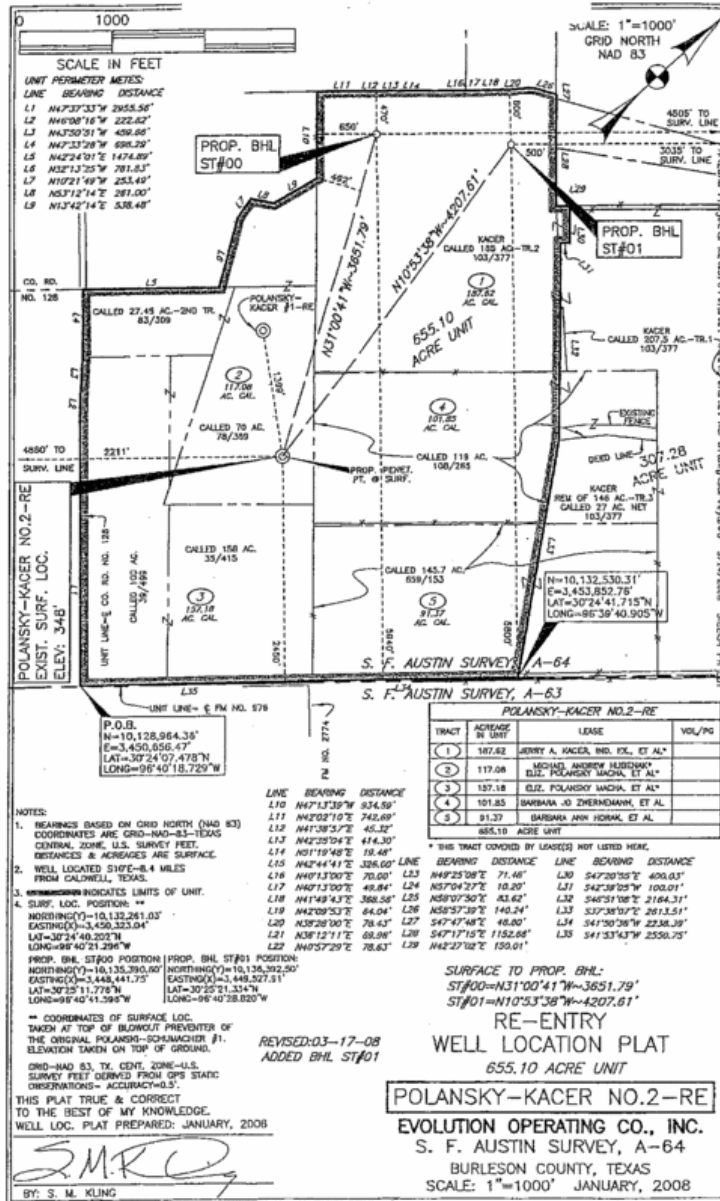


EXHIBIT "A"



SCALE IN FEET
 UNIT PERIMETER METERS:
 LINE BEARING DISTANCE
 L1 N47°37'33"W 2955.56'
 L2 N46°08'18"W 222.62'
 L3 N43°50'51"W 456.66'
 L4 N42°33'28"W 609.29'
 L5 N42°24'01"E 1474.89'
 L6 N32°13'25"W 781.63'
 L7 N10°21'49"W 253.49'
 L8 N53°12'14"E 281.00'
 L9 N13°42'14"E 538.48'

CO. NO. NO. 128
 CALLED 27.45 AC.-TR. 2
 83/309
 CALLED 70 AC.
 78/309
 CALLED 158 AC.
 35/415
 CALLED 105 AC.
 34/402
 CALLED 150 AC.
 103/377
 CALLED 118 AC.
 100/283
 CALLED 145.7 AC.
 109/153
 CALLED 146.7 AC.
 103/377
 CALLED 27 AC. NET
 103/377

P.O.B.
 N=10,128,964.35'
 E=3,450,856.47'
 LAT=30°24'07.478"N
 LONG=96°40'18.729"W

NOTES:
 1. BEARINGS BASED ON GRID NORTH (NAD 83)
 COORDINATES ARE GRID-NAD-83-TEXAS
 CENTRAL ZONE, U.S. SURVEY FEET.
 DISTANCES & ACRES ARE SURFACE.
 2. WELL LOCATED 3107'-8.4 MILES
 FROM CALDWELL, TEXAS.
 3. SHOWN INDICATES LIMITS OF UNIT.
 4. SURF. LOC. POSITION: **
 NORTHING(Y)=10,132,261.03'
 EASTING(X)=3,450,323.04'
 LAT=30°24'40.822"N
 LONG=96°40'21.294"W
 PROP. BHL ST#00 POSITION:
 NORTHING(Y)=10,135,290.00'
 EASTING(X)=3,448,441.75'
 LAT=30°25'11.778"N
 LONG=96°40'41.598"W
 PROP. BHL ST#01 POSITION:
 NORTHING(Y)=10,138,392.90'
 EASTING(X)=3,449,527.31'
 LAT=30°25'21.334"N
 LONG=96°40'38.820"W
 ** COORDINATES OF SURFACE LOC.
 TAKEN AT TOP OF BLOWOUT PREVENTER OF
 THE ORIGINAL POLANSKY-SCHUMACHER #1.
 ELEVATION TAKEN ON TOP OF GROUND.
 GRID-NAD 83, TX. EDIN. ZONE-4LS.
 SURVEY FEET DERIVED FROM GPS STATIC
 OBSERVATIONS - ACCURACY=0.5'.
 THIS PLAT TRUE & CORRECT
 TO THE BEST OF MY KNOWLEDGE.
 WELL LOC. PLAT PREPARED: JANUARY, 2008
 BY: S. M. KLING

LINE BEARING DISTANCE

LINE	BEARING	DISTANCE	LINE	BEARING	DISTANCE	LINE	BEARING	DISTANCE
L10	N47°13'39"W	834.59'	L13	N42°30'24"E	414.30'	L16	N40°13'00"E	70.00'
L11	N42°02'10"E	742.69'	L14	N31°19'48"E	18.46'	L17	N40°13'00"E	49.84'
L12	N41°58'37"E	45.12'	L15	N42°44'41"E	326.60'	L18	N41°49'43"E	368.58'
L13	N42°30'24"E	414.30'	L16	N40°13'00"E	70.00'	L19	N42°09'53"E	64.04'
L14	N31°19'48"E	18.46'	L17	N40°13'00"E	49.84'	L20	N38°28'00"E	78.63'
L15	N42°44'41"E	326.60'	L18	N41°49'43"E	368.58'	L21	N38°12'11"E	68.98'
L16	N40°13'00"E	70.00'	L19	N42°09'53"E	64.04'	L22	N40°57'28"E	78.63'
L17	N40°13'00"E	49.84'	L20	N38°28'00"E	78.63'	L23	N42°27'02"E	150.01'
L18	N41°49'43"E	368.58'	L21	N38°12'11"E	68.98'	L24	N50°07'30"E	43.62'
L19	N42°09'53"E	64.04'	L22	N40°57'28"E	78.63'	L25	N58°57'39"E	140.24'
L20	N38°28'00"E	78.63'	L23	N42°27'02"E	150.01'	L26	N58°57'39"E	140.24'
L21	N38°12'11"E	68.98'	L24	N50°07'30"E	43.62'	L27	S47°47'48"E	48.80'
L22	N40°57'28"E	78.63'	L25	N58°57'39"E	140.24'	L28	S47°17'02"E	1156.64'
L23	N42°27'02"E	150.01'	L26	N58°57'39"E	140.24'	L29	S47°17'02"E	1156.64'
L24	N50°07'30"E	43.62'	L27	S47°47'48"E	48.80'	L30	S47°20'55"E	409.03'
L25	N58°57'39"E	140.24'	L28	S47°17'02"E	1156.64'	L31	S47°30'20"W	100.01'
L26	N58°57'39"E	140.24'	L29	S47°20'55"E	409.03'	L32	S46°31'06"E	2164.31'
L27	S47°47'48"E	48.80'	L30	S47°30'20"W	100.01'	L33	S37°38'07"E	2613.51'
L28	S47°17'02"E	1156.64'	L31	S47°30'20"W	100.01'	L34	S41°50'28"W	2238.39'
L29	S47°20'55"E	409.03'	L32	S46°31'06"E	2164.31'	L35	S41°33'43"W	2556.75'
L30	S47°30'20"W	100.01'	L33	S37°38'07"E	2613.51'			
L31	S47°30'20"W	100.01'	L34	S41°50'28"W	2238.39'			
L32	S46°31'06"E	2164.31'	L35	S41°33'43"W	2556.75'			
L33	S37°38'07"E	2613.51'						
L34	S41°50'28"W	2238.39'						
L35	S41°33'43"W	2556.75'						

POLANSKY-KACER NO.2-RE
 EVOLUTION OPERATING CO., INC.
 S. F. AUSTIN SURVEY, A-64
 BURLESON COUNTY, TEXAS
 SCALE: 1"=1000' JANUARY, 2008

EXHIBIT "A"

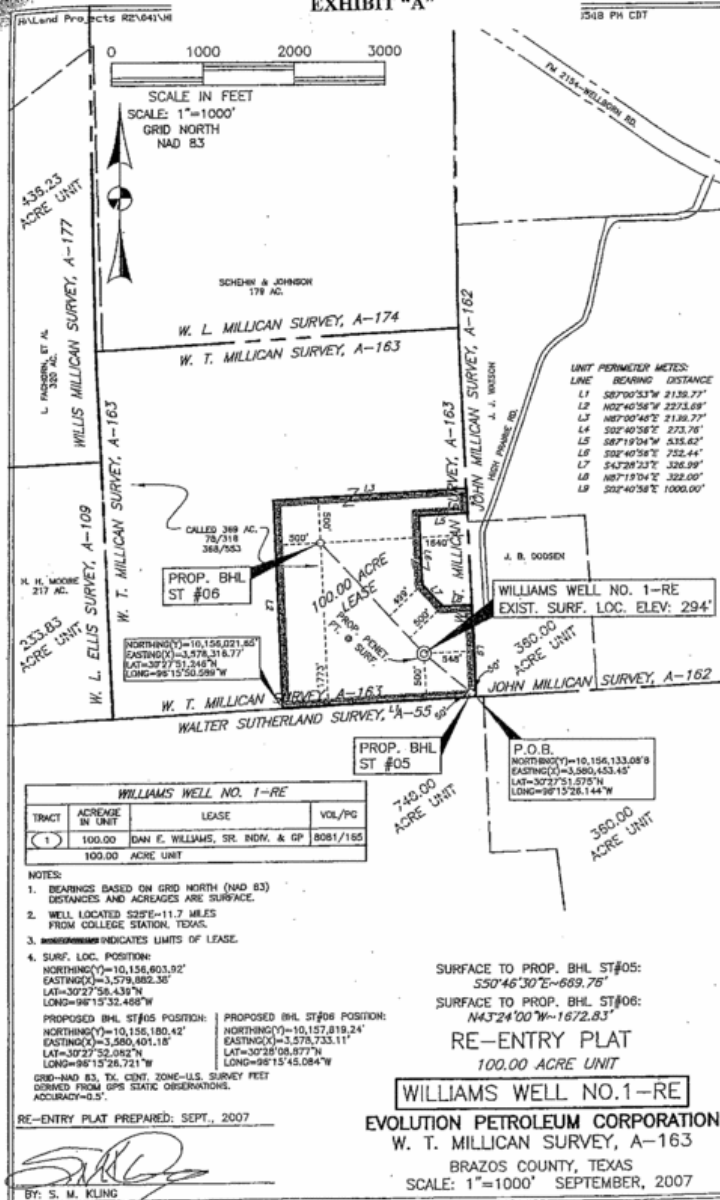


EXHIBIT "B"

Seller's Representative: Evolution Operating Co., Inc.
2500 City West Blvd., #1300
Houston, Texas 77042

A handwritten signature in black ink, appearing to be the initials 'PV' or similar, located in the lower right quadrant of the page.

EXHIBIT "C"

Non-specification gas to be assessed a treating fee is (1) gas containing in excess of 1/4 grain H₂S per 100 scf, (2) gas containing in excess of 2.0% by volume of CO₂ and (3) gas containing in excess of 3.0% by volume of non-hydrocarbon gases.

- (1) For gas containing in excess of 1/4 grain H₂S per 100 scf but not more than permitted by prudent corrosion protection parameters, the charge will be 4.5¢/Mcf.
- (2) For gas containing in excess of 2.0% by volume of CO₂, but less than 3.0%, the charge will be 4.5¢/Mcf. For gas containing in excess of 3.0% CO₂, the charge will be computed by multiplying 4.5¢/Mcf by the tested CO₂ content in volume percent less 2.0. For example, if Seller's gas contained 3.3% CO₂, the charge would be 4.5¢/Mcf (3.3 - 2.0) or 5.85¢/Mcf.
- (3) For gas containing in excess of 3.0% by volume of non-hydrocarbon gas, but less than 4.0%, the charge will be 4.5¢/Mcf. For gas containing in excess of 4.0%, non-hydrocarbon gas, the charge will be computed by multiplying 4.5¢/Mcf by the tested content in volume percent of non-hydrocarbon gas less 3.0. For example, if Seller's gas contained 4.3% non-hydrocarbon gases, the charge would be 4.5¢/Mcf (4.3 - 3.0) or 5.85¢/Mcf.
- (4) For gas containing in excess of 2% CO₂ and 3% non-hydrocarbon gas, the charge will be the higher of the charges computed pursuant to No. (2) or No. (3) above.

The treating charge will be assessed on the wellhead volume of non-specification gas measured at the Point(s) of Delivery and will be deducted from the amount Seller is otherwise due before payment is made to Seller each month. Buyer shall have the option to periodically adjust its treating charges. Seller agrees to furnish its prorata share of fuel associated with treating at no cost to Buyer.



EXHIBIT "D"

GAS LIFT

1. For the following described consideration and as a service to Seller, Buyer will attempt to redeliver to Seller at all wells connected under the Contract gas volumes (not to exceed 500 Mcf per day per well) for gas lift purposes to the extent that in Buyer's sole judgment volumes of gas are available for such purpose from the Buyer's gathering system under its system configuration as it exists from time to time. If in Buyer's sole judgment modifications to the gathering system would be required to meet Seller's requested volumes for gas lift gas in excess of those ordinary and customary modifications accounted for and contemplated in the first sentence of Subsection 3 d) below, Buyer shall notify Seller of the estimated cost of the modifications needed to make additional gas lift volumes available. If Seller agrees to reimburse Buyer for all actual costs of making the system changes, upon receipt by Buyer of the reimbursement for estimated costs, Buyer will cause commencement of construction of any needed mutually agreeable modifications. Buyer shall cause to be furnished, installed, and maintained at Buyer's or its Affiliate's cost separate redelivery and gas measuring equipment and instruments conforming to the measurement requirements of this Contract. The system modifications and redelivery and measuring equipment shall remain the property of Buyer or its affiliated gatherer.

2. Buyer will measure gas lift gas furnished to Seller by Buyer. Measurement records shall remain the property of Buyer, but shall be available to Seller as provided in this Contract. Measurement and heating value determinations shall be performed as specified in this Contract. The MMBtus of gas redelivered to Seller by Buyer for each of Seller's wells will be deducted from the MMBtus delivered to Buyer at Buyer's purchase metering equipment for which payment from Buyer to Seller would otherwise be due. This deduction will be reflected on Buyer's monthly gas statements to Seller.

3. For gas lift gas service to Seller under this Section, Buyer will charge Seller or its designee for each gas lift gas redelivery installation a one-time installation fee of \$7,500 and a monthly Service Fee. The monthly Service Fee will be \$250.00 for each month or partial month while Buyer's equipment is in service for redelivery of gas to Seller. Buyer may at its option subtract the monthly Service fee from Buyer's payment to Seller for any gas delivered to Buyer. Seller may request termination of gas lift gas service for any gas lift location upon written notice to Buyer, and Buyer will then cease charging the related fees effective as of the first of the month following Buyer's receipt of Seller's gas lift gas termination request. Buyer may elect to discontinue gas lift gas deliveries to Seller and the associated fees as to any or all locations as of the end of any month upon 30 days advance written notice to Seller.

4. Buyer and Seller recognize that due to the intermittent nature of requirements for gas lift gas, there may be months in which the gas redelivered to Seller exceeds the gas production delivered by Seller to Buyer. Buyer may deduct the value of these excess gas sales from Buyer to Seller from any proceeds due to Seller or invoice Seller or Seller's operator for excess gas lift gas redeliveries that are not recouped in kind within the delivery month. If Buyer invoices Seller, Seller shall pay or cause its operator to pay these invoices within 15 days following the date of the invoice. The price per MMBtu for excess gas lift sale gas not balanced out by recoupment during the delivery month will be 125% of the monthly weighted average sales price on Buyer's Southeast Texas Pipeline System per MMBtu.

GAS PURCHASE CONTRACT

Between EVOLUTION OPERATING CO., INC., as Seller
And DCP MIDSTREAM, LP as Buyer

Dated December 1, 2007

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EXHIBIT A**GENERAL TERMS AND CONDITIONS**

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EXHIBIT B COMMITTED LEASES AND WELLS

GAS PURCHASE CONTRACT

This Contract is entered as of December 1, 2007 between EVOLUTION OPERATING CO., INC. ("Seller") and DCP MIDSTREAM, LP ("Buyer").

For and in consideration of the mutual covenants contained herein, the parties agree as follows:

1. **COMMITMENT.** Seller will sell and deliver and Buyer will purchase and receive Seller's owned and controlled gas produced from the leases and wells now or later owned or controlled by Seller on or allocated to the lands listed on Exhibit "B." Definitions and General Terms and Conditions included in this Contract are attached as Exhibit A. All Exhibits referenced herein are attached and incorporated by reference. Seller may opt to switch any particular committed Exhibit "B" units to commitment under the Gas Purchase Contract dated December 2, 2007, Buyer's File No. GDS0821-BPUR ("Contract 2") as of the first day of any month during the term of Contract 2 on at least ten (10) days' prior written notice to Buyer. Any unit so switched will be committed under Contract 2 in lieu of this Contract for the remainder of the term of Contract 2. Those units for which Seller elects to switch commitment to Contract 2 will be released from commitment under this Contract upon the effective date of Seller's switching election.

2. **DELIVERY POINTS.** The Delivery Points for all sources of production committed under this Contract will be established under Section B.2 of Exhibit A. Title to the gas and all its components shall pass to and vest in Buyer at the Delivery Points without regard to the purposes for which Buyer may later use or sell the gas or its components.

3. **DELIVERY PRESSURE.** Seller will deliver the gas at the Delivery Points at a pressure sufficient to enable it to enter Buyer's Facilities against the working pressure at reasonably uniform rates of delivery, not to exceed the maximum allowable operating pressure established by Buyer or pressures that prevent others from producing ratably. Buyer in its discretion may require that Seller install and operate a pressure relief or reduction device upstream of any Delivery Point set at the pressure designated by Buyer to limit the pressure at which Seller delivers gas, where Seller's deliveries might interfere with ratable deliveries from others, or to enhance safety.

4. **QUANTITY.** (a) Seller shall deliver and Buyer shall purchase and take Seller's gas subject to the operating conditions and capacity of Buyer's Facilities and resale markets. Although there is no specific purchase quantity, Buyer will use commercially reasonable efforts to market gas for resale and operate and expand its facilities in an effort to maintain consistent takes of all available quantities. If Buyer takes less than the full quantities available, Buyer will use commercially reasonable efforts to

purchase gas from the lands covered by this Contract ratably with its purchases of similar gas in each common gathering system or area within its capabilities using existing facilities, in compliance with Buyer's existing contracts and with applicable laws and regulations, including ratable purchases from Buyer's Affiliates.

(b) Seller may dispose of any gas not taken by Buyer for any reason, including events of Force Majeure, subject to Buyer's right to resume purchases at any subsequent time. If Buyer does not take gas for fifteen (15) consecutive Days and Seller secures a different temporary market, Buyer may resume purchases only upon fifteen (15) Days' advance written notice prior to the beginning of a month unless otherwise agreed.

(c) Seller will use commercially reasonable efforts to deliver gas meeting the quality requirements and to avoid delivery of Inferior Liquids. If the gas at any Delivery Point becomes insufficient in volume, quality, or pressure, Buyer may cease gas takes from the Delivery Point as long as the condition exists. If Buyer ceases taking gas under this Section for thirty (30) consecutive Days for reasons other than quality or Force Majeure, Seller may terminate this Contract with respect to the affected Delivery Points upon thirty (30) Days' advance written notice to Buyer; provided that during the notice period Buyer may resume consistent takes and purchases, and thereby avoid Contract termination under Seller's notice.

5. **PRICE.**

5.1 **Consideration.** As full consideration for the gas and all its components delivered to Buyer each month, Buyer shall pay Seller (i) 100% of the net value determined under Section 5.2 below for residue gas attributable to Seller's gas, and (ii) 100% of the net value determined under Section 5.3 below for any recovered NGLs attributable to Seller's gas. No separate payment or value calculation is to be made under this Contract for helium, sulfur, CO₂, other non-hydrocarbons, or for Inferior Liquids.

5.2 **Residue Gas Value.** The net Residue Gas value will be the price per MMBtu published in *Inside F.E.R.C.'s Gas Market Report* in its first publication of the delivery month for "Prices of Spot Gas Delivered to Pipelines" for Houston Ship Channel ("Index Price") less \$0.13 per MMBtu. If this price quotation is discontinued or materially modified, its successor will be used, or in the absence of a successor, Buyer will select another publication that enables calculation of an Index Price closely comparable to that previously used. If a change in the Index Price becomes necessary, Buyer will so inform Seller by written notice, stating the changes and the reason for the changes.

5.3 NGL Value. The net value of any recovered NGLs attributable to Seller will be the simple average of the midpoint of the daily high/low spot price for (i) ethane in E-P mix, (ii) Non-TET propane, (iii) Non-TET isobutane, (iv) Non-TET normal butane, and (v) Non-TET natural gasoline (pentanes and heavier) during the delivery month as reported for Mont Belvieu, Texas by the *Oil Price Information Service* (or in its absence, a comparable successor publication designated by Buyer) less a transportation, fractionation, and storage ("TF&S") fee of \$0.0375 per gallon. As of January 1 of each year beginning with 2009, Buyer will adjust the TF&S fee upward or downward as follows, but not below the initial fee, by an amount equal to the annual percentage of change in the preliminary estimate of the implicit price deflator, seasonally adjusted, for the gross domestic product ("GDP") as computed and most recently published by the U.S. Department of Commerce, rounded to the nearest 100th cent, or in its absence, a similar successor adjustment factor designated by Buyer.

5.4 Low Volume Delivery Points. For any metered Delivery Point at which the volume delivered is less than 300 Mcf in any month, Seller will pay Buyer a low volume fee of \$150.00 per low volume month per meter. Buyer will collect amounts due under this Section by deductions from proceeds payable under the Contract. If the amounts due exceed proceeds payable under the Contract, Buyer may invoice Seller for the amount due, and in that event Seller will remit full payment to Buyer within thirty (30) days following Buyer's invoice date. Seller may cease application of low volume fees under this Section by giving Buyer thirty (30) days advance written notice of Seller's request to have the affected meters disconnected; the low volume fees will no longer apply as of the end of the month following the notice period, and Buyer may disconnect the affected meters.

5.5 Allocation of Residue Gas and NGLs. Buyer will determine the Residue Gas and NGLs attributable to Seller on a proportional basis by component using the following definitions and procedures. Additional definitions are in Section A of Exhibit A. From time to time Buyer may make changes and adjustments in its allocation methods, other than fixed percentages below, to improve accuracy or efficiency.

(a) **NGLs Allocable to Seller.** The quantity of each NGL component allocable to Seller's gas will be determined by multiplying the total quantity of each NGL component recovered at the plant or plants by a fraction. The numerator will be the gallons of that NGL component contained in the gas delivered by Seller, determined by chromatographic analysis or other accepted method in the industry, and the denominator will be the total gallons of that component contained in all gas delivered to Buyer from sources connected to Buyer's Facilities. Sub-area breakdowns may be used as stated in (b)(ii) below.

(b) **Residue Gas Allocable to Seller.**

(i) The MMBtus of "Residue Gas allocable to Seller" will be determined by multiplying the MMBtus of "Residue Gas available for sale" from Buyer's Facilities by a

fraction. The numerator will be the "theoretical MMBtus of Residue Gas remaining from Seller's gas" delivered by Seller, and the denominator will be the total of the theoretical MMBtus of Residue Gas remaining from all gas delivered to Buyer from the common sources connected to Buyer's Facilities. "Residue Gas available for sale" means all remaining Residue Gas available from Buyer's Facilities, net of Residue Gas used for the operation of Buyer's Facilities. "Theoretical MMBtus of Residue Gas remaining from Seller's gas" means the sum of the MMBtus of methane and heavier hydrocarbons contained in Seller's gas, determined by chromatographic analysis or other accepted method in the industry, less the MMBtus of recovered NGLs attributable to Seller's gas.

(ii) Buyer may apply the allocation principles of this Section repeatedly to sub-areas or separately measured systems to improve accuracy. For example, Buyer may allocate plant NGL and Residue Gas volumes to field gathering system boosters, then use the same principles to allocate those results further to sources behind those boosters, except that field booster fuel for low pressure gas will be fixed at 5.0%, and plant fuel will be fixed at 4.5% of the Delivery Points MMBtus. For any gas delivered initially into a high-pressure gathering system, Seller's theoretical MMBtus of Residue Gas remaining will be adjusted upward by four percent (4%) to recognize the fuel economies realized by Buyer's avoidance of compression for these high pressure deliveries.

5.6 Gathering, Processing, and Compression Fees. For processing, gathering and compression services rendered hereunder, Buyer shall deduct each month from the consideration due Seller or invoice Seller separately for either or both of the following fees, as applicable:

(a) A fee equal to the value under Section 5.3 of 100% of the NGL gallons allocated to Seller under Section 5.5(a), multiplied by seven percent (7% or 0.07) or, if the month's daily average gas volume delivered by Seller under this Contract exceeds 2,000 Mcf/Day, the applicable fee percentage shall be five percent (5% or 0.05); and

(b) A fee equal to 100% of the Residue Gas quantity allocable to Seller as determined under Section 5.5(b), multiplied by the Index Price, and further multiplied by seven percent (7% or 0.07) or, if the month's daily average gas volume delivered by Seller under this Contract exceeds 2,000 Mcf/Day, the applicable fee percentage shall be five percent (5% or 0.05).

6. TERM. This Contract shall be in force for a primary term through November 30, 2017, and from year to year thereafter until canceled by either party as of the end of the primary term or any anniversary thereafter by giving the other party at least thirty (30) Days' advance written notice of termination.

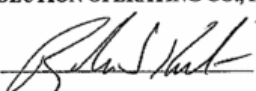
7. ADDRESSES AND NOTICES. Either party may give notices to the other party by first class mail postage prepaid, by overnight delivery service, or by facsimile with receipt confirmed at the following addresses or other addresses furnished by a party by written notice. Unless Seller objects in writing, Buyer may also use Seller's current address for payments. Any telephone numbers below are solely for information and are not for Contract notices. The parties opt out of electronic delivery of

notices and amendments under this Contract, except that notices and hand-signed amendments may be delivered by facsimile with receipt confirmed as stated above.

Notices to Seller – Correspondence:	Evolution Operating Co., Inc. 2500 CityWest Blvd. Suite 1300 Houston, Texas 77042
Payments to Seller:	Evolution Operating Co., Inc. 2500 CityWest Blvd. Suite 1300 Houston, Texas 77042
Notices to Buyer – Billings & Statements:	DCP Midstream, LP Attn: Revenue Accounting 5718 Westheimer Road, Suite 2000 Houston, Texas 77057 Phone: (713) 735-3600 Fax: (713) 735-3600
Buyer - Correspondence	DCP Midstream, LP Attn: Contract Administration 5718 Westheimer Road, Suite 2000 Houston, Texas 77057 Phone: (713) 735-3600 Fax: (713) 735-3600

The parties have signed this Contract by their duly authorized representatives as of the date first stated above.

EVOLUTION OPERATING CO., INC

By: 

Title: President

Signed on: 1/28, 2008

DCP MIDSTREAM, LP

By: 

George F. Manzelmann,
Managing Director – South and Central Texas

Signed on: 1/30, 2008

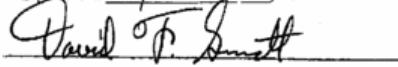


EXHIBIT A to GAS PURCHASE CONTRACT
Between EVOLUTION OPERATING CO., INC. as Seller and
DCP MIDSTREAM, LP as Buyer

Dated as of December 1, 2007

GENERAL TERMS & CONDITIONS

A. DEFINITIONS

Except where the context indicates a different meaning or intent, and whether or not capitalized, the following terms will have meanings as follows:

- a. **Affiliate** – a company (i) in which a party owns directly or indirectly 50% or more of the issued and outstanding voting stock or other equity interests; (ii) which owns directly or indirectly 50% or more of the issued and outstanding voting stock or equity interests of the party; and (iii) in which a company described in (ii) owns, directly or indirectly, 50% or more of the issued and outstanding voting stock or other equity interests.
- b. **Btu** – British thermal unit. **MMBtu** – one million Btus.
- c. **Buyer's Facilities** – the gas delivered by Seller will be gathered in gathering systems and may be redelivered to a gas processing plant or plants for the removal of NGLs together with gas produced from other properties. The gathering systems and plant or plants, or successor facilities, are "Buyer's Facilities" whether owned by buyer, an Affiliate of Buyer, or an unaffiliated third party. No facilities downstream of the processing plant or plants other than short connecting lines to transmission lines are included in "Buyer's Facilities."
- d. **Day** – a period of 24 consecutive hours beginning and ending at 9:00 AM local time, or other 24 hour period designated by Buyer and a downstream pipeline.
- e. **Delivery Points** – whether one or more, see Sections 2, B.1 and B.2.
- f. **Force Majeure** – see Section H.2 below.
- g. **Gas** or **gas** – all natural gas that arrives at the surface in the gaseous phase, including all hydrocarbon and non-hydrocarbon components, casinghead gas produced from oil wells, gas well gas, and stock tank vapors.
- h. **Inferior Liquids** – Mixed crude oil, slop oil, salt water, nuisance liquids, and other liquids recovered by Buyer in its gathering system or at plant inlet receivers. Revenues from Inferior Liquids, drips, and other gathering system liquids will be retained by Buyer to defray costs of treating and handling; Buyer will not allocate or pay for those liquids.
- i. **Mcf** – 1,000 cubic feet of gas at standard base conditions of 60°F and 14.65 psia.
- j. **MMcf** – 1,000 Mcf.
- k. **Month** or **month** – a calendar month beginning on the first Day of a Month.
- l. **NGL** or **NGLs** – natural gas liquids, or ethane and heavier liquefiable hydrocarbons separated from gas and any incidental methane in NGL after processing.
- m. **psig** – pounds per square inch; **psia** – psi absolute; **psig** – psi gauge.
- n. **Residue Gas** – merchantable hydrocarbon gas available for sale from Buyer's Facilities remaining after processing, and hydrocarbon gas resold by Buyer without first being processed.
- o. **TET** – price quotes for NGL on the Texas Eastern Products Pipeline Company, LLC system.
- p. **TF&S** – NGL transportation, fractionation, and storage, see Section 5.3.

B. DELIVERY DATE; COMPRESSION

B.1 Connection of Sources. As to sources not yet connected, Seller will commence and complete with due diligence the construction of the facilities necessary to enable Seller to deliver the committed gas at the Delivery Points and Buyer will cause prompt commencement and complete with due diligence the construction of the facilities necessary and economically feasible to enable Buyer or its gas gathering contractor to receive deliveries of gas at the Delivery Points. If Buyer determines it is not profitable to construct the facilities, Seller will have the option to construct facilities necessary to deliver gas into Buyer's then existing facilities. If neither Buyer nor Seller elect to construct the necessary facilities, either party may cancel this Contract as to the affected gas upon fifteen (15) Days advance written notice to the other.

B.2 Delivery Rates. Seller will have agents or employees available at all reasonable times to receive advice and directions from Buyer for changes in the rates of delivery of gas as required from time to time.

B.3 Options to Compress. If Seller's wells become incapable of delivering gas into Buyer's Facilities, neither party will be obligated to compress, but either party will have the option to do so. If neither party elects to compress within a reasonable time after the need for compression appears, Buyer upon written request of Seller will either arrange promptly to provide compression or as Seller's sole

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remedy, release the affected gas sources as to the then-producing formations from commitment under this Contract

C. RESERVATIONS OF SELLER

C.1 Reservations. Seller reserves the following rights with respect to the oil and gas properties committed by Seller to Buyer under this Contract together with sufficient gas to satisfy those rights:

a. To operate Seller's oil and gas properties free from control by Buyer as Seller in Seller's sole discretion deems advisable, including without limitation the right, but never the obligation, to drill new wells, to repair and rework old wells, renew or extend, in whole or in part, any oil and gas lease covering any of the oil and gas properties, and to abandon any well or surrender any oil and gas lease, in whole or in part, when no longer deemed by Seller to be capable of producing gas in paying quantities under normal methods of operation.

b. To use gas for developing and operating Seller's oil and gas properties committed under this Contract and to fulfill obligations to Seller's lessors for those properties.

c. To pool, combine, and unitize any of Seller's oil and gas properties with other properties in the same field, and to alter pooling, combinations, or units; this Contract will then cover Seller's allocated interest in unitized production insofar as that interest is attributable to the oil and gas properties committed under this Contract, and the description of the property committed will be considered to have been amended accordingly.

C.2 Exception. Notwithstanding Section C.1, Seller will not engage in any operation, including without limitation reinjection, or recycling that would materially reduce the amount of gas available for sale to Buyer except upon one hundred twenty (120) Days advance written notice to Buyer. Buyer will own and be entitled to collect and pay Seller for any NGLs that condense or are manufactured from gas during any of Seller's operations, excluding crude oil and distillate recovered from gas by conventional type mechanical separation equipment and not delivered to Buyer.

D. METERING AND MEASUREMENT

D.1 Buyer to Install Meters. Buyer will own, maintain, and operate orifice meters or other measuring devices of standard make at or near the Delivery Points. Except as otherwise specifically provided to the contrary in this Section D, orifice meters or other measurement devices will be installed and volumes computed in accordance with AGA Gas Measurement Report No. 3 as in effect from time to time. Buyer may re-use metering equipment not meeting current standards but meeting 1985 or later published standards

for gas sources not expected to deliver in excess of 100 Mcf per Day. A party providing compression facilities will also provide sufficient pulsation dampening equipment to prevent pulsation from affecting measurement at the Delivery Points. Electronic recording devices may be used. Seller will have access to Buyer's metering equipment at reasonable hours, but only Buyer will calibrate, adjust, operate, and maintain it.

D.2 Unit of Volume. The unit of volume will be one cubic foot of gas at a base temperature of 60°F and at a pressure base of 14.65 psia. Computations of volumes will follow industry accepted practice.

D.3 Pressure, Temperature. Buyer may measure the atmospheric pressure or may assume the atmospheric pressure to be 14.65 psia. Buyer may determine the gas temperature by using a recording thermometer; otherwise, the temperature will be assumed to be 60°F.

D.4 Check Meters. Seller may install, maintain, and operate in accordance with accepted industry practice at its own expense pressure regulators and check measuring equipment of standard make using separate taps. Check meters shall not interfere with operation of Buyer's equipment. Buyer will have access to Seller's check measuring equipment at all reasonable hours, but only Seller will calibrate, adjust, operate, and maintain it.

D.5 Meter Tests. At least semiannually, Buyer will verify the accuracy of Buyer's measuring equipment, and Seller or its lease operator will verify the accuracy of any check measuring equipment. If Seller, its lease operator, or Buyer notifies the other that it desires a special test of any measuring equipment, they will cooperate to secure a prompt verification of the accuracy of the equipment. If any party at any time observes a variation between the delivery meter and the check meter, it will promptly notify the other, and both will then cooperate to secure an immediate verification of the accuracy of the equipment. Buyer will give Seller and Seller's lease operator reasonable advance notice of the time of all special tests and calibrations of meters and of sampling for determinations of gas composition and quality, so that the lease operator may have representatives present to witness tests and sampling or make joint tests and obtain samples with its own equipment. Seller will give or cause its lease operator to give reasonable advance notice to Buyer of the time of tests and calibrations of any check meters and of any sampling by Seller for determination of gas composition and quality.

D.6 Correction of Errors. If at any time any of the measuring or testing equipment is found to be out of service or registering inaccurately in any percentage, it will be adjusted promptly to read accurately within the limits prescribed by the manufacturer. If any measuring equipment is found to be inaccurate or out of service by an amount exceeding the greater of (i) 2.0 percent at a recording corresponding to the average hourly rate of flow for the period since the last test, or (ii) 50 Mcf per month, previous readings will be corrected to zero error for any known or agreed period. The volume of gas delivered

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during that period will be estimated by the first feasible of the following methods:

- (i) Using the data recorded by any check measuring equipment if registering accurately;
- (ii) Correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation; or
- (iii) Using deliveries under similar conditions during a period when the equipment was registering accurately.

No adjustment will be made for inaccuracies unless they exceed the greater of (i) 2.0 percent of affected volumes, or (ii) 50 Mcf per month.

D.7 Meter Records. The parties will preserve for a period of at least two (2) years all test data, charts and similar measurement records. The parties will raise metering questions as soon as practicable after the time of production. No party will have any obligation to preserve metering records for more than two (2) years except to the extent that a metering question has been raised in writing and remains unresolved.

E. DETERMINATION OF GAS COMPOSITION, GRAVITY, AND HEATING VALUE

At least semiannually, Buyer will obtain a representative sample of Seller's gas delivered at each Delivery Point; Buyer may use spot sampling, continuous samplers or on-line chromatography. By chromatography or other accepted method in the industry, Buyer will determine the composition, gravity, and gross heating value of the hydrocarbon components of Seller's gas in Btu per cubic foot on a dry basis at standard conditions, then adjust the result for the water vapor content of the gas (by either the volume or Btu content method) using an industry accepted practice. No heating value will be credited for Btus in H₂S or other non-hydrocarbon components. The first determination of Btu content for Seller's deliveries will be made within a reasonable time after deliveries of gas begin. If a continuous sampler or on-line chromatography is used, the determinations will apply to the gas delivered while the sampler was installed. If not, the determination will apply until the first Day of the month following the next determination.

F. QUALITY OF GAS

F.1 Quality Specifications. The gas shall be merchantable natural gas, at all times complying with the following quality requirements. The gas shall be commercially free of crude oil, water in the liquid

phase, brine, air, dust, gums, gum-forming constituents, bacteria, and other objectionable liquids and solids, and not contain more than:

- a. 1/4 grain of H₂S per 100 cubic feet.
- b. Five grains of total sulfur nor more than one grain of mercaptan per 100 cubic feet.
- c. Two mole percent of carbon dioxide.
- d. Three mole percent of nitrogen.
- e. 10 parts per million by volume of oxygen, and not have been subjected to any treatment or process that permits or causes the admission of oxygen, that dilutes the gas, or otherwise causes it to fail to meet these quality specifications.
- f. Five mole percent of combined carbon dioxide, nitrogen, and oxygen.

The gas shall:

- g. Not exceed 120°F in temperature at the Delivery Point.
- h. Have a total heating value of at least 1,050 Btus per cubic foot.

i. If a third party pipeline receiving the gas delivered has more stringent quality specifications than those stated above, Seller's gas shall conform to the more stringent pipeline quality standard.

F.2 Quality Tests. Buyer will make determinations of conformity of the gas with the above specifications using procedures generally accepted in the gas industry as often as Buyer reasonably deems necessary. If in the Seller or Seller's lease operator's judgment the result of any test or determination is inaccurate, Buyer upon request will again conduct the questioned test or determination. The costs of the additional test or determination will be borne by Seller unless it shows the original test or determination to have been materially inaccurate.

F.3 Separation Equipment. Seller will employ only conventional mechanical separation equipment at all production sites covered by this Contract. Low temperature, absorption, and similar separation facilities are not considered conventional mechanical separation equipment. Except for liquids removed through operation of conventional mechanical separators and except for removal of substances as required to enable Seller to comply with this Section F, Seller will remove no components of the gas prior to delivery to Buyer.

F.4 Rights as to Off Specification Gas.

a. If any of the gas delivered by Seller fails to meet the quality specifications stated in this Section F, Buyer may at its option accept delivery of and pay for the gas or discontinue or curtail taking of gas at any Delivery Point whenever its quality does not conform to the quality specifications. Notwithstanding, Buyer agrees to accept gas that does not exceed 1 1/4 grains of H₂S per 100 cubic feet and six mole percent of carbon dioxide and that meets all

other quality specifications in Section F.1, subject to the applicable treating and handling fees below.

b. If Buyer accepts delivery of off specification gas from Seller or incurs costs relating to inferior gas quality in the gathering system, Buyer may deduct from the proceeds otherwise payable a fee of \$0.07 per Mcf, escalating each January 1 beginning with January 1, 2010, in the manner stated for TF&S in Section 5.3, for monitoring the gas quality and treating and handling the gas.

c. If Buyer is declining to take off quality gas, Seller may by written notice to Buyer request a release of the affected gas from commitment under this Contract. In response, Buyer will within thirty (30) Days either (i) waive its right to refuse to take the affected off quality gas (subject to its right to charge treating fees under this Section F) and again take gas from the affected sources, or (ii) release the affected gas from commitment under this Contract.

G. BILLING AND PAYMENT

G.1 **Statement and Payment Date.** Buyer will render to Seller on or before the 20th Day of each month a statement showing the volume of gas delivered by Seller during the preceding month and Buyer's calculation of the amounts due under this Contract for the preceding month's deliveries. Buyer will make payment to Seller on or before the last Day of each month for all gas delivered during the preceding month. As between the parties, late payments by Buyer and recoupments/refunds from Seller will carry simple interest at the lower of 6% per annum or the maximum lawful interest rate; provided that no interest will accrue as to monthly principal amounts of less than \$1,000 due for less than one year when paid. The parties waive any rights to differing interest rates. Except as limited in Section G.2 below, Buyer may recover any overpayments or collect any amounts due from Seller to Buyer for any reason at any time under this or other transactions by deducting them from proceeds payable to Seller.

G.2 **Audit Rights; Time Limit to Assert Claims.**

(a) Each party will have the right during reasonable business hours to examine the books, records and charts of the other party to the extent necessary to verify performance of this Contract and the accuracy of any payment, statement, charge or computation upon execution of a reasonable confidentiality agreement. If any audit examination or review of the party's own records reveals an inaccuracy in any payment, Buyer will promptly make the appropriate adjustment.

(b) No adjustment for any billing or payment shall be made, and payments shall be final after the lapse of two (2) years from their due date except as to matters that either party has noted in a

specific written objection to the other party in writing during the two (2) year period, unless within the two (2) year period Buyer has made the appropriate correction. However, Seller's responsibilities for severance taxes and third party liabilities and related interest are not affected by this subsection.

(c) No party will have any right to recoup or recover prior overpayments or underpayments that result from errors that occur in spite of good faith performance if the amounts involved do not exceed \$10/month/meter. Either party may require prospective correction of such errors.

H. FORCE MAJEURE

H.1 **Suspension of Performance.** If either party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations under this Contract, other than to make payments due, the obligations of that party, so far as they are affected by Force Majeure, will be suspended during the continuance of any inability so caused, but for no longer period.

H.2 **Force Majeure Definition.** "Force Majeure" means acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, fires, explosions, breakage or accidents to machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or sources of supply of gas, inability to obtain at reasonable cost servitudes, right of way grants, permits, governmental approvals or licenses, inability to obtain at reasonable cost materials or supplies for constructing or maintaining facilities, and other causes, whether of the kind listed above or otherwise, not within the control of the party claiming suspension and which by the exercise of reasonable diligence the party is unable to prevent or overcome.

H.3 **Labor Matters Exception.** The settlement of strikes or lockouts will be entirely within the discretion of the party having the difficulty, and settlement of strikes, lockouts, or other labor disturbances when that course is considered inadvisable is not required.

I. WARRANTY OF TITLE

Seller warrants it has good title or the right and lawful authority to sell the gas delivered, free and clear of any and all liens, encumbrances, and claims. Seller owns or controls and grants to Buyer the right to process Seller's gas for extraction of NGLs and other valuable components. If Seller's title or right to receive any payment is questioned or involved in litigation, Buyer will have the right within reason to withhold the contested payments until title information is received, during the litigation, until the title or right to receive the questioned payments is freed from question, or until Seller furnishes security for repayment

acceptable to Buyer. Without impairment of Seller's warranty of its right and authority to sell the gas and related processing rights, if Seller owns or controls less than full title to the gas delivered, payments will be made only in the proportion that Seller's interest bears to the entire title to the gas.

J. ROYALTY AND OTHER INTERESTS

Seller is responsible for all payments to the owners of all working interests, mineral interests, royalties, overriding royalties, bonus payments, production payments and the like. Buyer assumes no liability to Seller's working or mineral interest, royalty, or other interest owners under this Contract.

K. SEVERANCE AND SIMILAR TAXES

K.1 Inclusion in Price. Reimbursement to Seller for Seller's full liability for severance and similar taxes levied upon Seller's gas production is included in the prices payable under this Contract, regardless of whether some included interests may be exempt from taxation.

K.2 Tax Responsibilities and Disbursements. Seller shall bear, and unless otherwise required by law, will pay to taxing authorities all severance, production, excise, sales, gross receipts, occupation, and other taxes imposed upon Seller with respect to the gas on or prior to delivery to Buyer. Buyer will bear and pay all taxes imposed upon Buyer with respect to the gas after delivery to Buyer.

L. INDEMNIFICATION AND RESPONSIBILITY FOR INJURY OR DAMAGE

L.1 Title, Royalty, and Severance Taxes. SELLER RELEASES AND AGREES TO DEFEND, INDEMNIFY, AND SAVE BUYER, ITS AFFILIATES, AND THEIR OFFICERS, EMPLOYEES, AND AGENTS HARMLESS FROM AND AGAINST ALL CLAIMS, CAUSES OF ACTION, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS OF INVESTIGATION AND DEFENSE) RELATING TO (a) SELLER'S TITLE OR RIGHT AND AUTHORITY TO SELL GAS AND PROCESSING RIGHTS, (b) PAYMENTS FOR WORKING, MINERAL, ROYALTY AND OVERRIDING ROYALTY AND OTHER INTERESTS, AND (c) SALES, SEVERANCE, AND SIMILAR TAXES, THAT ARE THE RESPONSIBILITY OF SELLER UNDER SECTIONS I, J, AND K ABOVE.

L.2 Responsibility for Injury or Damage. As between the parties, Seller will be in control and possession of the gas deliverable hereunder and

responsible for any injury or damage relating to handling or delivery of gas until the gas has been delivered to Buyer at the Delivery Points; after delivery, Buyer will be deemed to be in exclusive control and possession and responsible for any injury or damage relating to handling or gathering of gas. THE PARTY HAVING RESPONSIBILITY UNDER THE PRECEDING SENTENCE SHALL RELEASE, DEFEND, INDEMNIFY, AND HOLD THE OTHER PARTY, ITS AFFILIATES, AND THEIR OFFICERS, EMPLOYEES, AND AGENTS HARMLESS FROM AND AGAINST ALL CLAIMS, CAUSES OF ACTION, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS OF INVESTIGATION AND DEFENSE) ARISING FROM ACTUAL AND ALLEGED LOSS OF GAS, PERSONAL INJURY, DEATH, AND DAMAGE FOR WHICH THE PARTY IS RESPONSIBLE UNDER THIS SECTION; PROVIDED THAT NEITHER PARTY WILL BE INDEMNIFIED FOR ITS OWN NEGLIGENCE OR THAT OF ITS AGENTS, SERVANTS, OR EMPLOYEES.

M. RIGHT OF WAY

Insofar as Seller's lease or leases permit and insofar as Seller or its lease operator may have any rights however derived (whether pursuant to oil and gas lease, easement, governmental agency order, regulation, statute, or otherwise), Seller grants to Buyer and Buyer's gas gathering contractor, if any, and their assignees the right of free entry and the right to lay and maintain pipelines, meters, and any equipment on the lands or leases subject to this Contract as reasonably necessary in connection with the purchase or handling of Seller's gas. Any rights granted by Seller hereunder shall terminate upon the termination of this Contract. All pipelines, meters, and other equipment placed by Buyer or Buyer's contractors on the lands and leases will remain the property of the owner and may be removed by the owner at any time. Upon termination of this Contract, the Buyer, or its assigns, shall remove all property, within a reasonable time, and in accordance with the terms of the Leases. Without limitation, Buyer or its gathering contractor may disconnect and remove measurement and other facilities from any Delivery Point due to low volume, quality, or term expiration.

N. ASSIGNMENT

N.1 Binding on Assignees. Either party may assign this Contract. This Contract is binding upon and inures to the benefit of the successors, assigns, and representatives in bankruptcy of the parties, and, subject to any prior dedications by the assignee, shall be binding upon any purchaser of Buyer's Facilities and upon any purchaser of the properties of Seller subject to this Contract. Nothing contained in this Section will prevent either party from mortgaging its rights as security for its indebtedness, but

security is subordinate to the parties' rights and obligations under this Contract.

N.2 Notice of Assignment. Any assignment or sublease by Seller of any oil and gas properties or any gas rights contracted to Buyer will be made expressly subject to the provisions of this Contract. No transfer of or succession to the interest of Seller, however made, will bind Buyer unless and until the original instrument or other proper proof that the claimant is legally entitled to an interest has been furnished to Buyer at its Division Order address noted in the Notices Section or subsequent address.

O. MISCELLANEOUS PROVISIONS

O.1 Governing Law. THIS CONTRACT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, without reference to those that might refer to the laws of another jurisdiction.

O.2 Default and Nonwaiver. A waiver by a party of any one or more defaults by the other in the performance of any provisions of this Contract will not operate as a waiver of any future default or defaults, whether of a like or different character.

O.3 Counterparts. This Contract may be executed in any number of counterparts, all of which will be considered together as one instrument, and this Contract will be binding upon all parties executing it, whether or not executed by all parties owning an interest in the producing sources affected by this Contract. Signed copies of this Contract and facsimiles of it shall have the same force and effect as originals.

O.4 Negotiations; Entire Agreement; Amendment; No Third Party Beneficiaries. The language of this Contract shall not be construed in favor of or against either Buyer or Seller, but shall be construed as if the language were drafted mutually by both parties. This Contract constitutes the final and complete agreement between the parties. There are no oral promises, prior agreements, understandings, obligations, warranties, or representations between the parties relating to this Contract other than those set forth herein. All waivers, modifications, amendments, and changes to this Contract shall be in writing and signed by the authorized representatives of the parties. The relations between the parties are those of independent contractors; this Contract creates no joint venture, partnership, association, other special relationship, or fiduciary obligations. There are no third party beneficiaries of Buyer's sales contracts or of this Contract.

O.5 Ratification and Third Party Gas. Notwithstanding anything contained herein to the contrary, Buyer has no duty under this Contract to purchase or handle gas attributable to production from interests of third parties that has been purchased by

Seller for resale, except that Buyer will purchase Other WI Gas. "Other WI Gas" means gas attributable to working and mineral interests owned by third parties in wells operated by Seller that are subject to this Contract that Seller has the right to market under an operating agreement. If Buyer requests in writing that Seller obtain ratification of this Contract from owners of Other WI Gas, Seller will use reasonable commercial efforts to cause those Other WI Gas owners to execute and deliver to Buyer an instrument prepared by Buyer for the purpose of ratifying and adopting this Contract with respect to the owner's Other WI Gas, and the ratifying owner will become a party to this Contract with like force and effect as though the Other WI owner had executed this Contract as amended as of the time of the ratification, and all of the terms and provisions of this Contract as then amended will become binding upon Buyer and the ratifying owner.

O.6 Compliance with Laws and Regulations. This Contract is subject to all valid statutes and rules and regulations of any duly constituted federal or state authority or regulatory body having jurisdiction. Neither party will be in default as a result of compliance with laws and regulations.

O.7 Fees and Costs; Damages. If a breach occurs, the parties are entitled to recover as their sole and exclusive damages for breach of the price and quantity obligations under this Contract the price for gas taken by Buyer in the case of Seller and the lost margin less avoided costs in the case of Buyer. If mediation or arbitration is necessary to resolve a dispute other than one arising under the indemnification obligations of this Contract, each party agrees to bear its own attorneys' fees and costs of investigation and defense, and each party waives any right to recover those fees and costs from the other party or parties.

O.8 Mutual Waiver of Certain Remedies. Except as to the parties' indemnification obligations, NEITHER PARTY SHALL BE LIABLE OR OTHERWISE RESPONSIBLE TO THE OTHER FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES, FOR LOST PRODUCTION, OR FOR PUNITIVE DAMAGES AS TO ANY ACTION OR OMISSION, WHETHER CHARACTERIZED AS A CONTRACT BREACH OR TORT, THAT ARISES OUT OF OR RELATES TO THIS CONTRACT OR ITS PERFORMANCE OR NONPERFORMANCE.

O.9 Arbitration. The parties desire to resolve any disputes that may arise informally, if possible. All disputes arising out of or relating to this Contract that are not resolved by agreement of the parties must be resolved using the provisions of this Section. To that end, if a dispute or disputes arise out of or relating to this Contract, a party shall give written notice of the disputes to the other involved parties, and each party will appoint an employee to negotiate with the other party concerning the disputes. If the disputes have not been resolved by negotiation within 30 Days of the initial dispute notice, the disputes shall be

resolved by arbitration in accordance with the then current International Institute for Conflict Prevention and Resolution Rules for Non-Administered Arbitration and related commentary ("Rules") and this Section. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1, et seq., and the Rules, to the exclusion of any provision of state law inconsistent with them. The arbitration shall be initiated by a party seeking arbitration by written notice sent to the other party or parties to be involved. The parties shall select one disinterested arbitrator with at least ten years' experience in the natural gas industry or ten years' experience with natural gas law, and not previously employed by either party or its Affiliates, and, if possible, shall be selected by agreement between the parties. If the parties cannot select an arbitrator by agreement within 15 Days of the date of the notice of arbitration, a qualified arbitrator will be selected in accordance with the Rules. If the disputes involve an amount greater than \$150,000, they will be decided by a panel of three arbitrators with the above qualifications, one selected by each party, and the third selected by the party-appointed arbitrators, or in the absence of their agreement, pursuant to the Rules. The arbitrator(s) shall resolve the disputes and render a final award in accordance with the substantive law of the state referenced in Section O.1 above, "Governing Law." The arbitration award will be limited by the provisions set forth in Sections O.7, "Fees and Costs; Damages" and O.8 above, "Mutual Waiver of Certain Remedies." The parties intend case specific dispute resolution; either party may opt out of any attempted class action for all claims of any party related to this Contract. The arbitrator(s) shall set forth the reasons for the award in writing, and judgment on the arbitration award may be entered in any court having jurisdiction.

END OF EXHIBIT A TO GAS PURCHASE
CONTRACT

EXHIBIT B to GAS PURCHASE CONTRACT
Between EVOLUTION PETROLEUM CORPORATION, as Seller and
DCP MIDSTREAM, LP as Buyer

Dated as of December 1, 2007

EXHIBIT B to GAS PURCHASE CONTRACT
Between EVOLUTION OPERATING CO., INC., as Seller and
DCP MIDSTREAM, LP as Buyer

Dated as of December 1, 2007

COMMITTED LEASES AND WELLS
VARIOUS COUNTIES, TEXAS

NO.	BUYER'S METER NO.	WELL/LEASE NAME	LOCATION	COUNTY, STATE
1.	TBD	Donella No. 1-RE	D. Barry Survey, A-116	Fayette, Texas
2.	TBD	Duncan No. 1 RE	J. Bird Survey, A-5	Burleson, Texas
3.	TBD	Urbanovsky-Bryant Units 1 RE and 2 RE or adjacent wellbores	O. Perry Survey, A-45	Burleson, Texas
4.	TBD	Margaret No. 1 RE	N. Woods Survey, A-116	Fayette, Texas
5.	TBD	John Kacer No. 1-RE or adjacent wellbore	S. Austin Survey, A-65	Burleson, Texas

Seller will submit Unit Plats as available for attachment hereto

gk

**CERTIFICATION PURSUANT TO RULE 13A-14 and 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Herlin, President and Chief Executive Officer of Evolution Petroleum Corporation, certify that:

1. I have reviewed this Amendment to the Annual Report on Form 10-K for the fiscal year ended June 30, 2008 of Evolution Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles.
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 7, 2009

/s/ ROBERT S. HERLIN

Robert S. Herlin
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13A-14 and 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS AMENDED AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sterling H. McDonald, Vice President and Chief Financial Officer of Evolution Petroleum Corporation, certify that:

1. I have reviewed this Amendment to the Annual Report on Form 10-K for the fiscal year ended June 30, 2008 of Evolution Petroleum Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement for external purposes in accordance with generally accepted accounting principles.
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 7, 2009

/s/ STERLING H. MCDONALD
Sterling H. McDonald
Vice-President and Chief Financial Officer
