SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: June 15, 2006
Date of Earliest Event Reported: June 12, 2006

NATURAL GAS SYSTEMS, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction of Incorporation)

0-27862	41-1781991
(Commission File Number)	(I.R.S. Employer Identification No.)
820 Gessner, Suite 1340, Houston, Texas	77024
(Address of Principal Executive Offices)	(Zip Code)

(713) 935-0122
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

TABLE OF CONTENTS

Item 1.02 Termination of a Material Definitve Agreement

Item 2.01 Completion of Acquisition or Disposition of Assets

Item 9.01 Financial Statements and Exhibits

Signatures

ITEM 1.02 TERMINATION OF A MATERIAL DEFINITIVE AGREEMENT

As previously reported in a Current Report on Form 8-K filed by Natural Gas Systems, Inc. ("NGS" or the "Company") with the SEC on March 8, 2006, the Company entered a subordinated loan agreement with Laird Q. Cagan, the Chairman of the Board of Directors of the Company, whereby Mr. Cagan loaned the Company $250,000 (the "Subordinated Note"). The Subordinated Note had a one year term and accrued interest at 10%, payable at maturity. On June 13, 2006, the Company voluntarily prepaid all amounts due under the Loan Agreement totaling $257,058, representing the then-outstanding principal balance and all accrued and unpaid interest.

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

As previously reported in a Current Report on Form 8-K filed by the Company with the SEC on May 11, 2006, NGS, through our wholly-owned subsidiary NGS Sub Corp, entered into a Purchase and Sale Agreement (the “Sale Agreement”) with Denbury Onshore, LLC., a subsidiary of Denbury Resources, Inc. (NYSE symbol: DNR, hereinafter referred to as “Denbury”) on May 8, 2006 to conduct an enhanced oil recovery project in the Company’s Delhi Holt Bryant Unit within the Delhi Field in northeast Louisiana (the “Delhi Unit”). On June 12, 2006, NGS received $50 million and delivered to Denbury an initial 100% working interest and 80% net revenue interest in the Delhi Unit, and a 75% working interest and an 80% net revenue interest (proportionately reduced to 60%) in certain other depths in the Delhi Field. NGS retained a separate 4.8% royalty interest in the Delhi Field (including the Delhi Unit) and a 25% working interest in certain other depths of the Delhi Field (excluding the Delhi Unit, except as described below). Under the terms of the Sale Agreement, Denbury has agreed to contribute all development capital, technical expertise and required amounts of proven reserves of carbon dioxide that will be injected into the Delhi Unit oil reservoirs. After the project generates $200 million of net cash flows before capital expenditures for Denbury, NGS will regain a 25% working interest (20% net revenue interest) in the Delhi Unit.

For tax purposes, the parties to the Sale Agreement made certain non-material changes and bifurcated the original Sale Agreement into two (2) separate agreements in order to assist in the consummation of a like-kind exchange. The final closing documents for the revised Sale Agreement are attached hereto as the Purchase and Sale Agreement I, the Purchase and Sale Agreement II, the Unit Operating Agreement, and the Conveyance, Assignment and Bill of Sale Agreement, attached hereto as Exhibits 10.1, 10.2, 10.3 and 10.4, respectively. The foregoing descriptions are qualified by reference to Exhibit 10.1, 10.2 10.3 and 10.4 to this Current Report on Form 8-K, which Exhibits are incorporated herein by reference.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibits.

The following exhibit is filed as an exhibit to this Current Report on Form 8-K:

Exhibit No.	**Description**
10.1	Purchase and Sale Agreement I, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006.
10.2	Purchase and Sale Agreement II, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006.
10.3	Unit Operating Agreement, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006.
10.4	Conveyance, Assignment and Bill of Sale Agreement, by and between NGS Sub Corp. and Denbury Onshore, LLC, dated May 8, 2006.

SIGNATURES

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

NATURAL GAS SYSTEMS, INC.

Date: June 14, 2006

By: /s/ Robert Herlin

Robert Herlin, Chief Executive Officer

PURCHASE AND SALE AGREEMENT I

This Purchase and Sale Agreement I ("Agreement"), dated as of May 8, 2006, is by and between **NGS Sub Corp.,** whose address is Two Memorial City Plaza, 820 Gessner Road, Suite 1340, Houston, TX 77024 ("Seller"), and **Denbury Onshore, LLC,** whose address is 5100 Tennyson Parkway, Suite 1200, Plano, Texas 75024 ("Buyer"). Seller and Buyer are sometimes together referred to herein as "Parties".

R E C I T A L S

WHEREAS, Seller owns certain oil and gas leasehold interests and related assets more fully described on the exhibits hereto;

WHEREAS, Seller desires to sell and Buyer desires to acquire these interests and related assets on the terms and conditions hereinafter provided;

WHEREAS, the Parties have previously executed a certain Purchase And Sale Agreement dated as of May 8, 2006 (the "Original Purchase and Sale Agreement"), which conveyed one hundred percent (100%) of Seller's interest in the Delhi Holt Bryant Unit to Buyer (subject to other express terms and conditions contained therein);

WHEREAS, the Seller desires to bifurcate the Original Purchase and Sale Agreement into two (2) separate agreements in order to assist in the consummation of a Like-Kind Exchange and Buyer has agreed to cooperate in said revisions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, Seller and Buyer hereby agree as follows:

ARTICLE 1. - DEFINITIONS

1.1. **"Agreement"** shall mean this Purchase and Sale Agreement I between Seller and Buyer, and said Agreement does hereby amend, supersede and replace the Original Purchase and Sale Agreement**.**

1.2. **"Assets"** shall mean the following described assets and properties (except to the extent constituting Excluded Assets):

(a) the Leases;
(b) the Real Property, Personal Property and Incidental Rights; and
(c) the Inventory Hydrocarbons; and
(d) the Delhi Holt Bryant Unit.

1.3. **"Assumed Obligations"** shall mean:

(a) all Environmental Obligations or Liabilities arising after the Effective Time;

(b) all obligations with respect to gas production, sales or, subject to Article 18, processing imbalances with third parties;

(c) all liabilities, duties, and obligations that arise out of the ownership, operation or use of the Assets after the Effective Time, including, but not limited to, all liabilities, duties, and obligations, express or implied, imposed upon Seller herein under the provisions of the Leases and any and all assignments, subleases, farmout agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way, and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, and under all applicable laws, rules, regulations, orders and ordinances, excluding, but not limited to, the claims and suits set forth in Exhibit "F".

(d) the obligations of Seller under that certain Site Specific Trust Account as previously set up for the plugging of abandoned wellbores in the Delhi Holt Bryant Unit. Buyer shall within sixty (60) days after the Closing Date (as hereinafter defined) provide the requested cash or irrevocable stand-by letter of credit sufficient to assume all of Sellers obligations under the Site Specific Trust Account and to cause the Seller to be released from its financial obligations thereunder.

1.4. **"Closing"** shall be as defined in Section 13.1.

1.5. **"Closing Date"** shall be as defined in Section 13.1.

1.6. **"Effective Time"** shall mean 7:00 a.m., local time, on June 1, 2006.

1.7. **"Environmental Defect"** shall mean: (i) a condition or activity with respect to an Asset that is in material violation, or reasonably likely to materially violate, any federal, state or local statute, or any rule, order, ruling or regulation entered, issued or made by any court, administrative agency, or other governmental body or entity, federal, state, or local, or any arbitrator ("**Environmental Law**"), or surface or mineral lease obligation, whether an express or implied obligation, relating to natural resources, conservation, the environment, or the emission, release, storage, treatment, disposal, transportation, handling or management of industrial or solid waste, hazardous waste, hazardous or toxic substances, chemicals or pollutants, petroleum, including crude oil, natural gas, natural gas liquids, or liquefied natural gas, and any wastes associated with the exploration and production of oil and gas ("**Regulated Substances**"); or (ii) the presence of Regulated Substances in the soil, groundwater, or surface water in, on, at or under an Asset in any manner or quantity which is required to be remediated by Environmental Law or by any applicable action or guidance levels or other standards published by any governmental agency with jurisdiction over the Assets, or by a surface or mineral lease obligation, whether an express or implied obligation. Buyer and Seller agree that for a condition to be in violation of any statute or regulation it shall not be necessary that Seller shall be under notice of violation from a federal or state regulatory agency or lessor.

The Parties agree and acknowledge that Buyer will be provided an opportunity to examine the Assets for potential naturally occurring radioactive materials ("NORM"), and any potential obligations with respect to NORM and that the presence of NORM on any of the Assets, except with respect to inactive wells, facilities, pipelines and other equipment, may not be raised by Buyer as the subject of an Environmental Defect.

1.8. **"Environmental Obligations or Liabilities"** shall mean all liabilities, obligations, expenses (including, without limitation, all attorneys' fees), fines, penalties, costs, claims, suits or damages (including natural resource damages) of any nature, associated with the Assets, and attributable to or resulting from: (i) pollution or contamination of soil, groundwater or air, on, in or under the Assets or lands in the vicinity thereof, and any other contamination of or adverse effect upon the environment, (ii) underground injection activities and waste disposal, (iii) clean-up responses, remedial, control or compliance costs, including the required cleanup or remediation of spills, pits, lakes, ponds, or lagoons, including any subsurface or surface pollution caused by such spills, pits, lakes, ponds, or lagoons, (iv) noncompliance with applicable land use, permitting, surface disturbance, licensing or notification requirements, including those in a surface or mineral lease, whether an express or implied obligation, (v) all obligations, whether pursuant to an Environmental Law or a surface or mineral lease obligation, whether express or implied, for plugging, replugging and abandoning any wells, the restoration of any well sites, tank battery sites and gas plant sites, and any other surface locations or sites, the proper removal, disposal and abandonment of any wastes or fixtures, and the proper capping and burying of all flow lines, which are included in the Assets; (vi) violation of any federal, state or local Environmental Law or land use law, or surface or mineral lease obligation, whether an express or implied obligation, and (vii) any other violation which could qualify as an Environmental Defect. Notwithstanding anything to the contrary set forth in, or implied by, this Section 1.8, "Environmental Obligations or Liabilities" does not include (i) personal injury or wrongful death occurring prior to the Effective Time or (ii) offsite waste disposal occurring prior to the Effective Time.

1.9. **"Excluded Assets"** shall mean the following:

(a) Seller saves and excepts from the Assignment and Conveyance , the lessors' royalty, all overriding royalty and other burdens on production encumbering the Delhi Holt Bryant Unit as of the Effective Time (including, without limiting the foregoing, that certain Act of Sale And Assignment executed on January 31, 2006 but effective as of December 1, 2005, by and between James H. Jones and Kristi S Jones, as Vendors and NGS Sub Corp., as Vendee). It being the intention of the Seller to convey to Buyer a net revenue interest of not less than fifty six percent (56%) in the Delhi Holt Bryant Unit.

(b) an undivided seventeen and one-half percent of eight eighths (17.5% of 8/8ths) working interest in and to the Assets which are not included in the Delhi Holt Bryant Unit. It being the intent of the Parties that the Seller shall convey to the Buyer, at Closing, an undivided fifty two and one-half percent of eight eighths (52.5% of 8/8ths) working interest in the Assets which are not included in the Delhi Holt Bryant Unit, proportionately reduced to the interest owned by Seller, if any.

(c) any acquisitions of, or agreements to acquire, royalty interests in the Leases, made by Seller prior to the Effective Time, which are identified and described in Exhibit "K", and no additional offers to acquire such royalty interest have been or will be made by Seller after May 1, 2006.

(d) an undivided reversionary working interest of seventeen and one-half percent of eight eighths (17.5% of 8/8ths) and a net revenue interest of not less than fourteen percent of eight eighths (14.0% of 8/8ths), in the Delhi Holt Bryant Unit, (collectively, the "Reversionary Interests"), at such time as the Buyer has achieved "Payout" of the Delhi Holt Bryant Unit. "Payout" shall be defined as that point in time when Buyer has received "Total Net Cash Flow" from Buyer's operation in and on the Delhi Holt Bryant Unit in the amount of two hundred million and no/100 dollars ($200,000,000.00) to the one hundred percent (100%) Working Interest. It being the intent of the parties that the Seller shall convey to the Buyer at Closing an undivided seventy percent (70.0%) working interest in the Delhi Holt Bryant Unit, subject to the Seller's Reversionary Interests. Seller's Reversionary Interests as set forth above will be proportionately reduced in the event Buyer's actual working interest and/or net revenue interest, respectively, acquired by virtue of this Agreement are less than the interest set forth above. Seller's Reversionary Interests shall automatically revert to the Seller once "Payout" has been achieved, without any further action on the part of the Seller. Seller's Reversionary Interests will be effective on the first day of the month next succeeding the point in time in which "Payout" has occurred. Within fifteen (15) days after "Payout" has occurred, Buyer shall provide Seller with an Assignment of the Seller's Reversionary Interests, which will be free and clear of all liens and encumbrances of any kind. Seller's Reversionary Interests shall be subject to the following additional terms and provisions:

(1) Total Net Cash Flow for purposes of this Agreement and as utilized in determining when "Payout" has occurred, is defined as being the excess of Net Revenues from the Delhi Holt Bryant Unit over all Operating Costs for the Delhi Holt Bryant Unit, being all costs and expenses to operate, maintain and produce the Delhi Holt Bryant Unit, but excluding capital costs and capital expenditures (including those set forth in Section 3.4). Net Revenues are defined as being gross revenues from the Delhi Holt Bryant Unit operations less any applicable federal, state and local taxes (including excise, production, severance, sales, and ad valorem taxes, but excluding any income based taxes) and less revenue attributable to royalties, Seller's overriding royalty interest, and any other overriding royalty interests, production payments, net profit interest and similar interests or burdens of record prior to or as of the Effective Time. Operating Costs used in computing Total Net Cash Flow shall be the total Delhi Holt Bryant Unit operating costs and expenses (including administrative overhead charges) actually incurred and expended by the Operator and charged to the joint account by the Operator, as set forth in the Accounting Procedure of the Unit Operating Agreement, deemed transportation costs to deliver CO2 to the Delhi Holt Bryant Unit [being the stipulated and agreed costs set forth in subparagraph 1.9 (b)(2) below], deemed costs for CO2 delivered to the Delhi Holt Bryant Unit [being the stipulated and agreed costs set forth in subparagraph 1.9 (b)(2) below]. An "mcf" of CO2 shall be 1000 cubic feet of CO2 at standard conditions.

(2) If CO2 is used by Buyer for enhanced oil production from the Delhi Holt Bryant Unit, Buyer shall act as a reasonable prudent operator in delivering C02 to the Delhi Holt Bryant Unit in a timely manner and in sufficient quantities to efficiently conduct operations to enhance oil production Buyer will deliver CO2 to the Delhi Holt Bryant Unit at a pipeline pressure of 1100 psi for a fixed transportation cost per standard mcf of twenty cents ($.20), for a period of time not to exceed ten (10) years from the date of first pipeline deliveries of CO2 to the Delhi Holt Bryant Unit. The agreed cost for the CO2 delivered to the Delhi Holt Bryant Unit will be equal to one percent (1%) of the price per barrel of crude oil sold from the Delhi Holt Bryant Unit per standard mcf of CO2 as determined each month. The agreed cost of the CO2 delivered by the Buyer to the Delhi Holt Bryant Unit shall not increase for the entire life of the CO2 operations conducted on the Delhi Holt Bryant Unit. The above transportation costs and costs for CO2 are stipulated by the Parties to be the deemed costs for purposes of the Delhi Holt Bryant Unit, regardless of actual costs or other factors or circumstances. All CO2 injected into the Delhi Holt Bryant Unit shall be owned by the working interest owners proportionate to their interests. Any CO2 delivered to the Delhi Holt Bryant Unit and used by Buyer for any purpose other than in the Delhi Holt Bryant Unit shall be credited to the Total Net Cash Flow calculation as revenue at the same cost that the CO2 is charged as provided above.

(3) Costs associated with building, owning, operating, and maintaining CO2 pipelines used by Buyer to deliver CO2 to the Delhi Holt Bryant Unit and within the Delhi Holt Bryant Unit, including pipelines from the source field for the CO2, shall not be included in the computation of the costs used to determine Total Net Cash Flow or “Payout”, but shall only be used in computing the capital expenditure commitment set forth in Section 3.4. All such CO2 pipelines shall be owned solely by Buyer, and Seller shall not have or be entitled to any interest in such pipelines, reversionary or otherwise.

(4) Seller’s Reversionary Interests in the Delhi Holt Bryant Unit, after it reverts shall be subject to the terms and provisions of the Unit Operating Agreement. After such Reversionary Interests revert to Seller, Seller shall be liable for and shall assume and pay its proportionate working interest share of all subsequent costs associated with its working interest in the Delhi Holt Bryant Unit, including capital costs.

(5) If for any reason Seller desires not to accept the Reversionary Interests provided for in this Paragraph (b), and the obligations and liabilities associated with such Reversionary Interests, Seller may decline to accept such Interests by notifying Buyer in writing on or before fifteen (15) days after the effective date of reversion. After receipt of such a notice, Seller’s right to the Reversionary Interests will terminate.

(6) Prior to Payout Buyer shall provide to Seller (i) on a monthly basis operating reports covering revenues, operating expenses, capital expenditures, production and injection volumes and product prices received; and (ii) a quarterly statement (with all supporting documentation) identifying the status of Total Net Cash Flow amounts and Payout Statement for the Delhi Holt Bryant Unit; and (iii) Buyer shall further provide Seller with quarterly reports including historical and prospective technical information relating to the Delhi Holt Bryant Unit including, but not limited to injection and production data on a field and well basis, well logs, cores, tests and any other data necessary for Seller to perform its own technical analysis; and (iv) the right to request an annual technical presentation to be presented to Seller by the appropriate technical staff of Buyer. Seller shall have the right to conduct an annual audit of the accounts and records of Buyer (at a mutually convenient time during Assignor’s normal business hours and in accordance with the Council of Petroleum Accountants Society guidelines and practices for audits by working interest owners) to verify the accounting for the Total Net Cash Flow amount and Payout. Such audits may be performed by Seller directly or through an independent accounting firm of its choice, but in each case at the Seller’s sole cost and expense. Notwithstanding the above, all Payout accounting by Buyer during any calendar year shall conclusively be presumed true and correct after twenty four months following the end of any such calendar year, unless within the said twenty four month period, Seller takes written exception thereto and makes claim on Buyer for adjustments.

(c) (i) all trade credits, accounts receivable, notes receivable and other receivables attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time; (ii) all deposits, cash, checks in process of collection, cash equivalents and funds attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time; and (iii) all proceeds, benefits, income or revenues accruing with respect to the Assets prior to the Effective Time;

(d) all corporate, financial, and tax records of Seller; however, Buyer shall be entitled to receive copies of any tax records which directly relate to any Assumed Obligations, or which are necessary for Buyer's ownership, administration, or operation of the Assets;

(e) all claims and causes of action of Seller arising from acts, omissions or events, or damage to or destruction of the Assets, occurring prior to the Effective Time; provided, however, Seller shall transfer to Buyer all claims and causes of action of Seller against prior owners of the Assets or third parties for Environmental Obligations or Liabilities that are not Retained Environmental Obligations or Liabilities;

(f) except as otherwise provided in Article 15, all rights, titles, claims and interests of Seller relating to the Assets prior to the Effective Time (i) under any policy or agreement of insurance or indemnity; (ii) under any bond; or (iii) to any insurance or condemnation proceeds or awards;

(g) all Hydrocarbons produced from or attributable to the Assets with respect to all periods prior to the Effective Time, together with all proceeds from or of such Hydrocarbons, except the Inventory Hydrocarbons and the unsold inventory of gas plant products, if any, attributable to the Leases as of the Effective Time;

(h) claims of Seller for refund of or loss carry forwards with respect to production, windfall profit, severance, ad valorem or any other taxes attributable to any period prior to the Effective Time, or income or franchise taxes;

(i) all amounts due or payable to Seller as adjustments or refunds under any contracts or agreements (including take-or-pay claims) affecting the Assets with respect to any period prior to the Effective Time;

(j) all amounts due or payable to Seller as adjustments to insurance premiums related to the Assets with respect to any period prior to the Effective Time;

(k) all proceeds, benefits, income or revenues accruing (and any security or other deposits made) with respect to the Assets, and all accounts receivable attributable to the Assets, prior to the Effective Time; and

(l) all of Seller's intellectual property, including, but not limited to, proprietary computer software, patents, trade secrets, copyrights, names, marks and logos.

1.10. **"Hydrocarbons"** shall mean crude oil, natural gas, casinghead gas, condensate, sulphur, natural gas liquids and other liquid or gaseous hydrocarbons (including CO_2), and shall also refer to all other minerals of every kind and character which may be covered by or included in the Leases and Assets.

1.11. **"Inventory Hydrocarbons"** shall mean all merchantable oil and condensate (for oil or liquids in storage tanks, being only that oil or liquids physically above the top of the inlet connection into such tanks) produced from or attributable to the Leases prior to the Effective Time which have not been sold by Seller and are in storage at the Effective Time.

1.12. **"Leases"** shall mean, except to the extent constituting Excluded Assets, any and all interests owned by Seller, including but without limitation those set forth on Exhibit "A," or which Seller is entitled to receive by reason of any participation, joint venture, farmin, farmout, joint operating agreement, unitization agreement, or other agreement, in and to the oil, gas and/or mineral leases, permits, licenses, concessions, leasehold estates, royalty interests, overriding royalty interests, net revenue interests, executory interests, net profit interests, working interests, reversionary interests, mineral interests, and any other interests of Seller in Hydrocarbons, in the Delhi Holt Bryant Unit, Franklin, Madison and Richland Parishes, Louisiana (referred to herein as the "Delhi Holt Bryant Unit" as more fully described below), and in those lands located within the aerial boundaries of the Delhi Holt Bryant Unit (the "Delhi Holt Bryant Unit Lands" as more fully described below) , it being the intent hereof that the leases, properties and interests and the legal descriptions and depth limitations set forth on Exhibit "A," or in instruments described in Exhibit "A," if any, are for information only and the term "Leases" includes all of Seller's right, title and interest in the above described Hydrocarbon interests in the Delhi Holt Bryant Unit and in the Delhi Holt Bryant Unit Lands, other than the Excluded Assets, including but not limited to those described on Exhibit "A," or in instruments described in Exhibit "A," even though such interests may be incorrectly described in Exhibit "A" or omitted from Exhibit "A". For purposes of this Agreement, the Delhi Holt Bryant Unit in Franklin, Madison and Richland Parishes, Louisiana, shall be as described in and governed by Louisiana Department of Natural Resources, Office of Conservation Orders Nos.96-F, 96-F-1, 96-G-4 and 96-G-5, as amended and supplemented. The Delhi Holt Bryant Unit Lands, being those lands within the aerial boundaries of the Delhi Holt Bryant Unit, as to all depths, are described in Exhibit "A-1",

1.13. **"Performance Deposit"** shall be as defined in Section 3.2.

1.14. **"Real Property, Personal Property and Incidental Rights"** shall mean an undivided seventy percent (70%) of all right, title and interest of Seller in and to or derived from the following insofar as the same do not constitute Excluded Assets and are attributable to, appurtenant to, incidental to, or used for the operation of the Leases:

(a) all interests in the surface estate in Delhi Holt Bryant Unit Lands, including but not limited to those described on Exhibit “A”;

(b) all easements, rights-of-way, surface leases, permits, licenses, servitudes or other interests relating to the use of the surface, including but not limited to those described on Exhibit “A,” or in instruments described in Exhibit “A”;

(c) all wells, including but not limited to those listed on Exhibit “A-2" attached hereto, whether or not such wells are active or inactive, along with all equipment and other personal property, inventory, spare parts, tools, fixtures, pipelines, dehydration facilities, platforms, tank batteries, appurtenances, and improvements situated upon the Leases as of the Effective Time and used or held for use in connection with the development or operation of the Leases or the production, treatment, storage, compression, processing or transportation of Hydrocarbons from or in the wells or Leases;

(d) all unit agreements, orders and decisions of state and federal regulatory authorities establishing units, joint operating agreements, enhanced recovery and injection agreements, farmout agreements and farmin agreements, options, drilling agreements, exploration agreements, assignments of operating rights, working interests, subleases and rights above or below certain footage depths or geological formations, to the extent same is attributable to the Assets, as of the Effective Time, including but not limited to those described on Exhibit “A”;

(e) all contracts, agreements, and title instruments to the extent attributable to and affecting the Assets in existence at Closing, including all Hydrocarbon sales, purchase, gathering, transportation, treating, marketing, exchange, processing, disposal and fractionating contracts, joint operating agreements, including but not limited to those described on Exhibit “A”; and

(f) originals of all lease files, land files, well files, production records, division order files (including paysheets and supporting files), abstracts, title opinions, and contract files, insofar as the same are directly related to the Leases; including, without limitation, all geological, information and data, to the extent that such data is not subject to any third party restrictions, but excluding Seller's proprietary interpretations of same.

1.15. **"Purchase Price"** shall be as defined in Section 3.1.

1.16 **“Retained Environmental Obligations or Liabilities”** shall mean, (i) any Environmental Obligations or Liabilities of any nature related to the Excluded Assets, and (ii) any Environmental Obligations or Liabilities associated with the Assets which arose prior to the Effective Time.

Notwithstanding anything herein to the contrary, Retained Environmental Obligations or Liabilities shall not include any Environmental Obligations or Liabilities that (a) relate to NORM, or (b) relate to the plugging and abandonment of the wells listed on Exhibit “A-2” and any related surface restoration of these well sites, or (c) resulted from or relate to an activity or a condition with the Assets first occurring after the Effective Time.

1.17. "Retained Obligations" shall mean all liabilities, duties, and obligations that arise out of the ownership, operation or use of the Assets prior to the Effective Time, including, but not limited to, all liabilities, duties, and obligations, express or implied, imposed upon Seller herein under the provisions of the Leases and any and all assignments, subleases, farmout agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way, and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, and under all applicable laws, rules, regulations, orders and ordinances, including but not limited to the claims and suits set forth in Exhibit "F", except for those specifically included in the definition of "Assumed Obligations."

1.18. "Unit Operating Agreement" shall mean that certain unit operating agreement dated August 5, 1952, covering the Delhi Holt Bryant Unit, as may be amended, and which is attached hereto as Exhibit J.

ARTICLE 2. - AGREEMENT TO PURCHASE AND SELL

Subject to the terms and conditions of this Agreement, Seller agrees to sell and convey to Buyer and Buyer agrees to purchase and pay for the Assets and to assume the Assumed Obligations.

ARTICLE 3. - PURCHASE PRICE AND PAYMENT

3.1. Purchase Price.

Subject to adjustment as set forth below, the Purchase Price for the Assets shall be thirty five million dollars ($35,000,000.00), allocated among the Assets as provided in Exhibit "B."

3.2. Performance Deposit. Intentionally deleted.

3.3. Final Settlement/Purchase Price Adjustments.

Within one hundred twenty (120) days after Closing, Seller shall provide to Buyer, for Buyer's concurrence, an accounting (the "Final Settlement Statement") of the actual amounts of Seller's and Buyer's Credits for the adjustments set out in this Section 3.3. Buyer shall have the right for thirty (30) days after receipt of the Final Settlement Statement to audit and take exceptions to such adjustments. The Parties shall attempt to resolve any disagreements on a best efforts basis. Those credits agreed upon by Buyer and Seller shall be netted and the final settlement shall be paid as directed in writing by the receiving party, on final adjustment by the party owing it (the "**Final Settlement**").

The Purchase Price shall be adjusted as follows:

(a) The Purchase Price shall be adjusted upward by the following ("**Seller's Credits**"):

(1) the value of (i) all Inventory Hydrocarbons, such value to be based upon the existing contract price for crude oil in effect as of the Effective Time, less severance taxes, transportation fees and other fees deducted by the purchaser of such oil, such oil to be measured at the Effective Time by the operators of the Assets; and (ii) the value of all of Seller's unsold inventory of gas plant products, if any, attributable to the Leases at the Effective Time valued in the same manner as if such products had been sold under the contract then in existence between Seller and the purchaser of such products or, if there is no such contract, valued in the same manner as if said products had been sold at the posted price in the field for said products;

(2) the amount of all production expenses, operating expenses and all expenditures attributable to the operation of the Assets after the Effective Time and accrued by Seller prior to the Closing Date in accordance with generally accepted accounting principles and Section 11.1;

(3) an amount equal to the sum of any upward adjustments provided elsewhere in this Agreement; and

(4) any other amount agreed upon by Seller and Buyer in writing prior to Closing.

(b) The Purchase Price shall be adjusted downward by the following ("Buyer's Credits"):

(1) the total collected sales value of all Hydrocarbons sold by the Seller after the Effective Time, all of which are attributable to the Assets, and any other monies collected by the Seller with respect to the ownership of the Assets after the Effective Time, but excepting interest income.

(2) the amount of all unpaid ad valorem, property, production, excise, severance and similar taxes and assessments (but not including income taxes), which taxes and assessments become due and payable or accrue to the Assets prior to the Effective Time, which amount shall, where possible, be computed based upon the tax rate and values applicable to the tax period in question; otherwise, the amount of the adjustment under this paragraph shall be computed based upon such taxes assessed against the applicable portion of the Assets for the immediately preceding tax period just ended;

(3) an amount equal to the sum of any downward adjustments provided elsewhere in this Agreement; and

(4) any other amount agreed upon by Seller and Buyer in writing prior to Closing.

(c) Seller shall prepare and deliver to Buyer, at least five business days prior to Closing, Seller's estimate of the adjusted Purchase Price to be paid at Closing, together with a preliminary statement setting forth Seller's estimate of the amount of each adjustment to the Purchase Price to be made pursuant to this Section 3.3. The Parties shall negotiate in good faith and attempt to agree on such estimated adjustments prior to Closing. In the event any estimated adjustment amounts are not agreed upon prior to Closing, the estimate of the adjusted Purchase Price for purposes of Closing shall be calculated based on Seller's and Buyer's agreed upon estimated adjustments and Seller's good faith estimate of any disputed amounts (and any such disputes shall be resolved by the Parties in connection with the resolution of the Final Settlement Statement).

3.4 Additional Capital Expenditure Commitment By Buyer.

(a) As additional consideration for the execution of this Agreement by Seller, Buyer agrees to spend one hundred million dollars ($100,000,000.00) of cumulative capital expenditures (the "Required Cumulative Capital Expenditure Amounts") for the development of the one hundred percent (100%) Working Interest for the enhanced production operation of the Delhi Holt Bryant Unit, which will include but is not limited to the cost of field development, facilities and CO2 delivery pipelines. Buyer shall make the Required Cumulative Capital Expenditures Amounts on or before the Commitment Dates set forth below:

"Commitment Date"	**"Required Cumulative Capital Expenditure Amount"**
December 31, 2007	$17,500,000
December 31, 2008	$35,000,000
December 31, 2009	$52,500,000
December 31, 2010	$70,000,000
December 31, 2011	$87,500,000
December 31, 2012	$100,000,000

If the Buyer spends in excess of one hundred million dollars ($100,000,000.00) prior to the end of December 31, 2012, the development obligation has been fulfilled.

(b) In the event Buyer fails to expend the Required Cumulative Capital Expenditure Amounts by the Commitment Dates set forth in (b) above, Seller shall be entitled to a cash payment equal to seventy percent (70%) of ten percent (10.0%) of the difference between the Required Cumulative Capital Expenditure Amounts for the applicable Commitment Date and the cumulative capital expenditures actually expended by Buyer from the Effective Date through such applicable Commitment Date (hereinafter referred to as the "**Shortage Payment**"). Said Shortage Payment shall be paid by Buyer to Seller within thirty (30) days after each Commitment Date.

ARTICLE 4. - SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Buyer as of the date hereof, and the Closing Date that:

(a) Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, and is duly qualified to carry on its business in Louisiana;

(b) Seller has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby, and to perform its obligations under this Agreement and the other documents and agreements contemplated hereby. Effective as of Closing, the consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with, any provision of its governing documents or any agreement or instrument to which it is a party or by which it is bound (except any provision contained in agreements customary in the oil and gas industry relating to (1) the Preferential Purchase Rights (defined below) as to all or any portion of the Assets; (2) required consents to transfer and related provisions; (3) maintenance of uniform interest provisions; and (4) any other third-party approvals or consents contemplated herein), or any judgment, decree, order, statute, rule, or regulation applicable to Seller;

(c) This Agreement, and all documents and instruments required hereunder to be executed and delivered by Seller at Closing, constitute legal, valid and binding obligations of Seller in accordance with its respective terms, subject to applicable bankruptcy and other similar laws of general application with respect to creditors;

(d) There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by, or to the actual knowledge of Seller threatened against Seller;

(e) The execution, delivery and performance (effective as of Closing) of this Agreement, and the transaction contemplated hereunder have been duly and validly authorized by all requisite authorizing action, corporate, partnership or otherwise, on the part of Seller.

(f) Seller has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in connection with this Agreement and the transaction provided herein;

(g) Other than as set forth in Exhibit "F", there are no claims, investigations, demands, actions, suits, or administrative, legal or arbitration proceedings (including condemnation, expropriation, or forfeiture proceedings) pending, or to the knowledge of Seller threatened, against Seller or any of its affiliates, or any Asset: (i) seeking to prevent the consummation of the transactions contemplated hereby, or (ii) which, individually or in the aggregate, would adversely affect the Assets.

(h) Seller has not intentionally or willfully misrepresented or omitted any material information requested by Buyer about the Assets;

(i) The transfer of the Assets to Buyer will not violate at the Closing Date any covenants or restrictions imposed on Seller by any bank or other financial institution in connection with a mortgage or other instrument, and will not result in the creation or imposition of a lien on any portion of the Assets**;**

(j) Except as disclosed by Seller in writing, if Seller is the operator of an Asset, to Seller's knowledge, it is in material compliance with all laws, rules, regulations and orders pertaining to the Assets, including Environmental Laws, which representation and warranty shall not survive the Closing of the transaction contemplated by this Agreement;

(k) Except as disclosed by Seller in writing, if Seller is the operator of an Asset, to Seller's knowledge, it has all governmental permits necessary for the operation of the Asset and is not in material default under any permit, license or agreement relating to the operation and maintenance of the Assets, which representation and warranty shall not survive the Closing of the transaction contemplated by this Agreement;

(l) Except as set forth on Exhibit "H", there are no waivers, consents to assign, approvals or similar rights owned by third parties and required in connection with the conveyance of the Assets from Seller to Buyer;

(m) Except as set forth on Exhibit "H", there are no rights of first refusal, preferential rights, preemptive rights or contracts, or other commitments or understandings of a similar nature to which Seller is a part or to which the Assets are subject;

(n) No Hydrocarbons produced or to be produced from the Leases are subject to any gas sales contracts other than those identified on Exhibit "H" and, no third party has any call upon, option to purchase, dedication rights or similar rights with respect to the hydrocarbons produced to be produced from Seller's interest in the Leases; and

(o) Except as set forth on Exhibit “G”, there are no oil or gas production imbalances with respect to the Leases;

ARTICLE 5. - BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer represents and warrants to Seller as of the date hereof, and the Closing Date that:

(a) Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the state of Delaware, and is duly qualified to carry on its business in those states where it is required to do so;

(b) Buyer has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby, and to perform its obligations under this Agreement and the other documents and agreements contemplated hereby. The consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with, any provision of Buyer's articles of incorporation, partnership agreement(s), by-laws or governing documents or any agreement or instrument to which it is a party or by which it is bound, or any judgment, decree, order, statute, rule, or regulation applicable to Buyer;

(c) the execution, delivery and performance of this Agreement and the transactions contemplated hereunder have been duly and validly authorized by all requisite authorizing action, corporate, partnership or otherwise, on the part of Buyer;

(d) this Agreement, and all documents and instruments required hereunder to be executed and delivered by Buyer at Closing, constitute legal, valid and binding obligations of Buyer in accordance with their respective terms, subject to applicable bankruptcy and other similar laws of general application with respect to creditors;

(e) there are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by, or to the actual knowledge of Buyer threatened against Buyer;

(f) Buyer has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in connection with this Agreement and the transaction provided herein;

(g) Buyer is an experienced and knowledgeable investor and operator in the oil and gas business. Prior to entering into this Agreement, Buyer was advised by and has relied solely on its own expertise and legal, tax, reservoir engineering, accounting, and other professional counsel concerning this Agreement, the Assets and the value thereof;

(h) Buyer has, or by Closing will have, the financial resources to close the transaction contemplated by this Agreement, whether by third party financing or otherwise; and

(i) Buyer acknowledges the existence of the claims and suits described in Exhibit "F" and that these claims and suits are Permitted Encumbrances as set forth in Section 8.1(e). Buyer further acknowledges that Buyer has, or by Closing will have, legal counsel of its choice fully review those claims and suits identified on Exhibit "F".

ARTICLE 6. - ACCESS TO INFORMATION AND INSPECTIONS

6.1. Title Files.

Promptly after the execution of this Agreement and until the Closing Date, Seller shall permit Buyer and its representatives at reasonable times during normal business hours to examine, in Seller's offices at their actual location, all abstracts of title, title opinions, title files, ownership maps, lease files, assignments, division orders, payout statements, title curative, other title materials and agreements pertaining to the Assets as requested by Buyer, insofar as the same may now be in existence and in the possession of Seller. No warranty of any kind is made by Seller as to the information so supplied, and Buyer agrees that any conclusions drawn therefrom are the result of its own independent review and judgment.

6.2. Other Files.

Promptly after the execution of this Agreement and until the Closing Date, Seller shall permit Buyer and its representatives at reasonable times during normal business hours to examine, in Seller's offices at their actual location, all production, well, regulatory, engineering and geological information, accounting information, environmental information, inspections and reports, and other information, files, books, records, and data pertaining to the Assets as requested by Buyer, insofar as the same may now be in existence and in the possession of Seller, excepting economic evaluations and Seller's proprietary interpretations of same, reserve reports and any such information that is subject to confidentiality agreements or to the attorney/client and work product privileges. No warranty of any kind is made by Seller as to the information so supplied, and Buyer agrees that any conclusions drawn therefrom are the result of its own independent review and judgment.

6.3. Confidentiality Agreement.

All information made available to Buyer pursuant to Article 6 shall be maintained confidential by Buyer until Closing. The information protected by such confidentiality obligation does not include any information that (i) at the time of disclosure is generally available to and known by the public (other than as a result of a disclosure by Buyer), or which after such disclosure comes into the public domain through no fault of Buyer or its representatives, or (ii) is or was available to Buyer on a nonconfidential basis, or (iii) is already known to Buyer, as evidenced by Buyer's written records, at the time of its disclosure by Seller to Buyer. Buyer may disclose the information or portions thereof to those employees, agents or representatives of Buyer who need to know such information for the purpose of assisting Buyer in connection with its performance of this Agreement. Further, in the event that Buyer is requested or required (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the information, Buyer shall provide Seller with prompt written notice of such request or requirement, so that Seller may seek such protective order or other appropriate remedy as it may desire. Buyer shall further take reasonable steps to ensure that Buyer's employees, consultants and agents comply with the provisions of this Section 6.3.

6.4. Inspections.

Promptly after the execution of this Agreement and until Closing, Seller, subject to any necessary third-party operator approval, shall permit Buyer and its representatives at reasonable times and at their sole risk, cost and expense, to conduct reasonable inspections of the Assets for all purposes, including any Environmental Defects.

6.5. No Warranty or Representation on Seller's Information.

EXCEPT AS SET FORTH IN THIS AGREEMENT, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE ACCURACY, COMPLETENESS, OR MATERIALITY OF THE INFORMATION, RECORDS, AND DATA NOW, HERETOFORE, OR HEREAFTER MADE AVAILABLE TO BUYER IN CONNECTION WITH THE ASSETS OR THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY DESCRIPTION OF THE ASSETS, QUALITY OR QUANTITY OF HYDROCARBON RESERVES, IF ANY, PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, GAS BALANCING INFORMATION, ALLOWABLES OR OTHER REGULATORY MATTERS, POTENTIAL FOR PRODUCTION OF HYDROCARBONS FROM THE ASSETS, OR ANY OTHER MATTERS CONTAINED IN OR OMITTED FROM ANY OTHER MATERIAL FURNISHED TO BUYER BY SELLER. ANY AND ALL SUCH DATA, INFORMATION AND MATERIAL FURNISHED BY SELLER IS PROVIDED AS A CONVENIENCE ONLY AND ANY RELIANCE ON OR USE OF SAME IS AT BUYER'S SOLE RISK.

6.6. Amendments to Exhibits.

Seller and Buyer acknowledge that Buyer's inspection of Seller's records and files, or further review by Seller, prior to Closing may indicate that some or all of the Exhibits attached to this Agreement were not complete or entirely correct at the time of execution of this Agreement. Accordingly, Seller and Buyer agree to revise and amend the Exhibits, as needed, so that they will be complete and accurate at Closing and shall be given effect as if made on the Closing Date prior to Closing, in the event Closing occurs. It is understood, however, that such revisions or amendments shall not otherwise be taken into account in giving effect to any representations, rights, options, conditions, covenants and obligations of the Parties contained in this Agreement as originally executed unless and until after Closing occurs.

ARTICLE 7. - ENVIRONMENTAL MATTERS AND ADJUSTMENTS

7.1. Upon execution of and pursuant to the terms of this Agreement, Buyer shall have the right, at reasonable times during normal business hours, to conduct its investigation into the status of the physical and environmental condition of the Assets. If, in the course of conducting such investigation, Buyer discovers that any Asset is subject to a material Environmental Defect, Buyer may raise such Environmental Defect in the manner set forth hereafter. For purposes hereof, the term "material" shall mean that the Buyer's good faith estimate, supported by documentation, of the cost of remediating any single Environmental Defect, or the net reduction in value of the Asset affected by such Defect, whichever is lesser, exceeds twenty five thousand dollars ($25,000.00), the Parties agreeing that such amount will be a per Asset deductible rather than a threshold. No later than 5:00 p.m. Central Time on May 22, 2006 (the "Environmental Defect Notice Date"), Buyer shall notify Seller in writing specifying such Environmental Defects, if any, the Assets affected thereby, and Buyer's good faith estimate of the costs of remediating such defects, or the net reduction in value of the Assets affected by such defects, whichever is lesser, together with supporting documentation. Seller may, but shall be under no obligation to, correct at its own cost and expense such defects on or before the Closing Date, in which case there shall be no reduction to the Purchase Price. Prior to Closing, Buyer and Seller shall treat all information regarding any environmental conditions as confidential, whether material or not, and shall not make any contact with any governmental authority or third party regarding same without the written consent of the other party unless required by law.

7.2. If Buyer fails to notify Seller prior to or on the Environmental Defect Notice Date, of any Environmental Defects, all defects, whether known or unknown, will be deemed waived for purposes of adjustments pursuant to this Article 7, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the defects, and Buyer shall assume the risks, liability and obligations associated with such defects, unless such defects constitute Retained Environmental Obligations or Liabilities of Seller.

7.3. In the event any Environmental Defect, for which notice has been timely given as provided hereinabove, remains uncured as of Closing, Seller, at its sole option, shall, (i) agree to cure or remediate any Defect within a reasonable time after Closing and without any reduction to the Purchase Price in a manner acceptable to both Parties, or (ii) reduce the Purchase Price by the amount of the Environmental Defect Value as determined pursuant to Section 8.4, and subject to application of the twenty five thousand dollars ($25,000.00) deductible and the Aggregate Defect Basket described in Section 7.4.

7.4 The Parties agree that adjustments to the Purchase Price under this Article 7 and Article 8 shall only occur to the extent that the aggregate Environmental Defects and Title Defects, collectively, exceed five hundred thousand dollars ($500,000.00) (the "Aggregate Defect Basket") after taking the applicable materiality deductible into account. For the avoidance of doubt and by way of example only, if there are a total of two (2) Environmental Defects of three hundred thousand dollars ($300,000.00) and two hundred thousand dollars ($200,000.00) and two (2) Title Defects of one hundred fifty thousand dollars ($150,000.00) and ten thousand dollars ($10,000.00), the total adjustment would be seventy five thousand dollars ($75,000.00) [being two hundred seventy five thousand dollars ($275,000.00) for Environmental Defect #1, plus one hundred seventy five thousand dollars ($175,000.00) for Environmental Defect #2, plus one hundred twenty five thousand dollars ($125,000.00) for Title Defect #1 and zero ($0) for Title Defect #2, minus five hundred thousand dollars ($500,000.00) for the Aggregate Defect Basket].

7.5 In the event any adjustment to the Purchase Price is made due to an Environmental Defect raised by Buyer, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the Defect, and the Defect shall become an Assumed Obligation of Seller.

ARTICLE 8. - TITLE DEFECTS AND ADJUSTMENTS

8.1. Definitions.

For purposes hereof, the terms set forth below shall have the meanings assigned thereto.

(a) "**Allocated Value**" shall mean the dollar amount allocated to each Asset as set forth on Exhibit "B."

(b) "**Defensible Title**", subject to and except for the Permitted Encumbrances (as hereinafter defined), means:

(1) As to the Leases, such title held by Seller and reflected by appropriate documentation properly filed in the official records of the jurisdiction in which the Lease or Leases are located that (a) entitles Seller and will entitle Buyer, after Closing, to own and receive and retain, without suspension, reduction or termination, payment of revenues for not less than a net revenue interest of at least fifty six percent (56.0%) of all oil and gas produced, saved and marketed from or attributable to the Delhi Holt Bryant Unit, excluding Permitted Encumbrances; (b) obligates Seller, and will obligate Buyer after Closing, to bear seventy percent (70.0%) of the costs and expenses relating to the maintenance, development and operation of such Delhi Holt Bryant Unit, ; (c) the Leases are free and clear of any liens, claims or encumbrances of any kind or character as of the Closing, except permitted encumbrances; and (d) the Seller is not in default under a material provision of any Lease, Unit Operating Agreement, or other contract or agreement affecting the Leases;

(2) As to personal property included in the Assets, record title to such property is free and clear of any liens, claims or encumbrances of any kind or character as of the Closing, except Permitted Encumbrances; and

(3) As to all other Assets, (a) such Assets are free and clear of any liens, claims or encumbrances of any kind or character as of the Closing; and (b) the Seller is not in default under a material provision of any Lease, operating agreement, or other contract or agreement affecting such Assets.

(c) "Title Defect" shall mean (i) any matter which causes Seller to have less than Defensible Title to any of the Assets as of the Closing Date, or (ii) any matter that causes one or more of the following statements to be untrue, except for Permitted Encumbrances:

(1) Seller has not received written notice from any governmental authority or any other person (including employees) claiming any violation of any law, rule, regulation, ordinance, order, decision or decree of any governmental authority with respect to the Assets.

(2) Seller, or the Operator of an Asset, has complied in all material respects with the provisions and requirements of all orders, regulations and rules issued or promulgated by governmental authorities having jurisdiction with respect to the Assets and has filed for and obtained all governmental certificates, permits and other authorizations necessary for Seller’s current operation of the Assets other than permits, consents and authorizations required for the sale and transfer of the Assets to Buyer;

(3) Seller has not materially defaulted or materially violated any agreement to which Seller is a party or any obligation to which Seller is bound affecting or pertaining to the Assets other than as disclosed hereunder or on any exhibit attached hereto;

(4) The Leases included within the Assets are in full force and effect; and

(5) All taxes, rentals, royalties, operating costs and expenses, and other costs and expenses related to the Assets which are due from or are the responsibility of Seller have been paid.

(d) "**Title Defect Property**" shall mean any Lease or Asset or portion thereof burdened by a Title Defect.

(e) "**Permitted Encumbrances**" shall mean any of the following matters:

(1) defects in the early chain of title consisting of failure to recite marital status or the omission of succession or heirship proceedings;

(2) defects or irregularities arising out of uncancelled mortgages, judgments or liens, the inscriptions of which, on their face, have expired as a matter of law prior to the Effective Time, or prior unreleased oil and gas leases which, on their face, expired more than ten (10) years prior to the Effective Time and have not been maintained in force and effect by production or operations pursuant to the terms of such leases;

(3) tax liens and operator’s liens for amounts not yet due and payable, or those that are being contested in good faith by Seller in the ordinary course of business;

(4) to the extent any of the following do not materially diminish the value of, or impair the conduct of operations on, any of the Assets and do not impair Seller's right to receive the revenues attributable thereto: (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, fishing, logging, canals, ditches, lakes, reservoirs or the like, (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way, on, over or in respect of property owned or leased by Seller or over which Seller owns rights of way, easements, permits or licenses, and (iii) the terms and conditions of all leases, agreements, orders, instruments and documents pertaining to the Assets;

(5) all lessors' royalties, overriding royalties, net profits interests, carried interest, production payments, reversionary interests and other burdens on or deductions from the proceeds of production if the net cumulative effect of such burdens or deductions does not reduce the net revenue interest of Seller in any well affected thereby to the extent that Seller will not be able to deliver to Buyer at Closing, a net revenue interest of at least fifty six percent (56.0%) of all oil and gas produced, saved and marketed from or attributable to the Delhi Holt Bryant Unit or impair the right to receive revenues attributable thereto, it being understood that the McGowan wellbores are not being delivered to Buyer;

(6) preferential rights to purchase and required third party consents to assignments and similar agreements with respect to which waivers or consents are obtained from the appropriate parties, or the appropriate time period for asserting the rights has expired without an exercise of the rights prior to the Closing Date;

(7) all rights to consent by, required notices to, filings with, or other actions by governmental entities and tribal authorities in connection with the sale or conveyance of oil and gas leases or interests if they are customarily obtained subsequent to the sale or conveyance;

(8) defects or irregularities of title arising out of events or transactions which have been barred by limitations or by acquisitive or liberative prescription;

(9) any encumbrance or other matter having an aggregate adverse effect on the value of the Assets of less than twenty five thousand dollars ($25,000), the Parties agreeing that such amount will be a per Asset deductible rather than a threshold;

(10) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any of the Assets in any manner, and all applicable laws, rules and orders of governmental authority; and

(11) any encumbrance or other matter (whether or not constituting a "Title Defect") expressly waived in writing by Buyer or listed on Exhibit “F”, including the McGowan wellbores not delivered by Seller.

8.2. Notice of Title Defects.

No later than 5:00 p.m. Central Time on May 22, 2006 (the “**Title Defect Notice Date**”), Buyer may provide Seller written notice of any Title Defect along with a description of those matters which, in Buyer's reasonable opinion, constitute Title Defects and setting forth in detail Buyer's calculation of the value for each Title Defect. Seller may elect, at its sole cost and expense, but without obligation, to cure all or any portion of such Title Defects prior to Closing, in a manner acceptable to both Parties, in which case no reduction in the Purchase Price shall be made. Buyer's failure to deliver to Seller such notice on or before the Defect Notice Date shall be deemed a waiver by Buyer of all Title Defects, known or unknown, that Seller does not have notice of from Buyer on such date. Any defect or deficiency concerning Seller’s title to the Assets not asserted by Buyer on or prior to the Title Defect Notice Date shall be deemed waived by Buyer for purposes of any adjustment to the Purchase Price, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the defects, and Buyer shall assume the risks, liability and obligations associated with such defects. However, such waiver shall not effect or impair the warranties of Seller set forth in Section 8.5 or the indemnity obligations of Seller as set forth in Article 17.

8.3. **Title Defect Adjustment.**

(a) In the event any Title Defect, for which notice has been timely given as provided hereinabove, remains uncured as of Closing, Seller shall have the opportunity to cure, until sixty (60) days after Closing ("**Cure Period**"), such Title Defect. In the alternative, Seller may elect to (i) cure such Title Defect by indemnifying Buyer against any damages, claims or expenses that may arise out of such Title Defect, subject to the provisions of Section 8.3(c) below, with no reduction in the Purchase Price; or (ii) reduce the Purchase Price by an amount equal to the Title Defect Value as determined pursuant to Section 8.4, and subject to application of the twenty five thousand dollars ($25,000.00) deductible and the Aggregate Defect Basket described in Section 7.4. Should Seller elect either alternative "(i)" (indemnity) or "(ii)" (price reduction) in this Section 8.3(a), those Assets affected by the Title Defect shall be transferred to Buyer at Closing.

(b) If Seller elects to attempt to cure a Title Defect after Closing, Closing with respect to the portion of the Assets affected by such Title Defect will be deferred (the "Closing Deferred Property"). Closing with respect to all other Assets will proceed as provided in this Agreement, but the Base Purchase Price delivered to Seller at such initial Closing shall be reduced by the Allocated Value of all Closing Deferred Properties. If Seller cures any Title Defect within the Cure Period, then the Closing with respect to the Closing Deferred Property for which such Title Defect has been cured will proceed and will be finalized within seven (7) days following the end of the Cure Period. If Seller fails or refuses to cure any Title Defect prior to the expiration of the Cure Period, Seller shall notify Buyer in writing of such failure or refusal promptly upon the expiration of the Cure Period. In this event, Buyer shall have the right to elect by written notice to Seller, which notice shall be delivered within seven (7) days after receipt by Buyer of Notice from Seller of such failure or refusal to cure any such Title Defect, to waive all of the Title Defects applicable to any Closing Deferred Property (which waived Title Defects shall be deemed Permitted Encumbrances) and proceed to Closing on such Closing Deferred Property. If Buyer does not elect to waive an existing Title Defect, Seller shall retain the Closing Deferred Property and the Parties shall have no further obligation with respect thereto. In the event that any such property is retained by Seller and such property has been receiving revenue, without complaint, for a period in excess of two (2) years, then Buyer agrees (i) not to take any action to interfere with such revenue stream, and (ii) to the extent that Buyer becomes payor of such revenue, to pay Seller such revenue upon receipt of an indemnity agreement from Seller.

(c) The following provisions shall apply to an election by Seller under the second sentence of Section 8.3(a) to cure a Title Defect by indemnifying Buyer with regard to such Title Defect:

(1) Seller's indemnity shall be limited to a period of two (2) years from the Effective Time.

(2) In no event shall Seller's indemnity exceed the amount of the Title Defect Value as determined under Section 8.4 hereof.

(3) Seller's indemnity shall be freely transferable by Buyer to its successors and assigns of the Assets affected by such Title Defect, including without limitation, any lender to Buyer and any purchaser of such Assets, whether directly from Buyer or through any foreclosure proceeding; and

(4) If the Title Defect Value, as determined under Section 8.4 hereof, individually or in the aggregate, for one or more Title Defects to be covered by the Seller's indemnity exceeds seven hundred fifty thousand dollars ($750,000.00) (after application of the appropriate deductible(s) and without application of the Aggregate Defect Basket provided for in Section 7.4), Seller shall have no right under the second sentence of Section 8.3(a) to indemnify Buyer with regard to such Title Defects without Buyer's consent.

(d) In the event any adjustment to the Purchase Price is made due to a Title Defect raised by Buyer, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the Defect, and such Defect shall become an Assumed Obligation of Seller.

8.4. Environmental Defect and Title Defect Values.

Upon timely delivery of notice of an Environmental or Title Defect, Buyer and Seller shall use their best efforts to agree on the validity and value of the claim for the purpose of making any adjustment to the Purchase Price based on the provisions herein ("**Environmental or Title Defect Value**"). Notwithstanding anything to the contrary set forth herein, the Environmental or Title Defect Value and any related adjustment to the Purchase Price shall in no event exceed the Allocated Value of the affected Asset. In determining the Value of an Environmental or Title Defect, it is the intent of the Parties to include, to the extent possible, only that portion of the lands, leases and wells, or other Assets, whether an undivided interest, separate interest or otherwise, materially and adversely affected by the Defect. The following guidelines shall be followed by the Parties in establishing the Value of any Environmental or Title Defect for the purpose of adjusting the Purchase Price if (a) the validity of the claim is agreed to by the Parties, (b) proper notice has been timely given, and (c) subject to (i) application of the appropriate deductibles as set forth in this agreement for Environmental Defects and Title Defects , and (ii) application of the Aggregate Defect Basket requirement as set forth in Section 7.4 for Environmental and Title Defects:

(a) If the Title Defect is based on a difference in net revenue interest or expense interest from that shown on Exhibit "B" for the affected property, then the Purchase Price shall be proportionately reduced or increased as the case may be.

(b) If the Environmental or Title Defect is liquidated in amount (for example, but not limited to, a lien, encumbrance, charge or penalty), then the adjustment to the Purchase Price shall be the lesser of (1) the sum necessary to be paid to the obligee to remove the Defect from the property, or (2) the decrease in the fair market value of the Asset as a result of the Defect.

(c) If the Environmental or Title Defect represents an obligation or burden upon the affected property for which the economic detriment is not liquidated but can be estimated with reasonable certainty as agreed to by the Parties, the adjustment to the Purchase Price shall be the sum necessary to compensate Buyer at Closing for the adverse economic effect which the Environmental or Title Defect will have on the affected property. This sum shall be the lesser of (1) the cost of remediating the Defect, or (2) the decrease in the fair market value of the Asset as a result of the Defect. The fair market value determination shall be made by the Parties in good faith taking into account all relevant factors, including, but not limited to, the following:

(1) the Allocated Value of the leases, lands, wells and other Assets affected by the Environmental or Title Defect;

(2) the productive status of the affected Asset (i.e., proved developed producing, etc.) and the present value of the future income expected to be produced therefrom;

(3) if the Title Defect represents only a possibility of title failure, the probability that such failure will occur; and

(4) the economic effect of the Environmental or Title Defect.

(d) If the Value of the Environmental or Title Defect cannot be determined using the above guidelines, and if the Parties cannot otherwise agree on the amount of an adjustment to the Purchase Price, or if the validity of the claim as to an Environmental or Title Defect cannot be agreed upon, then the Closing shall include the Asset(s) affected thereby. If the validity of the claim is in dispute, there shall be no adjustment to the Purchase Price at Closing. If the value of the claim is in dispute, the Purchase Price at Closing shall be adjusted by Seller's good faith estimate of the value thereof. In either case, Buyer shall have the right, exercisable within ninety (90) days after the Closing Date, to refer the disputed matter to mediation and arbitration in accordance with the dispute resolution procedures set forth in Exhibit "I." Subject to the terms of Exhibit "I", the decision of the arbitrator regarding any Environmental or Title Defect Dispute shall be final as between the Parties, provided in no event shall the value of the disputed Environmental or Title Defect exceed the Allocated Value of the affected Asset.

8.5. Title Warranty.

SELLER SHALL CONVEY SELLER'S INTERESTS IN AND TO THE ASSETS TO BUYER AS PROVIDED IN THE FORM OF CONVEYANCE, ASSIGNMENT AND BILL OF SALE ATTACHED AS EXHIBIT "C" HERETO. THE CONVEYANCE, ASSIGNMENT AND BILL OF SALE SHALL BE MADE WITHOUT WARRANTY OF TITLE, EITHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND WITHOUT RECOURSE, EVEN AS TO THE RETURN OF THE PURCHASE PRICE OR OTHER CONSIDERATION, EXCEPT THAT SELLER SHALL WARRANT TITLE TO THE ASSETS WITHIN THE DELHI HOLT BRYANT UNIT (AND ONLY SUCH ASSETS) AGAINST ALL CLAIMS, LIENS, BURDENS AND ENCUMBRANCES ARISING BY, THROUGH OR UNDER SELLER, BUT NOT OTHERWISE AND NOT WITH RESPECT TO ANY IMPAIRMENT OR FAILURE OF TITLE RELATED TO ANY LACK OF PRODUCTION IN PAYING QUANTITIES. THE CONVEYANCE, ASSIGNMENT AND BILL OF SALE SHALL BE MADE WITH FULL SUBSTITUTION AND SUBROGATION TO BUYER IN AND TO ALL COVENANTS AND WARRANTIES BY OTHERS HERETOFORE GIVEN OR MADE TO SELLER WITH RESPECT TO THE ASSETS.

IMBALANCES WITH RESPECT TO OIL OR NATURAL GAS ARE GOVERNED BY ARTICLE 18 HEREOF. THE PARTIES AGREE THAT THE EXISTENCE OF ANY SUCH IMBALANCES SHALL NOT BE DEEMED A TITLE DEFECT.

ARTICLE 9. - OPTION TO TERMINATE

If (a) the aggregate of the Values attributable to all Environmental and Title Defects determined pursuant to Articles 7 and 8 and the provisions of the next paragraph below, shall exceed five million dollars ($5,000,000.00) after the application of the Aggregate Defect Basket set forth in Section 7.4, or (b) the Values attributable to either such Title Defects or Environmental Defects determined in the same manner, considered separately and excluding application of the Aggregate Defect Basket, exceed two million five hundred thousand dollars ($2,5000,000.00), then either Buyer or Seller may, at its sole option, terminate this Agreement without any further obligation by giving written notice of termination to the other Party at any time prior to Closing. In the event of such termination, Seller shall return the Performance Deposit to Buyer, without interest, within five (5) days of receipt of the notice of termination and neither party shall have any further obligation or liability hereunder.

In the event of a dispute between Seller and Buyer as to an Environmental or Title Defect Value, the Parties shall negotiate in good faith as to estimates of the values attributable to Environmental and Title Defects for purposes of this Article 9 only. Should the Parties be unable to agree on a value, the Buyer's good faith estimate of the value shall be utilized.

ARTICLE 10. - PREFERENTIAL PURCHASE RIGHTS AND CONSENTS OF THIRD PARTIES

10.1. Actions and Consents.

(a) Seller and Buyer agree that each shall use all reasonable efforts to take or cause to be taken all such action as may be necessary to consummate and make effective the transaction provided in this Agreement and to assure that it will not be under any material corporate, legal, or contractual restriction that could prohibit or delay the timely consummation of such transaction.

(b) Seller shall notify all holders of (i) preferential rights to purchase the Assets ("**Preferential Purchase Rights**"), (ii) rights of consent to the assignment, or (iii) rights of approval to the assignment of the Assets, and of such terms and conditions of this Agreement to which the holders of such rights are entitled. Seller shall promptly notify Buyer if any Preferential Purchase Rights are exercised, any consents or approvals denied, or if the requisite period has elapsed without said rights having been exercised or consents or approvals having been received. If prior to Closing, any such Preferential Purchase Rights are timely and properly exercised, or Seller is unable to obtain a necessary consent or approval prior to Closing, the interest or part thereof so affected shall be eliminated from the Assets and the Purchase Price reduced by the portion of the Purchase Price allocated to such interest or part thereof as provided in Exhibit "B." If any additional Preferential Purchase Rights are discovered after Closing, or if a third party Preferential Purchase Rights holder alleges improper notice, then Buyer agrees to cooperate with Seller in giving effect to any such valid third party Preferential Purchase Rights. In the event any such valid third party preferential purchase rights are validly exercised after Closing, Buyer's sole remedy against Seller shall be return by Seller to Buyer of that portion of the Purchase Price allocated under Exhibit "B" to the portion of the assets on which such rights are exercised and lost by Buyer to such third party. The Parties agree that the Allocated Values for properties subject to Preferential Purchase Rights shall be the sole responsibility of Buyer, and Buyer agrees to indemnify and hold Seller harmless from all liability and claims related to the reasonableness of such values.

(c) With respect to any portion of the Assets for which a Preferential Purchase Right has not been asserted prior to Closing or a consent or other approval to assign has not been granted and for which the time for election to exercise such Preferential Purchase Right or to grant such consent has not expired, Closing with respect to the portion of the Assets subject to such outstanding obligations will be deferred (the "Third Party Interests"). Closing with respect to all other Assets will proceed as provided in this Agreement, but the Base Purchase Price delivered to Seller at Closing will be reduced by the allocated value of the Third Party Interests. In the event that within ninety (90) days after Closing any such Preferential Purchase Right is waived or consent or approval is obtained or the time for election to purchase or to deliver a consent or approval passes (such that under the applicable documents, Seller may sell the affected Third Party Interest to Buyer), then the Closing with respect to the applicable portion of the Third Party Interests will proceed promptly. If such waivers, consents or approvals as are necessary are not received by Seller within the applicable ninety (90) day period, Seller shall retain such Third Party Interests and the Parties shall have no further obligation to each other with respect thereto.

ARTICLE 11. - COVENANTS OF SELLER

11.1. Covenants of Seller Pending Closing.

(a) From and after the date of execution of this Agreement and until the Closing, and subject to Section 11.2 and the constraints of applicable operating and other agreements, Seller shall operate, manage, and administer the Assets as a reasonable and prudent operator and in a good and workmanlike manner consistent with its past practices, and shall carry on its business with respect to the Assets in substantially the same manner as before execution of this Agreement. Prior to Closing, Seller shall use all reasonable efforts to preserve in full force and effect all Leases, operating agreements, easements, rights-of-way, permits, licenses, and agreements which relate to the Assets in which Seller owns an interest, and shall perform all obligations of Seller in or under all such agreements relating to the Assets; provided, however, Buyer's sole remedy for Seller's breach of its obligations under this Section 11.1(a) shall be limited to the amount of that portion of the Purchase Price allocated in Exhibit "B" to that portion of the Assets affected by such breach. Seller shall, except for emergency action taken in the face of serious risk to life, property, or the environment (1) submit to Buyer, for prior written approval, all requests for operating or capital expenditures and all proposed contracts and agreements relating to the Assets which involve individual commitments of more than twenty five thousand dollars ($25,000.00); (2) consult with, inform, and advise Buyer regarding all material matters concerning the operation, management, and administration of the Assets; (3) obtain Buyer's written approval prior to voting under any operating, unit, joint venture, partnership or similar agreement; and (4) not approve or elect to go nonconsent as to any proposed well or plug and abandon or agree to plug and abandon any well without Buyer's prior written approval. On any matter requiring Buyer's approval under this Section 11.1(a), Buyer shall respond within five (5) days to Seller's request for approval and failure of Buyer to respond to Seller's request for approval within such time shall release Seller from the obligation to obtain Buyer's approval before proceeding on such matter. With respect to emergency actions taken by Seller in the face of serious risk to life, property, or the environment, without prior approval of Buyer pursuant to the provisions above, Seller will advise Buyer of its actions as promptly as reasonably possible and consult with Buyer as to any further related actions.

(b) Seller shall promptly notify Buyer of any suit, lessor demand action, or other proceeding before any court, arbitrator, or governmental agency and any cause of action which relates to the Assets or which might result in impairment or loss of Seller's interest in any portion of the Assets or which might hinder or impede the operation of the Assets.

11.2. Limitations on Seller's Covenants Pending Closing.

To the extent Seller is not the operator of any of the Assets, the obligations of Seller in Section 11.1 concerning operations or activities which normally or pursuant to existing contracts are carried out or performed by the operator, shall be construed to require only that Seller use all reasonable efforts (without being obligated to incur any expense or institute any cause of action) to cause the operator of such Assets to take such actions or render such performance as would a reasonable prudent operator and within the constraints of the applicable operating agreements and other applicable agreements.

ARTICLE 12. - CLOSING CONDITIONS

12.1. Seller's Closing Conditions.

The obligations of Seller under this Agreement are subject, at the option of Seller, to the satisfaction, at or prior to the Closing, of the following conditions:

(a) all representations and warranties of Buyer contained in this Agreement shall be true, accurate, and not misleading in all material respects at and as of the Closing as if such representations and warranties were made at and as of the Closing, and Buyer shall have performed, satisfied and complied with all agreements and covenants required by this Agreement to be performed, satisfied and complied with by Buyer at or prior to the Closing;

(b) the execution, delivery, and performance of this Agreement and the transactions contemplated thereby have been duly and validly authorized by all necessary action, corporate, partnership or otherwise, on the part of Buyer, and an officer’s certificate of Buyer confirming the same;

(c) all necessary consents of and filings with any state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, except to the extent that such consents and filings are normally obtained, accomplished or waived after Closing; and

(d) as of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Seller) shall be pending or threatened before any court or governmental agency seeking to restrain Seller or prohibit the Closing or seeking damages against Seller as a result of the consummation of this Agreement.

12.2. Buyer's Closing Conditions.

The obligations of Buyer under this Agreement are subject, at the option of Buyer, to the satisfaction, at or prior to the Closing, of the following conditions:

(a) all representations and warranties of Seller contained in this Agreement shall be true, accurate, and not misleading in all material respects at and as of the Closing as if such representations and warranties were made at and as of the Closing, and Seller shall have performed, satisfied and complied with all agreements and covenants required by this Agreement to be performed, satisfied and complied with by Seller at or prior to the Closing;

(b) the execution, delivery, and performance of this Agreement and the transactions contemplated thereby have been duly and validly authorized by all necessary action, corporate, partnership or otherwise, on the part of Seller, and an officer's certificate of Seller confirming the same;

(c) all necessary consents of and filings with any state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, except to the extent that such consents and filings are normally obtained, accomplished or waived after Closing; and

(d) as of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Buyer) shall be pending or threatened before any court or governmental agency seeking to restrain Buyer or prohibit the Closing or seeking damages against Buyer as a result of the consummation of this Agreement.

ARTICLE 13. - CLOSING

13.1. Closing.

The closing of this transaction (the "**Closing**") shall be held at the offices of Seller on June 12, 2006, or at such earlier date or place as the Parties may agree in writing (herein called "**Closing Date**"). Time is of the essence and the Closing Date shall not be extended unless by written agreement of the Parties. On or before five (5) business days prior to Closing, Buyer and Seller shall use their best efforts to provide each other copies of all closing documents.

13.2. Seller's Closing Obligations.

At Closing, except to the extent comprising the Excluded Assets, Seller shall deliver to Buyer the following:

(a) the Assignment and Conveyance substantially in the form attached hereto as Exhibit “C” and such other documents as may be reasonably necessary to convey all of Seller's interest in the Assets to Buyer in accordance with the provisions hereof;

(b) a nonforeign affidavit executed by Seller in the form attached as Exhibit “D”;

(c) appropriate regulatory forms appointing Buyer as the operator for those Assets which Seller operates;

(d) copies of all third-party waivers, consents, approvals, permits and actions obtained;

(e) exclusive possession of the Assets;

(f) letters-in-lieu of transfer orders in form acceptable to Seller and Buyer;

(g) a Reporting and Accounting Memorandum executed by Seller in the form attached as Exhibit “E”; and

(h) releases of all mortgages, liens and similar encumbrances burdening the Assets in form and substance reasonably satisfactory to Buyer.

13.3. Buyer's Closing Obligations.

At Closing, Buyer shall deliver to Seller (i) by wire transfer in immediately available funds to a bank account or accounts designated by Seller, the Purchase Price (less the Performance Deposit) as adjusted by Section 3.3, and (ii) a Reporting and Accounting Memorandum executed by Buyer in the form attached as Exhibit “E.”

13.4. Joint Closing Obligations.

Both Parties at Closing shall execute a Settlement Statement evidencing the amount actually wire transferred and all adjustments to the Purchase Price taken into account at Closing. All events of Closing shall each be deemed to have occurred simultaneously with the other, regardless of when actually occurring, and each shall be a condition precedent to the other.

ARTICLE 14. - LIMITATIONS ON WARRANTIES AND REMEDIES

THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER CONTAINED IN THIS AGREEMENT ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES, IF ANY, OF OIL, GAS OR OTHER HYDROCARBONS IN OR UNDER THE LEASES, OR THE ENVIRONMENTAL CONDITION OF THE ASSETS. THE ITEMS OF PERSONAL PROPERTY, EQUIPMENT, IMPROVEMENTS, FIXTURES AND APPURTENANCES CONVEYED AS PART OF THE ASSETS ARE SOLD HEREUNDER "AS IS, WHERE IS, AND WITH ALL FAULTS" AND NO WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION, ARE GIVEN BY OR ON BEHALF OF SELLER. IT IS UNDERSTOOD AND AGREED THAT PRIOR TO CLOSING BUYER SHALL HAVE INSPECTED THE ASSETS FOR ALL PURPOSES AND HAS SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, AND THAT BUYER ACCEPTS SAME IN ITS "AS IS, WHERE IS AND WITH ALL FAULTS" CONDITION. BUYER HEREBY WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION, OR CONFORMITY TO SAMPLES.

BUYER EXPRESSLY WAIVES THE WARRANTY OF FITNESS FOR INTENDED PURPOSES OR GUARANTEE AGAINST HIDDEN OR LATENT REDHIBITORY VICES UNDER LOUISIANA LAW, INCLUDING LOUISIANA CIVIL CODE ARTICLES 2520 (1870) THROUGH 2548 (1870), AND THE WARRANTY IMPOSED BY LOUISIANA CIVIL CODE ARTICLE 2475; BUYER WAIVES ALL RIGHTS IN REDHIBITION PURSUANT TO LOUISIANA CIVIL CODE ARTICLE 2520, ET SEQ; BUYER ACKNOWLEDGES THAT THIS EXPRESS WAIVER IS A MATERIAL AND INTEGRAL PART OF THIS SALE AND THE CONSIDERATION THEREOF; AND BUYER ACKNOWLEDGES THAT THIS WAIVER HAS BEEN BROUGHT TO THE ATTENTION OF BUYER AND EXPLAINED IN DETAIL AND THAT BUYER HAS VOLUNTARILY AND KNOWINGLY CONSENTED TO THIS WAIVER OF WARRANTY OF FITNESS AND/OR WARRANTY AGAINST REDHIBITORY VICES AND DEFECTS FOR THE ABOVE DESCRIBED PROPERTY.

ARTICLE 15. - CASUALTY LOSS AND CONDEMNATION

If, prior to the Closing, all or any portion of the Assets is destroyed by fire or other casualty or if any portion of the Assets shall be taken by condemnation or under the right of eminent domain (all of which are herein called "Casualty Loss" and limited to property damage or taking only), Buyer and Seller must agree prior to Closing either (i) to delete that portion of the Assets which is subject to the Casualty Loss from the Assets, and the Purchase Price shall be reduced by the value allocated to the deleted interest as set out in Exhibit “B,” or (ii) for Buyer to proceed with the purchase of such Assets, notwithstanding any such destruction or taking (without reduction of the Purchase Price) in which case Seller shall pay, at the Closing, to Buyer all sums paid to Seller by third parties by reason of the destruction or taking of such Assets and shall assign, transfer and set over unto Buyer all insurance proceeds received by Seller as well as all of the right, title and interest of Seller in and to any claims, causes of action, unpaid proceeds or other payments from third parties arising out of such destruction or taking. If the allocated value of that portion of the Assets affected by the casualty Loss as shown on Exhibit “B” exceeds two million five hundred thousand dollars ($2,500,000.00), Buyer and Seller shall each have the right to terminate this Agreement upon written notification to the other, the transaction shall not close and thereafter neither Buyer nor Seller shall have any liability or further obligations to the other hereunder. In the event of such termination, Seller shall return the Performance Deposit to Buyer, without interest. Prior to Closing, Seller shall not voluntarily compromise, settle or adjust any amounts payable by reason of any Casualty Loss without first obtaining the written consent of Buyer.

ARTICLE 16. - DEFAULT AND REMEDIES

16.1. Seller's Remedies.

If Seller and Buyer close the transaction contemplated by this Agreement on or before the Closing Date, as it may be extended in accordance herewith, the Performance Deposit will be applied to the Purchase Price and the amount due from Buyer at Closing will be reduced by the amount of the Performance Deposit. If the transaction contemplated by this Agreement does not close on or before the Closing Date, as it may be extended in accordance herewith, because (a) Seller is unable, unwilling or refuses to close, or because (b) a condition to Buyer’s obligation to close, as set forth in Section 12.2, is not satisfied, or because (c) Buyer terminates this Agreement under the provisions of Articles 9 or 15, or as elsewhere provided for and allowed in this Agreement, unless Buyer chooses the remedy of specific performance, if applicable, as set forth in Section 16.2, Seller will refund the Performance Deposit to Buyer, without interest, within five (5) days following the later of the Closing Date or any extension thereof in accordance with the provisions of this Agreement. If for any reason other than those set forth in subparagraphs (a), (b) and (c) above, Buyer fails, refuses or is unable to close the transaction contemplated by this Agreement on or before the Closing Date, as it may be extended in accordance herewith, Seller shall retain the Performance Deposit as a liquidated damage and not as a penalty, and terminate this Agreement, as Seller's sole and exclusive remedies for such default, all other remedies (except as expressly retained in Section 16.3) being expressly waived by Seller.

16.2. Buyer's Remedies.

Upon failure of Seller to comply herewith by the Closing Date, as it may be extended in accordance herewith, Buyer, at its sole option and in addition to any other remedies it may have at law or equity, may (i) enforce specific performance, or (ii) terminate this Agreement. In the event Buyer elects to terminate this Agreement as set forth above, Seller shall immediately return the Performance Deposit to Buyer, without interest.

16.3. Other Remedies.

Notwithstanding the foregoing, termination of this Agreement shall not prejudice or impair Buyer's obligations under Section 6.3 (and the confidentiality agreements referenced therein). The prevailing party in any legal proceeding brought under or to enforce this Agreement shall be additionally entitled to recover court costs and reasonable attorneys' fees from the non-prevailing party. Notwithstanding the provisions of Sections 16.1 and 16.2, the remedy of mediation and arbitration provided in Section 8.4(d) shall be the exclusive remedy for the matters provided for in such Section.

16.4. Effect of Termination.

In the event of termination of this Agreement under this Article 16, the transaction shall not close and neither Buyer nor Seller shall have any further obligations, remedies, liabilities, rights or duties to the other hereunder, except as expressly provided herein.

ARTICLE 17. - ASSUMPTION AND INDEMNITY

17.1. Assumed Obligations; Pre-Closing Liabilities.

Upon and after Closing Buyer shall own the Assets, together with all the rights, duties, obligations, and liabilities accruing after Closing, including the Assumed Obligations and Buyer's indemnity obligations hereunder. Buyer agrees to assume and pay, perform, fulfill and discharge all Assumed Obligations and Buyer’s indemnity obligations. Seller agrees to retain and pay, perform, fulfill and discharge all Retained Obligations, and Seller’s indemnity obligations.

17.2. Buyer's Indemnity.

BUYER AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER AND SELLER'S EMPLOYEES, OFFICERS AND DIRECTORS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LOSSES, DAMAGES, PUNITIVE DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION OR JUDGMENTS OF ANY KIND OR CHARACTER INCLUDING, WITHOUT LIMITATION, ANY INTEREST, PENALTY, REASONABLE ATTORNEYS' FEES AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH OR THE DEFENSE THEREOF (COLLECTIVELY THE "CLAIMS"), WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO, OR ARISING OUT OF THE ASSUMED OBLIGATIONS.

17.3. Seller's Indemnity.

SELLER AGREES TO INDEMNIFY, DEFEND AND HOLD BUYER AND BUYER'S EMPLOYEES, OFFICERS AND DIRECTORS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO, OR ARISING OUT OF THE RETAINED OBLIGATIONS.

17.4. Negligence.

THE INDEMNIFICATION, RELEASE AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, COMPARATIVE, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF THE PARTIES HERETO.

17.5. Broker or Finder's Fee.

Each party hereby agrees to indemnify and hold the other harmless from and against any claim for a brokerage or finder's fee or commission in connection with this Agreement or the transactions contemplated by this Agreement to the extent such claim arises from or is attributable to the actions of such indemnifying party, including, without limitation, any and all losses, damages, punitive damages, attorneys' fees, costs and expenses of any kind or character arising out of or incurred in connection with any such claim or defending against the same.

ARTICLE 18. - GAS IMBALANCES

Seller and Buyer will use their best efforts to update (to the Effective Time) the gas imbalance volume amounts listed on Exhibit "G." If, prior to the Final Settlement Date, either party hereto notifies the other party hereto that the volumes set forth in Exhibit "G" are incorrect, then Buyer or Seller will pay the other at the Final Settlement, as appropriate, an amount equal to the NYMEX price at the end of the month in which the variance occurs, per net mmbtu variance from the net imbalance shown on Exhibit "G." Subject to such adjustment on the Final Settlement Date, as of the Closing Buyer agrees to assume any liability and obligation for gas production imbalances (whether over or under) attributable to the Assets. Except as set forth in this Article 18, in assuming this liability at Closing, Buyer shall not be obligated to make any additional payment over the Purchase Price to Seller, and Seller shall not be obligated to refund any of said price to reimburse Buyer for any over-balances existing at the time of sale.

ARTICLE 19. - PREFERENTIAL RIGHT TO PURCHASE AND AREA OF MUTUAL INTEREST PROVISION

19. 1 Preferential Right to Purchase.

This Agreement is also made expressly subject to a Preferential Right to Purchase, the terms and conditions of which are as follows:

(a) In the event Seller or Buyer receives a bona fide offer from a third party to purchase all or a part of the interests of Seller (overriding royalty interest or reversionary working interest, before or after reversion) or Buyer (the "**Selling Party**") in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest (including interests hereafter owned or acquired), and once the Selling Party and a proposed transferee have fully negotiated the principal terms and conditions of a transfer (which principal terms shall include all material terms and conditions necessary for a purchaser to make an informed decision including, but not necessarily limited to, price, timing, scope, character and description of the interests to be transferred, agreed indemnities, reservations and exclusions), Selling Party shall disclose such principal terms and conditions in detail to the other party to this Agreement (the "**Receiving Party**") in a written notice. Receiving Party shall have the right to acquire the interest proposed to be transferred from the Selling Party on the same terms and conditions agreed to by the proposed transferee if, within ten (10) Days after receipt of Selling Party's written notice, the Receiving Party delivers to the Selling Party a counter-notification that Receiving Party accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If the Receiving Party does not deliver such counter-notification, the transfer to the proposed transferee may be made, subject to the provisions of this Agreement, under terms and conditions no more favorable to the transferee than those set forth in the notice to Receiving Party, provided that the transfer shall be concluded within one hundred eighty (180) days from the date of Buyer's receipt of Selling Party's written notice. In the event the proposed sale of the interest to a third party is timely consummated, the preferential right to purchase shall no longer attach to the interest transferred to the third party. In the event the proposed sale of the interest to the third party is not consummated, then the preferential right to purchase such interest shall be reinstated as to any future offers to purchase the interest.

(b) In the event Selling Party's proposed transfer of part or all of its interest in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest, involves consideration other than cash or involves other properties included in a wider transaction (package deal), then the interest to be assigned by Selling Party (or part thereof) shall be allocated a reasonable and justifiable cash value in the notification to Receiving Party. Receiving Party may satisfy the requirements of this Article 19.1 by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

(c) The preferential right to purchase shall be applicable to any transfer of all or a portion of a Selling Party's interest in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest, whether directly or indirectly by assignment, merger, consolidation, or sale of stock, or other conveyance, other than with or to an affiliate, subsidiary, or parent company existing as of the date of this Agreement, and provided further, the preferential right to purchase shall not apply if the Selling Party is selling or transferring all or substantially all of its oil and gas assets, and such oil and gas assets being sold include oil and gas assets other than interests in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest.

19.2 Area of Mutual Interest Provision.

(a) The Parties hereby agree to the establishment of an Area of Mutual Interest which shall encompass all those lands within the area outlined in red on the plat attached hereto as Exhibit "L" (as further described in Exhibit "L-1") as to all depths which shall constitute and shall hereinafter sometimes be referred to as an "**Area of Mutual Interest**".

(b) If, after the date of this Agreement, either party to this Agreement ("**Acquiring Party**") acquires either an oil and gas lease or mineral interest (or any interest therein), royalty interest, or an option to acquire an oil and gas lease, or any other oil and/or gas interest covering lands lying within the Area of Mutual Interest, including oil, gas and mineral leases acquired pursuant to the exercise of any options (all of the foregoing hereinafter sometimes being referred to as "**Oil and Gas Interests**"), or if the Acquiring Party enters into any type of agreement by which an Oil and Gas Interest may be acquired or otherwise earned by conducting drilling, seismic, or other operations on the lands lying within the Area of Mutual Interest, then the Acquiring Party shall promptly notify the other party of such acquisition or such agreement. If either party to this Agreement acquires an Oil and Gas Interest covering lands within the geographical confines of the Area of Mutual Interest, the other party shall have the right to participate in any such acquisition of such Oil and Gas Interest to the extent of its then existing ownership interest in the Area of Mutual Interest by paying its proportionate share of the actual costs of acquiring such Oil and Gas Interests. Any interest acquired by a party to this Agreement in lands outside of the Area of Mutual Interest, however, shall not be subject to the terms of this Article. If, after the date of this Agreement, additional parties acquire an interest from the original Parties in the Area of Mutual Interest, in the event not all parties elect to participate in an acquisition, then any such non-participating party's interests shall be offered in writing to the other participating parties in the proportions that their ownership interests in the Area of Mutual Interest at the time of the acquisition bear to the total of the ownership interests of all participating parties in the acquisition.

(c) The notification provided for in Paragraph (b) above shall contain all available title information and copies of leases, agreements by which the Oil and Gas Interest may be acquired, and all other pertinent instruments and information regarding the proposed acquisition. It shall also describe in detail the cost and expense of such acquisition and any other obligation that may be incurred pursuant thereto.

(d) If drilling, seismic, or other operations are not required to acquire the Oil and Gas Interest, the party entitled to receive notice set forth in Paragraph (b) shall have fifteen (15) days from receipt of notice thereof in which to elect to participate in such acquisition to the extent of its interest. In the event a drilling or workover rig is on location at the time of the acquisition, such notice period shall be forty-eight (48 hours). Failure to give written notice to the Acquiring Party of its election, as specified herein, shall constitute an election not to participate. If a party elects to participate in such acquisition as set forth herein, such party ("**Participating Party**") shall reimburse the Acquiring Party for its proportionate share of the costs thereof within fifteen (15) days of receipt of an invoice from the Acquiring Party setting forth in detail the cost and expense of such acquisition. The Acquiring Party shall, within thirty (30) days after receipt of payment from a Participating Party, assign to the Participating Party the Participating Party's proportionate interest in the acquisition, subject to any applicable burdens on such Participating Party's interest in the acquisition. All Participating Parties shall be entitled to participate in any acquisition within the Area of Mutual Interest on a ground floor basis and subject to no additional burdens placed on an acquisition by the Acquiring Party, with Seller's original ownership interest in the Area of Mutual Interest being seventeen and one-half percent (17.5%) and Buyer's original interest being fifty two and one-half percent (52.5%). Likewise, Acquiring Party's interest in an acquisition shall not be subject to any additional burdens on production in favor of Participating Parties.

(e) If the acquisition requires drilling, seismic, or other operations on the lands lying within the Area of Mutual Interest, the election of a party to participate in such operations shall constitute an election to participate in the agreement governing such operations, to the extent necessary to acquire the interest. No party shall be required to make such an election more than sixty (60) days or less than thirty (30) days prior to the commencement of initial operations.

(f) To receive an assignment of its proportionate share of the Oil and Gas Interest acquired as a result of conducting drilling, seismic, or other operations on the Area of Mutual Interest, a Participating Party must have:

(1) Participated in all operations necessary for the acquisition of the Oil and Gas Interest, and also must have paid all costs and expenses incurred in connection therewith;

(2) Participated in any previous drilling, seismic, or other operations that were necessary or were a condition precedent to the operations resulting in the acquisition of the Oil and Gas Interest; and

(3) Participated in accordance with the terms, provisions, covenants, and conditions of the agreements governing the acquisition of an Oil and Gas Interest.

(g) If both Parties elect to participate in any acquisition of an Oil and Gas Interest, then any such acquired Oil and Gas Interest shall thereafter be subject to the Operating Agreement attached to this Agreement. If, after the date of this Agreement, additional parties acquire an interest from the original Parties in the Area of Mutual Interest, and if more than one, but fewer than all such parties participate in the acquisition of an Oil and Gas Interest, such Participating Parties agree that the acquisition shall be subject to such Operating Agreement, with adjustments made to the interests of the parties as applicable. If the Acquiring Party shall be the sole party electing to participate in an acquisition of an Oil and Gas Interest, then such acquisition shall not be subject to the terms of this Area of Mutual Interest provision or the Operating Agreement.

(h) For purposes of this Section 19.2, the term "**Oil and Gas Interest**" shall also include surface rights or interests (including easements, rights-of-way, and surface ownership) in lands lying within the Area of Mutual Interest , and options to acquire such surface rights or interests, and any surface rights or interests acquired pursuant to the exercise of any options.

(i) Notwithstanding anything to the contrary in the provisions above, only Buyer shall have the right to commence acquisitions of Oil and Gas Interests in the Area of Mutual Interest commencing on the Closing Date, and for a period of two (2) years thereafter.

(j) Notwithstanding anything herein to the contrary, the above Area of Mutual Interest provisions shall not apply to any acquisitions of, or agreements to acquire, royalty interests made by Seller within the Area of Mutual Interest prior to the Effective Time, which are identified and described in Exhibit "K" and no additional offers to acquire such royalty interest have been or will be made by Seller after May 1, 2006.

(k) In the event that either party should acquire any interest from McGowan Working Partners, Inc.(or its successors, subsidiaries, affiliates, or assigns) which is located within the aerial boundaries of the Delhi Holt Bryant Unit prior to Payout, the Parties shall in good faith mutually agree to the value of the acquisition that is attributable to the Delhi Holt Bryant Unit for the purposes of determining a value for the Capital Expenditure Commitment and Seller shall only retain its Reversionary Interests, until Payout, in any interest located in the Delhi Holt Bryant Unit.

(l) The terms of this Section 19.2. [except for 19.2(j) and (i)] shall remain in full force and effect covering the lands lying within the Area of Mutual Interest for a period of eight (8) years commencing from the Effective Time, unless extended for an additional period or terminated earlier by written agreement of the Parties.

ARTICLE 20. - MISCELLANEOUS

20.1 Receivables and other Excluded Funds.

Buyer shall be under no obligation to collect on behalf of Seller any receivables or other funds included in the Excluded Assets and described in Section 1.9(c) above. With respect to receivables, Buyer shall be free to treat the interests of any party with a delinquent receivable in any manner deemed appropriate by Buyer.

20.2. Public Announcements.

The Parties hereto agree that prior to Closing, each may publicly disclose the principal terms of this Agreement following its execution (excluding the cost for CO2 and the transportation costs for CO2), provided that prior to making any public announcement or statement with respect to the transaction contemplated by this Agreement, the party desiring to make such public announcement or statement shall consult with the other party hereto and exercise its best efforts to (i) agree upon the text of a joint public announcement or statement to be made by both of such Parties; or (ii) obtain written approval of the other party hereto to the text of a public announcement or statement to be made solely by Seller or Buyer, as the case may be. Nothing contained in this paragraph shall be construed to require either party to obtain approval of the other party hereto to disclose information with respect to the transaction contemplated by this Agreement to any state or federal governmental authority or agency to the extent (i) required by applicable law or by any applicable rules, regulations or orders of any governmental authority or agency having jurisdiction; or (ii) necessary to comply with disclosure requirements of the New York Stock Exchange or other recognized exchange or over the counter, and applicable securities laws. .

20.3. Filing and Recording of Assignments, etc.

Buyer shall be solely responsible for all filings and the prompt recording of assignments and other documents related to the Assets and for all fees connected therewith, including the fees charged by any regulatory authority in connection with the change of operator, and Buyer shall furnish certified copies of all such filed and/or recorded documents to Seller. Seller shall not be responsible for any loss to Buyer because of Buyer's failure to file or record documents correctly or promptly. Buyer shall not be responsible for any loss to Seller because of Seller's failure to record this document correctly or promptly. Buyer shall promptly file all appropriate forms, declarations or bonds with federal and state agencies relative to its assumption of operations and Seller shall cooperate with Buyer in connection with such filings.

20.4. Further Assurances and Records.

(a) After the Closing each of the Parties will execute, acknowledge and deliver to the other such further instruments, and take such other action, as may be reasonably requested in order to more effectively assure to said party all of the respective properties, rights, titles, interests, estates, and privileges intended to be assigned, delivered or inuring to the benefit of such party in consummation of the transactions contemplated hereby. Without limiting the foregoing, in the event Exhibit "A" incorrectly or insufficiently describes or references or omits the description of a property or interest intended to be conveyed hereby as described in Sections 1.12 or 1.14 above, Seller agrees to, within twenty (20) days of Seller's receipt of Buyer's written request, together with supporting documentation satisfactory to Seller, correct such Exhibit and/or execute an amended assignment or other appropriate instruments necessary to transfer the property or interest intended to be conveyed hereby to Buyer.

(b) Buyer agrees to maintain the files and records of Seller that are acquired pursuant to this Agreement for seven (7) years after Closing. Buyer shall provide Seller and its representatives reasonable access to and the right to copy such files and records for the purposes of (i) preparing and delivering any accounting provided for under this Agreement and adjusting, prorating and settling the charges and credits provided for in this Agreement; (ii) complying with any law, rule or regulation affecting Seller's interest in the Assets prior to the Closing Date; (iii) preparing any audit of the books and records of any third party relating to Seller's interest in the Assets prior to the Closing Date, or responding to any audit prepared by such third parties; (iv) preparing tax returns; (v) responding to or disputing any tax audit; or (vi) asserting, defending or otherwise dealing with any claim or dispute under this Agreement or as to the Assets.

(c) Buyer agrees that within thirty (30) days after Closing or within thirty (30) days after operations are actually transferred, whichever is later, it will remove or cause to be removed its signs and the names and marks used by Seller and all variations and derivatives thereof and logos relating thereto from the Assets and will not thereafter make any use whatsoever of such names, marks and logos.

(d) To the extent not obtained or satisfied as of Closing, Seller agrees to continue to use all reasonable efforts, but without any obligation to incur any cost or expense in connection therewith, and to cooperate with Buyer's efforts to obtain for Buyer (i) access to files, records and data relating to the Assets in the possession of third parties; and (ii) access to wells constituting a part of the Assets operated by third parties for purposes of inspecting same.

(e) Buyer shall comply with all current and subsequently amended applicable laws, ordinances, rules, and regulations applicable to the Assets and shall promptly obtain and maintain all permits required by governmental authorities in connection with the Assets.

20.5. Notices.

Except as otherwise expressly provided herein, all communications required or permitted under this Agreement shall be in writing and may be given by personal delivery, facsimile, US mail (postage prepaid), or commercial delivery service, and any communication hereunder shall be deemed to have been duly given and received when actually delivered to the address of the Parties to be notified as set forth below and addressed as follows:

If to Seller, as follows:

NGS Sub Corp.

Two Memorial City Plaza
820 Gessner Road
Suite 1340
Houston, TX 77024
Attention: Robert S. Herlin
President & CEO

Telephone: (713) 935-0122
Facsimile: (713) 935-0199

If to Buyer, as follows:

Denbury Onshore, LLC
5100 Tennyson Parkway
Suite 1200
Plano, Texas 75024
Attention: Ray Dubuisson
Vice President-Land
Telephone: (972)-673-2044
Facsimile: (972)-673-2299

Provided, however, that any notice required or permitted under this Agreement will be effective if given verbally within the time provided, so long as such verbal notice is followed by written notice thereof in the manner provided herein within twenty-four (24) hours following the end of such time period. Any party may, by written notice so delivered to the other, change the address to which delivery shall thereafter be made.

20.6. Incidental Expenses.

Buyer shall bear and pay (i) all state or local government sales, transfer, gross proceeds, or similar taxes incident to or caused by the transfer of the Assets to Buyer, (ii) all documentary, transfer and other state and local government taxes incident to the transfer of the Assets to Buyer; and (iii) all filing, recording or registration fees for any assignment or conveyance delivered hereunder. Each party shall bear its own respective expenses incurred in connection with the negotiation and Closing of this transaction, including it own consultants' fees, attorneys' fees, accountants' fees, and other similar costs and expenses.

20.7. Waiver.

Any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived only by a written instrument executed by the party waiving compliance. Except as otherwise expressly provided in this Agreement, the failure of any party at any time or times to require performance of any provision hereof shall in no manner affect such party's right to enforce the same. No waiver by any party of any condition, or of the breach of any term, provision, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty.

20.8. Binding Effect; Assignment.

All the terms, provisions, covenants, obligations, indemnities, representations, warranties and conditions of this Agreement shall be covenants running with the land and shall inure to the benefit of, and be binding upon, and shall be enforceable by, the parties hereto and their respective successors and assigns. The rights of Buyer under this Agreement to acquire the Assets are personal and this Agreement may not be assigned or transferred by Buyer to any other party, firm, corporation or other entity, without the prior, express and written consent of Seller, and such consent may be withheld for any reason, including convenience. Any attempt to assign this Agreement by Buyer over the objection or without the express written consent of the Seller shall be absolutely void. Seller may condition its consent to assign this Agreement on Buyer providing Seller with an appropriate guarantee of its assignee's performance. Any subsequent transfer of this Agreement or of all or any part of the Assets shall be made expressly subject to the terms and provisions of this Agreement.

20.9. Taxes.

(a) Seller and Buyer agree that this transaction may be subject to the reporting requirement of Section 1060 of the Internal Revenue Code of 1986, as amended, and that, therefore, IRS Form 8594, Asset Acquisition Statement, will be filed for this transaction. The Parties agree that, for all Tax purposes: the fair market value of the personal property acquired by the Buyer constitutes less than five percent of the Purchase Price and the Parties will take no tax reporting position to the contrary. The Parties will confer and cooperate in the preparation and filing of their respective forms to reflect a consistent reporting of the agreed upon allocation.

(b) Seller shall be responsible for all state, local and federal property, ad valorem, excise, and severance taxes attributable to or arising from the ownership or operation of the Assets prior to the Effective Time. Buyer shall be responsible for all property and severance taxes attributable to or arising from the ownership or operation of the Assets after the Effective Time. Any party which pays such taxes for the other party shall be entitled to prompt reimbursement upon evidence of such payment. Each party shall be responsible for its own federal and state income taxes, if any, as may result from this transaction.

(c) If this transaction is determined to result in state sales or transfer taxes, Buyer shall be solely responsible for any and all such taxes due on the Assets acquired by Buyer by virtue of this transaction. If Buyer is assessed such taxes, Buyer shall promptly remit same to the taxing authority. If Seller is assessed such taxes, Buyer shall reimburse Seller for any such taxes paid by Seller to the taxing authority.

20.10. Intentionally Deleted

20.11. Audits.

It is expressly understood and agreed that Seller retains its right to receive its proportionate share of the proceeds from any audits relating to activities prior to the Effective Time, and Seller shall likewise pay its share of any costs attributable to the period prior to the Effective Time resulting from any such audits.

20.12. Like-Kind Exchanges.

Each party consents to the other party's assignment of its rights and obligations under this Agreement to its Qualified Intermediary (as that term is defined in Section 1.1031(k)-l(g)(4)(iii) of the Treasury Regulations) in connection with effectuation of a like-kind exchange. However, Seller and Buyer acknowledge and agree that any assignment of this Agreement to a Qualified Intermediary does not release either party from any of their respective liabilities and obligations to each other under this Agreement. Each party agrees to cooperate with the other to attempt to structure the transaction as a like-kind exchange.

20.13. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS OTHERWISE APPLICABLE TO SUCH DETERMINATIONS.

20.14. Entire Agreement.

This Agreement embodies the entire agreement between the Parties and replaces and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof, whether written or oral. No other agreement, statement, or promise made by any party, or to any employee, officer or agent of any party, which is not contained in this Agreement shall be binding or valid. This Agreement may be supplemented, altered, amended, modified or revoked by a writing only, signed by the Parties hereto. The headings herein are for convenience only and shall have no significance in the interpretation hereof. The Parties stipulate and agree that this Agreement shall be deemed and considered for all purposes, as prepared through the joint efforts of the Parties, and shall not be construed against one party or the other as a result of the preparation, submittal or other event of negotiation, drafting or execution thereof. It is understood and agreed that there shall be no third-party beneficiary of this Agreement, and that the provisions hereof do not impart enforceable rights in anyone who is not a direct, initial party hereto.

20.15. Severability.

If any provision of this Agreement is found by a court of competent jurisdiction to be invalid or unenforceable, that provision will be deemed modified to the extent necessary to make it valid and enforceable, and if it cannot be so modified, it shall be deemed deleted and the remainder of the Agreement shall continue and remain in full force and effect.

20.16. Exhibits.

All Exhibits attached to this Agreement, and the terms of those Exhibits which are referred to in this Agreement, are made a part hereof and incorporated herein by reference.

20.17. Delivery of Files After Closing.

The Assets set out in Section 1.14(f) shall be provided by Seller to Buyer within five (5) business days after the Closing Date at a location to be specified by Seller. Any transportation, postage, or delivery costs from Seller's offices shall be at Buyer's sole cost, risk and expense.

20.18. Survival.

Unless otherwise specifically provided in this Agreement, all of the representations, warranties, indemnities, covenants and agreements of or by the Parties hereto shall survive the execution and delivery of the Conveyance, Assignment and Bill of Sale. Additionally, those provisions set forth in Articles 1.9, 3.4 and 19 shall survive the execution and delivery of the Conveyance, Assignment and Bill of Sale, and shall be deemed as between the Parties, there successors and assigns to be covenants running with the land.

20.19. Subsequent Adjustments.

Regardless of the date set for the Final Settlement, Buyer and Seller agree that their intent is to allow for the earliest practical forwarding of revenue and reimbursement of expenses between them, and Seller and Buyer recognize that either may receive funds or pay expenses after the Final Settlement Date which are properly the property or obligation of the other. Therefore, upon receipt of net proceeds or payment of net expenses due to or payable by the other party hereto, whichever occurs first, Seller or Buyer, as the case may be, shall submit a statement to the other party hereto showing the relevant items of income and expense with supporting documentation. Payment of any net amount due by Seller or Buyer, as the case may be, on the basis thereof shall be made within ten (10) days of receipt of the statement.

20.20 Counterparts.

This Agreement may be executed in any number of counterparts, and each and every counterpart shall be deemed for all purposes one (1) agreement.

20.21 Subrogation.

To the fullest extent allowed by law and the applicable agreements with third parties, Seller grants Buyer a right of subrogation in all claims or rights Seller may have against third parties to the extent they relate to the Assumed Obligations.

20.22 Suspended Monies.

At Closing, Seller shall deliver to Buyer the monies held in suspense by Seller for the account of third parties, or relate to a title dispute or question as to ownership, along with any documentation in Seller's possession or available to Seller in support of such suspended funds. Any additional monies of this nature received by Seller after Closing shall be remitted to Buyer within one hundred twenty (120) days after the Closing hereof. At Closing, Buyer shall assume the obligation for the payment of these monies.

20.23. Buyer as Operator.

After the Closing Date, Buyer shall operate, manage, and administer the Assets as a reasonable prudent operator and in a good and workmanlike manner in accordance with the Unit Operating Agreement. The Parties acknowledge that changes and amendments to the Unit Operating Agreement are necessary and required by both Parties and will be negotiated prior to the Closing Date. These changes and amendments may be in the form of changes and amendments to the existing Unit Operating Agreement, a new unit operating agreement, or a side letter agreement. The Unit Operating Agreement, as so amended or supplemented, will include, among other provisions, the following:

(a) language giving Seller the right to make reasonable site visits to the Delhi Holt Bryant Unit with its employees, agents, or investors, after reasonable notice to Buyer, and at Seller's sole cost, risk and expense, and this right will not be unreasonably withheld;

(b) the provisions Section 1.9 (d) (6);

(c) the right of Seller to take its share of production in kind, subject to Buyer reserving a competitive call on Seller's share of production that provides Buyer the right to match any third party offers to purchase Seller's production, provided that this competitive call is limited to Seller's working interest share of production, but not applicable to its overriding royalty interest;

(d) a CO2 gas balancing agreement; and,

(e) After Closing and prior to Payout, Seller may vote its Reversionary Interests with respect to any changes or amendments to the Unit Operating Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

WITNESSES:

_____

_____

SELLER:

NGS SUB CORP.

By: _____

Robert S. Herlin
President & CEO

BUYER:

_____

_____

DENBURY ONSHORE, LLC

By: _____

H. Raymond Dubuisson
Vice President-Land

PURCHASE AND SALE AGREEMENT II

This Purchase and Sale Agreement II ("Agreement"), dated as of May 8, 2006, is by and between **NGS Sub Corp.,** whose address is Two Memorial City Plaza, 820 Gessner Road, Suite 1340, Houston, TX 77024 ("Seller"), and **Denbury Onshore, LLC,** whose address is 5100 Tennyson Parkway, Suite 1200, Plano, Texas 75024 ("Buyer"). Seller and Buyer are sometimes together referred to herein as "Parties".

R E C I T A L S

WHEREAS, Seller owns certain oil and gas leasehold interests and related assets more fully described on the exhibits hereto;

WHEREAS, Seller desires to sell and Buyer desires to acquire these interests and related assets on the terms and conditions hereinafter provided;

WHEREAS, the Parties have previously executed a certain Purchase And Sale Agreement dated as of May 8, 2006 (the "Original Purchase and Sale Agreement"), which conveyed one hundred percent (100%) of Seller's interest in the Delhi Holt Bryant Unit to Buyer (subject to other express terms and conditions contained therein);

WHEREAS, the Seller desires to bifurcate the Original Purchase and Sale Agreement into two (2) separate agreements in order to assist in the consummation of a Like-Kind Exchange and Buyer has agreed to cooperate in said revisions;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, Seller and Buyer hereby agree as follows:

ARTICLE 1. - DEFINITIONS

1.1. **"Agreement"** shall mean this Purchase and Sale Agreement I between Seller and Buyer, and said Agreement does hereby amend, supersede and replace the Original Purchase and Sale Agreement**.**

1.2. **"Assets"** shall mean the following described assets and properties (except to the extent constituting Excluded Assets):

(a) the Leases;

(b) the Real Property, Personal Property and Incidental Rights; and

(c) the Inventory Hydrocarbons; and

(d) the Delhi Holt Bryant Unit.

1.3. **"Assumed Obligations"** shall mean:

(a) all Environmental Obligations or Liabilities arising after the Effective Time;

(b) all obligations with respect to gas production, sales or, subject to Article 18, processing imbalances with third parties;

(c) all liabilities, duties, and obligations that arise out of the ownership, operation or use of the Assets after the Effective Time, including, but not limited to, all liabilities, duties, and obligations, express or implied, imposed upon Seller herein under the provisions of the Leases and any and all assignments, subleases, farmout agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way, and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, and under all applicable laws, rules, regulations, orders and ordinances, excluding, but not limited to, the claims and suits set forth in Exhibit "F".

(d) the obligations of Seller under that certain Site Specific Trust Account as previously set up for the plugging of abandoned wellbores in the Delhi Holt Bryant Unit. Buyer shall within sixty (60) days after the Closing Date (as hereinafter defined) provide the requested cash or irrevocable stand-by letter of credit sufficient to assume all of Sellers obligations under the Site Specific Trust Account and to cause the Seller to be released from its financial obligations thereunder.

1.4. **"Closing"** shall be as defined in Section 13.1.

1.5. **"Closing Date"** shall be as defined in Section 13.1.

1.6. **"Effective Time"** shall mean 7:00 a.m., local time, on June 1, 2006.

1.7. **"Environmental Defect"** shall mean: (i) a condition or activity with respect to an Asset that is in material violation, or reasonably likely to materially violate, any federal, state or local statute, or any rule, order, ruling or regulation entered, issued or made by any court, administrative agency, or other governmental body or entity, federal, state, or local, or any arbitrator ("**Environmental Law**"), or surface or mineral lease obligation, whether an express or implied obligation, relating to natural resources, conservation, the environment, or the emission, release, storage, treatment, disposal, transportation, handling or management of industrial or solid waste, hazardous waste, hazardous or toxic substances, chemicals or pollutants, petroleum, including crude oil, natural gas, natural gas liquids, or liquefied natural gas, and any wastes associated with the exploration and production of oil and gas ("**Regulated Substances**"); or (ii) the presence of Regulated Substances in the soil, groundwater, or surface water in, on, at or under an Asset in any manner or quantity which is required to be remediated by Environmental Law or by any applicable action or guidance levels or other standards published by any governmental agency with jurisdiction over the Assets, or by a surface or mineral lease obligation, whether an express or implied obligation. Buyer and Seller agree that for a condition to be in violation of any statute or regulation it shall not be necessary that Seller shall be under notice of violation from a federal or state regulatory agency or lessor.

The Parties agree and acknowledge that Buyer will be provided an opportunity to examine the Assets for potential naturally occurring radioactive materials (“NORM”), and any potential obligations with respect to NORM and that the presence of NORM on any of the Assets, except with respect to inactive wells, facilities, pipelines and other equipment, may not be raised by Buyer as the subject of an Environmental Defect.

1.8. **"Environmental Obligations or Liabilities"** shall mean all liabilities, obligations, expenses (including, without limitation, all attorneys' fees), fines, penalties, costs, claims, suits or damages (including natural resource damages) of any nature, associated with the Assets, and attributable to or resulting from: (i) pollution or contamination of soil, groundwater or air, on, in or under the Assets or lands in the vicinity thereof, and any other contamination of or adverse effect upon the environment, (ii) underground injection activities and waste disposal, (iii) clean-up responses, remedial, control or compliance costs, including the required cleanup or remediation of spills, pits, lakes, ponds, or lagoons, including any subsurface or surface pollution caused by such spills, pits, lakes, ponds, or lagoons, (iv) noncompliance with applicable land use, permitting, surface disturbance, licensing or notification requirements, including those in a surface or mineral lease, whether an express or implied obligation, (v) all obligations, whether pursuant to an Environmental Law or a surface or mineral lease obligation, whether express or implied, for plugging, replugging and abandoning any wells, the restoration of any well sites, tank battery sites and gas plant sites, and any other surface locations or sites, the proper removal, disposal and abandonment of any wastes or fixtures, and the proper capping and burying of all flow lines, which are included in the Assets; (vi) violation of any federal, state or local Environmental Law or land use law, or surface or mineral lease obligation, whether an express or implied obligation, and (vii) any other violation which could qualify as an Environmental Defect. Notwithstanding anything to the contrary set forth in, or implied by, this Section 1.8, "Environmental Obligations or Liabilities" does not include (i) personal injury or wrongful death occurring prior to the Effective Time or (ii) offsite waste disposal occurring prior to the Effective Time.

1.9. **"Excluded Assets"** shall mean the following:

(a) Seller saves and excepts from the Assignment and Conveyance , the lessors’ royalty, all overriding royalty and other burdens on production encumbering the Delhi Holt Bryant Unit as of the Effective Time (including, without limiting the foregoing, that certain Act of Sale And Assignment executed on January 31, 2006 but effective as of December 1, 2005, by and between James H. Jones and Kristi S Jones, as Vendors and NGS Sub Corp., as Vendee). It being the intention of the Seller to convey to Buyer a net revenue interest of not less than twenty four percent (24%) in the Delhi Holt Bryant Unit.

(b) an undivided seven and one-half percent of eight eighths (7.5% of 8/8ths) working interest in and to the Assets which are not included in the Delhi Holt Bryant Unit. It being the intent of the Parties that the Seller shall convey to the Buyer, at Closing, an undivided twenty two and one-half percent of eight eighths (22.5% of 8/8ths) working interest in the Assets which are not included in the Delhi Holt Bryant Unit, proportionately reduced to the interest owned by Seller, if any.

(c) any acquisitions of, or agreements to acquire, royalty interests in the Leases, made by Seller prior to the Effective Time, which are identified and described in Exhibit "K", and no additional offers to acquire such royalty interest have been or will be made by Seller after May 1, 2006.

(d) an undivided reversionary working interest of seven and one-half percent of eight eighths (7.5% of 8/8ths) and a net revenue interest of not less than six percent of eight eighths (6.0% of 8/8ths), in the Delhi Holt Bryant Unit, (collectively, the "Reversionary Interests"), at such time as the Buyer has achieved "Payout" of the Delhi Holt Bryant Unit. "Payout" shall be defined as that point in time when Buyer has received "Total Net Cash Flow" from Buyer's operation in and on the Delhi Holt Bryant Unit in the amount of two hundred million and no/100 dollars ($200,000,000.00) to the one hundred percent (100%) Working Interest. It being the intent of the parties that the Seller shall convey to the Buyer at Closing an undivided thirty percent (30.0%) working interest in the Delhi Holt Bryant Unit, subject to the Seller's Reversionary Interests. Seller's Reversionary Interests as set forth above will be proportionately reduced in the event Buyer's actual working interest and/or net revenue interest, respectively, acquired by virtue of this Agreement are less than the interest set forth above. Seller's Reversionary Interests shall automatically revert to the Seller once "Payout" has been achieved, without any further action on the part of the Seller. Seller's Reversionary Interests will be effective on the first day of the month next succeeding the point in time in which "Payout" has occurred. Within fifteen (15) days after "Payout" has occurred, Buyer shall provide Seller with an Assignment of the Seller's Reversionary Interests, which will be free and clear of all liens and encumbrances of any kind. Seller's Reversionary Interests shall be subject to the following additional terms and provisions:

(1) Total Net Cash Flow for purposes of this Agreement and as utilized in determining when "Payout" has occurred, is defined as being the excess of Net Revenues from the Delhi Holt Bryant Unit over all Operating Costs for the Delhi Holt Bryant Unit, being all costs and expenses to operate, maintain and produce the Delhi Holt Bryant Unit, but excluding capital costs and capital expenditures (including those set forth in Section 3.4). Net Revenues are defined as being gross revenues from the Delhi Holt Bryant Unit operations less any applicable federal, state and local taxes (including excise, production, severance, sales, and ad valorem taxes, but excluding any income based taxes) and less revenue attributable to royalties, Seller's overriding royalty interest, and any other overriding royalty interests, production payments, net profit interest and similar interests or burdens of record prior to or as of the Effective Time. Operating Costs used in computing Total Net Cash Flow shall be the total Delhi Holt Bryant Unit operating costs and expenses (including administrative overhead charges) actually incurred and expended by the Operator and charged to the joint account by the Operator, as set forth in the Accounting Procedure of the Unit Operating Agreement, deemed transportation costs to deliver CO2 to the Delhi Holt Bryant Unit [being the stipulated and agreed costs set forth in subparagraph 1.9 (b)(2) below], deemed costs for CO2 delivered to the Delhi Holt Bryant Unit [being the stipulated and agreed costs set forth in subparagraph 1.9 (b)(2) below]. An "mcf" of CO2 shall be 1000 cubic feet of CO2 at standard conditions.

(2) If CO2 is used by Buyer for enhanced oil production from the Delhi Holt Bryant Unit, Buyer shall act as a reasonable prudent operator in delivering C02 to the Delhi Holt Bryant Unit in a timely manner and in sufficient quantities to efficiently conduct operations to enhance oil production Buyer will deliver CO2 to the Delhi Holt Bryant Unit at a pipeline pressure of 1100 psi for a fixed transportation cost per standard mcf of twenty cents ($.20), for a period of time not to exceed ten (10) years from the date of first pipeline deliveries of CO2 to the Delhi Holt Bryant Unit. The agreed cost for the CO2 delivered to the Delhi Holt Bryant Unit will be equal to one percent (1%) of the price per barrel of crude oil sold from the Delhi Holt Bryant Unit per standard mcf of CO2 as determined each month. The agreed cost of the CO2 delivered by the Buyer to the Delhi Holt Bryant Unit shall not increase for the entire life of the CO2 operations conducted on the Delhi Holt Bryant Unit. The above transportation costs and costs for CO2 are stipulated by the Parties to be the deemed costs for purposes of the Delhi Holt Bryant Unit, regardless of actual costs or other factors or circumstances. All CO2 injected into the Delhi Holt Bryant Unit shall be owned by the working interest owners proportionate to their interests. Any CO2 delivered to the Delhi Holt Bryant Unit and used by Buyer for any purpose other than in the Delhi Holt Bryant Unit shall be credited to the Total Net Cash Flow calculation as revenue at the same cost that the CO2 is charged as provided above.

(3) Costs associated with building, owning, operating, and maintaining CO2 pipelines used by Buyer to deliver CO2 to the Delhi Holt Bryant Unit and within the Delhi Holt Bryant Unit, including pipelines from the source field for the CO2, shall not be included in the computation of the costs used to determine Total Net Cash Flow or “Payout”, but shall only be used in computing the capital expenditure commitment set forth in Section 3.4. All such CO2 pipelines shall be owned solely by Buyer, and Seller shall not have or be entitled to any interest in such pipelines, reversionary or otherwise.

(4) Seller's Reversionary Interests in the Delhi Holt Bryant Unit, after it reverts shall be subject to the terms and provisions of the Unit Operating Agreement. After such Reversionary Interests revert to Seller, Seller shall be liable for and shall assume and pay its proportionate working interest share of all subsequent costs associated with its working interest in the Delhi Holt Bryant Unit, including capital costs.

(5) If for any reason Seller desires not to accept the Reversionary Interests provided for in this Paragraph (b), and the obligations and liabilities associated with such Reversionary Interests, Seller may decline to accept such Interests by notifying Buyer in writing on or before fifteen (15) days after the effective date of reversion. After receipt of such a notice, Seller's right to the Reversionary Interests will terminate.

(6) Prior to Payout Buyer shall provide to Seller (i) on a monthly basis operating reports covering revenues, operating expenses, capital expenditures, production and injection volumes and product prices received; and (ii) a quarterly statement (with all supporting documentation) identifying the status of Total Net Cash Flow amounts and Payout Statement for the Delhi Holt Bryant Unit; and (iii) Buyer shall further provide Seller with quarterly reports including historical and prospective technical information relating to the Delhi Holt Bryant Unit including, but not limited to injection and production data on a field and well basis, well logs, cores, tests and any other data necessary for Seller to perform its own technical analysis; and (iv) the right to request an annual technical presentation to be presented to Seller by the appropriate technical staff of Buyer. Seller shall have the right to conduct an annual audit of the accounts and records of Buyer (at a mutually convenient time during Assignor's normal business hours and in accordance with the Council of Petroleum Accountants Society guidelines and practices for audits by working interest owners) to verify the accounting for the Total Net Cash Flow amount and Payout. Such audits may be performed by Seller directly or through an independent accounting firm of its choice, but in each case at the Seller's sole cost and expense. Notwithstanding the above, all Payout accounting by Buyer during any calendar year shall conclusively be presumed true and correct after twenty four months following the end of any such calendar year, unless within the said twenty four month period, Seller takes written exception thereto and makes claim on Buyer for adjustments.

(c) (i) all trade credits, accounts receivable, notes receivable and other receivables attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time; (ii) all deposits, cash, checks in process of collection, cash equivalents and funds attributable to Seller's interest in the Assets with respect to any period of time prior to the Effective Time; and (iii) all proceeds, benefits, income or revenues accruing with respect to the Assets prior to the Effective Time;

(d) all corporate, financial, and tax records of Seller; however, Buyer shall be entitled to receive copies of any tax records which directly relate to any Assumed Obligations, or which are necessary for Buyer's ownership, administration, or operation of the Assets;

(e) all claims and causes of action of Seller arising from acts, omissions or events, or damage to or destruction of the Assets, occurring prior to the Effective Time; provided, however, Seller shall transfer to Buyer all claims and causes of action of Seller against prior owners of the Assets or third parties for Environmental Obligations or Liabilities that are not Retained Environmental Obligations or Liabilities;

(f) except as otherwise provided in Article 15, all rights, titles, claims and interests of Seller relating to the Assets prior to the Effective Time (i) under any policy or agreement of insurance or indemnity; (ii) under any bond; or (iii) to any insurance or condemnation proceeds or awards;

(g) all Hydrocarbons produced from or attributable to the Assets with respect to all periods prior to the Effective Time, together with all proceeds from or of such Hydrocarbons, except the Inventory Hydrocarbons and the unsold inventory of gas plant products, if any, attributable to the Leases as of the Effective Time;

(h) claims of Seller for refund of or loss carry forwards with respect to production, windfall profit, severance, ad valorem or any other taxes attributable to any period prior to the Effective Time, or income or franchise taxes;

(i) all amounts due or payable to Seller as adjustments or refunds under any contracts or agreements (including take-or-pay claims) affecting the Assets with respect to any period prior to the Effective Time;

(j) all amounts due or payable to Seller as adjustments to insurance premiums related to the Assets with respect to any period prior to the Effective Time;

(k) all proceeds, benefits, income or revenues accruing (and any security or other deposits made) with respect to the Assets, and all accounts receivable attributable to the Assets, prior to the Effective Time; and

(l) all of Seller's intellectual property, including, but not limited to, proprietary computer software, patents, trade secrets, copyrights, names, marks and logos.

1.10. **"Hydrocarbons"** shall mean crude oil, natural gas, casinghead gas, condensate, sulphur, natural gas liquids and other liquid or gaseous hydrocarbons (including CO_2), and shall also refer to all other minerals of every kind and character which may be covered by or included in the Leases and Assets.

1.11. **"Inventory Hydrocarbons"** shall mean all merchantable oil and condensate (for oil or liquids in storage tanks, being only that oil or liquids physically above the top of the inlet connection into such tanks) produced from or attributable to the Leases prior to the Effective Time which have not been sold by Seller and are in storage at the Effective Time.

1.12. **"Leases"** shall mean, except to the extent constituting Excluded Assets, any and all interests owned by Seller, including but without limitation those set forth on Exhibit "A," or which Seller is entitled to receive by reason of any participation, joint venture, farmin, farmout, joint operating agreement, unitization agreement, or other agreement, in and to the oil, gas and/or mineral leases, permits, licenses, concessions, leasehold estates, royalty interests, overriding royalty interests, net revenue interests, executory interests, net profit interests, working interests, reversionary interests, mineral interests, and any other interests of Seller in Hydrocarbons, in the Delhi Holt Bryant Unit, Franklin, Madison and Richland Parishes, Louisiana (referred to herein as the "Delhi Holt Bryant Unit" as more fully described below), and in those lands located within the aerial boundaries of the Delhi Holt Bryant Unit (the "Delhi Holt Bryant Unit Lands" as more fully described below) , it being the intent hereof that the leases, properties and interests and the legal descriptions and depth limitations set forth on Exhibit "A," or in instruments described in Exhibit "A," if any, are for information only and the term "Leases" includes all of Seller's right, title and interest in the above described Hydrocarbon interests in the Delhi Holt Bryant Unit and in the Delhi Holt Bryant Unit Lands, other than the Excluded Assets, including but not limited to those described on Exhibit "A," or in instruments described in Exhibit "A," even though such interests may be incorrectly described in Exhibit "A" or omitted from Exhibit "A". For purposes of this Agreement, the Delhi Holt Bryant Unit in Franklin, Madison and Richland Parishes, Louisiana, shall be as described in and governed by Louisiana Department of Natural Resources, Office of Conservation Orders Nos.96-F, 96-F-1, 96-G-4 and 96-G-5, as amended and supplemented. The Delhi Holt Bryant Unit Lands, being those lands within the aerial boundaries of the Delhi Holt Bryant Unit, as to all depths, are described in Exhibit "A-1",

1.13. **"Performance Deposit"** shall be as defined in Section 3.2.

1.14. **"Real Property, Personal Property and Incidental Rights"** shall mean an undivided thirty percent (30%) of all right, title and interest of Seller in and to or derived from the following insofar as the same do not constitute Excluded Assets and are attributable to, appurtenant to, incidental to, or used for the operation of the Leases:

(a) all interests in the surface estate in Delhi Holt Bryant Unit Lands, including but not limited to those described on Exhibit “A”;

(b) all easements, rights-of-way, surface leases, permits, licenses, servitudes or other interests relating to the use of the surface, including but not limited to those described on Exhibit “A,” or in instruments described in Exhibit “A”;

(c) all wells, including but not limited to those listed on Exhibit “A-2" attached hereto, whether or not such wells are active or inactive, along with all equipment and other personal property, inventory, spare parts, tools, fixtures, pipelines, dehydration facilities, platforms, tank batteries, appurtenances, and improvements situated upon the Leases as of the Effective Time and used or held for use in connection with the development or operation of the Leases or the production, treatment, storage, compression, processing or transportation of Hydrocarbons from or in the wells or Leases;

(d) all unit agreements, orders and decisions of state and federal regulatory authorities establishing units, joint operating agreements, enhanced recovery and injection agreements, farmout agreements and farmin agreements, options, drilling agreements, exploration agreements, assignments of operating rights, working interests, subleases and rights above or below certain footage depths or geological formations, to the extent same is attributable to the Assets, as of the Effective Time, including but not limited to those described on Exhibit “A”;

(e) all contracts, agreements, and title instruments to the extent attributable to and affecting the Assets in existence at Closing, including all Hydrocarbon sales, purchase, gathering, transportation, treating, marketing, exchange, processing, disposal and fractionating contracts, joint operating agreements, including but not limited to those described on Exhibit “A”; and

(f) originals of all lease files, land files, well files, production records, division order files (including paysheets and supporting files), abstracts, title opinions, and contract files, insofar as the same are directly related to the Leases; including, without limitation, all geological, information and data, to the extent that such data is not subject to any third party restrictions, but excluding Seller's proprietary interpretations of same.

1.15. **"Purchase Price"** shall be as defined in Section 3.1.

1.16 **“Retained Environmental Obligations or Liabilities”** shall mean, (i) any Environmental Obligations or Liabilities of any nature related to the Excluded Assets, and (ii) any Environmental Obligations or Liabilities associated with the Assets which arose prior to the Effective Time.

Notwithstanding anything herein to the contrary, Retained Environmental Obligations or Liabilities shall not include any Environmental Obligations or Liabilities that (a) relate to NORM, or (b) relate to the plugging and abandonment of the wells listed on Exhibit “A-2” and any related surface restoration of these well sites, or (c) resulted from or relate to an activity or a condition with the Assets first occurring after the Effective Time.

1.17. "Retained Obligations" shall mean all liabilities, duties, and obligations that arise out of the ownership, operation or use of the Assets prior to the Effective Time, including, but not limited to, all liabilities, duties, and obligations, express or implied, imposed upon Seller herein under the provisions of the Leases and any and all assignments, subleases, farmout agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way, and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, and under all applicable laws, rules, regulations, orders and ordinances, including but not limited to the claims and suits set forth in Exhibit "F", except for those specifically included in the definition of "Assumed Obligations."

1.18. "Unit Operating Agreement" shall mean that certain unit operating agreement dated August 5, 1952, covering the Delhi Holt Bryant Unit, as may be amended, and which is attached hereto as Exhibit J.

ARTICLE 2. - AGREEMENT TO PURCHASE AND SELL

Subject to the terms and conditions of this Agreement, Seller agrees to sell and convey to Buyer and Buyer agrees to purchase and pay for the Assets and to assume the Assumed Obligations.

ARTICLE 3. - PURCHASE PRICE AND PAYMENT

3.1. Purchase Price.

Subject to adjustment as set forth below, the Purchase Price for the Assets shall be fifteen million dollars ($15,000,000.00), allocated among the Assets as provided in Exhibit "B."

3.2. Performance Deposit. Immediately upon the execution hereof, Buyer shall tender to Seller, by bank wire transfer, a Performance Deposit equal to five million dollars ($5,000,000.00), which Performance Deposit shall be non-interest-bearing and non-refundable except as provided herein. If the Performance Deposit is not received by Seller by the close of business on the second business day after the execution of this Agreement, this Agreement shall be null and void, and the Parties shall have no further obligation to each other hereunder.

3.3. Final Settlement/Purchase Price Adjustments.

Within one hundred twenty (120) days after Closing, Seller shall provide to Buyer, for Buyer's concurrence, an accounting (the "Final Settlement Statement") of the actual amounts of Seller's and Buyer's Credits for the adjustments set out in this Section 3.3. Buyer shall have the right for thirty (30) days after receipt of the Final Settlement Statement to audit and take exceptions to such adjustments. The Parties shall attempt to resolve any disagreements on a best efforts basis. Those credits agreed upon by Buyer and Seller shall be netted and the final settlement shall be paid as directed in writing by the receiving party, on final adjustment by the party owing it (the "**Final Settlement**").

The Purchase Price shall be adjusted as follows:

(a) The Purchase Price shall be adjusted upward by the following ("**Seller's Credits**"):

(1) the value of (i) all Inventory Hydrocarbons, such value to be based upon the existing contract price for crude oil in effect as of the Effective Time, less severance taxes, transportation fees and other fees deducted by the purchaser of such oil, such oil to be measured at the Effective Time by the operators of the Assets; and (ii) the value of all of Seller's unsold inventory of gas plant products, if any, attributable to the Leases at the Effective Time valued in the same manner as if such products had been sold under the contract then in existence between Seller and the purchaser of such products or, if there is no such contract, valued in the same manner as if said products had been sold at the posted price in the field for said products;

(2) the amount of all production expenses, operating expenses and all expenditures attributable to the operation of the Assets after the Effective Time and accrued by Seller prior to the Closing Date in accordance with generally accepted accounting principles and Section 11.1;

(3) an amount equal to the sum of any upward adjustments provided elsewhere in this Agreement; and

(4) any other amount agreed upon by Seller and Buyer in writing prior to Closing.

(b) The Purchase Price shall be adjusted downward by the following ("Buyer's Credits"):

(1) the total collected sales value of all Hydrocarbons sold by the Seller after the Effective Time, all of which are attributable to the Assets, and any other monies collected by the Seller with respect to the ownership of the Assets after the Effective Time, but excepting interest income.

(2) the amount of all unpaid ad valorem, property, production, excise, severance and similar taxes and assessments (but not including income taxes), which taxes and assessments become due and payable or accrue to the Assets prior to the Effective Time, which amount shall, where possible, be computed based upon the tax rate and values applicable to the tax period in question; otherwise, the amount of the adjustment under this paragraph shall be computed based upon such taxes assessed against the applicable portion of the Assets for the immediately preceding tax period just ended;

(3) an amount equal to the sum of any downward adjustments provided elsewhere in this Agreement; and

(4) any other amount agreed upon by Seller and Buyer in writing prior to Closing.

(c) Seller shall prepare and deliver to Buyer, at least five business days prior to Closing, Seller's estimate of the adjusted Purchase Price to be paid at Closing, together with a preliminary statement setting forth Seller's estimate of the amount of each adjustment to the Purchase Price to be made pursuant to this Section 3.3. The Parties shall negotiate in good faith and attempt to agree on such estimated adjustments prior to Closing. In the event any estimated adjustment amounts are not agreed upon prior to Closing, the estimate of the adjusted Purchase Price for purposes of Closing shall be calculated based on Seller's and Buyer's agreed upon estimated adjustments and Seller's good faith estimate of any disputed amounts (and any such disputes shall be resolved by the Parties in connection with the resolution of the Final Settlement Statement).

3.4 Additional Capital Expenditure Commitment By Buyer.

(a) As additional consideration for the execution of this Agreement by Seller, Buyer agrees to spend one hundred million dollars ($100,000,000.00) of cumulative capital expenditures (the “Required Cumulative Capital Expenditure Amounts”) for the development of the one hundred percent (100%) Working Interest for the enhanced production operation of the Delhi Holt Bryant Unit, which will include but is not limited to the cost of field development, facilities and CO2 delivery pipelines. Buyer shall make the Required Cumulative Capital Expenditures Amounts on or before the Commitment Dates set forth below:

“Commitment Date”	**“Required Cumulative Capital Expenditure Amount”**
December 31, 2007	$17,500,000
December 31, 2008	$35,000,000
December 31, 2009	$52,500,000
December 31, 2010	$70,000,000
December 31, 2011	$87,500,000
December 31, 2012	$100,000,000

If the Buyer spends in excess of one hundred million dollars ($100,000,000.00) prior to the end of December 31, 2012, the development obligation has been fulfilled.

(b) In the event Buyer fails to expend the Required Cumulative Capital Expenditure Amounts by the Commitment Dates set forth in (b) above, Seller shall be entitled to a cash payment equal to thirty percent (30%) of ten percent (10.0%) of the difference between the Required Cumulative Capital Expenditure Amounts for the applicable Commitment Date and the cumulative capital expenditures actually expended by Buyer from the Effective Date through such applicable Commitment Date (hereinafter referred to as the "**Shortage Payment**"). Said Shortage Payment shall be paid by Buyer to Seller within thirty (30) days after each Commitment Date.

ARTICLE 4. - SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Buyer as of the date hereof, and the Closing Date that:

(a) Seller is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, and is duly qualified to carry on its business in Louisiana;

(b) Seller has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby, and to perform its obligations under this Agreement and the other documents and agreements contemplated hereby. Effective as of Closing, the consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with, any provision of its governing documents or any agreement or instrument to which it is a party or by which it is bound (except any provision contained in agreements customary in the oil and gas industry relating to (1) the Preferential Purchase Rights (defined below) as to all or any portion of the Assets; (2) required consents to transfer and related provisions; (3) maintenance of uniform interest provisions; and (4) any other third-party approvals or consents contemplated herein), or any judgment, decree, order, statute, rule, or regulation applicable to Seller;

(c) This Agreement, and all documents and instruments required hereunder to be executed and delivered by Seller at Closing, constitute legal, valid and binding obligations of Seller in accordance with its respective terms, subject to applicable bankruptcy and other similar laws of general application with respect to creditors;

(d) There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by, or to the actual knowledge of Seller threatened against Seller;

(e) The execution, delivery and performance (effective as of Closing) of this Agreement, and the transaction contemplated hereunder have been duly and validly authorized by all requisite authorizing action, corporate, partnership or otherwise, on the part of Seller.

(f) Seller has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in connection with this Agreement and the transaction provided herein;

(g) Other than as set forth in Exhibit "F", there are no claims, investigations, demands, actions, suits, or administrative, legal or arbitration proceedings (including condemnation, expropriation, or forfeiture proceedings) pending, or to the knowledge of Seller threatened, against Seller or any of its affiliates, or any Asset: (i) seeking to prevent the consummation of the transactions contemplated hereby, or (ii) which, individually or in the aggregate, would adversely affect the Assets.

(h) Seller has not intentionally or willfully misrepresented or omitted any material information requested by Buyer about the Assets;

(i) The transfer of the Assets to Buyer will not violate at the Closing Date any covenants or restrictions imposed on Seller by any bank or other financial institution in connection with a mortgage or other instrument, and will not result in the creation or imposition of a lien on any portion of the Assets**;**

(j) Except as disclosed by Seller in writing, if Seller is the operator of an Asset, to Seller's knowledge, it is in material compliance with all laws, rules, regulations and orders pertaining to the Assets, including Environmental Laws, which representation and warranty shall not survive the Closing of the transaction contemplated by this Agreement;

(k) Except as disclosed by Seller in writing, if Seller is the operator of an Asset, to Seller's knowledge, it has all governmental permits necessary for the operation of the Asset and is not in material default under any permit, license or agreement relating to the operation and maintenance of the Assets, which representation and warranty shall not survive the Closing of the transaction contemplated by this Agreement;

(l) Except as set forth on Exhibit "H", there are no waivers, consents to assign, approvals or similar rights owned by third parties and required in connection with the conveyance of the Assets from Seller to Buyer;

(m) Except as set forth on Exhibit "H", there are no rights of first refusal, preferential rights, preemptive rights or contracts, or other commitments or understandings of a similar nature to which Seller is a part or to which the Assets are subject;

(n) No Hydrocarbons produced or to be produced from the Leases are subject to any gas sales contracts other than those identified on Exhibit “H” and, no third party has any call upon, option to purchase, dedication rights or similar rights with respect to the hydrocarbons produced to be produced from Seller’s interest in the Leases; and

(o) Except as set forth on Exhibit “G”, there are no oil or gas production imbalances with respect to the Leases;

ARTICLE 5. - BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer represents and warrants to Seller as of the date hereof, and the Closing Date that:

(a) Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the state of Delaware, and is duly qualified to carry on its business in those states where it is required to do so;

(b) Buyer has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby, and to perform its obligations under this Agreement and the other documents and agreements contemplated hereby. The consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with, any provision of Buyer's articles of incorporation, partnership agreement(s), by-laws or governing documents or any agreement or instrument to which it is a party or by which it is bound, or any judgment, decree, order, statute, rule, or regulation applicable to Buyer;

(c) the execution, delivery and performance of this Agreement and the transactions contemplated hereunder have been duly and validly authorized by all requisite authorizing action, corporate, partnership or otherwise, on the part of Buyer;

(d) this Agreement, and all documents and instruments required hereunder to be executed and delivered by Buyer at Closing, constitute legal, valid and binding obligations of Buyer in accordance with their respective terms, subject to applicable bankruptcy and other similar laws of general application with respect to creditors;

(e) there are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by, or to the actual knowledge of Buyer threatened against Buyer;

(f) Buyer has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in connection with this Agreement and the transaction provided herein;

(g) Buyer is an experienced and knowledgeable investor and operator in the oil and gas business. Prior to entering into this Agreement, Buyer was advised by and has relied solely on its own expertise and legal, tax, reservoir engineering, accounting, and other professional counsel concerning this Agreement, the Assets and the value thereof;

(h) Buyer has, or by Closing will have, the financial resources to close the transaction contemplated by this Agreement, whether by third party financing or otherwise; and

(i) Buyer acknowledges the existence of the claims and suits described in Exhibit "F" and that these claims and suits are Permitted Encumbrances as set forth in Section 8.1(e). Buyer further acknowledges that Buyer has, or by Closing will have, legal counsel of its choice fully review those claims and suits identified on Exhibit "F".

ARTICLE 6. - ACCESS TO INFORMATION AND INSPECTIONS

6.1. Title Files.

Promptly after the execution of this Agreement and until the Closing Date, Seller shall permit Buyer and its representatives at reasonable times during normal business hours to examine, in Seller's offices at their actual location, all abstracts of title, title opinions, title files, ownership maps, lease files, assignments, division orders, payout statements, title curative, other title materials and agreements pertaining to the Assets as requested by Buyer, insofar as the same may now be in existence and in the possession of Seller. No warranty of any kind is made by Seller as to the information so supplied, and Buyer agrees that any conclusions drawn therefrom are the result of its own independent review and judgment.

6.2. Other Files.

Promptly after the execution of this Agreement and until the Closing Date, Seller shall permit Buyer and its representatives at reasonable times during normal business hours to examine, in Seller's offices at their actual location, all production, well, regulatory, engineering and geological information, accounting information, environmental information, inspections and reports, and other information, files, books, records, and data pertaining to the Assets as requested by Buyer, insofar as the same may now be in existence and in the possession of Seller, excepting economic evaluations and Seller's proprietary interpretations of same, reserve reports and any such information that is subject to confidentiality agreements or to the attorney/client and work product privileges. No warranty of any kind is made by Seller as to the information so supplied, and Buyer agrees that any conclusions drawn therefrom are the result of its own independent review and judgment.

6.3. Confidentiality Agreement.

All information made available to Buyer pursuant to Article 6 shall be maintained confidential by Buyer until Closing. The information protected by such confidentiality obligation does not include any information that (i) at the time of disclosure is generally available to and known by the public (other than as a result of a disclosure by Buyer), or which after such disclosure comes into the public domain through no fault of Buyer or its representatives, or (ii) is or was available to Buyer on a nonconfidential basis, or (iii) is already known to Buyer, as evidenced by Buyer's written records, at the time of its disclosure by Seller to Buyer. Buyer may disclose the information or portions thereof to those employees, agents or representatives of Buyer who need to know such information for the purpose of assisting Buyer in connection with its performance of this Agreement. Further, in the event that Buyer is requested or required (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the information, Buyer shall provide Seller with prompt written notice of such request or requirement, so that Seller may seek such protective order or other appropriate remedy as it may desire. Buyer shall further take reasonable steps to ensure that Buyer's employees, consultants and agents comply with the provisions of this Section 6.3.

6.4. Inspections.

Promptly after the execution of this Agreement and until Closing, Seller, subject to any necessary third-party operator approval, shall permit Buyer and its representatives at reasonable times and at their sole risk, cost and expense, to conduct reasonable inspections of the Assets for all purposes, including any Environmental Defects.

6.5. No Warranty or Representation on Seller's Information.

EXCEPT AS SET FORTH IN THIS AGREEMENT, SELLER MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO THE ACCURACY, COMPLETENESS, OR MATERIALITY OF THE INFORMATION, RECORDS, AND DATA NOW, HERETOFORE, OR HEREAFTER MADE AVAILABLE TO BUYER IN CONNECTION WITH THE ASSETS OR THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY DESCRIPTION OF THE ASSETS, QUALITY OR QUANTITY OF HYDROCARBON RESERVES, IF ANY, PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, GAS BALANCING INFORMATION, ALLOWABLES OR OTHER REGULATORY MATTERS, POTENTIAL FOR PRODUCTION OF HYDROCARBONS FROM THE ASSETS, OR ANY OTHER MATTERS CONTAINED IN OR OMITTED FROM ANY OTHER MATERIAL FURNISHED TO BUYER BY SELLER. ANY AND ALL SUCH DATA, INFORMATION AND MATERIAL FURNISHED BY SELLER IS PROVIDED AS A CONVENIENCE ONLY AND ANY RELIANCE ON OR USE OF SAME IS AT BUYER'S SOLE RISK.

6.6. Amendments to Exhibits.

Seller and Buyer acknowledge that Buyer's inspection of Seller's records and files, or further review by Seller, prior to Closing may indicate that some or all of the Exhibits attached to this Agreement were not complete or entirely correct at the time of execution of this Agreement. Accordingly, Seller and Buyer agree to revise and amend the Exhibits, as needed, so that they will be complete and accurate at Closing and shall be given effect as if made on the Closing Date prior to Closing, in the event Closing occurs. It is understood, however, that such revisions or amendments shall not otherwise be taken into account in giving effect to any representations, rights, options, conditions, covenants and obligations of the Parties contained in this Agreement as originally executed unless and until after Closing occurs.

ARTICLE 7. - ENVIRONMENTAL MATTERS AND ADJUSTMENTS

7.1. Upon execution of and pursuant to the terms of this Agreement, Buyer shall have the right, at reasonable times during normal business hours, to conduct its investigation into the status of the physical and environmental condition of the Assets. If, in the course of conducting such investigation, Buyer discovers that any Asset is subject to a material Environmental Defect, Buyer may raise such Environmental Defect in the manner set forth hereafter. For purposes hereof, the term "material" shall mean that the Buyer's good faith estimate, supported by documentation, of the cost of remediating any single Environmental Defect, or the net reduction in value of the Asset affected by such Defect, whichever is lesser, exceeds twenty five thousand dollars ($25,000.00), the Parties agreeing that such amount will be a per Asset deductible rather than a threshold. No later than 5:00 p.m. Central Time on May 22, 2006 (the "Environmental Defect Notice Date"), Buyer shall notify Seller in writing specifying such Environmental Defects, if any, the Assets affected thereby, and Buyer's good faith estimate of the costs of remediating such defects, or the net reduction in value of the Assets affected by such defects, whichever is lesser, together with supporting documentation. Seller may, but shall be under no obligation to, correct at its own cost and expense such defects on or before the Closing Date, in which case there shall be no reduction to the Purchase Price. Prior to Closing, Buyer and Seller shall treat all information regarding any environmental conditions as confidential, whether material or not, and shall not make any contact with any governmental authority or third party regarding same without the written consent of the other party unless required by law.

7.2. If Buyer fails to notify Seller prior to or on the Environmental Defect Notice Date, of any Environmental Defects, all defects, whether known or unknown, will be deemed waived for purposes of adjustments pursuant to this Article 7, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the defects, and Buyer shall assume the risks, liability and obligations associated with such defects, unless such defects constitute Retained Environmental Obligations or Liabilities of Seller.

7.3. In the event any Environmental Defect, for which notice has been timely given as provided hereinabove, remains uncured as of Closing, Seller, at its sole option, shall, (i) agree to cure or remediate any Defect within a reasonable time after Closing and without any reduction to the Purchase Price in a manner acceptable to both Parties, or (ii) reduce the Purchase Price by the amount of the Environmental Defect Value as determined pursuant to Section 8.4, and subject to application of the twenty five thousand dollars ($25,000.00) deductible and the Aggregate Defect Basket described in Section 7.4.

7.4 The Parties agree that adjustments to the Purchase Price under this Article 7 and Article 8 shall only occur to the extent that the aggregate Environmental Defects and Title Defects, collectively, exceed five hundred thousand dollars ($500,000.00) (the "Aggregate Defect Basket") after taking the applicable materiality deductible into account. For the avoidance of doubt and by way of example only, if there are a total of two (2) Environmental Defects of three hundred thousand dollars ($300,000.00) and two hundred thousand dollars ($200,000.00) and two (2) Title Defects of one hundred fifty thousand dollars ($150,000.00) and ten thousand dollars ($10,000.00), the total adjustment would be seventy five thousand dollars ($75,000.00) [being two hundred seventy five thousand dollars ($275,000.00) for Environmental Defect #1, plus one hundred seventy five thousand dollars ($175,000.00) for Environmental Defect #2, plus one hundred twenty five thousand dollars ($125,000.00) for Title Defect #1 and zero ($0) for Title Defect #2, minus five hundred thousand dollars ($500,000.00) for the Aggregate Defect Basket].

7.5 In the event any adjustment to the Purchase Price is made due to an Environmental Defect raised by Buyer, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the Defect, and the Defect shall become an Assumed Obligation of Seller.

ARTICLE 8. - TITLE DEFECTS AND ADJUSTMENTS

8.1. Definitions.

For purposes hereof, the terms set forth below shall have the meanings assigned thereto.

(a) "**Allocated Value**" shall mean the dollar amount allocated to each Asset as set forth on Exhibit "B."

(b) "**Defensible Title**", subject to and except for the Permitted Encumbrances (as hereinafter defined), means:

(1) As to the Leases, such title held by Seller and reflected by appropriate documentation properly filed in the official records of the jurisdiction in which the Lease or Leases are located that (a) entitles Seller and will entitle Buyer, after Closing, to own and receive and retain, without suspension, reduction or termination, payment of revenues for not less than a net revenue interest of at least twenty four percent (24.0%) of all oil and gas produced, saved and marketed from or attributable to the Delhi Holt Bryant Unit, excluding Permitted Encumbrances; (b) obligates Seller, and will obligate Buyer after Closing, to bear thirty percent (30.0%) of the costs and expenses relating to the maintenance, development and operation of such Delhi Holt Bryant Unit, ; (c) the Leases are free and clear of any liens, claims or encumbrances of any kind or character as of the Closing, except permitted encumbrances; and (d) the Seller is not in default under a material provision of any Lease, Unit Operating Agreement, or other contract or agreement affecting the Leases;

(2) As to personal property included in the Assets, record title to such property is free and clear of any liens, claims or encumbrances of any kind or character as of the Closing, except Permitted Encumbrances; and

(3) As to all other Assets, (a) such Assets are free and clear of any liens, claims or encumbrances of any kind or character as of the Closing; and (b) the Seller is not in default under a material provision of any Lease, operating agreement, or other contract or agreement affecting such Assets.

(c) "Title Defect" shall mean (i) any matter which causes Seller to have less than Defensible Title to any of the Assets as of the Closing Date, or (ii) any matter that causes one or more of the following statements to be untrue, except for Permitted Encumbrances:

(1) Seller has not received written notice from any governmental authority or any other person (including employees) claiming any violation of any law, rule, regulation, ordinance, order, decision or decree of any governmental authority with respect to the Assets.

(2) Seller, or the Operator of an Asset, has complied in all material respects with the provisions and requirements of all orders, regulations and rules issued or promulgated by governmental authorities having jurisdiction with respect to the Assets and has filed for and obtained all governmental certificates, permits and other authorizations necessary for Seller's current operation of the Assets other than permits, consents and authorizations required for the sale and transfer of the Assets to Buyer;

(3) Seller has not materially defaulted or materially violated any agreement to which Seller is a party or any obligation to which Seller is bound affecting or pertaining to the Assets other than as disclosed hereunder or on any exhibit attached hereto;

(4) The Leases included within the Assets are in full force and effect; and

(5) All taxes, rentals, royalties, operating costs and expenses, and other costs and expenses related to the Assets which are due from or are the responsibility of Seller have been paid.

(d) "**Title Defect Property**" shall mean any Lease or Asset or portion thereof burdened by a Title Defect.

(e) "**Permitted Encumbrances**" shall mean any of the following matters:

(1) defects in the early chain of title consisting of failure to recite marital status or the omission of succession or heirship proceedings;

(2) defects or irregularities arising out of uncancelled mortgages, judgments or liens, the inscriptions of which, on their face, have expired as a matter of law prior to the Effective Time, or prior unreleased oil and gas leases which, on their face, expired more than ten (10) years prior to the Effective Time and have not been maintained in force and effect by production or operations pursuant to the terms of such leases;

(3) tax liens and operator’s liens for amounts not yet due and payable, or those that are being contested in good faith by Seller in the ordinary course of business;

(4) to the extent any of the following do not materially diminish the value of, or impair the conduct of operations on, any of the Assets and do not impair Seller's right to receive the revenues attributable thereto: (i) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, fishing, logging, canals, ditches, lakes, reservoirs or the like, (ii) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way, on, over or in respect of property owned or leased by Seller or over which Seller owns rights of way, easements, permits or licenses, and (iii) the terms and conditions of all leases, agreements, orders, instruments and documents pertaining to the Assets;

(5) all lessors' royalties, overriding royalties, net profits interests, carried interest, production payments, reversionary interests and other burdens on or deductions from the proceeds of production if the net cumulative effect of such burdens or deductions does not reduce the net revenue interest of Seller in any well affected thereby to the extent that Seller will not be able to deliver to Buyer at Closing, a net revenue interest of at least twenty four percent (24.0%) of all oil and gas produced, saved and marketed from or attributable to the Delhi Holt Bryant Unit or impair the right to receive revenues attributable thereto, it being understood that the McGowan wellbores are not being delivered to Buyer;

(6) preferential rights to purchase and required third party consents to assignments and similar agreements with respect to which waivers or consents are obtained from the appropriate parties, or the appropriate time period for asserting the rights has expired without an exercise of the rights prior to the Closing Date;

(7) all rights to consent by, required notices to, filings with, or other actions by governmental entities and tribal authorities in connection with the sale or conveyance of oil and gas leases or interests if they are customarily obtained subsequent to the sale or conveyance;

(8) defects or irregularities of title arising out of events or transactions which have been barred by limitations or by acquisitive or liberative prescription;

(9) any encumbrance or other matter having an aggregate adverse effect on the value of the Assets of less than twenty five thousand dollars ($25,000), the Parties agreeing that such amount will be a per Asset deductible rather than a threshold;

(10) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any of the Assets in any manner, and all applicable laws, rules and orders of governmental authority; and

(11) any encumbrance or other matter (whether or not constituting a "Title Defect") expressly waived in writing by Buyer or listed on Exhibit “F”, including the McGowan wellbores not delivered by Seller.

8.2. Notice of Title Defects.

No later than 5:00 p.m. Central Time on May 22, 2006 (the “**Title Defect Notice Date**”), Buyer may provide Seller written notice of any Title Defect along with a description of those matters which, in Buyer's reasonable opinion, constitute Title Defects and setting forth in detail Buyer's calculation of the value for each Title Defect. Seller may elect, at its sole cost and expense, but without obligation, to cure all or any portion of such Title Defects prior to Closing, in a manner acceptable to both Parties, in which case no reduction in the Purchase Price shall be made. Buyer's failure to deliver to Seller such notice on or before the Defect Notice Date shall be deemed a waiver by Buyer of all Title Defects, known or unknown, that Seller does not have notice of from Buyer on such date. Any defect or deficiency concerning Seller’s title to the Assets not asserted by Buyer on or prior to the Title Defect Notice Date shall be deemed waived by Buyer for purposes of any adjustment to the Purchase Price, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the defects, and Buyer shall assume the risks, liability and obligations associated with such defects. However, such waiver shall not effect or impair the warranties of Seller set forth in Section 8.5 or the indemnity obligations of Seller as set forth in Article 17.

8.3. **Title Defect Adjustment.**

(a) In the event any Title Defect, for which notice has been timely given as provided hereinabove, remains uncured as of Closing, Seller shall have the opportunity to cure, until sixty (60) days after Closing ("**Cure Period**"), such Title Defect. In the alternative, Seller may elect to (i) cure such Title Defect by indemnifying Buyer against any damages, claims or expenses that may arise out of such Title Defect, subject to the provisions of Section 8.3(c) below, with no reduction in the Purchase Price; or (ii) reduce the Purchase Price by an amount equal to the Title Defect Value as determined pursuant to Section 8.4, and subject to application of the twenty five thousand dollars ($25,000.00) deductible and the Aggregate Defect Basket described in Section 7.4. Should Seller elect either alternative "(i)" (indemnity) or "(ii)" (price reduction) in this Section 8.3(a), those Assets affected by the Title Defect shall be transferred to Buyer at Closing.

(b) If Seller elects to attempt to cure a Title Defect after Closing, Closing with respect to the portion of the Assets affected by such Title Defect will be deferred (the "Closing Deferred Property"). Closing with respect to all other Assets will proceed as provided in this Agreement, but the Base Purchase Price delivered to Seller at such initial Closing shall be reduced by the Allocated Value of all Closing Deferred Properties. If Seller cures any Title Defect within the Cure Period, then the Closing with respect to the Closing Deferred Property for which such Title Defect has been cured will proceed and will be finalized within seven (7) days following the end of the Cure Period. If Seller fails or refuses to cure any Title Defect prior to the expiration of the Cure Period, Seller shall notify Buyer in writing of such failure or refusal promptly upon the expiration of the Cure Period. In this event, Buyer shall have the right to elect by written notice to Seller, which notice shall be delivered within seven (7) days after receipt by Buyer of Notice from Seller of such failure or refusal to cure any such Title Defect, to waive all of the Title Defects applicable to any Closing Deferred Property (which waived Title Defects shall be deemed Permitted Encumbrances) and proceed to Closing on such Closing Deferred Property. If Buyer does not elect to waive an existing Title Defect, Seller shall retain the Closing Deferred Property and the Parties shall have no further obligation with respect thereto. In the event that any such property is retained by Seller and such property has been receiving revenue, without complaint, for a period in excess of two (2) years, then Buyer agrees (i) not to take any action to interfere with such revenue stream, and (ii) to the extent that Buyer becomes payor of such revenue, to pay Seller such revenue upon receipt of an indemnity agreement from Seller.

(c) The following provisions shall apply to an election by Seller under the second sentence of Section 8.3(a) to cure a Title Defect by indemnifying Buyer with regard to such Title Defect:

(1) Seller's indemnity shall be limited to a period of two (2) years from the Effective Time.

(2) In no event shall Seller's indemnity exceed the amount of the Title Defect Value as determined under Section 8.4 hereof.

(3) Seller's indemnity shall be freely transferable by Buyer to its successors and assigns of the Assets affected by such Title Defect, including without limitation, any lender to Buyer and any purchaser of such Assets, whether directly from Buyer or through any foreclosure proceeding; and

(4) If the Title Defect Value, as determined under Section 8.4 hereof, individually or in the aggregate, for one or more Title Defects to be covered by the Seller's indemnity exceeds seven hundred fifty thousand dollars ($750,000.00) (after application of the appropriate deductible(s) and without application of the Aggregate Defect Basket provided for in Section 7.4), Seller shall have no right under the second sentence of Section 8.3(a) to indemnify Buyer with regard to such Title Defects without Buyer's consent.

(d) In the event any adjustment to the Purchase Price is made due to a Title Defect raised by Buyer, the Parties shall proceed with Closing, Seller shall be under no obligation to correct the Defect, and such Defect shall become an Assumed Obligation of Seller.

8.4. Environmental Defect and Title Defect Values.

Upon timely delivery of notice of an Environmental or Title Defect, Buyer and Seller shall use their best efforts to agree on the validity and value of the claim for the purpose of making any adjustment to the Purchase Price based on the provisions herein ("**Environmental or Title Defect Value**"). Notwithstanding anything to the contrary set forth herein, the Environmental or Title Defect Value and any related adjustment to the Purchase Price shall in no event exceed the Allocated Value of the affected Asset. In determining the Value of an Environmental or Title Defect, it is the intent of the Parties to include, to the extent possible, only that portion of the lands, leases and wells, or other Assets, whether an undivided interest, separate interest or otherwise, materially and adversely affected by the Defect. The following guidelines shall be followed by the Parties in establishing the Value of any Environmental or Title Defect for the purpose of adjusting the Purchase Price if (a) the validity of the claim is agreed to by the Parties, (b) proper notice has been timely given, and (c) subject to (i) application of the appropriate deductibles as set forth in this agreement for Environmental Defects and Title Defects , and (ii) application of the Aggregate Defect Basket requirement as set forth in Section 7.4 for Environmental and Title Defects:

(a) If the Title Defect is based on a difference in net revenue interest or expense interest from that shown on Exhibit "B" for the affected property, then the Purchase Price shall be proportionately reduced or increased as the case may be.

(b) If the Environmental or Title Defect is liquidated in amount (for example, but not limited to, a lien, encumbrance, charge or penalty), then the adjustment to the Purchase Price shall be the lesser of (1) the sum necessary to be paid to the obligee to remove the Defect from the property, or (2) the decrease in the fair market value of the Asset as a result of the Defect.

(c) If the Environmental or Title Defect represents an obligation or burden upon the affected property for which the economic detriment is not liquidated but can be estimated with reasonable certainty as agreed to by the Parties, the adjustment to the Purchase Price shall be the sum necessary to compensate Buyer at Closing for the adverse economic effect which the Environmental or Title Defect will have on the affected property. This sum shall be the lesser of (1) the cost of remediating the Defect, or (2) the decrease in the fair market value of the Asset as a result of the Defect. The fair market value determination shall be made by the Parties in good faith taking into account all relevant factors, including, but not limited to, the following:

(1) the Allocated Value of the leases, lands, wells and other Assets affected by the Environmental or Title Defect;

(2) the productive status of the affected Asset (i.e., proved developed producing, etc.) and the present value of the future income expected to be produced therefrom;

(3) if the Title Defect represents only a possibility of title failure, the probability that such failure will occur; and

(4) the economic effect of the Environmental or Title Defect.

(d) If the Value of the Environmental or Title Defect cannot be determined using the above guidelines, and if the Parties cannot otherwise agree on the amount of an adjustment to the Purchase Price, or if the validity of the claim as to an Environmental or Title Defect cannot be agreed upon, then the Closing shall include the Asset(s) affected thereby. If the validity of the claim is in dispute, there shall be no adjustment to the Purchase Price at Closing. If the value of the claim is in dispute, the Purchase Price at Closing shall be adjusted by Seller's good faith estimate of the value thereof. In either case, Buyer shall have the right, exercisable within ninety (90) days after the Closing Date, to refer the disputed matter to mediation and arbitration in accordance with the dispute resolution procedures set forth in Exhibit "I." Subject to the terms of Exhibit "I", the decision of the arbitrator regarding any Environmental or Title Defect Dispute shall be final as between the Parties, provided in no event shall the value of the disputed Environmental or Title Defect exceed the Allocated Value of the affected Asset.

8.5. Title Warranty.

SELLER SHALL CONVEY SELLER'S INTERESTS IN AND TO THE ASSETS TO BUYER AS PROVIDED IN THE FORM OF CONVEYANCE, ASSIGNMENT AND BILL OF SALE ATTACHED AS EXHIBIT "C" HERETO. THE CONVEYANCE, ASSIGNMENT AND BILL OF SALE SHALL BE MADE WITHOUT WARRANTY OF TITLE, EITHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND WITHOUT RECOURSE, EVEN AS TO THE RETURN OF THE PURCHASE PRICE OR OTHER CONSIDERATION, EXCEPT THAT SELLER SHALL WARRANT TITLE TO THE ASSETS WITHIN THE DELHI HOLT BRYANT UNIT (AND ONLY SUCH ASSETS) AGAINST ALL CLAIMS, LIENS, BURDENS AND ENCUMBRANCES ARISING BY, THROUGH OR UNDER SELLER, BUT NOT OTHERWISE AND NOT WITH RESPECT TO ANY IMPAIRMENT OR FAILURE OF TITLE RELATED TO ANY LACK OF PRODUCTION IN PAYING QUANTITIES. THE CONVEYANCE, ASSIGNMENT AND BILL OF SALE SHALL BE MADE WITH FULL SUBSTITUTION AND SUBROGATION TO BUYER IN AND TO ALL COVENANTS AND WARRANTIES BY OTHERS HERETOFORE GIVEN OR MADE TO SELLER WITH RESPECT TO THE ASSETS.

IMBALANCES WITH RESPECT TO OIL OR NATURAL GAS ARE GOVERNED BY ARTICLE 18 HEREOF. THE PARTIES AGREE THAT THE EXISTENCE OF ANY SUCH IMBALANCES SHALL NOT BE DEEMED A TITLE DEFECT.

ARTICLE 9. - OPTION TO TERMINATE

If (a) the aggregate of the Values attributable to all Environmental and Title Defects determined pursuant to Articles 7 and 8 and the provisions of the next paragraph below, shall exceed five million dollars ($5,000,000.00) after the application of the Aggregate Defect Basket set forth in Section 7.4, or (b) the Values attributable to either such Title Defects or Environmental Defects determined in the same manner, considered separately and excluding application of the Aggregate Defect Basket, exceed two million five hundred thousand dollars ($2,5000,000.00), then either Buyer or Seller may, at its sole option, terminate this Agreement without any further obligation by giving written notice of termination to the other Party at any time prior to Closing. In the event of such termination, Seller shall return the Performance Deposit to Buyer, without interest, within five (5) days of receipt of the notice of termination and neither party shall have any further obligation or liability hereunder.

In the event of a dispute between Seller and Buyer as to an Environmental or Title Defect Value, the Parties shall negotiate in good faith as to estimates of the values attributable to Environmental and Title Defects for purposes of this Article 9 only. Should the Parties be unable to agree on a value, the Buyer's good faith estimate of the value shall be utilized.

ARTICLE 10. - PREFERENTIAL PURCHASE RIGHTS AND CONSENTS OF THIRD PARTIES

10.1. Actions and Consents.

(a) Seller and Buyer agree that each shall use all reasonable efforts to take or cause to be taken all such action as may be necessary to consummate and make effective the transaction provided in this Agreement and to assure that it will not be under any material corporate, legal, or contractual restriction that could prohibit or delay the timely consummation of such transaction.

(b) Seller shall notify all holders of (i) preferential rights to purchase the Assets ("**Preferential Purchase Rights**"), (ii) rights of consent to the assignment, or (iii) rights of approval to the assignment of the Assets, and of such terms and conditions of this Agreement to which the holders of such rights are entitled. Seller shall promptly notify Buyer if any Preferential Purchase Rights are exercised, any consents or approvals denied, or if the requisite period has elapsed without said rights having been exercised or consents or approvals having been received. If prior to Closing, any such Preferential Purchase Rights are timely and properly exercised, or Seller is unable to obtain a necessary consent or approval prior to Closing, the interest or part thereof so affected shall be eliminated from the Assets and the Purchase Price reduced by the portion of the Purchase Price allocated to such interest or part thereof as provided in Exhibit "B." If any additional Preferential Purchase Rights are discovered after Closing, or if a third party Preferential Purchase Rights holder alleges improper notice, then Buyer agrees to cooperate with Seller in giving effect to any such valid third party Preferential Purchase Rights. In the event any such valid third party preferential purchase rights are validly exercised after Closing, Buyer's sole remedy against Seller shall be return by Seller to Buyer of that portion of the Purchase Price allocated under Exhibit "B" to the portion of the assets on which such rights are exercised and lost by Buyer to such third party. The Parties agree that the Allocated Values for properties subject to Preferential Purchase Rights shall be the sole responsibility of Buyer, and Buyer agrees to indemnify and hold Seller harmless from all liability and claims related to the reasonableness of such values.

(c) With respect to any portion of the Assets for which a Preferential Purchase Right has not been asserted prior to Closing or a consent or other approval to assign has not been granted and for which the time for election to exercise such Preferential Purchase Right or to grant such consent has not expired, Closing with respect to the portion of the Assets subject to such outstanding obligations will be deferred (the "Third Party Interests"). Closing with respect to all other Assets will proceed as provided in this Agreement, but the Base Purchase Price delivered to Seller at Closing will be reduced by the allocated value of the Third Party Interests. In the event that within ninety (90) days after Closing any such Preferential Purchase Right is waived or consent or approval is obtained or the time for election to purchase or to deliver a consent or approval passes (such that under the applicable documents, Seller may sell the affected Third Party Interest to Buyer), then the Closing with respect to the applicable portion of the Third Party Interests will proceed promptly. If such waivers, consents or approvals as are necessary are not received by Seller within the applicable ninety (90) day period, Seller shall retain such Third Party Interests and the Parties shall have no further obligation to each other with respect thereto.

ARTICLE 11. - COVENANTS OF SELLER

11.1. Covenants of Seller Pending Closing.

(a) From and after the date of execution of this Agreement and until the Closing, and subject to Section 11.2 and the constraints of applicable operating and other agreements, Seller shall operate, manage, and administer the Assets as a reasonable and prudent operator and in a good and workmanlike manner consistent with its past practices, and shall carry on its business with respect to the Assets in substantially the same manner as before execution of this Agreement. Prior to Closing, Seller shall use all reasonable efforts to preserve in full force and effect all Leases, operating agreements, easements, rights-of-way, permits, licenses, and agreements which relate to the Assets in which Seller owns an interest, and shall perform all obligations of Seller in or under all such agreements relating to the Assets; provided, however, Buyer's sole remedy for Seller's breach of its obligations under this Section 11.1(a) shall be limited to the amount of that portion of the Purchase Price allocated in Exhibit "B" to that portion of the Assets affected by such breach. Seller shall, except for emergency action taken in the face of serious risk to life, property, or the environment (1) submit to Buyer, for prior written approval, all requests for operating or capital expenditures and all proposed contracts and agreements relating to the Assets which involve individual commitments of more than twenty five thousand dollars ($25,000.00); (2) consult with, inform, and advise Buyer regarding all material matters concerning the operation, management, and administration of the Assets; (3) obtain Buyer's written approval prior to voting under any operating, unit, joint venture, partnership or similar agreement; and (4) not approve or elect to go nonconsent as to any proposed well or plug and abandon or agree to plug and abandon any well without Buyer's prior written approval. On any matter requiring Buyer's approval under this Section 11.1(a), Buyer shall respond within five (5) days to Seller's request for approval and failure of Buyer to respond to Seller's request for approval within such time shall release Seller from the obligation to obtain Buyer's approval before proceeding on such matter. With respect to emergency actions taken by Seller in the face of serious risk to life, property, or the environment, without prior approval of Buyer pursuant to the provisions above, Seller will advise Buyer of its actions as promptly as reasonably possible and consult with Buyer as to any further related actions.

(b) Seller shall promptly notify Buyer of any suit, lessor demand action, or other proceeding before any court, arbitrator, or governmental agency and any cause of action which relates to the Assets or which might result in impairment or loss of Seller's interest in any portion of the Assets or which might hinder or impede the operation of the Assets.

11.2. Limitations on Seller's Covenants Pending Closing.

To the extent Seller is not the operator of any of the Assets, the obligations of Seller in Section 11.1 concerning operations or activities which normally or pursuant to existing contracts are carried out or performed by the operator, shall be construed to require only that Seller use all reasonable efforts (without being obligated to incur any expense or institute any cause of action) to cause the operator of such Assets to take such actions or render such performance as would a reasonable prudent operator and within the constraints of the applicable operating agreements and other applicable agreements.

ARTICLE 12. - CLOSING CONDITIONS

12.1. Seller's Closing Conditions.

The obligations of Seller under this Agreement are subject, at the option of Seller, to the satisfaction, at or prior to the Closing, of the following conditions:

(a) all representations and warranties of Buyer contained in this Agreement shall be true, accurate, and not misleading in all material respects at and as of the Closing as if such representations and warranties were made at and as of the Closing, and Buyer shall have performed, satisfied and complied with all agreements and covenants required by this Agreement to be performed, satisfied and complied with by Buyer at or prior to the Closing;

(b) the execution, delivery, and performance of this Agreement and the transactions contemplated thereby have been duly and validly authorized by all necessary action, corporate, partnership or otherwise, on the part of Buyer, and an officer’s certificate of Buyer confirming the same;

(c) all necessary consents of and filings with any state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, except to the extent that such consents and filings are normally obtained, accomplished or waived after Closing; and

(d) as of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Seller) shall be pending or threatened before any court or governmental agency seeking to restrain Seller or prohibit the Closing or seeking damages against Seller as a result of the consummation of this Agreement.

12.2. Buyer's Closing Conditions.

The obligations of Buyer under this Agreement are subject, at the option of Buyer, to the satisfaction, at or prior to the Closing, of the following conditions:

(a) all representations and warranties of Seller contained in this Agreement shall be true, accurate, and not misleading in all material respects at and as of the Closing as if such representations and warranties were made at and as of the Closing, and Seller shall have performed, satisfied and complied with all agreements and covenants required by this Agreement to be performed, satisfied and complied with by Seller at or prior to the Closing;

(b) the execution, delivery, and performance of this Agreement and the transactions contemplated thereby have been duly and validly authorized by all necessary action, corporate, partnership or otherwise, on the part of Seller, and an officer’s certificate of Seller confirming the same;

(c) all necessary consents of and filings with any state or federal governmental authority or agency relating to the consummation of the transactions contemplated by this Agreement shall have been obtained, accomplished or waived, except to the extent that such consents and filings are normally obtained, accomplished or waived after Closing; and

(d) as of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Buyer) shall be pending or threatened before any court or governmental agency seeking to restrain Buyer or prohibit the Closing or seeking damages against Buyer as a result of the consummation of this Agreement.

ARTICLE 13. - CLOSING

13.1. Closing.

The closing of this transaction (the "**Closing**") shall be held at the offices of Seller on June 12, 2006, or at such earlier date or place as the Parties may agree in writing (herein called "**Closing Date**"). Time is of the essence and the Closing Date shall not be extended unless by written agreement of the Parties. On or before five (5) business days prior to Closing, Buyer and Seller shall use their best efforts to provide each other copies of all closing documents.

13.2. Seller's Closing Obligations.

At Closing, except to the extent comprising the Excluded Assets, Seller shall deliver to Buyer the following:

(a) the Assignment and Conveyance substantially in the form attached hereto as Exhibit “C” and such other documents as may be reasonably necessary to convey all of Seller's interest in the Assets to Buyer in accordance with the provisions hereof;

(b) a nonforeign affidavit executed by Seller in the form attached as Exhibit “D”;

(c) appropriate regulatory forms appointing Buyer as the operator for those Assets which Seller operates;

(d) copies of all third-party waivers, consents, approvals, permits and actions obtained;

(e) exclusive possession of the Assets;

(f) letters-in-lieu of transfer orders in form acceptable to Seller and Buyer;

(g) a Reporting and Accounting Memorandum executed by Seller in the form attached as Exhibit “E”; and

(h) releases of all mortgages, liens and similar encumbrances burdening the Assets in form and substance reasonably satisfactory to Buyer.

13.3. Buyer's Closing Obligations.

At Closing, Buyer shall deliver to Seller (i) by wire transfer in immediately available funds to a bank account or accounts designated by Seller, the Purchase Price (less the Performance Deposit) as adjusted by Section 3.3, and (ii) a Reporting and Accounting Memorandum executed by Buyer in the form attached as Exhibit “E.”

13.4. Joint Closing Obligations.

Both Parties at Closing shall execute a Settlement Statement evidencing the amount actually wire transferred and all adjustments to the Purchase Price taken into account at Closing. All events of Closing shall each be deemed to have occurred simultaneously with the other, regardless of when actually occurring, and each shall be a condition precedent to the other.

ARTICLE 14. - LIMITATIONS ON WARRANTIES AND REMEDIES

THE EXPRESS REPRESENTATIONS AND WARRANTIES OF SELLER CONTAINED IN THIS AGREEMENT ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES, IF ANY, OF OIL, GAS OR OTHER HYDROCARBONS IN OR UNDER THE LEASES, OR THE ENVIRONMENTAL CONDITION OF THE ASSETS. THE ITEMS OF PERSONAL PROPERTY, EQUIPMENT, IMPROVEMENTS, FIXTURES AND APPURTENANCES CONVEYED AS PART OF THE ASSETS ARE SOLD HEREUNDER "AS IS, WHERE IS, AND WITH ALL FAULTS" AND NO WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION, ARE GIVEN BY OR ON BEHALF OF SELLER. IT IS UNDERSTOOD AND AGREED THAT PRIOR TO CLOSING BUYER SHALL HAVE INSPECTED THE ASSETS FOR ALL PURPOSES AND HAS SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, AND THAT BUYER ACCEPTS SAME IN ITS "AS IS, WHERE IS AND WITH ALL FAULTS" CONDITION. BUYER HEREBY WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION, OR CONFORMITY TO SAMPLES.

BUYER EXPRESSLY WAIVES THE WARRANTY OF FITNESS FOR INTENDED PURPOSES OR GUARANTEE AGAINST HIDDEN OR LATENT REDHIBITORY VICES UNDER LOUISIANA LAW, INCLUDING LOUISIANA CIVIL CODE ARTICLES 2520 (1870) THROUGH 2548 (1870), AND THE WARRANTY IMPOSED BY LOUISIANA CIVIL CODE ARTICLE 2475; BUYER WAIVES ALL RIGHTS IN REDHIBITION PURSUANT TO LOUISIANA CIVIL CODE ARTICLE 2520, ET SEQ; BUYER ACKNOWLEDGES THAT THIS EXPRESS WAIVER IS A MATERIAL AND INTEGRAL PART OF THIS SALE AND THE CONSIDERATION THEREOF; AND BUYER ACKNOWLEDGES THAT THIS WAIVER HAS BEEN BROUGHT TO THE ATTENTION OF BUYER AND EXPLAINED IN DETAIL AND THAT BUYER HAS VOLUNTARILY AND KNOWINGLY CONSENTED TO THIS WAIVER OF WARRANTY OF FITNESS AND/OR WARRANTY AGAINST REDHIBITORY VICES AND DEFECTS FOR THE ABOVE DESCRIBED PROPERTY.

ARTICLE 15. - CASUALTY LOSS AND CONDEMNATION

If, prior to the Closing, all or any portion of the Assets is destroyed by fire or other casualty or if any portion of the Assets shall be taken by condemnation or under the right of eminent domain (all of which are herein called "Casualty Loss" and limited to property damage or taking only), Buyer and Seller must agree prior to Closing either (i) to delete that portion of the Assets which is subject to the Casualty Loss from the Assets, and the Purchase Price shall be reduced by the value allocated to the deleted interest as set out in Exhibit “B,” or (ii) for Buyer to proceed with the purchase of such Assets, notwithstanding any such destruction or taking (without reduction of the Purchase Price) in which case Seller shall pay, at the Closing, to Buyer all sums paid to Seller by third parties by reason of the destruction or taking of such Assets and shall assign, transfer and set over unto Buyer all insurance proceeds received by Seller as well as all of the right, title and interest of Seller in and to any claims, causes of action, unpaid proceeds or other payments from third parties arising out of such destruction or taking. If the allocated value of that portion of the Assets affected by the casualty Loss as shown on Exhibit “B” exceeds two million five hundred thousand dollars ($2,500,000.00), Buyer and Seller shall each have the right to terminate this Agreement upon written notification to the other, the transaction shall not close and thereafter neither Buyer nor Seller shall have any liability or further obligations to the other hereunder. In the event of such termination, Seller shall return the Performance Deposit to Buyer, without interest. Prior to Closing, Seller shall not voluntarily compromise, settle or adjust any amounts payable by reason of any Casualty Loss without first obtaining the written consent of Buyer.

ARTICLE 16. - DEFAULT AND REMEDIES

16.1. Seller's Remedies.

If Seller and Buyer close the transaction contemplated by this Agreement on or before the Closing Date, as it may be extended in accordance herewith, the Performance Deposit will be applied to the Purchase Price and the amount due from Buyer at Closing will be reduced by the amount of the Performance Deposit. If the transaction contemplated by this Agreement does not close on or before the Closing Date, as it may be extended in accordance herewith, because (a) Seller is unable, unwilling or refuses to close, or because (b) a condition to Buyer’s obligation to close, as set forth in Section 12.2, is not satisfied, or because (c) Buyer terminates this Agreement under the provisions of Articles 9 or 15, or as elsewhere provided for and allowed in this Agreement, unless Buyer chooses the remedy of specific performance, if applicable, as set forth in Section 16.2, Seller will refund the Performance Deposit to Buyer, without interest, within five (5) days following the later of the Closing Date or any extension thereof in accordance with the provisions of this Agreement. If for any reason other than those set forth in subparagraphs (a), (b) and (c) above, Buyer fails, refuses or is unable to close the transaction contemplated by this Agreement on or before the Closing Date, as it may be extended in accordance herewith, Seller shall retain the Performance Deposit as a liquidated damage and not as a penalty, and terminate this Agreement, as Seller's sole and exclusive remedies for such default, all other remedies (except as expressly retained in Section 16.3) being expressly waived by Seller.

16.2. Buyer's Remedies.

Upon failure of Seller to comply herewith by the Closing Date, as it may be extended in accordance herewith, Buyer, at its sole option and in addition to any other remedies it may have at law or equity, may (i) enforce specific performance, or (ii) terminate this Agreement. In the event Buyer elects to terminate this Agreement as set forth above, Seller shall immediately return the Performance Deposit to Buyer, without interest.

16.3. Other Remedies.

Notwithstanding the foregoing, termination of this Agreement shall not prejudice or impair Buyer's obligations under Section 6.3 (and the confidentiality agreements referenced therein). The prevailing party in any legal proceeding brought under or to enforce this Agreement shall be additionally entitled to recover court costs and reasonable attorneys' fees from the non-prevailing party. Notwithstanding the provisions of Sections 16.1 and 16.2, the remedy of mediation and arbitration provided in Section 8.4(d) shall be the exclusive remedy for the matters provided for in such Section.

16.4. Effect of Termination.

In the event of termination of this Agreement under this Article 16, the transaction shall not close and neither Buyer nor Seller shall have any further obligations, remedies, liabilities, rights or duties to the other hereunder, except as expressly provided herein.

ARTICLE 17. - ASSUMPTION AND INDEMNITY

17.1. Assumed Obligations; Pre-Closing Liabilities.

Upon and after Closing Buyer shall own the Assets, together with all the rights, duties, obligations, and liabilities accruing after Closing, including the Assumed Obligations and Buyer's indemnity obligations hereunder. Buyer agrees to assume and pay, perform, fulfill and discharge all Assumed Obligations and Buyer’s indemnity obligations. Seller agrees to retain and pay, perform, fulfill and discharge all Retained Obligations, and Seller’s indemnity obligations.

17.2. Buyer's Indemnity.

BUYER AGREES TO INDEMNIFY, DEFEND AND HOLD SELLER AND SELLER'S EMPLOYEES, OFFICERS AND DIRECTORS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LOSSES, DAMAGES, PUNITIVE DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION OR JUDGMENTS OF ANY KIND OR CHARACTER INCLUDING, WITHOUT LIMITATION, ANY INTEREST, PENALTY, REASONABLE ATTORNEYS' FEES AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH OR THE DEFENSE THEREOF (COLLECTIVELY THE "CLAIMS"), WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO, OR ARISING OUT OF THE ASSUMED OBLIGATIONS.

17.3. Seller's Indemnity.

SELLER AGREES TO INDEMNIFY, DEFEND AND HOLD BUYER AND BUYER'S EMPLOYEES, OFFICERS AND DIRECTORS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO, OR ARISING OUT OF THE RETAINED OBLIGATIONS.

17.4. Negligence.

THE INDEMNIFICATION, RELEASE AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS AGREEMENT SHALL BE APPLICABLE WHETHER OR NOT THE LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, COMPARATIVE, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF THE PARTIES HERETO.

17.5. Broker or Finder's Fee.

Each party hereby agrees to indemnify and hold the other harmless from and against any claim for a brokerage or finder's fee or commission in connection with this Agreement or the transactions contemplated by this Agreement to the extent such claim arises from or is attributable to the actions of such indemnifying party, including, without limitation, any and all losses, damages, punitive damages, attorneys' fees, costs and expenses of any kind or character arising out of or incurred in connection with any such claim or defending against the same.

ARTICLE 18. - GAS IMBALANCES

Seller and Buyer will use their best efforts to update (to the Effective Time) the gas imbalance volume amounts listed on Exhibit "G." If, prior to the Final Settlement Date, either party hereto notifies the other party hereto that the volumes set forth in Exhibit "G" are incorrect, then Buyer or Seller will pay the other at the Final Settlement, as appropriate, an amount equal to the NYMEX price at the end of the month in which the variance occurs, per net mmbtu variance from the net imbalance shown on Exhibit "G." Subject to such adjustment on the Final Settlement Date, as of the Closing Buyer agrees to assume any liability and obligation for gas production imbalances (whether over or under) attributable to the Assets. Except as set forth in this Article 18, in assuming this liability at Closing, Buyer shall not be obligated to make any additional payment over the Purchase Price to Seller, and Seller shall not be obligated to refund any of said price to reimburse Buyer for any over-balances existing at the time of sale.

ARTICLE 19. - PREFERENTIAL RIGHT TO PURCHASE AND AREA OF MUTUAL INTEREST PROVISION

19. 1 Preferential Right to Purchase.

This Agreement is also made expressly subject to a Preferential Right to Purchase, the terms and conditions of which are as follows:

(a) In the event Seller or Buyer receives a bona fide offer from a third party to purchase all or a part of the interests of Seller (overriding royalty interest or reversionary working interest, before or after reversion) or Buyer (the "**Selling Party**") in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest (including interests hereafter owned or acquired), and once the Selling Party and a proposed transferee have fully negotiated the principal terms and conditions of a transfer (which principal terms shall include all material terms and conditions necessary for a purchaser to make an informed decision including, but not necessarily limited to, price, timing, scope, character and description of the interests to be transferred, agreed indemnities, reservations and exclusions), Selling Party shall disclose such principal terms and conditions in detail to the other party to this Agreement (the "**Receiving Party**") in a written notice. Receiving Party shall have the right to acquire the interest proposed to be transferred from the Selling Party on the same terms and conditions agreed to by the proposed transferee if, within ten (10) Days after receipt of Selling Party's written notice, the Receiving Party delivers to the Selling Party a counter-notification that Receiving Party accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If the Receiving Party does not deliver such counter-notification, the transfer to the proposed transferee may be made, subject to the provisions of this Agreement, under terms and conditions no more favorable to the transferee than those set forth in the notice to Receiving Party, provided that the transfer shall be concluded within one hundred eighty (180) days from the date of Buyer's receipt of Selling Party's written notice. In the event the proposed sale of the interest to a third party is timely consummated, the preferential right to purchase shall no longer attach to the interest transferred to the third party. In the event the proposed sale of the interest to the third party is not consummated, then the preferential right to purchase such interest shall be reinstated as to any future offers to purchase the interest.

(b) In the event Selling Party's proposed transfer of part or all of its interest in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest, involves consideration other than cash or involves other properties included in a wider transaction (package deal), then the interest to be assigned by Selling Party (or part thereof) shall be allocated a reasonable and justifiable cash value in the notification to Receiving Party. Receiving Party may satisfy the requirements of this Article 19.1 by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

(c) The preferential right to purchase shall be applicable to any transfer of all or a portion of a Selling Party's interest in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest, whether directly or indirectly by assignment, merger, consolidation, or sale of stock, or other conveyance, other than with or to an affiliate, subsidiary, or parent company existing as of the date of this Agreement, and provided further, the preferential right to purchase shall not apply if the Selling Party is selling or transferring all or substantially all of its oil and gas assets, and such oil and gas assets being sold include oil and gas assets other than interests in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest.

19.2 Area of Mutual Interest Provision.

(a) The Parties hereby agree to the establishment of an Area of Mutual Interest which shall encompass all those lands within the area outlined in red on the plat attached hereto as Exhibit "L" (as further described in Exhibit "L-1") as to all depths which shall constitute and shall hereinafter sometimes be referred to as an "**Area of Mutual Interest**".

(b) If, after the date of this Agreement, either party to this Agreement ("**Acquiring Party**") acquires either an oil and gas lease or mineral interest (or any interest therein), royalty interest, or an option to acquire an oil and gas lease, or any other oil and/or gas interest covering lands lying within the Area of Mutual Interest, including oil, gas and mineral leases acquired pursuant to the exercise of any options (all of the foregoing hereinafter sometimes being referred to as "**Oil and Gas Interests**"), or if the Acquiring Party enters into any type of agreement by which an Oil and Gas Interest may be acquired or otherwise earned by conducting drilling, seismic, or other operations on the lands lying within the Area of Mutual Interest, then the Acquiring Party shall promptly notify the other party of such acquisition or such agreement. If either party to this Agreement acquires an Oil and Gas Interest covering lands within the geographical confines of the Area of Mutual Interest, the other party shall have the right to participate in any such acquisition of such Oil and Gas Interest to the extent of its then existing ownership interest in the Area of Mutual Interest by paying its proportionate share of the actual costs of acquiring such Oil and Gas Interests. Any interest acquired by a party to this Agreement in lands outside of the Area of Mutual Interest, however, shall not be subject to the terms of this Article. If, after the date of this Agreement, additional parties acquire an interest from the original Parties in the Area of Mutual Interest, in the event not all parties elect to participate in an acquisition, then any such non-participating party's interests shall be offered in writing to the other participating parties in the proportions that their ownership interests in the Area of Mutual Interest at the time of the acquisition bear to the total of the ownership interests of all participating parties in the acquisition.

(c) The notification provided for in Paragraph (b) above shall contain all available title information and copies of leases, agreements by which the Oil and Gas Interest may be acquired, and all other pertinent instruments and information regarding the proposed acquisition. It shall also describe in detail the cost and expense of such acquisition and any other obligation that may be incurred pursuant thereto.

(d) If drilling, seismic, or other operations are not required to acquire the Oil and Gas Interest, the party entitled to receive notice set forth in Paragraph (b) shall have fifteen (15) days from receipt of notice thereof in which to elect to participate in such acquisition to the extent of its interest. In the event a drilling or workover rig is on location at the time of the acquisition, such notice period shall be forty-eight (48 hours). Failure to give written notice to the Acquiring Party of its election, as specified herein, shall constitute an election not to participate. If a party elects to participate in such acquisition as set forth herein, such party ("**Participating Party**") shall reimburse the Acquiring Party for its proportionate share of the costs thereof within fifteen (15) days of receipt of an invoice from the Acquiring Party setting forth in detail the cost and expense of such acquisition. The Acquiring Party shall, within thirty (30) days after receipt of payment from a Participating Party, assign to the Participating Party the Participating Party's proportionate interest in the acquisition, subject to any applicable burdens on such Participating Party's interest in the acquisition. All Participating Parties shall be entitled to participate in any acquisition within the Area of Mutual Interest on a ground floor basis and subject to no additional burdens placed on an acquisition by the Acquiring Party, with Seller's original ownership interest in the Area of Mutual Interest being seven and one-half percent (7.5%) and Buyer's original interest being twenty two and one-half percent (22.5%). Likewise, Acquiring Party's interest in an acquisition shall not be subject to any additional burdens on production in favor of Participating Parties.

(e) If the acquisition requires drilling, seismic, or other operations on the lands lying within the Area of Mutual Interest, the election of a party to participate in such operations shall constitute an election to participate in the agreement governing such operations, to the extent necessary to acquire the interest. No party shall be required to make such an election more than sixty (60) days or less than thirty (30) days prior to the commencement of initial operations.

(f) To receive an assignment of its proportionate share of the Oil and Gas Interest acquired as a result of conducting drilling, seismic, or other operations on the Area of Mutual Interest, a Participating Party must have:

(1) Participated in all operations necessary for the acquisition of the Oil and Gas Interest, and also must have paid all costs and expenses incurred in connection therewith;

(2) Participated in any previous drilling, seismic, or other operations that were necessary or were a condition precedent to the operations resulting in the acquisition of the Oil and Gas Interest; and

(3) Participated in accordance with the terms, provisions, covenants, and conditions of the agreements governing the acquisition of an Oil and Gas Interest.

(g) If both Parties elect to participate in any acquisition of an Oil and Gas Interest, then any such acquired Oil and Gas Interest shall thereafter be subject to the Operating Agreement attached to this Agreement. If, after the date of this Agreement, additional parties acquire an interest from the original Parties in the Area of Mutual Interest, and if more than one, but fewer than all such parties participate in the acquisition of an Oil and Gas Interest, such Participating Parties agree that the acquisition shall be subject to such Operating Agreement, with adjustments made to the interests of the parties as applicable. If the Acquiring Party shall be the sole party electing to participate in an acquisition of an Oil and Gas Interest, then such acquisition shall not be subject to the terms of this Area of Mutual Interest provision or the Operating Agreement.

(h) For purposes of this Section 19.2, the term "**Oil and Gas Interest**" shall also include surface rights or interests (including easements, rights-of-way, and surface ownership) in lands lying within the Area of Mutual Interest , and options to acquire such surface rights or interests, and any surface rights or interests acquired pursuant to the exercise of any options.

(i) Notwithstanding anything to the contrary in the provisions above, only Buyer shall have the right to commence acquisitions of Oil and Gas Interests in the Area of Mutual Interest commencing on the Closing Date, and for a period of two (2) years thereafter.

(j) Notwithstanding anything herein to the contrary, the above Area of Mutual Interest provisions shall not apply to any acquisitions of, or agreements to acquire, royalty interests made by Seller within the Area of Mutual Interest prior to the Effective Time, which are identified and described in Exhibit "K" and no additional offers to acquire such royalty interest have been or will be made by Seller after May 1, 2006.

(k) In the event that either party should acquire any interest from McGowan Working Partners, Inc.(or its successors, subsidiaries, affiliates, or assigns) which is located within the aerial boundaries of the Delhi Holt Bryant Unit prior to Payout, the Parties shall in good faith mutually agree to the value of the acquisition that is attributable to the Delhi Holt Bryant Unit for the purposes of determining a value for the Capital Expenditure Commitment and Seller shall only retain its Reversionary Interests, until Payout, in any interest located in the Delhi Holt Bryant Unit.

(l) The terms of this Section 19.2. [except for 19.2(j) and (i)] shall remain in full force and effect covering the lands lying within the Area of Mutual Interest for a period of eight (8) years commencing from the Effective Time, unless extended for an additional period or terminated earlier by written agreement of the Parties.

ARTICLE 20. - MISCELLANEOUS

20.1 Receivables and other Excluded Funds.

Buyer shall be under no obligation to collect on behalf of Seller any receivables or other funds included in the Excluded Assets and described in Section 1.9(c) above. With respect to receivables, Buyer shall be free to treat the interests of any party with a delinquent receivable in any manner deemed appropriate by Buyer.

20.2. Public Announcements.

The Parties hereto agree that prior to Closing, each may publicly disclose the principal terms of this Agreement following its execution (excluding the cost for CO2 and the transportation costs for CO2), provided that prior to making any public announcement or statement with respect to the transaction contemplated by this Agreement, the party desiring to make such public announcement or statement shall consult with the other party hereto and exercise its best efforts to (i) agree upon the text of a joint public announcement or statement to be made by both of such Parties; or (ii) obtain written approval of the other party hereto to the text of a public announcement or statement to be made solely by Seller or Buyer, as the case may be. Nothing contained in this paragraph shall be construed to require either party to obtain approval of the other party hereto to disclose information with respect to the transaction contemplated by this Agreement to any state or federal governmental authority or agency to the extent (i) required by applicable law or by any applicable rules, regulations or orders of any governmental authority or agency having jurisdiction; or (ii) necessary to comply with disclosure requirements of the New York Stock Exchange or other recognized exchange or over the counter, and applicable securities laws. .

20.3. Filing and Recording of Assignments, etc.

Buyer shall be solely responsible for all filings and the prompt recording of assignments and other documents related to the Assets and for all fees connected therewith, including the fees charged by any regulatory authority in connection with the change of operator, and Buyer shall furnish certified copies of all such filed and/or recorded documents to Seller. Seller shall not be responsible for any loss to Buyer because of Buyer's failure to file or record documents correctly or promptly. Buyer shall not be responsible for any loss to Seller because of Seller's failure to record this document correctly or promptly. Buyer shall promptly file all appropriate forms, declarations or bonds with federal and state agencies relative to its assumption of operations and Seller shall cooperate with Buyer in connection with such filings.

20.4. Further Assurances and Records.

(a) After the Closing each of the Parties will execute, acknowledge and deliver to the other such further instruments, and take such other action, as may be reasonably requested in order to more effectively assure to said party all of the respective properties, rights, titles, interests, estates, and privileges intended to be assigned, delivered or inuring to the benefit of such party in consummation of the transactions contemplated hereby. Without limiting the foregoing, in the event Exhibit “A” incorrectly or insufficiently describes or references or omits the description of a property or interest intended to be conveyed hereby as described in Sections 1.12 or 1.14 above, Seller agrees to, within twenty (20) days of Seller’s receipt of Buyer’s written request, together with supporting documentation satisfactory to Seller, correct such Exhibit and/or execute an amended assignment or other appropriate instruments necessary to transfer the property or interest intended to be conveyed hereby to Buyer.

(b) Buyer agrees to maintain the files and records of Seller that are acquired pursuant to this Agreement for seven (7) years after Closing. Buyer shall provide Seller and its representatives reasonable access to and the right to copy such files and records for the purposes of (i) preparing and delivering any accounting provided for under this Agreement and adjusting, prorating and settling the charges and credits provided for in this Agreement; (ii) complying with any law, rule or regulation affecting Seller's interest in the Assets prior to the Closing Date; (iii) preparing any audit of the books and records of any third party relating to Seller's interest in the Assets prior to the Closing Date, or responding to any audit prepared by such third parties; (iv) preparing tax returns; (v) responding to or disputing any tax audit; or (vi) asserting, defending or otherwise dealing with any claim or dispute under this Agreement or as to the Assets.

(c) Buyer agrees that within thirty (30) days after Closing or within thirty (30) days after operations are actually transferred, whichever is later, it will remove or cause to be removed its signs and the names and marks used by Seller and all variations and derivatives thereof and logos relating thereto from the Assets and will not thereafter make any use whatsoever of such names, marks and logos.

(d) To the extent not obtained or satisfied as of Closing, Seller agrees to continue to use all reasonable efforts, but without any obligation to incur any cost or expense in connection therewith, and to cooperate with Buyer's efforts to obtain for Buyer (i) access to files, records and data relating to the Assets in the possession of third parties; and (ii) access to wells constituting a part of the Assets operated by third parties for purposes of inspecting same.

(e) Buyer shall comply with all current and subsequently amended applicable laws, ordinances, rules, and regulations applicable to the Assets and shall promptly obtain and maintain all permits required by governmental authorities in connection with the Assets.

20.5. Notices.

Except as otherwise expressly provided herein, all communications required or permitted under this Agreement shall be in writing and may be given by personal delivery, facsimile, US mail (postage prepaid), or commercial delivery service, and any communication hereunder shall be deemed to have been duly given and received when actually delivered to the address of the Parties to be notified as set forth below and addressed as follows:

If to Seller, as follows:

NGS Sub Corp.

Two Memorial City Plaza
820 Gessner Road
Suite 1340
Houston, TX 77024
Attention: Robert S. Herlin
President & CEO

Telephone: (713) 935-0122
Facsimile: (713) 935-0199

If to Buyer, as follows:

Denbury Onshore, LLC
5100 Tennyson Parkway
Suite 1200
Plano, Texas 75024
Attention: Ray Dubuisson
Vice President-Land
Telephone: (972)-673-2044
Facsimile: (972)-673-2299

Provided, however, that any notice required or permitted under this Agreement will be effective if given verbally within the time provided, so long as such verbal notice is followed by written notice thereof in the manner provided herein within twenty-four (24) hours following the end of such time period. Any party may, by written notice so delivered to the other, change the address to which delivery shall thereafter be made.

20.6. Incidental Expenses.

Buyer shall bear and pay (i) all state or local government sales, transfer, gross proceeds, or similar taxes incident to or caused by the transfer of the Assets to Buyer, (ii) all documentary, transfer and other state and local government taxes incident to the transfer of the Assets to Buyer; and (iii) all filing, recording or registration fees for any assignment or conveyance delivered hereunder. Each party shall bear its own respective expenses incurred in connection with the negotiation and Closing of this transaction, including it own consultants' fees, attorneys' fees, accountants' fees, and other similar costs and expenses.

20.7. Waiver.

Any of the terms, provisions, covenants, representations, warranties or conditions hereof may be waived only by a written instrument executed by the party waiving compliance. Except as otherwise expressly provided in this Agreement, the failure of any party at any time or times to require performance of any provision hereof shall in no manner affect such party's right to enforce the same. No waiver by any party of any condition, or of the breach of any term, provision, covenant, representation or warranty contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, provision, covenant, representation or warranty.

20.8. Binding Effect; Assignment.

All the terms, provisions, covenants, obligations, indemnities, representations, warranties and conditions of this Agreement shall be covenants running with the land and shall inure to the benefit of, and be binding upon, and shall be enforceable by, the parties hereto and their respective successors and assigns. The rights of Buyer under this Agreement to acquire the Assets are personal and this Agreement may not be assigned or transferred by Buyer to any other party, firm, corporation or other entity, without the prior, express and written consent of Seller, and such consent may be withheld for any reason, including convenience. Any attempt to assign this Agreement by Buyer over the objection or without the express written consent of the Seller shall be absolutely void. Seller may condition its consent to assign this Agreement on Buyer providing Seller with an appropriate guarantee of its assignee's performance. Any subsequent transfer of this Agreement or of all or any part of the Assets shall be made expressly subject to the terms and provisions of this Agreement.

20.9. Taxes.

(a) Seller and Buyer agree that this transaction may be subject to the reporting requirement of Section 1060 of the Internal Revenue Code of 1986, as amended, and that, therefore, IRS Form 8594, Asset Acquisition Statement, will be filed for this transaction. The Parties agree that, for all Tax purposes: the fair market value of the personal property acquired by the Buyer constitutes less than five percent of the Purchase Price and the Parties will take no tax reporting position to the contrary. The Parties will confer and cooperate in the preparation and filing of their respective forms to reflect a consistent reporting of the agreed upon allocation.

(b) Seller shall be responsible for all state, local and federal property, ad valorem, excise, and severance taxes attributable to or arising from the ownership or operation of the Assets prior to the Effective Time. Buyer shall be responsible for all property and severance taxes attributable to or arising from the ownership or operation of the Assets after the Effective Time. Any party which pays such taxes for the other party shall be entitled to prompt reimbursement upon evidence of such payment. Each party shall be responsible for its own federal and state income taxes, if any, as may result from this transaction.

(c) If this transaction is determined to result in state sales or transfer taxes, Buyer shall be solely responsible for any and all such taxes due on the Assets acquired by Buyer by virtue of this transaction. If Buyer is assessed such taxes, Buyer shall promptly remit same to the taxing authority. If Seller is assessed such taxes, Buyer shall reimburse Seller for any such taxes paid by Seller to the taxing authority.

20.10. Intentionally Deleted

20.11. Audits.

It is expressly understood and agreed that Seller retains its right to receive its proportionate share of the proceeds from any audits relating to activities prior to the Effective Time, and Seller shall likewise pay its share of any costs attributable to the period prior to the Effective Time resulting from any such audits.

20.12. Like-Kind Exchanges.

Each party consents to the other party's assignment of its rights and obligations under this Agreement to its Qualified Intermediary (as that term is defined in Section 1.1031(k)-l(g)(4)(iii) of the Treasury Regulations) in connection with effectuation of a like-kind exchange. However, Seller and Buyer acknowledge and agree that any assignment of this Agreement to a Qualified Intermediary does not release either party from any of their respective liabilities and obligations to each other under this Agreement. Each party agrees to cooperate with the other to attempt to structure the transaction as a like-kind exchange.

20.13. Governing Law.

THIS AGREEMENT SHALL BE GOVERNED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS OTHERWISE APPLICABLE TO SUCH DETERMINATIONS.

20.14. Entire Agreement.

This Agreement embodies the entire agreement between the Parties and replaces and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof, whether written or oral. No other agreement, statement, or promise made by any party, or to any employee, officer or agent of any party, which is not contained in this Agreement shall be binding or valid. This Agreement may be supplemented, altered, amended, modified or revoked by a writing only, signed by the Parties hereto. The headings herein are for convenience only and shall have no significance in the interpretation hereof. The Parties stipulate and agree that this Agreement shall be deemed and considered for all purposes, as prepared through the joint efforts of the Parties, and shall not be construed against one party or the other as a result of the preparation, submittal or other event of negotiation, drafting or execution thereof. It is understood and agreed that there shall be no third-party beneficiary of this Agreement, and that the provisions hereof do not impart enforceable rights in anyone who is not a direct, initial party hereto.

20.15. Severability.

If any provision of this Agreement is found by a court of competent jurisdiction to be invalid or unenforceable, that provision will be deemed modified to the extent necessary to make it valid and enforceable, and if it cannot be so modified, it shall be deemed deleted and the remainder of the Agreement shall continue and remain in full force and effect.

20.16. Exhibits.

All Exhibits attached to this Agreement, and the terms of those Exhibits which are referred to in this Agreement, are made a part hereof and incorporated herein by reference.

20.17. Delivery of Files After Closing.

The Assets set out in Section 1.14(f) shall be provided by Seller to Buyer within five (5) business days after the Closing Date at a location to be specified by Seller. Any transportation, postage, or delivery costs from Seller's offices shall be at Buyer's sole cost, risk and expense.

20.18. Survival.

Unless otherwise specifically provided in this Agreement, all of the representations, warranties, indemnities, covenants and agreements of or by the Parties hereto shall survive the execution and delivery of the Conveyance, Assignment and Bill of Sale. Additionally, those provisions set forth in Articles 1.9, 3.4 and 19 shall survive the execution and delivery of the Conveyance, Assignment and Bill of Sale, and shall be deemed as between the Parties, there successors and assigns to be covenants running with the land.

20.19. Subsequent Adjustments.

Regardless of the date set for the Final Settlement, Buyer and Seller agree that their intent is to allow for the earliest practical forwarding of revenue and reimbursement of expenses between them, and Seller and Buyer recognize that either may receive funds or pay expenses after the Final Settlement Date which are properly the property or obligation of the other. Therefore, upon receipt of net proceeds or payment of net expenses due to or payable by the other party hereto, whichever occurs first, Seller or Buyer, as the case may be, shall submit a statement to the other party hereto showing the relevant items of income and expense with supporting documentation. Payment of any net amount due by Seller or Buyer, as the case may be, on the basis thereof shall be made within ten (10) days of receipt of the statement.

20.20. Counterparts.

This Agreement may be executed in any number of counterparts, and each and every counterpart shall be deemed for all purposes one (1) agreement.

20.21. Subrogation.

To the fullest extent allowed by law and the applicable agreements with third parties, Seller grants Buyer a right of subrogation in all claims or rights Seller may have against third parties to the extent they relate to the Assumed Obligations.

20.22. Suspended Monies.

At Closing, Seller shall deliver to Buyer the monies held in suspense by Seller for the account of third parties, or relate to a title dispute or question as to ownership, along with any documentation in Seller's possession or available to Seller in support of such suspended funds. Any additional monies of this nature received by Seller after Closing shall be remitted to Buyer within one hundred twenty (120) days after the Closing hereof. At Closing, Buyer shall assume the obligation for the payment of these monies.

20.23. Buyer as Operator.

After the Closing Date, Buyer shall operate, manage, and administer the Assets as a reasonable prudent operator and in a good and workmanlike manner in accordance with the Unit Operating Agreement. The Parties acknowledge that changes and amendments to the Unit Operating Agreement are necessary and required by both Parties and will be negotiated prior to the Closing Date. These changes and amendments may be in the form of changes and amendments to the existing Unit Operating Agreement, a new unit operating agreement, or a side letter agreement. The Unit Operating Agreement, as so amended or supplemented, will include, among other provisions, the following:

(a) language giving Seller the right to make reasonable site visits to the Delhi Holt Bryant Unit with its employees, agents, or investors, after reasonable notice to Buyer, and at Seller's sole cost, risk and expense, and this right will not be unreasonably withheld;

(b) the provisions Section 1.9 (d) (6);

(c) the right of Seller to take its share of production in kind, subject to Buyer reserving a competitive call on Seller's share of production that provides Buyer the right to match any third party offers to purchase Seller's production, provided that this competitive call is limited to Seller's working interest share of production, but not applicable to its overriding royalty interest;

(d) a CO2 gas balancing agreement; and,

(e) After Closing and prior to Payout, Seller may vote its Reversionary Interests with respect to any changes or amendments to the Unit Operating Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

WITNESSES:

SELLER:

NGS SUB CORP.

By:

Robert S. Herlin
President & CEO

BUYER:

NGS SUB CORP.

By:

H. Raymond Dubuisson
Vice President-Land

UNIT OPERATING AGREEMENT

DELHI UNIT

Holt-Bryant Zone

BEING PARTS OF TOWNSHIPS

17N 10E, 17N 9E, 17N 8E

and

16N 8E

RICHLAND, FRANKLIN AND MADISON PARISHES, LOUISIANA

TABLE OF CONTENTS

Article No.	Title	Page No.
1.	Confirmation of Unit Agreement	2
2.	Exhibits	2
3.	Supervision of Operations	3
4.	Manner of Exercising Supervision	4
5.	Individual Rights of Working Interest Owners/ Taking In Kind	5
6.	Unit Operator	7
7.	Authority and Duties of Unit Operator	7
8.	Taxes	8
9.	Insurance	8
10.	Adjustment of Investments	9
11.	Unit Expense	10
12.	Unit CO_2 Requirements/ Additional Capital	12
13.	Nonunitized Formations	13
14.	Titles	13
15.	Liability, Claims and Suits	14
16.	Nondiscrimination	14
17.	Notices	14
18.	Withdrawal of Working Interest Owner	15
19.	Abandonment of Wells	15
20.	Effective Date and Term	15
21.	Abandonment of Operations	16
22.	Approval	16
23.	Successors and Assigns	16
24.	Miscellaneous	16

UNIT OPERATING AGREEMENT

DELHI UNIT

Holt-Bryant Zone

RICHLAND, FRANKLIN AND MADISON PARISHES, LOUISIANA

THIS AGREEMENT is entered into as of the 1st day of June, 2006 ***(the "Effective Date")***, by and between NGS Sub Corp. ***(hereinafter "NGS"),*** and Denbury Onshore, LLC ***(herein referred to as "Denbury" or "Unit Operator").***

WHEREAS, an agreement entitled "Unitization Agreement, Unitized Zone, Delhi - West Delhi Field, Richland, Franklin, and Madison Parishes, Louisiana," dated as of July 1, 1952, was entered into by Sun Oil Company and C.H. Murphy, Jr., which was recorded with the Clerks of Court, State of Louisiana, in the Parish of Richland, in COB 152, File No. 151269, in the Parish of Franklin in Notarial Book 81, File No. 25742, and in Madison Parish in Oil and Gas Book C, File No. 7201, beginning at Page 543. This agreement as revised and ratified is referred to as the **"Unit Agreement."**

WHEREAS, an agreement entitled "Unit Operating Agreement, Unitized Zone, Delhi - West Delhi Field, Richland, Franklin, and Madison Parishes, Louisiana," dated as of July 1, 1952, was entered into by Sun Oil Company and C.H. Murphy, Jr., which was recorded with the Clerks of Court, State of Louisiana, in the Parish of Richland, in COB 152, File No. 151268, in the Parish of Franklin in Notarial Book 81, File No. 25741, and in Madison Parish in Oil and Gas Book C, File No. 7202. This agreement as revised and ratified is referred to as the **"Unit Operating Agreement."**

WHEREAS, the above Agreements have been revised and ratified by the following (1) Revision of Exhibits dated February 10, 1953, recorded with the Clerks of Court, State of Louisiana, in the Parish of Richland, in COB 155, File No. 156001, in the Parish of Franklin in Notarial Book 84, File No. 31875, and in Madison Parish in Oil and Gas Book E, File No. 8575; (2) Ratification of Agreements and Revision of Exhibits dated May 31, 1955, recorded with the Clerks of Court, State of Louisiana, in the Parish of Richland, in COB 164, File No. 163791, in the Parish of Franklin in Notarial Book 93, File No. 55655, and in Madison Parish in Oil and Gas Book G, File No. 12316; (3) Ratification of Agreements and Revision of Exhibits dated December 15, 1974, recorded with the Clerks of Court, State of Louisiana, in the Parish of Richland (recorded twice), in COB 250, Page 686, Entry No. 216819, and in COB 250, Page 710, Entry No. 216820, in the Parish of Franklin in Notarial Book ____, File No. _____, and in Madison Parish in Book 35, Page 527, Entry No. 47125.

WHEREAS, following execution of the Unit Agreement and the Unit Operating Agreement, the following orders were issued by the State of Louisiana, Department of Conservation, Delhi Field: (1) No. 96-F dated January 31, 1953 (which defined the Delhi Field), No. 96-F-1 dated August 5, 1955 (which added unit acreage), No. 96-G-4 dated April 30, 1975 (which redefined the Holt-Bryant Zone of Delhi Field). **The Holt-Bryant Zone is as defined in the latter Order No. 96-G-4, and the Unit Area insofar as the Holt-Bryant Zone is hereinafter referred to as the "Delhi Holt-Bryant Unit."**

WHEREAS, NGS represents that it owns an undivided 100% of the working interest *(including the unleased mineral interests)* in the Delhi Holt-Bryant Unit as defined in the above agreements *(i.e., all of the Operator interest)*, and that it is selling same to Denbury**.** In said sale, NGS is conveying the said undivided one hundred percent (100%) working interest in the Delhi Holt-Bryant Unit to Denbury, subject to a reversionary interest of twenty-five percent (25%) after "Payout***" (the "Reversionary Interest").*** Payout is defined in those two certain Acts of Purchase and Sale Agreement I and II ***(collectively referred to as the "PSA")*** between the parties dated as of May 8, 2006.

WHEREAS, the parties hereto have decided to amend and restate the terms of the Unit Operating Agreement to modernize the said agreement, to specifically provide for Unit CO_2 Requirements, to provide for the voting rights of the Reversionary Interest, and for various and sundry other reasons.

NOW, THEREFORE, it is provided as follows:

ARTICLE 1

CONFIRMATION OF UNIT AGREEMENT

1.1. **Confirmation of Unit Agreement.** The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

ARTICLE 2

EXHIBITS

2.1. **Exhibits.** The following exhibits are incorporated herein by reference or attachment:

2.1.1. Exhibits "A" (Description of Tracts), "B" (Description of Unit Area) and “C” (Schedule of Participation) of the Unit Agreement.

2.1.2. Exhibit "D" attached hereto is a schedule showing the Working Interest Owners and the Unit Participation of each Working Interest Owner. Exhibit "D" or a revision thereof shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of Working Interest Owners for purposes of this Agreement until shown to be in error and revised as herein authorized.

2.1.3. Exhibit "E" attached hereto is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and Exhibit "E" this Agreement shall govern.

2.1.4. Exhibit "F" attached hereto is Unit Operator's Federal Equal Employment agreement and certification.

2.1.5. Exhibit “G” attached hereto is the Gas Storage and Balancing Agreement.

2.2. **Revision of Exhibits.** Whenever Exhibits "A", ”B" and “C” are revised, Exhibit "D" shall be revised accordingly and be effective as of the same date.

2.3. **Reference to Exhibits.** When reference is made herein to an exhibit, it is to be the original exhibit or, if revised, to the last revision.

ARTICLE 3

SUPERVISION OF OPERATIONS

3.1. **Overall Supervision.** Unit Operator shall exercise overall supervision and control of all matters pertaining to Unit Operations. In the exercise of such authority, Unit Operator shall act solely in its own behalf in the capacity of an individual owner and is not acting on behalf of the Working Interest Owners as an entirety. Individual Working Interest Owners participate in unit activities at their own risk and expense and may have input as to the overall unit objectives and approach.

3.2. **Specific Authority and Duties**.

(a) **Prior to Payout.** Prior to Payout, Unit Operator shall have full supervision and control of all matters pertaining to Unit Operations. It shall have full authority to decide and take such action it deems appropriate in achieving the overall unit objectives and approach. Accordingly, the voting provisions of Article 4 (Manner of Supervising Control) shall not be applicable (except to change or amend this Agreement) until Payout has been achieved. The only limitations upon same shall be the following, to-wit:

(i) NGS shall have the right to make reasonable site visits to the Delhi Holt-Bryant Unit with its employees, agents, or investors, after reasonable notice to Unit Operator, and at NGS' sole cost, risk and expense, and this right shall not be unreasonably withheld;

(ii) Unit Operator shall provide to NGS (1) on a monthly basis operating reports covering revenues, operating expenses, capital expenditures, production and injection volumes and product prices received; and (2) a quarterly statement (with all supporting documentation) identifying the status of Total Net Cash Flow amounts *(as defined in the PSA)* and Payout Statement for the Delhi Holt Bryant Unit; and (3) a quarterly report including historical and prospective technical information relating to the Delhi Holt Bryant Unit including, but not limited to injection and production data on a field and well basis, well logs, cores, tests and any other data necessary for NGS to perform its own technical analysis; and (4) the right to request an annual technical presentation, in addition to one "kick-off" presentation within 180 days after the Effective Date, to be presented to NGS by the appropriate technical staff of Unit Operator. NGS shall have the right to conduct an annual audit of the accounts and records of Unit Operator (at a mutually convenient time during Unit Operator's normal business hours and in accordance with the Council of Petroleum Accountants Society guidelines and practices for audits by working interest owners) to verify the accounting for the Total Net Cash Flow amount and Payout. Such audits may be performed by NGS directly or through an independent accounting firm of its choice, but in each case at NGS' sole cost and expense. Notwithstanding the above, all Payout accounting by Unit Operator during any calendar year shall conclusively be presumed true and correct after twenty four months following the end of any such calendar year, unless within the said twenty four month period, NGS takes written exception thereto and makes claim on Unit Operator for adjustments.

(iii) NGS may vote its Reversionary Interest with respect to any changes or amendments to the Unit Operating Agreement.

(b) **After Payout.** After Payout, the matters requiring approval of the Working Interest Owners shall include the following:

3.2.1. **Method of Operation**. The method of operation, including the type of recovery program to be employed.

3.2.2. **Drilling of Wells.** The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3. **Well Recompletions and Change of Status.** The recompletion, abandonment, or change of status of any well, or the use of any well for injection or other purposes.

3.2.4. **Expenditures.** The making of any single expenditure in excess of Fifty Thousand Dollars ($50,000); provided that, approval by the Working Interest Owners, of the drilling, recompletion, deepening, or plugging back of any wellshall include the approval of all necessary expenditures required therefore, and for completing, testing, and equipping the same, including necessary flow lines, separators, and lease tankage.

3.2.5. **Appearance Before a Court or Regulatory Agency.** The designation of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; however, such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

3.2.6. **Audit Exceptions**. The settlement of unresolved audit exceptions.

3.2.7. **Inventories**. The taking of periodic inventories as provided by Exhibit "E".

3.2.8. **Technical Services.** The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the charges provided by Exhibit "E".

3.2.9. **Assignments to Committees**. The appointment of committees to study any problems in connection with Unit Operations.

3.2.10. **Selection of Successor Unit Operator.** The selection of a successor Unit Operator.

3.2.11. **Enlargements and Amendments.** Enlargements of the Unit Area, or the amending of this Agreement or the Unit Agreement.

3.2.12. **Investment Adjustment.** The adjustment and readjustment of investments.

3.2.13. **Termination of Unit Agreement.** The termination of the Unit Agreement as provided therein.

ARTICLE 4

MANNER OF EXERCISING SUPERVISION

4.1. **Designation of Representative.** Each Working Interest Owner shall inform Unit Operator in writing of the name and address of the representative who is authorized to represent and bind such Working Interest Owner with respect to Unit Operations. Should any Working Interest Owner fail to inform the Unit Operator in writing of the name and address of its representative and fails to receive a notice sent pursuant to the terms of the Unit Agreement or Unit Operating Agreement, such Working Interest Owner shall forfeit any right to contest whether the notice was properly sent by the Unit Operator. The representative may be changed from time to time by written notice to Unit Operator.

4.2. **Meetings.** All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total Unit Participation of not less than twenty percent (20%). No meeting shall be called on less than fourteen (14) days' advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3. **Voting Procedure.** Working Interest Owners shall determine all matters coming before them as follows:

4.3.1. **Voting Interest.** Each Working Interest Owner shall have a voting interest equal to its Unit Participation.

4.3.2. **Vote Required.** Unless otherwise provided herein or in the Unit Agreement, Working Interest Owners shall determine all matters by the affirmative vote of one or more Working Interest Owners having a combined voting interest of at least seventy-seven percent (77%).

4.3.3. **Vote at Meeting by Nonattending Working Interest Owner.** Any Working Interest Owner who is not represented at a meeting may vote on any agenda item by letter or telegram addressed to the representative of Unit Operator if its vote is received prior to the vote at the meeting.

4.3.4. **Poll Votes.** Working Interest Owners may vote by letter or telegram on any matter submitted in writing to all Working Interest Owners. If a meeting is not requested, within fifteen (15) days after a written proposal is sent to Working Interest Owners, the vote taken by letter or telegram shall control. Failure to respond within fifteen (15) days of the sending of the written proposal shall be deemed a concurrence with such proposal. Unit Operator shall give prompt notice of the results of such voting to each Working Interest Owner.

ARTICLE 5

INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS/ TAKING IN KIND

5.1. **Reservation of Rights.** Working Interest Owners retain all their rights, except as otherwise provided in this Agreement or the Unit Agreement.

5.2. **Reports.** Upon written request, Working Interest Owners have the right to receive from Unit Operator, copies of all reports to any governmental agency, reports of liquid hydrocarbon runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner that requests the information.

5.3. **Audits.** Each Working Interest Owner shall have the right to audit the accounts of Unit Operator pertaining to Unit Operations according to the provisions of Exhibit "E".

5.4. **Taking Production in Kind**. Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil and gas for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Unit Operator's surface facilities which it uses. Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Unit Area, and, shall be entitled to receive payment directly from the purchaser thereof for its share of all production. The right of NGS to take in kind is subject to Unit Operator reserving a competitive call on NGS' share of production (but not its overriding royalty interest share of production), as follows. In the event, NGS receives a bona fide offer from a third party to purchase all or a part of its working interest share of production, NGS shall disclose such principal terms and conditions *(the "Offer")* in detail to Unit Operator in a written notice. Unit Operator shall have the right to purchase NGS' share of production on the same terms and conditions of the Offer, if within fifteen (15) days after receipt of the Offer, Unit Operator delivers to NGS a written acceptance of same.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Unit Operator shall, subject to the revocation at will by the party owning it, purchase such oil and/or gas, or sell it to others at any time and from time to time, for the account of the non-taking party at the same price obtained by the Unit Operator for such production. Any such purchase or sale by Unit Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and/or gas not previously delivered to a purchaser. Any purchase or sale by Unit Operator of any other party's share of oil and/or gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with the gas balancing agreement attached hereto as Exhibit "G".

ARTICLE 6

UNIT OPERATOR

6.1. **Unit Operator.** Denbury Onshore, LLC, is designated as Unit Operator.

6.2. **Resignation or Removal.** Unit Operator may resign at any time. Such resignation shall not become effective for a period of three (3) months after the resignation, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period. Unit Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership. A change of a corporate name or structure of Unit Operator or transfer of Unit Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

6.3. **Selection of Successor.** Upon the resignation or removal of Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners. The successor Unit Operator shall be selected by the affirmative vote of Working Interest Owners having sixty percent (60%) or more of the voting interest. Provided, however, that if a Unit Operator which has been removed fails to vote or votes only to succeed itself, the successor Unit Operator shall be selected by the affirmative vote of one (1) or more parties owning a majority interest remaining after excluding the voting interest of the Unit Operator that was removed.

ARTICLE 7

AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1. **Exclusive Right to Operate Unit.** Subject to the provisions of this Agreement, Unit Operator shall have the exclusive right and be obligated to conduct Unit Operations.

7.2. **Workmanlike Conduct.** Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners keeping them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from gross negligence or willful misconduct.

7.3. **Liens and Encumbrances.** Unit Operator shall endeavor to keep the lands and leases in the Unit Area and Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except those provided for in Article 11.

7.4. **Employees.** The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor, and compensation shall be determined by Unit Operator; provided the above are appropriate for operations conducted in the area and are consistent with industry practices. Such employees shall be the employees of Unit Operator.

7.5. **Records**. Unit Operator shall keeps correct books, accounts, and records of Unit Operations.

7.6. **Reports to Working Interest Owners.** Unit Operator shall timely furnish Working Interest Owners periodic reports of Unit Operations.

7.7. **Reports to Governmental Authorities.** Unit Operator shall timely make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8. **Engineering and Geological Information.** Unit Operator shall furnish to each Working Interest Owner, upon written request, a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9. **Expenditures.** Prior to Payout of the NGS interest, Unit Operator is authorized to make single expenditures not in excess of Two Hundred Fifty Thousand Dollars ($250,000.00) without prior approval of Working Interest Owners. After Payout of the NGS interest, Unit Operator is authorized to make single expenditures not in excess of Fifty Thousand Dollars ($50,000.00). In the event of an emergency, Unit Operator may immediately make or incur such expenditures as, in its opinion, are required to deal with the emergency.

7.10. **Wells Drilled by Unit Operator.** All wells drilled by Unit Operator shall be at the rates prevailing in the area in accordance with Exhibit "E" (Accounting Procedure, Article II.8). Unit Operator may employ its own tools and equipment, but the charge therefore shall be governed by Exhibit “E”.

ARTICLE 8

TAXES

8.1. **Property Taxes.** Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all necessary property tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such property taxes shall be paid by Unit Operator and charged to the joint account.

8.2. **Other Taxes.** Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes imposed upon or with respect to the production or handling of its share of Unitized Substances.

8.3. **Income Tax Election.** Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this Agreement and operations hereunder shall not constitute a partnership, if for federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each Person hereby affected elects to be excluded from the application of all of the provisions of Subchapter K, Chapter l, Subtitle A of the Internal Revenue Code of 1986, as amended, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Unit Operator is authorized and directed to execute on behalf of each Person hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761-l (a) and 2. Should there be any requirement that each Person hereby affected give further evidence of this election, each such Person shall execute such documents and furnish such other evidence as may be required by the federal Internal Revenue Service or as may be necessary to evidence this election. No such Person shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Unit Area is located or any future income tax law of the United States contain provisions similar to those in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of l986, as amended, under which an election similar to that provided by Section 761 of the Code is permitted, each Person affected hereby makes such election as may be permitted or required by such laws. In making the foregoing election, each such Person states that the income derived by such Person from Unit Operations can be adequately determined without the computation of partnership taxable income.

ARTICLE 9

INSURANCE

9.1. **Insurance.** Unit Operator, with respect to Unit Operations, shall:

(a) carry Workers' Compensation Insurance with statutory benefits for the applicable state,

(b) carry employer's liability in amounts not less than One Million Dollars ($1,000,000.00) and comply with such other insurance requirements of the laws of the state,

(c) carry auto liability (covering all owned and non-owned vehicles) in amounts not less than One Million Dollars ($1,000,000.00)

(d) carry general liability insurance in amounts not less than One Million Dollars ($1,000,000.00) per occurrence,

(e) carry control of well/operator's extra expense (blowout) insurance in amounts not less than Ten Million Dollars ($10,000,000.00), and

(f) carry excess umbrella liability insurance in amounts not less than Ten Million Dollars ($10,000,000.00).

Premiums for such insurance coverage will be charged to the joint account.

No other insurance will be carried by Unit Operator for the benefit of the joint account. Each Working Interest Owner individually may acquire such other insurance as it deems proper to protect itself against claims growing out of personal injury to or death of third parties or injury to or destruction of property of third parties resulting from Unit Operations, and on equipment used for the benefit of the Unit.

ARTICLE 10

ADJUSTMENT OF INVESTMENTS

10.1. **Investment Adjustment Due to Subsequent Enlargement of Unit Area**. If the Unit Area is subsequently enlarged to include additional Tracts, the Working Interest Owners of such additional Tracts shall, upon the effective date of the enlargement, deliver to Unit Operator all wells on such additional Tracts completed in the Unitized Formation, casing and tubing in each well, the wellhead connections thereon, all other lease and operating equipment that is used in the operation of such wells which Working Interest Owners in the Unit Area as enlarged determine is necessary or desirable for Unit Operations, and a copy of all production and well records of such wells. Working Interest Owners shall, at Unit Expense, inventory and evaluate, as determined by Working Interest Owners, the personal property taken over. Such inventory shall include and be limited to those items of equipment considered controllable under Exhibit "E" except, upon determination of Working Interest Owners, specific terms considered non-controllable may be included in the inventory in order to insure a more equitable adjustment of investment. All non-controllable items, though excluded from the inventory, shall nevertheless be taken over by the Unit Operator. Casing shall be inventoried, but assigned no value.

10.2. **Ownership of Property and Facilities.** Each Working Interest Owner, individually, shall, by virtue hereof, own an undivided interest, equal to its Unit Participation in all wells, equipment, and facilities acquired by Unit Operator pursuant to this Agreement; provided that the Unit Operator shall be the sole owner of the CO_2 pipelines as per Paragraph 12.2, below.

ARTICLE 11

Unit Expense

11.1. **Basis of Charge to Working Interest Owners.** Subject to the provisions of Article 11.2 hereof, Unit Operator initially shall pay all Unit Expenses. All charges, credits and accounting for Unit Expenses shall be in accordance with Exhibit "E" attached hereto. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expenses in accordance with the following:

11.1.1. **Pre-Unitization Expense.** Intentionally deleted.

11.1.2. **Production Operating Expenses.** All operating costs associated with producing wells or production facilities and the monthly operating overhead costs for producing wells prescribed in Exhibit "E" attached hereto shall be allocated to the Working Interest Owners based upon Unit Participation.

11.1.3. **Enhanced Recovery Operating Expenses.** All operating costs associated with injection wells, injection lines, injection facilities, monthly operating overhead costs for injection wells prescribed in Exhibit "E" attached hereto and the cost of injection fluids or gases shall be allocated to the Working Interest Owners based upon Unit Participation.

11.1.4. **Investment Costs.** All costs for equipment, drilling and completion of wells, conversion of wells for injection and/or disposal purposes, construction of production or enhanced recovery facilities and drilling overhead costs and major construction and catastrophe overhead costs prescribed in Exhibit "E" attached hereto shall be allocated to the Working Interest Owners based upon Unit Participation.

11.1.5. **Site Specific Trust Account/Plugging and Reclamation Fund.** A Site Specific Trust Account ***("SSTA")*** with the Office of Conservation, Department of Natural Resources, State of Louisiana ***(the "State"),*** has been established under the terms of La. R.S. 30: 80, et seq. The security provided to the State in connection with the SSTA is specifically for the proper plugging and abandonment of the well or wells, associated site restoration and response to emergencies." The SSTA specifically relates to all existing wells in the Delhi Holt-Bryant Unit, except the Delhi Unit 70-4, 87-3, 92-2, 139-2 and 225-2 Wells.

(a) Unit Operator may establish a Plugging, Abandonment and Reclamation Fund (**the "PAR Fund**") to fund the costs associated with the plugging, abandonment and reclamation of all Unit wells not covered by the existing SSTA (the "PAR Costs"). In the event that Unit Operator establishes a PAR Fund, Unit Operator shall establish an escrow fund and shall deposit all amounts received from Working Interest owners attributable to the PAR Fund into a third party escrow fund (the "Escrow Funds"). Upon receipt of the Escrow Funds and thereafter, subject to written instruction and/or confirmation from Buyer and Seller, Unit Operator may invest the Escrow Funds in (i) time deposits in US banks, only to the extent that such deposits are fully insured by the FDIC; or (ii) short-term debt instruments issued or guaranteed by the United States, its agencies or instrumentalities; or (iii) repurchase agreements backed by securities issued or guaranteed by the United States, it agencies or instrumentalities; or (iv) money market funds investing in any of the above-listed securities. The maximum allowable maturity for any investment shall be five years, unless invested in Treasury Inflation Protected Securities, in which event, the maximum allowable maturity shall not exceed the expected remaining life of the field. Interest accruing on said fund shall become a part of the corpus of said fund.

(b) Upon the establishment of a PAR Fund by the Unit Operator, the Unit Operator shall make a good faith determination of PAR Costs of all existing Unit wells not covered by the SSTA. The Unit Operator shall charge the Joint Account in proportion to each Working Interest Owner's interest, an amount sufficient, per month until the PAR Fund has been fully funded to cover the PAR Costs, said monthly amount shall not exceed fifteen thousand dollars ($15,000.00). The amount maintained in the PAR Fund, shall be adjusted annually on the anniversary date of the establishment of the PAR Fund to determine the amount of money necessary to fully fund the PAR Costs. Based on the Unit Operators annual good faith estimate, in the event the PAR Costs exceed the PAR Fund, the Unit Operator may charge the Joint Account with an amount sufficient to fully fund the Par Fund to cover all estimated PAR Costs.

(c) Any costs incurred by the Unit Operator for the plugging, abandonment or reclamation of any Unit well or wells shall be paid from the SSTA or the Par Fund, and shall not be charged to the Joint Account, unless the amount in the SSTA or the Par Fund, as the case may be, is not sufficient to cover all of these costs, in such event such costs will be charged to the Joint Account in proportion to each Working Interest Owner's interest.

(d) Should, after the termination of this Agreement and the plugging, abandonment and associated site restoration within the Unit Area, there be funds remaining in the SSTA or the PAR Fund, said funds shall be distributed to the Working Interest Owner in accordance with their Working Interest Unit Participation as of the date of termination of this Agreement. In the event the SSTA and the PAR Fund do not cover the full costs of plugging and abandonment and associated site restoration as to all Unit Wells in the Unit Area, the Working Interest Owners shall pay to the Joint Account their proportionate share of the costs of plugging and abandoning, and associated site restoration as to all Unit Wells in accordance with their Working Interest Unit Participation as of the date of termination of this Agreement.

11.2. **Advance Billings.** Unit Operator shall have the right, at its option, to require other Working Interest Owners to advance their respective proportion of estimated developmental costs and expenses pursuant to Exhibit "E" Section I, Paragraph Number 3.

11.3. **Commingling of Funds.** Funds received by Unit Operator under this Agreement need not be segregated by Unit Operator or maintained by it as a separate fund, but may be commingled with its own funds, except for any funds received for the PAR Fund which must be segregated in accordance with the terms of this Agreement.

11.4 **Security Rights.** In addition to any other security rights and remedies provided for by the laws of this State with respect to services rendered or materials and equipment furnished under this Agreement, each Working Interest Owner grants Unit Operator a first and a prior lien upon its Working Interest, including the Unitized Substances and Unit Equipment credited thereto, in order to secure payment of the Unit Expense charged against such Working Interest, together with interest of one percent (1.00%) per month or the maximum rate allowed by law, whichever is less. The filing of suit and the obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or prejudice its security rights for the payment thereof. If any Working Interest Owner does not pay its share of Unit Expense when due and is in Default as provided for hereinbelow, Unit Operator shall have the right, without prejudice to other rights and remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed, plus interest at the rate herein provided, has been paid. The Unit Operator shall have the continuing right to recoup unit expenses from a Unit Owner who is in Default as long as production continues no matter how much time passes between the expense being incurred and the production against which it is offset. Each purchaser shall be entitled to rely on Unit Operator's written statement concerning the amount owed and the interest payable thereon. Unit Operator grants a like lien and security interest to the Working Interest Owners.

Any surplus received by Unit Operator from any sale of production pursuant to this Section or Section 11.6 below shall be credited to the Person or Persons from whom it was deducted in the proportion of their respective interest.

In addition to the foregoing, each Working Interest Owner's interest in the Unit Area shall be responsible for its proportionate share of the cost and expense of Unit Operations, and the Unit Operator shall have a lien thereon to secure payment of such share. When any Working Interest Owner fails to pay its part thereof when due and interest thereon at the rate above provided and is in Default as provided for hereinbelow, then all of such Working Interest Owner's interest in the Unitized Substances and Unit Equipment may be foreclosed in the same manner and under the same procedure provided for regarding the foreclosure of mortgages. A transfer or conversion of any Working Interest Owner's interest or any portion thereof, however accomplished shall not relieve the transferred interest of the Unit Operator's lien on said interest for the cost and expense of Unit Operations past or prospective. In the event any Working Interest Owner fails to pay its joint interest billing when due herein, and foreclosure proceedings are commenced by the Unit Operator, the Unit Operator shall be entitled to recover all of its reasonable costs expended for such proceedings, including, but not limited to, court costs and reasonable attorney fees even if the delinquent working interest owner thereafter pays its unpaid unit expenses.

11.5. Notice of Default/Opportunity to Cure/Unpaid Unit Expense.

(a) If any Working Interest Owner fails to pay its share of Unit Expense within thirty (30) days after rendition of a statement ***(the "Statement")*** therefore by Unit Operator, Unit Operator may send a written Notice of Default to the said defaulting Working Interest Owner, which Notice shall specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article 11. Failure by the Unit Operator to send a written Notice of Default shall preclude the Unit Operator from exercising any statutory or common law remedies or any other remedy set forth in this Agreement. If the default in payment is not cured within thirty (30) days ***(the "30 Day Notice Period")*** after the delivery of such Notice of Default, then the Working Interest Owner is conclusively presumed to be in default ***(hereinafter referred to as "Default")*** and the Unit Operator shall have the right to exercise any of the remedies provided in this Agreement. If a Working Interest Owner fails to pay all or any part of its share of Unit Expenses due under the terms of this Agreement as a result of a legitimate disagreement as to the appropriateness of all or any part of such Unit Expense, the defaults and remedies provisions of this Agreement shall not be applicable if the Working Interest Owner does the following: (i) makes such disagreement and the grounds therefore known to the Unit Operator, in writing, certified by an officer of the Working Interest Owner, by the later of the due date of the Statement or the end of the 30 Day Notice Period, an (ii) tenders payment of all un-disputed amounts to the Unit Operator. Thereafter, the Parties shall attempt to resolve the matter within sixty (60) days after the end of the 30 Day Notice Period.

(b) If a Working Interest Owner is in Default, each non-defaulting Working Interest Owner, including Unit Operator as a Working Interest Owner, shall, upon request by Unit Operator, pay the unpaid amount as if it were Unit Expense in the proportion that the Unit Participation of each such Working Interest Owner bears to the Unit Participation of all non-defaulting Working Interest Owners. Working Interest Owners who pay the share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by Unit Operator of the amount so paid, plus any interest collected thereon upon receipt by Unit Operator of any past due amount collected from the defaulting Working Interest Owner. A Working Interest Owner who is in Default shall lose its voting interest during its period of Default as to operational matters, but shall not lose its voting interest as to amending this Agreement. Its voting rights shall be shared proportionally and exercised by each of the non-defaulting Working Interest Owners. Each Working Interest Owner paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in Article 11.4 of this Agreement.

11.6. **Carved-Out Interest.** If any Working Interest Owner shall, create an overriding royalty, production payment, net proceeds interest, carried interest, or any other interest out of its Working Interest ownership after the time of Closing of the PSA, such carved-out interest shall be subject to the terms and provisions of this Agreement, specifically including, but without limitation, Article 11.4 hereof entitled "Lien and Security Interest of Unit Operator and Working Interest Owners." If the Working Interest Owner creating such carved-out interest (1) fails to pay any Unit Expense chargeable to such Working Interest Owner under this Agreement, and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (b) withdraws from this Agreement under the terms and provisions of Article 18 hereof, the carved-out interest shall be chargeable with a pro rata portion of all Unit Expense incurred hereunder, the same as though carved-out interest were a Working Interest, and Unit Operator shall have the right to enforce against such carved-out interest the lien and all other rights granted in Article 11.4 for the purpose of collecting the Unit Expense chargeable to the carved-out interest.

11.7. **Rentals.** The Working Interest owners in each Tract shall pay all rentals, minimum royalty, advance rentals or delay rentals due under the lease thereon and shall concurrently submit to the Unit Operator, upon written request, evidence of payment.

ARTICLE 12

UNIT CO_2 REQUIREMENTS/ADDITIONAL CAPITAL EXPENDITURE COMMITMENT TO NGS

12.1. **CO_2 Supply.** If CO_2 is used by Unit Operator for enhanced oil production from the Delhi Holt-Bryant Unit, Unit Operator shall act as a reasonable prudent operator in delivering CO_2 to the Delhi Holt-Bryant Unit in a timely manner and in sufficient quantities to efficiently conduct operations to enhance oil production. Unit Operator will deliver CO_2 to the Delhi Holt-Bryant Unit at a pipeline pressure of 1100 psi for a fixed transportation cost per standard mcf of twenty cents ($.20), for a period of time not to exceed ten (10) years from the date of first pipeline deliveries of CO_2 to the Delhi Holt-Bryant Unit. The agreed cost for the CO_2 delivered to the Delhi Holt-Bryant Unit will be equal to one percent (1%) of the price per barrel of crude oil sold from the Delhi Holt-Bryant Unit per standard mcf of CO_2 as determined each month. The agreed cost of the CO_2 delivered by the Unit Operator to the Delhi Holt-Bryant Unit shall not increase for the entire life of the CO_2 operations conducted on the Delhi Holt-Bryant Unit. The above transportation costs and costs for CO_2 are stipulated by Unit Operator and NGS to be the deemed costs for purposes of the Delhi Holt-Bryant Unit, regardless of actual costs or other factors or circumstances. All CO_2 injected into the Delhi Holt-Bryant Unit shall be owned by the Working Interest Owners proportionate to their interests. Any CO_2 delivered to the Delhi Holt-Bryant Unit and used by Unit Operator for any purpose other than in the Delhi Holt-Bryant Unit shall be credited to the Total Net Cash Flow calculation (as per the PSA) as revenue at the same cost that the CO_2 is charged as provided above.

12.2. **CO_2 Pipeline Cost.** Costs associated with building, owning, operating, and maintaining CO_2 pipelines used by Unit Operator to deliver CO_2 to the Delhi Holt-Bryant Unit and within the Delhi Holt-Bryant Unit, including pipelines from the source field for the CO_2, shall not be included in the computation of the costs used to determine “Total Net Cash Flow” or “Payout” (under the PSA), but shall only be used in computing the capital expenditure commitment set forth in Paragraph 12.3, below. All such CO_2 pipelines shall be owned solely by Unit Operator, and NGS shall not bear any costs or have or be entitled to any interest in such pipelines, reversionary or otherwise.

12.3. **Additional Capital Expenditure.**

(a) Unit Operator has agreed to spend one hundred million dollars ($100,000,000.00) of cumulative capital expenditures (the “Required Cumulative Capital Expenditure Amounts”) for the development of enhanced production operation for the Delhi Holt-Bryant Unit, which will include but is not limited to the cost of field development, facilities and CO_2 delivery pipelines. Unit Operator shall make the Required Cumulative Capital Expenditures Amounts on or before the Commitment Dates set forth below:

Commitment Date	Required Cumulative Capital Expenditure Amount
December 31, 2007	$17,500,000
December 31, 2008	$35,000,000
December 31, 2009	$52,500,000
December 31, 2010	$70,000,000
December 31, 2011	$87,500,000
December 31, 2012	$100,000,000

If the Unit Operator spends in excess of one hundred million dollars ($100,000,000.00) prior to the end of December 31, 2012, the development obligation has been fulfilled.

(b) In the event Unit Operator fails to expend the Required Cumulative Capital Expenditure Amounts by the Commitment Dates set forth in (a) above, NGS shall be entitled to a cash payment equal to ten percent, (10.0%) of the difference between the Required Cumulative Capital Expenditure Amounts for the applicable Commitment Date and the cumulative capital expenditures actually expended by Unit Operator from the Effective Date through such applicable Commitment Date (hereinafter referred to as the "**Shortage Payment**"). Said Shortage Payment shall be paid by Unit Operator to NGS within thirty (30) days after each Commitment Date.

ARTICLE 13

NONUNITIZED FORMATIONS

13.1. **Right to Operate.** Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals, from strata above or below the Unit Area other than the Unitized Formation, shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising the right, however, such Working Interest Owner shall exercise care to prevent unreasonable interference with Unit Operations. No Working Interest Owner other than Unit Operator shall produce Unitized Substances. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected in a manner satisfactory to Unit Operator so that the production of Unitized Substances will not be affected adversely.

ARTICLE 14

TITLES

14.1. **Warranty and Indemnity.** Each Working Interest Owner represents and warrants that it is the owner of the respective Working Interests set forth opposite its name in Exhibit "D" and agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising because of Unit Operations; however, such indemnity and any liability for breach of warranty, shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 o'clock a.m. on the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of unit expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of a title failure.

14.2. **Failure Because of Unit Operations.** The failure of title to any Working Interest in any Tract because of Unit operations, including nonproduction from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failure.

14.3. **Title Examination.** Unit Operator is hereby authorized to conduct such title examination and title curative work on any Tract or Tracts (whether owned by Unit Operator or any other Working Interest Owner) as it deems necessary or advisable for time to time; and each Working Interest Owner who owns any interest in any such Tract agrees to cooperate in such title examination and agrees to furnish to Unit Operator all records affecting title, including but not limited to title opinions and abstracts of title, that may be in such Working Interest Owner's possession or control. All costs and expenses incurred in such title examination and curative work conducted for said purposes shall be treated as a direct charge under Unit Expense. Upon request, Unit Operator shall make available to Working Interest Owner, at Unit Operator's convenience, all such records affecting title to Tracts contributed by such Working Interest Owner, including, but not limited to, title opinions and abstracts of title that may be in Unit Operator's possession and control, and Working Interest Owner may have copies of such records made at Working Interest Owner's sole expense.

ARTICLE 15

LIABILITY CLAIMS AND SUITS

15.1. **Individual Liability.** The duties, obligations and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein shall ever be construed as creating a partnership of any kind, joint venture, association or trust among Working Interest Owners.

15.2. **Settlements.** Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Fifty Thousand Dollars ($50,000) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, Unit Operator, working in conjunction with the other Working Interest Owners shall determine the further handling of the claim or suit. All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense, subject to such limitation as is set forth in Exhibit "E". If a claim is made against any Working Interest Owner, of if any Working interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

15.3. **Notice of Loss.** Unit Operator shall report to Working Interest Owners as soon as practicable after each occurrence, damage or loss to Unit Equipment, and each accident, occurrence, claim or suit involving third party bodily injury or property damage which in Unit Operators opinion could result in a claim or loss exceeding Fifty Thousand Dollars ($50,000.00) and which is not covered by insurance carried for the benefit of Working Interest Owners.

ARTICLE 16

NONDISCRIMINATION

16.1. **Nondiscrimination.** During the performance of work under this Agreement, Unit Operator agrees and certifies to all of the Federal Equal Employment Provisions contained in Exhibit "F".

ARTICLE 17

NOTICES

17.1. **Notices.** All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

ARTICLE 18

WITHDRAWAL OF WORKING INTEREST OWNER

18.1. **Withdrawal.** A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title, either expressed or implied, to the Unit Operator all of its Working Interest, together with its interest in all Unit Equipment and in all wells used in Unit Operations, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such transfer. The transferred interest shall be owned by the Unit Operator. Unit Operator shall pay the transferor for its interest in Unit Equipment, the salvage value thereof less its share of the estimated cost of salvaging same and of plugging and abandoning all wells then being used or held for Unit Operations. In the event such withdrawing owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing owner, as a condition precedent to withdrawal, shall pay the Unit Operator, a sum equal to the deficiency. Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to the withdrawing owner for its share of Unit Expense, including any deficiency in salvage value incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing owner has been paid in full within thirty (30) days after the rendering of such final statement by the Unit Operator, the transfer shall be effective the first day of the month following its receipt by Unit Operator and, as of such effective date, withdrawing owner shall be relieved from all further obligations
and liabilities hereunder and under the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

18.2. **Limitation on Withdrawal.** Notwithstanding anything set forth in section 18.1, Unit Operator may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of one-eighth (l/8th) lessor's royalty.

ARTICLE 19

ABANDONMENT OF WELLS

19.1. **Rights of Working Interest Owners Prior to Plugging.** If Unit Operator determines to permanently abandon any well within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of thirty (30) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well for operations in formations other than the Unit Formation in accordance with the provisions of Article 12. Within ten (10) days after Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the net salvage value (including plugging and abandonment) of the equipment, through the wellhead, in and on the well. If no Working Interest Owner elects to take over the well or if Working Interest Owner(s) after electing to take over said well fail to pay the net salvage value within said ten (10) days, (thereby constituting a forfeiture of Working Interest Owners right to take over said well) Unit Operator shall proceed to plug and abandon said well in compliance with applicable laws and regulations. The Working Interest Owners of the Tract, by taking over the well, agree to seal off the Unitized Formation and upon abandonment to plug the well in compliance with applicable laws and regulations.

ARTICLE 20

EFFECTIVE DATE AND TERM

20.l. **Effective Date.** The Unit Operating Agreement, as amended and restated herein, shall become effective as of 7:00 a.m., local time, on June 1, 2006.

20.2. **Term.** This Unit Operating Agreement, as amended and restated herein, shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit Wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 19.1.; and (b) all Unit Equipment and real property acquired for the joint account has been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; and (c) there has been a final accounting.

ARTICLE 21

ABANDONMENT OF OPERATIONS

21.1. **Termination.** Upon termination of the Unit Agreement, the following will occur:

21.1.1. **Oil and Gas Rights.** Oil and Gas rights in and to each separate Tract shall no longer be affected by this Agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

21.1.2. **Right to Operate.** Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage value, of the casing and equipment, through the wellhead, in and on the wells taken over and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.

21.1.3. **Salvaging Wells.** Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

21.1.4. **Cost of Abandonment.** The cost of abandonment of Unit Operations shall be Unit Expense.

21.1.5. **Distribution of Assets.** Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participation.

ARTICLE 22

APPROVAL

22.1. **Original, Counterpart, or Other Instrument.** An owner of a working Interest may approve this Agreement by signing the original, a counterpart thereof, or other instrument approving this Agreement. The signing of any such instrument shall have the same effect as if all Persons had signed the same instrument.

ARTICLE 23

SUCCESSORS AND ASSIGNS

23.1. **Successors and Assigns.** This Agreement shall extend to, be binding upon, and inure to the benefit of the Persons hereto and their respective heirs, devisees, legal representatives,
successors and assigns, and shall constitute a covenant running with the lands, leases and interests covered hereby.

ARTICLE 24

MISCELLANEOUS

24.1. **Choice of Law.** This Agreement and all matters pertaining hereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the laws of the state of Texas.

[The Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Persons hereto have approved this Agreement on the dates opposite their respective signatures.

DENBURY ONSHORE, LLC

By: _____

H. Raymond Dubuisson
Vice President - Land

NGS SUB CORP.

By: _____

Robert S. Herlin
President and Chief Executive Officer

STATE OF TEXAS
COUNTY OF _____

This instrument was acknowledged before me on this _____ day of _____, 2006, by H. Raymond Dubuisson, Vice President-Land of Denbury Onshore, LLC, a Delaware Limited Liability Company, on behalf of said limited liability company.

My Commission Expires:

_____ _____

NOTARY PUBLIC in and for State of Texas

STATE OF TEXAS
COUNTY OF HARRIS

This instrument was acknowledged before me on this _____ day of _____, 2006, by Robert S. Herlin, President and Chief Executive Officer of NGS Sub Corp., a Delaware corporation, on behalf of said corporation.

My Commission Expires:

_____ _____

NOTARY PUBLIC in and for State of Texas

CONVEYANCE, ASSIGNMENT AND BILL OF SALE

STATE OF LOUISIANA §

PARISHES OF FRANKLIN, MADISON §
AND RICHLAND §

KNOW ALL MEN BY THESE PRESENTS:

THAT, **NGS SUB CORP.,** a Delaware corporation, whose address is Two Memorial City Plaza, 820 Gessner Road, Suite 1340, Houston, TX 77024 ("Assignor"), in consideration of Ten Dollars ($10.00) and other good and valuable consideration to it in hand paid, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, BARGAIN, CONVEY, SELL, ASSIGN, TRANSFER and DELIVER unto **DENBURY ONSHORE, LLC**, a Delaware limited liability company, whose address is 5100 Tennyson Parkway, Suite 1200, Plano, Texas 75024 ("Assignee"), effective June 1, 2006 at 7:00 a.m. CST (the "Effective Time"), the assets and properties described in Section I below, except to the extent constituting Excluded Assets, which, after said exclusion, shall be called the "Assets." This Conveyance, Assignment and Bill of Sale (the "Conveyance") relates to those certain Acts of Purchase and Sale Agreement I and Purchase and Sale Agreement II dated as of May 8, 2006, between Assignor and Assignee (collectively referred to as the "Purchase and Sale Agreement"). Each capitalized term used in this Conveyance that is not otherwise defined herein shall have the meaning as set out in the Purchase and Sale Agreement.

I. ASSETS CONVEYED

The Assets shall be comprised of the following, except to the extent constituting Excluded Assets:

(a) Leases -- Any and all rights, titles and interests owned by Assignor, including but without limitation those set forth on Exhibit "A," or which Assignor is entitled to receive by reason of any participation, joint venture, farmin, farmout, joint operating agreement, unitization agreement, or other agreement, in and to the oil, gas and/or mineral leases, permits, licenses, concessions, leasehold estates, royalty interests, overriding royalty interests, net revenue interests, executory interests, net profit interests, working interests, reversionary interests, mineral interests, and any other interests of Assignor in Hydrocarbons, in the Delhi Holt Bryant Unit, Franklin, Madison and Richland Parishes, Louisiana (referred to herein as the "Delhi Holt Bryant Unit as more fully described below), and in those lands located within the aerial boundaries of the Delhi Holt Bryant Unit (the "Delhi Holt Bryant Unit Lands" as more fully described below), it being the intent hereof that the leases, properties and interests and the legal descriptions and depth limitations set forth on Exhibit "A," or in instruments described in Exhibit "A," if any, are for information only and the term "Leases" includes all of Assignor's right, title and interest in the above described Hydrocarbon interests in the Delhi Holt Bryant Unit and in the Delhi Holt Bryant Unit Lands, other than the Excluded Assets, including but not limited to those described on Exhibit "A," or in instruments described in Exhibit "A," even though such interests may be incorrectly described in Exhibit "A" or omitted from Exhibit "A".

For purposes of this Conveyance, the Delhi Holt Bryant Unit in Franklin, Madison and Richland Parishes, Louisiana, shall be as described in and governed by Louisiana Department of Natural Resources, Office of Conservation Orders Nos.96-F, 96-F-1, 96-G-4 and 96-G-5, as amended and supplemented. The Delhi Holt Bryant Unit Lands, being those lands within the aerial boundaries of the Delhi Holt Bryant Unit, as to all depths, are described in Exhibit "A-1". "Hydrocarbons" shall mean crude oil, natural gas, casinghead gas, condensate, sulphur, natural gas liquids and other liquid or gaseous hydrocarbons (including CO_2), and shall also refer to all other minerals of every kind and character which may be covered by or included in the Leases and Assets.

(b) Real Property, Personal Property and Incidental Rights -- All right, title and interest of Assignor in and to or derived from the following, insofar as the same do not constitute Excluded Assets and are attributable to, appurtenant to, incidental to, or used for the operation of the Leases:

(i) All interests in the surface estate in Delhi Holt Bryant Unit Lands, including but not limited to those described on Exhibit “A”;

(ii) All easements, rights-of-way, surface leases, permits, licenses, servitudes or other interests relating to the use of the surface, including but not limited to those described on Exhibit “A,” or in instruments described in Exhibit “A”;

(iii) All wells, including but not limited to those listed on Exhibit “A-2" attached hereto, whether or not such wells are active or inactive, along with all equipment and other personal property, inventory, spare parts, tools, fixtures, pipelines, dehydration facilities, platforms, tank batteries, appurtenances, and improvements situated upon the Leases as of the Effective Time and used or held for use in connection with the development or operation of the Leases or the production, treatment, storage, compression, processing or transportation of Hydrocarbons from or in the wells or Leases;

(iv) All unit agreements, orders and decisions of state and federal regulatory authorities establishing units, joint operating agreements, enhanced recovery and injection agreements, farmout agreements and farmin agreements, options, drilling agreements, exploration agreements, assignments of operating rights, working interests, subleases and rights above or below certain footage depths or geological formations, to the extent same is attributable to the Assets, as of the Effective Time, including but not limited to those described on Exhibit “A”;

(v) All contracts, agreements, and title instruments to the extent attributable to and affecting the Assets in existence at Closing, including all Hydrocarbon sales, purchase, gathering, transportation, treating, marketing, exchange, processing, disposal and fractionating contracts, joint operating agreements, including but not limited to those described on Exhibit “A”; and

(vi) Originals of all lease files, land files, well files, production records, division order files (including paysheets and supporting files), abstracts, title opinions, and contract files, insofar as the same are directly related to the Leases; including, without limitation, all geological, information and data, to the extent that such data is not subject to any third party restrictions, but excluding Assignor's proprietary interpretations of same.

(c) Inventory Hydrocarbons -- All right, title and interest of Assignor in and to all merchantable oil and condensate (for oil or liquids in storage tanks, being only that oil or liquids physically above the top of the inlet connection into such tanks) produced from or attributable to the Leases prior to the Effective Time which have not been sold by Assignor and are in storage at the Effective Time.

II. EXCLUDED ASSETS

There is specifically EXCEPTED and RESERVED from this Conveyance, the following described assets and properties, herein called “Excluded Assets.” As used in this Conveyance, the term "Excluded Assets" shall mean the following:

(a) Assignor saves and excepts from the Conveyance the lessors’ royalty, all overriding royalty and other burdens on production encumbering the Delhi Holt Bryant Unit as of the Effective Time (including, without limiting the foregoing, that certain Act of Sale And Assignment executed on January 31, 2006 but effective as of December 1, 2005, by and between James H. Jones and Kristi S Jones, as Vendors and NGS Sub Corp., as Vendee, it being the intention of the Assignor to convey to the Assignee a net revenue interest of not less than eighty percent (80%) in the Delhi Holt Bryant Unit.

(b) An undivided twenty five percent of eight eighths (25% of 8/8ths) working interest in and to the Assets which are not included in the Delhi Holt Bryant Unit. It being the intent of the Parties that Assignor is hereby conveying to Assignee an undivided seventy five percent of eight eighths (75% of 8/8ths) working interest in the Assets which are not included in the Delhi Holt Bryant Unit, proportionately reduced to the interest owned by Assignor, if any.

(c) Any acquisitions of, or agreements to acquire, royalty interests in the Leases, made by Assignor prior to the Effective Time, which are identified and described in Exhibit "K" of the Purchase and Sale Agreement, and no additional offers to acquire such royalty interest have been or will be made by Assignor after May 1, 2006.

(d) An undivided reversionary working interest of twenty-five percent of eight eighths (25.0% of 8/8ths)) and a net revenue interest of twenty percent of eight eighths (20.0% of 8/8ths)), in the Delhi Holt Bryant Unit, (collectively, the "Reversionary Interests"), at such time as Assignee has achieved "Payout" of the Delhi Holt Bryant Unit. "Payout" shall be defined as that point in time when Assignee has received "Total Net Cash Flow" from Assignee's operation in and on the Delhi Holt Bryant Unit in the amount of two hundred million and no/100 dollars ($200,000,000.00). It being the intent of the Parties that Assignor is hereby conveying to Assignee an undivided one hundred percent (100%) working interest and an eighty percent (80%) net revenue interest in the Delhi Holt Bryant Unit, subject to Assignor's Reversionary Interests. Assignor's Reversionary Interests as set forth above will be proportionately reduced in the event Assignee's actual working interest and/or net revenue interest, respectively, acquired by virtue of this Conveyance are less than those interests set forth above. Assignor's Reversionary Interests shall automatically revert to Assignee once "Payout" has been achieved, without any further action on the part of Assignor. Assignor's Reversionary Interests will be effective on the first day of the month next succeeding the point in time in which "Payout" has occurred. Within fifteen (15) days after "Payout" has occurred, Assignee shall provide Assignor with an Assignment of the Assignee's Reversionary Interests, which will be free and clear of all liens and encumbrances of any kind. Assignor's Reversionary Interests shall be subject to the following additional terms and provisions:

(i) Total Net Cash Flow for purposes of this Conveyance and as utilized in determining when "Payout" has occurred, is defined as being the excess of Net Revenues from the Delhi Holt Bryant Unit over all Operating Costs for the Delhi Holt Bryant Unit, being all costs and expenses to operate, maintain and produce the Delhi Holt Bryant Unit, but excluding capital costs and capital expenditures (including those set forth in Section 3.4 of the Purchase and Sale Agreement). Net revenues are defined as being gross revenues from the Delhi Holt Bryant Unit operations less any applicable federal, state and local taxes (including excise, production, severance, sales, and ad valorem taxes, but excluding any income based taxes) and less revenue attributable to royalties, and any other overriding royalty interests, production payments, net profit interest and similar interests or burdens of record prior to or as of the Effective Time. Operating Costs used in computing Total Net Cash flow shall be the total Delhi Holt Bryant Unit operating costs and expenses (including administrative overhead charges) actually incurred and expended by the Operator and charged to the joint account by the Operator, as set forth in the Accounting Procedure of the Unit Operating Agreement, deemed transportation costs to deliver CO2 to the Delhi Holt Bryant Unit [being the stipulated and agreed costs set forth in Section 1.9 (d)(2) of the Purchase and Sale Agreement], deemed costs for CO2 delivered to the Delhi Holt Bryant Unit [being the stipulated and agreed costs set forth in Section 1.9 (d)(2) of the Purchase and Sale Agreement]. An "mcf" of CO2 shall be 1000 cubic feet of CO2 at standard conditions.

(ii) If CO2 is used by Assignee for enhanced oil production from the Delhi Holt Bryant Unit, Assignee shall act as a reasonable prudent operator in delivering CO2 to the Delhi Holt Bryant Unit in a timely manner and in sufficient quantities to efficiently conduct operations to enhance oil production. Assignee will deliver CO2 to the Delhi Holt Bryant Unit at a fixed transportation cost as set forth in Section 1.9 (d)(2) of the Purchase and Sale Agreement. The agreed cost for the CO2 delivered to the Delhi Holt Bryant Unit will be as set forth in Section 1.9 (d)(2) of the Purchase and Sale Agreement. All CO2 injected into the Delhi Holt Bryant Unit shall be owned by the working interest owners proportionate to their interests. Any CO2 delivered to the Delhi Holt Bryant Unit and used by Assignee for any purpose other than in the Delhi Holt Bryant Unit shall be credited to the Total Net Cash Flow calculation as revenue at the same price that the CO2 is charged as provided in Section 1.9 (d)(2) of the Purchase and Sale Agreement.

(iii) Costs associated with building, owning, operating, and maintaining CO2 pipelines used by Assignee to deliver CO2 to the Delhi Holt Bryant Unit and within the Delhi Holt Bryant Unit, including pipelines from the source field for the CO2, shall not be included in the computation of the costs used to determine Total Net Cast Flow or "Payout", but shall be used in computing the capital expenditure commitment set forth in Section 3.4 of the Purchase and Sale Agreement. All such CO2 pipelines shall be owned solely by Assignee, and Assignor shall not have or be entitled to any interest in such pipelines, reversionary or otherwise.

(iv) Assignor's Reversionary Interests in the Delhi Holt Bryant Unit, after they revert, shall be subject to the terms and provisions of the Unit Operating Agreement. After such Reversionary Interests revert to Assignor, Assignor shall be liable for and shall assume and pay its proportionate working interest share of all subsequent costs associated with its working interest in the Delhi Holt Bryant Unit, including capital costs.

(v) If for any reason Assignor desires not to accept the Reversionary Interests provided for in this Paragraph (d), and the obligations and liabilities associated with such Reversionary Interests, Assignor may decline to accept such Interests by notifying Assignee in writing on or before fifteen (15) days after the effective date of reversion. After receipt of such a notice, Assignor's right to the Reversionary Interests will terminate.

(vi) Prior to Payout Assignee will deliver to Assignor (aa) on a monthly basis operating reports covering revenues, operating expenses, capital expenditures, production and injection volumes and product prices received; and (bb) a quarterly statement (with all supporting documentation) identifying the status of Total Net Cash Flow amounts and Payout Statement for the Delhi Holt Bryant Unit; and (cc) Assignee shall further provide Assignor with quarterly reports including historical and prospective technical information relating to the Delhi Holt Bryant Unit including, but not limited to injection and production data on a field and well basis, well logs, cores, tests and any other data necessary for Assignor to perform its own technical analysis; and (dd) the right to request an annual technical presentation to be presented to Assignor by the appropriate technical staff of Assignee. Assignor shall have the right to conduct an annual audit of the accounts and records of Assignee (at a mutually convenient time during Assignor's normal business hours and in accordance with the Council of Petroleum Accountants Society guidelines and practices for audits by working interest owners) to verify the accounting for the Total Net Cash Flow amount and Payout. Such audits may be performed by Assignor directly or through an independent accounting firm of its choice, but in each case at the Assignor's sole cost and expense. Notwithstanding the above, all Payout accounting by Assignee during any calendar year shall conclusively be presumed true and correct after twenty four (24) months following the end of any such calendar year, unless within the said twenty four (24) month period, Assignor takes written exception thereto and makes claim on Assignee for adjustments.

(c) All trade credits, accounts receivable, notes receivable and other receivables attributable to Assignor's interest in the Assets with respect to any period of time prior to the Effective Time; (ii) all deposits, cash, checks in process of collection, cash equivalents and funds attributable to Assignor's interest in the Assets with respect to any period of time prior to the Effective Time; and (iii) all proceeds, benefits, income or revenues accruing with respect to the Assets prior to the Effective Time;

(d) All corporate, financial, and tax records of Assignor; however, Assignee shall be entitled to receive copies of any tax records which directly relate to any Assumed Obligations, or which are necessary for Assignee's ownership, administration, or operation of the Assets;

(e) All claims and causes of action of Assignor arising from acts, omissions or events, or damage to or destruction of the Assets, occurring prior to the Effective Time; provided, however, Assignor shall transfer to Assignee all claims and causes of action of Assignor against prior owners of the Assets or third parties for Environmental Obligations or Liabilities that are not Retained Environmental Obligations or Liabilities;

(f) Except as otherwise provided in Article 15 of the Purchase and Sale Agreement, all rights, titles, claims and interests of Assignor relating to the Assets prior to the Effective Time (i) under any policy or agreement of insurance or indemnity; (ii) under any bond; or (iii) to any insurance or condemnation proceeds or awards;

(g) All Hydrocarbons produced from or attributable to the Assets with respect to all periods prior to the Effective Time, together with all proceeds from or of such Hydrocarbons, except the Inventory Hydrocarbons and the unsold inventory of gas plant products, if any, attributable to the Leases as of the Effective Time;

(h) Claims of Assignor for refund of or loss carry forwards with respect to production, windfall profit, severance, ad valorem or any other taxes attributable to any period prior to the Effective Time, or income or franchise taxes;

(i) All amounts due or payable to Assignor as adjustments or refunds under any contracts or agreements (including take-or-pay claims) affecting the Assets with respect to any period prior to the Effective Time;

(j) All amounts due or payable to Assignor as adjustments to insurance premiums related to the Assets with respect to any period prior to the Effective Time;

(k) All proceeds, benefits, income or revenues accruing (and any security or other deposits made) with respect to the Assets, and all accounts receivable attributable to the Assets, prior to the Effective Time; and

(l) All of Assignor's intellectual property, including, but not limited to, proprietary computer software, patents, trade secrets, copyrights, names, marks and logos.

III. OBLIGATIONS ASSUMED BY ASSIGNEE

As of the Effective Time, Assignee expressly assumes and agrees to pay, perform, fulfill and discharge the following obligations (the “Assumed Obligations”):

(a) All Environmental Obligations or Liabilities, as defined below, arising after the Effective Time with respect to the Assets, and any Environmental Obligations or Liabilities that (i) relate to naturally occurring radioactive material (“NORM”), or (ii) relate to the plugging and abandonment of the wells listed on Exhibit “A-2” and any related surface restoration of these well sites, or (iii) resulted from or relate to an activity or a condition with the Assets first occurring after the Effective Time;

“Environmental Obligations or Liabilities” as used in this conveyance shall mean all liabilities, obligations, expenses (including, without limitation, all attorneys' fees), fines, penalties, costs, claims, suits or damages (including natural resource damages) of any nature, associated with the Assets, and attributable to or resulting from: (i) pollution or contamination of soil, groundwater or air, on, in or under the Assets or lands in the vicinity thereof, and any other contamination of or adverse effect upon the environment, (ii) underground injection activities and waste disposal, (iii) clean-up responses, remedial, control or compliance costs, including the required cleanup or remediation of spills, pits, lakes, ponds, or lagoons, including any subsurface or surface pollution caused by such spills, pits, lakes, ponds, or lagoons, (iv) noncompliance with applicable land use, permitting, surface disturbance, licensing or notification requirements, including those in a surface or mineral lease, whether an express or implied obligation, (v) all obligations, whether pursuant to an Environmental Law or a surface or mineral lease obligation, whether express or implied, for plugging, replugging and abandoning any wells, the restoration of any well sites, tank battery sites and gas plant sites, and any other surface locations or sites, the proper removal, disposal and abandonment of any wastes or fixtures, and the proper capping and burying of all flow lines, which are included in the Assets; (vi) violation of any federal, state or local Environmental Law or land use law, or surface or mineral lease obligation, whether an express or implied obligation, and (vii) any other violation which could qualify as an Environmental Defect. Notwithstanding anything to the contrary set forth in, or implied by, the above, "Environmental Obligations or Liabilities" does not include (i) personal injury or wrongful death occurring prior to the Effective Time or (ii) offsite waste disposal occurring prior to the Effective Time;

(b) All obligations with respect to gas production, sales or, subject to processing imbalances with third parties;

(c) All liabilities, duties, and obligations that arise out of the ownership, operation or use of the Assets after the Effective Time, including, but not limited to, all liabilities, duties, and obligations, express or implied, imposed upon Assignor herein under the provisions of the Leases and any and all assignments, subleases, farmout agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way, and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, and under all applicable laws, rules, regulations, orders and ordinances, excluding, but not limited to, the claims and suits set forth in Exhibit “F” of the Purchase and Sale Agreement; and

(d) The obligations of Assignor under that certain Site Specific Trust Account as previously set up for the plugging of abandoned wellbores in the Delhi Holt Bryant Unit. Assignee shall within sixty (60) days after the Closing Date provide the requested cash or irrevocable stand-by letter of credit sufficient to assume all of Assignors’ obligations under the Site Specific Trust Account and to cause the Assignor to be released from its financial obligations thereunder.

IV. OBLIGATIONS RETAINED BY ASSIGNOR

As of the Effective Time, Assignor expressly retains and agrees to pay, perform, fulfill and discharge the following obligations (the “Retained Obligations”):

(a) Any Environmental Obligations or Liabilities of any nature related to the Excluded Assets;

(b) All Environmental Obligations or Liabilities arising before the Effective Time, except Environmental Obligations or Liabilities that (a) relate to NORM, or (b) relate to the plugging and abandonment of the wells listed on Exhibit “A-2” and any related surface restoration of these well sites, or (c) resulted from or relate to an activity or a condition with the Assets first occurring after the Effective Time; and

(c) All liabilities, duties, and obligations that arise out of the ownership, operation or use of the Assets prior to the Effective Time, including, but not limited to, all liabilities, duties, and obligations, express or implied, imposed upon Assignor under the provisions of the Leases and any and all assignments, subleases, farmout agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way, and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, and under all applicable laws, rules, regulations, orders and ordinances, including but not limited to the claims and suits set forth in Exhibit "F" to the Purchase and Sale Agreement, except for those specifically included in the definition of "Assumed Obligations."

V. INDEMNIFICATIONS, WARRANTIES AND WAIVERS OF WARRANTIES

ASSIGNEE AGREES TO INDEMNIFY, DEFEND AND HOLD ASSIGNOR AND ASSIGNOR'S EMPLOYEES, OFFICERS AND DIRECTORS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, DEMANDS, LOSSES, DAMAGES, PUNITIVE DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION OR JUDGMENTS OF ANY KIND OR CHARACTER INCLUDING, WITHOUT LIMITATION, ANY INTEREST, PENALTY, REASONABLE ATTORNEYS' FEES AND OTHER COSTS AND EXPENSES INCURRED IN CONNECTION THEREWITH OR THE DEFENSE THEREOF (COLLECTIVELY THE "CLAIMS"), WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO, OR ARISING OUT OF THE ASSUMED OBLIGATIONS.

ASSIGNOR AGREES TO INDEMNIFY, DEFEND AND HOLD ASSIGNEE AND ASSIGNEE'S EMPLOYEES, OFFICERS AND DIRECTORS HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO, OR ARISING OUT OF THE RETAINED OBLIGATIONS.

THE INDEMNIFICATION, RELEASE AND ASSUMPTION PROVISIONS PROVIDED FOR IN THIS CONVEYANCE SHALL BE APPLICABLE WHETHER OR NOT THE LOSSES, COSTS, EXPENSES AND DAMAGES IN QUESTION AROSE SOLELY OR IN PART FROM THE ACTIVE, PASSIVE, COMPARATIVE, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT OF THE PARTIES HERETO.

THIS CONVEYANCE IS MADE WITHOUT WARRANTY OF TITLE, EITHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND WITHOUT RECOURSE, EVEN AS TO THE RETURN OF THE PURCHASE PRICE OR OTHER CONSIDERATION, EXCEPT THAT ASSIGNOR SHALL WARRANT TITLE TO THE ASSETS WITHIN THE DELHI HOLT BRYANT UNIT (AND ONLY SUCH ASSETS) AGAINST ALL CLAIMS, LIENS, BURDENS AND ENCUMBRANCES ARISING BY, THROUGH OR UNDER ASSIGNOR, BUT NOT OTHERWISE AND NOT WITH RESPECT TO ANY IMPAIRMENT OR FAILURE OF TITLE RELATED TO ANY LACK OF PRODUCTION IN PAYING QUANTITIES. THIS CONVEYANCE, ASSIGNMENT AND BILL OF SALE SHALL BE MADE WITH FULL SUBSTITUTION AND SUBROGATION TO ASSIGNEE IN AND TO ALL COVENANTS AND WARRANTIES BY OTHERS HERETOFORE GIVEN OR MADE TO ASSIGNOR WITH RESPECT TO THE ASSETS.

THE EXPRESS REPRESENTATIONS AND WARRANTIES OF ASSIGNOR CONTAINED IN THIS CONVEYANCE ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES, IF ANY, OF OIL, GAS OR OTHER HYDROCARBONS IN OR UNDER THE LEASES, OR THE ENVIRONMENTAL CONDITION OF THE ASSETS. THE ITEMS OF PERSONAL PROPERTY, EQUIPMENT, IMPROVEMENTS, FIXTURES AND APPURTENANCES CONVEYED AS PART OF THE ASSETS ARE SOLD HEREUNDER "AS IS, WHERE IS, AND WITH ALL FAULTS" AND NO WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION, ARE GIVEN BY OR ON BEHALF OF ASSIGNOR. IT IS UNDERSTOOD AND AGREED THAT PRIOR TO CLOSING ASSIGNEE SHALL HAVE INSPECTED THE ASSETS FOR ALL PURPOSES AND HAS SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, AND THAT ASSIGNEE ACCEPTS SAME IN ITS "AS IS, WHERE IS AND WITH ALL FAULTS" CONDITION. ASSIGNEE HEREBY WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR CONDITION, OR CONFORMITY TO SAMPLES.

ASSIGNEE EXPRESSLY WAIVES THE WARRANTY OF FITNESS FOR INTENDED PURPOSES OR GUARANTEE AGAINST HIDDEN OR LATENT REDHIBITORY VICES UNDER LOUISIANA LAW, INCLUDING LOUISIANA CIVIL CODE ARTICLES 2520 (1870) THROUGH 2548 (1870), AND THE WARRANTY IMPOSED BY LOUISIANA CIVIL CODE ARTICLE 2475; ASSIGNEE WAIVES ALL RIGHTS IN REDHIBITION PURSUANT TO LOUISIANA CIVIL CODE ARTICLE 2520, ET SEQ; ASSIGNEE ACKNOWLEDGES THAT THIS EXPRESS WAIVER IS A MATERIAL AND INTEGRAL PART OF THIS SALE AND THE CONSIDERATION THEREOF; AND ASSIGNEE ACKNOWLEDGES THAT THIS WAIVER HAS BEEN BROUGHT TO THE ATTENTION OF ASSIGNEE AND EXPLAINED IN DETAIL AND THAT ASSIGNEE HAS VOLUNTARILY AND KNOWINGLY CONSENTED TO THIS WAIVER OF WARRANTY OF FITNESS AND/OR WARRANTY AGAINST REDHIBITORY VICES AND DEFECTS FOR THE ABOVE DESCRIBED PROPERTY.

VI. PREFERENTIAL RIGHT TO PURCHASE

This Conveyance is made expressly subject to a Preferential Right to Purchase, the terms and conditions of which are as follows:

(a) In the event Assignor or Assignee receives a bona fide offer from a third party to purchase all or a part of the interests of Assignor (reserved overriding royalty interest or reversionary working interest, before or after reversion) or Assignee (the "Selling Party") in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest (including interests hereafter owned or acquired), and once the Selling Party and a proposed transferee have fully negotiated the principal terms and conditions of a transfer (which principal terms shall include all material terms and conditions necessary for a purchaser to make an informed decision including, but not necessarily limited to, price, timing, scope, character and description of the interests to be transferred, agreed indemnities, reservations and exclusions), Selling Party shall disclose such principal terms and conditions in detail to the other party to this Conveyance (the "Receiving Party") in a written notice. Receiving Party shall have the right to acquire the interest proposed to be transferred from the Selling Party on the same terms and conditions agreed to by the proposed transferee if, within ten (10) Days after receipt of Selling Party's written notice, the Receiving Party delivers to the Selling Party a counter-notification that Receiving Party accepts the agreed upon terms and conditions of the transfer without reservations or conditions. If the Receiving Party does not deliver such counter-notification, the transfer to the proposed transferee may be made, subject to the provisions of this Conveyance, under terms and conditions no more favorable to the transferee than those set forth in the notice to Receiving Party, provided that the transfer shall be concluded within one hundred eighty (180) days from the date of Assignee's receipt of Selling Party's written notice. In the event the proposed sale of the interest to a third party is timely consummated, the preferential right to purchase shall no longer attach to the interest transferred to the third party. In the event the proposed sale of the interest to the third party is not consummated, then the preferential right to purchase such interest shall be reinstated as to any future offers to purchase the interest.

(b) In the event Selling Party's proposed transfer of part or all of its interest in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest, involves consideration other than cash or involves other properties included in a wider transaction (package deal), then the interest to be assigned by Selling Party (or part thereof) shall be allocated a reasonable and justifiable cash value in the notification to Receiving Party. Receiving Party may satisfy the requirements of this Article 19.1 by agreeing to pay such cash value in lieu of the consideration payable in the third-party offer.

(c) The preferential right to purchase shall be applicable to any transfer of all or a portion of a Selling Party's interest in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest, whether directly or indirectly by assignment, merger, consolidation, or sale of stock, or other conveyance, other than with or to an affiliate, subsidiary, or parent company existing as of the date of the Purchase and Sale Agreement, and provided further, the preferential right to purchase shall not apply if the Selling Party is selling or transferring all or substantially all of its oil and gas assets, and such oil and gas assets being sold include oil and gas assets other than interests in the Delhi Holt Bryant Unit, Delhi Holt Bryant Unit Lands, or other jointly owned lands within the Area of Mutual Interest.

VII. MISCELLANEOUS PROVISIONS

Assignor and Assignee agree, when requested, to take all such further actions and execute, acknowledge and deliver all such further documents that are necessary or useful in carrying out the purposes of this Conveyance. So long as authorized by applicable law so to do, (i) Assignor agrees to execute, acknowledge and deliver to Assignee all such other additional instruments, notices, division orders, transfer orders and other documents and to do all such other and further acts and things as may be necessary to more fully and effectively convey and assign to Assignee the Assets conveyed hereby or intended so to be conveyed; and (ii) Assignee agrees to execute, acknowledge and deliver to Assignor all such other additional instruments, notices, division orders, transfer orders and other documents and to do all such other and further acts and things as may be necessary to more fully and effectively evidence Assignor's rights in and to the Excluded Assets. Without limiting the foregoing, in the event Exhibit "A" incorrectly or insufficiently describes or references or omits the description of a property or interest intended to be conveyed hereby, Assignor agrees to, within twenty (20) days of Assignor's receipt of Assignee's written request, together with supporting documentation satisfactory to Assignor, correct such Exhibit and/or execute an amended assignment or other appropriate instruments necessary to transfer the property or interest intended to be conveyed hereby to Assignee.

All exhibits attached to this Conveyance, and the terms of those exhibits which are referred to in this Conveyance, are made a part hereof and incorporated herein by reference. References in such exhibits to instruments on file in the public records are made for all purposes. Unless provided otherwise, all recording references in such exhibits are to the appropriate records of the parishes in which the Assets are located.

If any provision of this Conveyance is found by a court of competent jurisdiction to be invalid or unenforceable, that provision will be deemed modified to the extent necessary to make it valid and enforceable, and if it cannot be so modified, it shall be deemed deleted and the remainder of the Conveyance shall continue and remain in full force and effect.

All the terms, provisions, covenants, obligations, indemnities, representations, warranties and conditions of this Conveyance shall be covenants running with the land and shall inure to the benefit of and be binding upon, and shall be enforceable by, the parties hereto and their respective successors and assigns. Any subsequent transfer of all or any part of the Assets conveyed and assigned herein shall be made expressly subject to the terms and provisions of this Conveyance.

This Conveyance is made subject to the Purchase and Sale Agreement, and all terms and conditions of said Purchase and Sale Agreement are incorporated herein by reference to the same extent and with the same effect as if copied in full herein. In the event of a conflict between the terms and conditions of this Conveyance and the said Purchase and Sale Agreement, the Purchase and Sale Agreement shall govern and control.

TO HAVE AND TO HOLD unto Assignee, its successors and assigns, forever.

IN WITNESS WHEREOF, the undersigned have executed this instrument on the dates of the respective acknowledgments annexed hereto, but effective as of the above-stated Effective Time.

WITNESSES:

_____

_____

ASSIGNOR:

NGS SUB CORP.

By: _____

Robert S. Herlin
President & CEO

ASSIGNEE:

_____

_____

DENBURY ONSHORE, LLC

By: _____

H. Raymond Dubuisson
Vice President-Land

STATE OF TEXAS,

COUNTY OF HARRIS.

On this _____ day of _____, 2006, before me personally appeared Robert S. Herlin, to me personally known, who, being by me duly sworn, did say that he is the President & CEO of **NGS SUB CORP.,** a Delaware corporation, and that the foregoing instrument was signed and delivered on behalf of the corporation by authority of its Board of Directors and that he acknowledged the instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public in and for the State of Texas

STATE OF TEXAS,

COUNTY OF COLLIN

On this _____ day of _____, 2006, before me personally came and appeared H. Raymond Dubuisson, to me known, who, being by me duly sworn, did say that he is the Vice President-Land for DENBURY ONSHORE, LLC, a Delaware limited liability company, that he signed the foregoing instrument on behalf of said limited liability company and as the free act and deed of said limited liability company.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public in and for the State of Texas