
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): December 18, 2007

GULFPORT ENERGY CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-19514
(Commission File Number)

73-1521290
(I.R.S. Employer
Identification Number)

**14313 North May Avenue,
Suite 100,
Oklahoma City, Oklahoma**
(Address of principal executive offices)

73134
(Zip code)

(405) 848-8807
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

Gulfport Energy Corporation (“Gulfport”) has previously reported that on November 30, 2007 it entered into a definitive agreement (the “Option Agreement”) with Windsor Permian LLC, an affiliated company (“Windsor Permian”). Under the Option Agreement, Gulfport had the right to participate on a 50/50 basis with Windsor Permian in the acquisition of certain strategic assets in Upton County, Texas in the Permian Basin (the “Assets”). Under the Option Agreement, Gulfport had an irrevocable, unconditional option (the “Option”) to purchase a direct, undivided 50% interest in the Assets for 50% of the aggregate purchase price (subject to closing adjustments) and also receive a proportionate assignment of Windsor Permian’s rights under the related purchase agreement (the “Purchase Agreement”). In addition, in connection with such acquisition, Gulfport would assume 50% of certain obligations assumed by Windsor Permian under the Purchase Agreement. Gulfport paid Windsor Permian \$8.5 million for the Option, which amount was applied to Gulfport’s portion of the purchase price for the acquisition. On December 12, 2007, Gulfport exercised the Option and on December 18, 2007, the Purchase Agreement was amended to, among other things, add Gulfport as a buyer under the Purchase Agreement. On December 20, 2007, the acquisition was closed. See the discussion in Item 2.01 below, which is incorporated herein by reference.

The foregoing description of the Purchase Agreement, as amended, is qualified in its entirety by the full text of the documents attached hereto as Exhibit 2.1 and 2.2 and incorporated by reference in this report.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On December 20, 2007, Gulfport and Windsor Permian completed the acquisition of the Assets from Ambrose Energy I, Ltd. and certain other parties listed in the Purchase Agreement as sellers for the aggregate purchase price of approximately \$170.0 million, subject to certain post-closing adjustments. The effective date of the acquisition is November 1, 2007. Each of Gulfport and Windsor Permian acquired a direct, undivided 50% interest in the Assets for 50% of the aggregate purchase price. Gulfport’s portion of the purchase price was funded through the issuance of 4.5 million shares of Gulfport’s common stock in an underwritten public offering and borrowings under its revolving credit facility. The Purchase Agreement and the amendment adding Gulfport as a party to the Purchase Agreement are attached to this Current Report on Form 8-K as Exhibits 2.1 and 2.2., respectively, and are incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

On December 20, 2007, Gulfport issued a press release announcing that it has successfully closed the acquisition of its interest in the Assets for approximately \$85.0 million. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K, which shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--|
| 2.1 | Purchase and Sale Agreement, dated as of November 28, 2007, by and among Ambrose Energy I, Ltd. and each of the other persons, which are listed as a party seller, and Windsor Permian. |
| 2.2 | Second Amendment to the Purchase and Sale Agreement, dated as of December 18, 2007, by and among Ambrose Energy I, Ltd., each of the other parties which are listed as a party seller, Windsor Permian and Gulfport. |
| 99.1 | Press release, dated December 20, 2007, entitled “Gulfport Energy Closes Permian Asset Acquisition.” |

SIGNATURE

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 thereunto duly authorized.

GULFPORT ENERGY CORPORATION

Date: December 21, 2007

By: /s/ MICHAEL G. MOORE

Michael G. Moore
Chief Financial Officer

Exhibit Index

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is made and entered into this 28th day of November 2007, by and between Ambrose Energy I, Ltd., a Texas limited partnership, and each of the other persons, which are listed as a party Seller on the signature pages and which execute a counterpart of this Agreement, (all of the foregoing described parties are referred to collectively as "Seller" or "Parties Seller" and individually as a "Party Seller,"), and Windsor Permian LLC, a Delaware limited liability company ("Buyer"). Buyer and Seller are collectively referred to herein as the "Parties", and are sometimes referred to individually as a "Party."

WITNESSETH:

WHEREAS, Seller is willing to sell to Buyer, and Buyer is willing to purchase from Seller, all of Seller's right, title, and interest in and to the Assets, all upon the terms and conditions hereinafter set forth:

NOW, THEREFORE, in consideration of the mutual benefits derived and to be derived from this Agreement by each party, Seller and Buyer hereby agree as follows:

ARTICLE I**Assets**

Section 1.01 Agreement to Sell and Purchase. Subject to and in accordance with the terms and conditions of this Agreement, Seller agrees to sell and Buyer agrees to purchase the Assets from Seller.

Section 1.02 Assets. Subject to Section 1.03, the term "Assets" shall mean all of Seller's right, title and interest in and to the following:

- (a) the oil, gas, and mineral leases described in Exhibit A (collectively, the "Leases"), and any other oil, gas, and mineral leasehold interests, overriding royalty interest, non-working or carried interests, operating rights, record title and other similar interests in the Leases (collectively, the "Subject Interests" or, singularly, a "Subject Interest"), together with:
 - (i) all rights with respect to any pooled, communitized or unitized interest by virtue of any Subject Interest being a part thereof, and
 - (ii) all oil, gas, other liquid or gaseous hydrocarbons or combination therewith attributable to the Subject Interests after the Effective Time, and from any such pool or unit and allocated to any such Subject Interest ("Hydrocarbons");
- (b) all easements, rights-of-way, servitudes, surface leases, surface use agreements and other rights or agreements related to the use of the surface and subsurface, in each case to the extent directly used in connection with

the operation of the Subject Interests, including but not limited to those recorded agreements described in Exhibit B hereto (collectively, the “Surface Agreements”), together with all fixtures and improvements situated upon such real property and directly used in the operation of the Subject Interests;

- (c) to the extent assignable or transferable, all permits, licenses, franchises, consents, approvals, and other similar rights and privileges (the “Permits”), in each case to the extent directly used in connection with the operation of the Subject Interests;
- (d) all real and personal property, and fixtures including without limitation, structures, wellhead equipment, pumps, pumping units, flowlines, gathering systems, pipe, tanks, buildings, treatment facilities, injection facilities, disposal facilities, compression facilities and other materials, supplies, and facilities, equipment, machinery, fixtures, spare parts, inventory and other personal property used directly in connection with the operation of the Assets or in connection with the production, treatment, compression, gathering, transportation, sale or disposal of oil, gas or other hydrocarbons produced from or attributable to the Subject Interests (collectively the “Facilities”); and any water, byproducts or waste produced therefrom or therewith or otherwise attributable thereto, including all wells drilled on lands covered by the Leases or lands pooled or unitized therewith (whether producing, shut in or abandoned, and whether for production, produced water injection or disposal, or otherwise), including but not limited to those described in Exhibit C (collectively, the “Wells”),
- (e) to the extent assignable or transferable, all rights to operations of any of the Wells which are being operated by Seller, ExL Petroleum, LP (“ExL”), a contract operator affiliated with Seller, or any other agent or affiliate of Seller, will be assigned by such operating entity to Buyer or a contract operator affiliated with Buyer;
- (f) to the extent assignable or transferable, all contracts, agreements, equipment leases, production sales and marketing contracts, farmout and farmin agreements, operating agreements, service agreements, unit agreements, gas gathering and transportation agreements, equipment leases and rental contracts, service agreements, supply agreements and other contracts, agreements, and arrangements and other contracts, agreements and arrangements that directly relate to the Subject Interests or the Surface Agreements, including but not limited to those described in Exhibit D hereto (collectively, the “Contracts”); and
- (g) to the extent assignable or transferable, originals (or copies to the extent that Seller or its agent or affiliate does not possess originals) of all books,

records, files, maps, databases, geological and geophysical data, including computer files in Seller's possession, or in the possession of Seller's agent or contractors and subject to retrieval by Seller, relating to the Subject Interests and/or the Wells, or the maintenance or operations thereof, including, but not limited to, all title opinions, maps, drilling reports, all electronic files, data, programs and software, logs, seismic, and geophysical data, analyses and information, and all other records and data relating to the land, title, geological, engineering, accounting and operational matters, regardless of the form of media on which it is stored, that, in each case, relate to the Subject Interests and/or the Wells, which are in the possession or control of Seller (the "Records").

Section 1.03 Excluded Assets. Notwithstanding the foregoing, the Assets shall not include, and there is excepted, reserved, and excluded from the sale, transfer, and assignment contemplated hereby the following (collectively, the "Excluded Assets"): (a) all trade credits and all accounts, accounts receivable, checks, funds, promissory notes, instruments and general intangibles (as such terms are defined in the Texas Uniform Commercial Code) attributable to the Assets with respect to any period of time prior to the Effective Time; (b) all claims and causes of action of Seller (i) arising from acts, omissions or events, or damage to or destruction of property, occurring prior to the Effective Time, (ii) arising under or with respect to any of the Contracts that are attributable to periods of time prior to the Effective Time (including claims for adjustments or refunds), or (iii) with respect to any of the other Excluded Assets; (c) all rights and interests of Seller (i) under any policy or agreement of insurance or indemnity, (ii) under any bond, or (iii) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of property, occurring prior to the Effective Time; (d) all Hydrocarbons produced from or attributable to the Subject Interests with respect to all periods prior to the Effective Time, together with all proceeds from the sale of such Hydrocarbons; (e) all claims of Seller for refunds of or loss carry forwards with respect to (i) ad valorem, severance, production or any other taxes attributable to any period prior to the Effective Time, (ii) income, margin or franchise taxes, or (iii) any taxes attributable to the other Excluded Assets, and such other refunds, and rights thereto, for amounts paid in connection with the Assets and attributable to the period prior to the Effective Time, including refunds of amounts paid under any gas gathering or transportation agreement; (f) 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; (g) all proceeds, income or revenues (and any security or other deposits made) attributable to (i) the Assets for any period prior to the Effective Time, or (ii) any other Excluded Assets; (h) all vehicles, personal computers and associated peripherals and all radio, telephone and other communication equipment; (i) all of Seller's proprietary computer software, technology, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property; (j) all of Seller's rights and interests in geological and geophysical data that cannot be transferred without the consent of, or payment to, any third party; (k) all documents and instruments of Seller that may be protected by an attorney-client privilege; (l) data and other information that cannot be disclosed or assigned to Buyer as a result of confidentiality or similar arrangements under agreements with persons unaffiliated with Seller; (m) all audit rights arising under any of the Contracts or otherwise with respect to any period prior to the Effective Time; (n) deleted; (o) all corporate, partnership, income tax and financial records of Seller; (p) all (i)

agreements and correspondence between Seller and any advisor of Seller (the "Advisor") relating to the transactions contemplated in this Agreement, (ii) lists of prospective purchasers for such transactions compiled by either Seller or the Advisor, (iii) bids submitted by other prospective purchasers of the Assets, (iv) analyses by Seller or the Advisor of any bids submitted by any prospective purchaser, (v) correspondence between or among Seller or Advisor, or either of their respective representatives, and any prospective purchaser other than Buyer, and (vi) correspondence between Seller or Advisor or any of their respective representatives with respect to any of the bids, the prospective purchasers, the engagement or activities of the Advisor, or the transactions contemplated in this Agreement; and (q) all of Duncan Chisholm's and/or Ironwood Exploration LLC's rights and interests in all seismic and geophysical data and information related to the Owens Area 3-D Seismic Project and acquired pursuant to that certain Letter Agreement dated July 14, 2000, among John L. Cox, Douglas H. Christensen and Duncan Chisholm.

ARTICLE II

Purchase Price

Section 2.01 Purchase Price. The total consideration for the purchase, sale, and conveyance of the Assets to Buyer is Buyer's payment to Seller of the sum of One Hundred Seventy Million and No/100's Dollars (\$170,000,000.00) (the "Purchase Price"), as adjusted in accordance with the provisions of this Agreement; and the assumption of the Assumed Obligations.

Section 2.02 Allocated Value(s). The Purchase Price is allocated among the Assets by Buyer, as set forth in Exhibit F (the "Allocated Value(s)"). Seller and Buyer agree that the Allocated Value(s) shall be used to compute any adjustments to the Purchase Price pursuant to the provisions of Article IV. Any subsequent adjustments to the Purchase Price hereunder shall be reflected in the allocation hereunder consistent with Treasury Regulation § 1.1060-IT(f). For tax purposes, the Parties agree to report the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, including the allocations set forth above as of the Closing Date, and that neither Party will take any position inconsistent therewith, including in any tax return, in any refund claim, in any litigation or arbitration or otherwise.

Section 2.03 Earnest Money Deposit. Concurrently with the execution of this Agreement by Buyer and Seller, Buyer shall deposit with Seller, by wire transfer of immediately available funds to an account designated by Seller, 10% of the Purchase Price or Seventeen Million Dollars (\$17,000,000.00) as an earnest money deposit (the "Earnest Money Deposit") to assure Buyer's performance of its obligations under this Agreement. If Closing occurs, the Earnest Money Deposit, together with interest earned thereon, will be applied to the Adjusted Purchase Price. If Closing fails to occur, the Earnest Money Deposit shall be handled in accordance with Section 16.02 hereof.

Section 2.04 1031 Exchange. Seller, in lieu of the sale of the Assets to Buyer for the cash consideration provided herein, shall have the right at any time prior to Closing to assign all or a portion of its rights under this Agreement to a qualified intermediary, in order to accomplish the transaction in a manner that will comply, either in whole or in part with the requirements of a

like-kind exchange pursuant to §1031 of the Internal Revenue Code of 1986, as amended. In the event Seller does assign its rights under this Agreement pursuant to this Article 2.04, Seller agrees to notify Buyer in writing of such assignment not less than seven (7) days before Closing. If Seller assigns its rights under this Agreement, Buyer agrees to (i) consent to Seller's assignment of its rights in this Agreement, and (ii) deposit at Closing with the qualified escrow or qualified trust account the Purchase Price, as adjusted pursuant to this Agreement, i.e. subject to the Purchase Price Adjustments on the Pre-Closing Statement, in immediately available funds pursuant to wire transfer instructions to be provided by Seller to Buyer, before the Closing Date. Seller indemnifies Buyer for any cost, claim or liability arising from any assignment by Seller pursuant to the provisions of this Section.

ARTICLE III

Effective Time

If the transactions contemplated hereby are consummated in accordance with the terms and provisions hereof, the ownership of the Assets shall be transferred from Seller to Buyer on the Closing Date, but effective for all purposes as of 7:00 a.m. local time at the location of the Assets on November 1, 2007 (the "Effective Time"), which shall be consummated by assignments in the forms of the Assignment, Bill of Sale, and Conveyance attached hereto as Exhibit G, (the "Assignments"), containing a special warranty of title from Seller to Buyer as to the Leases and Wells being conveyed thereby in the form stated therein, subject to Permitted Encumbrances and the terms of this Agreement. Buyer shall be entitled to be paid, or credited for, any and all revenues or other amounts realized from or accruing to the Assets subsequent to the Effective Time and shall be responsible for all expenses for the development and operation of the Assets subsequent to the Effective Time. Seller shall be entitled to retain any and all revenues and other amounts realized from and accruing to the Assets prior to the Effective time, and shall be responsible for all expenses for the development and operations of the Assets incurred prior to the Effective Time.

ARTICLE IV

Title and Environmental Matters

Section 4.01 Examination Period.

After the execution of this Agreement until 5:00 p.m., local time in Midland, Texas on December 7, 2007 (the "Examination Period"), at Buyer's sole cost and risk, Seller

- (a) shall permit Buyer and/or its representatives to examine, at reasonable times during normal business days and hours and in Seller's offices, all abstracts of title, title opinions, title files, ownership maps, lease, well and division order files, assignments, operating and accounting records and all Surface Agreements, Permits, Contracts, and other agreements pertaining to the Assets insofar as same may now be in existence and in the possession or control of Seller, subject to such restrictions upon disclosure as may exist under confidentiality or other agreements binding upon Seller or such data; and

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- (b) shall provide access to the Assets in order for Buyer to conduct a Phase I environmental site assessment, as that term is defined by the Association of Standards, Tests and Measurements. Except as otherwise required by law, such Phase I environmental site assessment, and all reports, drafts, data, and analyses relating thereto shall remain strictly confidential and Buyer shall not disclose the same to any third party without the prior written consent of Seller which shall not be unreasonably withheld.

Section 4.02 Title Matters.

(a) Definition of Defensible Title.

- (i) As used in this Agreement, the term “Defensible Title” shall mean, subject to Permitted Encumbrances, that title of Seller evidencing its ownership of the Assets which is filed and deducible of record (to the extent constituting real property), including the federal and state records for federal and state leases (as applicable), and is free from doubt such that a prudent person engaged in the business of ownership, development, and operation of producing oil and gas properties, with knowledge of all of the facts and their legal effect, would be willing to accept the same;
- (ii) With respect to each Well or Well location shown on Exhibit C, title thereto which entitles Seller to receive not less than the percentage set forth in Exhibit C as Seller’s Net Revenue Interest of all Hydrocarbons produced, saved, and marketed from such Well or Well location as to the currently producing interval in each such Well and as to the interval or zone identified on Exhibit C with respect to each such non-producing Well or Well location, all without reduction, suspension or termination of such interest throughout the productive life of such Well or Well location, except as specifically set forth in such Exhibit C;
- (iii) With respect to each Well or Well location shown on Exhibit C, obligates Seller to bear not greater than the percentage set forth in Exhibit C as Seller’s Working Interest of the cost and expenses relating the maintenance, development, and operation of such Well or Well location as to the currently producing interval in each such Well and as to the interval or zone identified in Exhibit C with respect to each non-producing Well or Well location, all without increase throughout the productive life of such Well or Well location, except as specifically set forth in Exhibit C, and except to the extent such increase is accompanied by a proportionate increase in the Net Revenue Interest of such Well or Well location; and
- (iv) Entitles Seller to hold title to the interest in the Subject Interests, Leases, and Wells set forth in Exhibit C free and clear of all liens and encumbrances, obligations or defects (except for Permitted Encumbrances, as defined in this Section 4.02(h), below).

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- (b) Definition of Title Defect. As used in this Agreement, the term “Title Defect” shall mean any defect which alone, or in conjunction with other defects, causes Seller not to have Defensible Title to the Subject Interest, Lease, or Well.
- (c) Title Adjustment. There shall not exist at Closing hereunder any uncured Title Defects asserted by Buyer except where:
- (i) adjustments therefor will be made to the Purchase Price payable hereunder in accordance with the provisions of this Agreement;
 - (ii) Buyer has elected to attempt to cure any such Title Defect pursuant to Section 4.04(g); or
 - (iii) Buyer has elected to waive any such Title Defects.
- (d) “Defect Value” shall be determined based upon the criteria set forth below:
- (i) If the Title Defect is a lien upon any such Subject Interest, Lease or Well, the Title Defect Value is the amount necessary to be paid to remove the lien from the affected Subject Interest, Lease or Well.
 - (ii) If the Title Defect asserted is that the Net Revenue Interest (as that term is defined in Section 4.02(f), below) attributable to any Lease or Well is less than that stated in Exhibit C, then the Title Defect Value is the product of the Allocated Value (as that term is defined in Section 4.02(e) below) attributed to such Lease or Well, multiplied by a fraction, the numerator of which is the difference between the Net Revenue Interest applicable thereto set forth in Exhibit C and the actual Net Revenue Interest, as determined by Buyer, and the denominator of which is the applicable Net Revenue Interest stated in Exhibit C.
 - (iii) If the Title Defect represents an obligation, encumbrance, burden or charge upon the affected Lease or Well [including any increase in Working Interest (as that term is defined in Section 4.02(g), below) for which there is not a proportionate increase in Net Revenue Interest] for which the economic detriment to Buyer is unliquidated, the amount of the Title Defect Value shall be mutually determined by Buyer and Seller by taking into account the Allocated Value of the affected Lease or Well, the portion of the Lease or Well affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the remaining life of the affected Lease or Well, and the respective Title Defect Values placed upon this Title Defect by Buyer and Seller.

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- (iv) If a Title Defect is not in effect, or does not adversely affect a Lease or Well throughout the entire productive life of such Lease or Well, such fact shall be taken into account in determining the Title Defect Value.
 - (v) The Title Defect Value of each Title Defect shall be determined without duplication of any costs or losses included in the Title Defect Value of any other Title Defect hereunder.
 - (vi) Notwithstanding anything herein to the contrary, in no event shall a Title Defect Value exceed the Allocated Value of the Lease(s), Well(s), or other Assets affected thereby; and
 - (vii) Such other factors as are reasonably necessary to make a proper evaluation.
- (e) "Allocated Value" attributed to each Lease or Well shall be that which is set forth on Exhibit F to this Agreement.
 - (f) "Net Revenue Interest" shall mean Seller's interest in and to all production of Hydrocarbons saved, produced and sold or which can be produced and sold from any Well or Lease after giving effect to all valid lessor's royalties, overriding royalties, production payments, carried interest, liens, and other encumbrances or charges against production therefrom.
 - (g) "Working Interest" shall mean with respect to the Leases and the Wells, Seller's interest in and to the full and entire leasehold estate created under and by virtue of the Leases and all rights and obligations of every kind and character appurtenant thereto or arising therefrom, without regard to any valid lessor's royalty, overriding royalties, production payments, carried interest, liens, or other encumbrances or charges against production therefrom insofar as such interest in said leasehold estate is burdened with the obligation to bear and pay costs of operations.
 - (h) "Permitted Encumbrances" shall mean:
 - (i) any (x) undetermined or inchoate liens or charges constituting or securing the payment of expenses that were incurred incidental to the maintenance, development, production or operation of the Assets or for the purpose of developing, producing or processing Hydrocarbons therefrom or therein, and (y) materialman's, mechanics', repairman's, employees', contractors', operators' liens or other similar liens or charges for liquidated amounts arising in the ordinary course of business: (A) that Seller has agreed to retain or pay pursuant to the terms hereof, or (B) for which Seller is responsible for paying or releasing at the Closing.

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- (ii) any liens for taxes and assessments not yet delinquent or, if delinquent, that are being contested in good faith in the ordinary course of business and for which Seller has agreed to pay pursuant to the terms hereof or which have been prorated pursuant to the terms hereof.
 - (iii) the terms, conditions, restrictions, exceptions, reservations, limitations and other matters contained in (including any liens or security interests created by law or reserved in oil and gas leases or royalty, bonus or rental, or created to secure compliance with the terms of) the Leases, Contracts or Surface Agreements; provided, that, such matters do not operate to (x) reduce the Net Revenue Interest of Seller in any Lease or Well as reflected in Exhibit C hereto or (y) increase the proportionate share of costs and expenses of leasehold operations attributable to or to be borne by the Working Interest of Seller with respect to any Lease or Well as reflected in Exhibit C hereto, unless there is a proportionate increase in Seller's applicable Net Revenue Interest;
 - (iv) any (x) easements, rights-of-way, servitudes, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, lodging, canals, ditches, reservoirs or the like, and (y) 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, in either case which do not materially affect the ownership and operation of the Assets affected or the value thereof;
 - (v) all royalties, overriding royalties, net profits interests, carried interests, production payments, reversionary interests and other burdens on or deductions from the proceeds of production created or in existence as of the Effective Time, which recorded or unrecorded, that do not operate to reduce the Net Revenue Interests of Seller set forth on Exhibit C, or increase the Working Interests of Seller set forth on Exhibit C without a corresponding increase in its Net Revenue Interests;
 - (vi) all rights to consent by, required notices to, filings with, or other actions by Governmental Authorities in connection with the sale, transfer or conveyance of the Assets that are customarily obtained subsequent to such sale or conveyance;
 - (vii) rights reserved to or vested in any Governmental Authority to control or regulate any of the Leases or units included in the Assets and the applicable laws, rules, and regulations of any such Governmental Authority;
 - (viii) conventional rights of reassignment arising upon decision to surrender or abandon an interest;

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- (ix) any Title Defects Buyer may have expressly waived;
 - (x) preferential rights to purchase or similar agreements, subject to Section 4.05A;
 - (xi) required third party consents to assignment or similar agreements with respect to which (a) waivers or consents are obtained from the appropriate parties for the transaction contemplated hereby or (b) required notices have been given for the transaction contemplated hereby to the holders of such rights and the appropriate period for asserting such rights has expired without an exercise of such rights;
 - (xii) liens and security interests which are released at Closing pursuant to Section 10.07; and
 - (xiii) that certain net profits overriding royalty interest conveyed by Ambrose Energy I, Ltd. to TCW Energy Funds X Holdings, L.P. pursuant to that certain Conveyance of Net Profits Overriding Royalty Interest dated as of February 16, 2006, as amended by First Supplement dated effective as of July 1, 2006, and by Second Supplement dated effective as of November 1, 2007 (the "TCW Net Profits Interest"), which is reassigned by TCW Energy Funds X and XIV Holdings, L.P. to Ambrose Energy I, Ltd. at or before Closing pursuant to Section 10.07.
- (i) "Governmental Authority" shall mean, as to any given Asset, the United States and the state, county, parish, city and political subdivisions in which such Asset is located and that exercises jurisdiction over such Asset, and any agency, department, board or instrumentality thereof that exercises jurisdiction over such Asset.

Section 4.03 Title Review. At its sole cost and expense, Buyer shall commence and diligently pursue such examination of title to the Assets as Buyer desires and may continue such examination through the Closing Date, as defined in Section 10.01, below.

Section 4.04 Determination of Title Defects and the Defect Values.

- (a) Buyer shall notify Seller in writing of any claimed Title Defect on or before December 7, 2007 (the "Title Defects Notice"). The Title Defects Notice shall:
- (i) set forth in reasonable detail the Leases or Wells with respect to which a claimed Title Defect is made,
 - (ii) the nature of such claimed Title Defect, and

(iii) Buyer's proposed calculation of the value of each claimed Title Defect (the "Defect Value Adjustment").

Any Title Defect that is not identified in the Title Defect Notice shall thereafter be forever waived and expressly assumed by Buyer, except for any Title Defect that constitutes a breach of Seller's special warranty of title contained in the form of Assignment attached hereto as Exhibit G. Closing shall occur notwithstanding the Title Defects identified by Buyer, subject to Section 10.03.

- (b) Within five (5) days after Seller's receipt of the Title Defects Notice, Seller shall give written counter-notice ("Seller's Notice") to Buyer that it
- (i) intends to correct or cure any or all of the asserted Title Defects,
 - (ii) agrees with such Title Defect and rather than correcting the Title Defect agrees to the Defect Value Adjustment,
 - (iii) it agrees with the Title Defect, does not want to correct the Title Defect, but does not agree to the amount of the Defect Value Adjustment, or
 - (iv) it disagrees that the asserted Title Defect exists.
- (c) If Seller's Notice expresses the intent to cure any of the Title Defects, it shall have a period of ten days from the receipt of the Title Defect Notice (the "Cure Period") to correct such asserted Title Defect at its own expense. If the Title Defect has not been cured within the Cure Period, the amount of the Defect Value Adjustment shall be credited by Buyer as part of the Purchase Price Adjustment, pursuant to Section 10.03, below, and the Title Defect shall be assumed by Buyer.
- (d) If Seller's Notice states that the Seller disagrees that there is a Title Defect and/or if the Defect Value Adjustment cannot be agreed upon, then the existence of the Title Defect and/or Defect Value Adjustment, if any, will be determined by arbitration pursuant to Article XV hereof.
- (e) The failure of Seller to deliver Seller's Notice within the time prescribed shall be deemed to be:
- (i) an acquiescence to the existence of such Title Defect,
 - (ii) an agreement to the amount of the Defect Value Adjustment, and
 - (iii) an agreement that the Purchase Price shall be adjusted by the Defect Value Adjustment, pursuant to Section 10.03, below.
- (f) If the existence of a Title Defect or the amount of the Defect Value Adjustment is to be determined by arbitration pursuant to Article XV hereof, the Purchase Price,

shall not be reduced by the amount of the Defect Value Adjustment Buyer proposed for that Title Defect on the Closing Date, but until the conclusion of the arbitration proceeding such amount shall be held in escrow pursuant to a mutually acceptable escrow agreement to be negotiated by the Parties. If Buyer should prevail in the arbitration, Seller shall, within five (5) days after the arbitration decision, cause the remission of the full or partial amount, of said Defect Value Adjustment, as applicable, to Buyer, as was determined in such decision.

- (g) Subject to Section 4.04 (f), if Seller is unable or chooses not to cure a Title Defect as specified above, Buyer shall have the right but not the obligation to remove the subject Lease or defective portion on which there is a Title Defect from the transaction contemplated by this Agreement and reduce the Purchase Price in accordance with Section 10.03, below; provided, however, that Buyer may elect to attempt to cure any such remaining defect itself for a period of 180 days from the Final Settlement Date. If Buyer so elects to attempt to cure, then it shall be permitted to withhold from the adjusted Purchase Price the value of the leasehold acres attributable to such defects in accordance with Section 10.03, below. If within such 180-day period the defect is cured by Buyer, or not cured but Buyer elects to retain such interest, then Buyer shall remit to Sellers the value of the defect so withheld.

Section 4.05 Suspense Funds Held by Seller. Seller agrees to convey to Buyer and Buyer agrees to receive all suspense held by Seller, if any, as of the Effective Time, for the benefit of royalty, overriding royalty and working interest owners attributable to the Leases or Wells, except and excluding minimum suspense funds and suspense accounts with a negative balance, the amount of such funds to be adjusted with respect to the suspense funds received and disbursed by Seller. Buyer will defend, indemnify and hold Seller harmless from and against any future liability associated with such funds.

Section 4.05A Preferential Rights to Purchase and Consents. Seller shall use its reasonable efforts, but without any obligation to incur any cost or expense in connection therewith (other than *de minimis* amounts), to comply with all preferential right to purchase provisions relative to any Asset prior to the Closing. Prior to the Closing, Seller shall notify Buyer of the existence of any preferential purchase rights, if any preferential purchase rights are exercised or if the requisite period has elapsed without said rights having been exercised. If a third party who has been offered an interest in any Asset pursuant to a preferential right to purchase elects prior to the Closing to purchase all or part of such Asset pursuant to the aforesaid offer, the interest or part thereof so affected will be eliminated from the Assets and the Purchase Price shall be reduced by the Allocated Value of such Asset. Otherwise, the interest offered as aforesaid shall be conveyed to Buyer at the Closing subject to any preferential right to purchase of any third party for which notice has been given but the time period for response by the holder of such preferential right extends beyond the Closing and Buyer shall assume all duties, obligations and liabilities arising from such preferential right to purchase. Without limiting the foregoing, if any such third party elects to purchase all or a part of an interest in any Asset subject to a preferential right to purchase after the Closing Date, Buyer shall be obligated to convey said interest to such third party and shall be entitled to the consideration for the sale of such interest or part thereof.

Seller shall use all reasonable efforts to obtain all necessary consents from third parties to assign the Assets prior to Closing (other than governmental approvals that are customarily obtained after Closing) and Buyer shall assist Seller with such efforts.

Section 4.06 Environmental Matters.

- (a) Adverse Environmental Condition. “Adverse Environmental Condition” means
- (i) any contamination or condition exceeding currently allowed regulatory limits and not otherwise permanently authorized by permit or law, resulting from any discharge, release, disposal, production, storage, treatment, or any other activities on, in or from any Lease or Well, or the migration or transportation from other lands to any Lease or Well, prior to the Effective Time, of any wastes, pollutants, contaminants, Hazardous Substances or other materials or substances subject to any state or federal law or regulation relating to the protection of the environment, including, but not limited to, the Clean Air Act, the Comprehensive Environmental Response, Compensation and Liability Substance Control Act, the Hazardous Waste and Solid Waste Amendments Act of 1984, the Superfund Amendments and Reauthorization Act of 1986, the Hazardous Materials Transportation Act, the Clean Water Act, the National Environmental Policy Act, the Endangered Species Act, the Fish and Wildlife Coordination Act, the National Historic Preservation Act, and the Oil Pollution Act of 1990, as well as any state and local regulation or law governing the same, similar or related matters (“Environmental Laws”), and
 - (ii) any such contamination or condition temporarily authorized by permit, fee agreement or other arrangement.
- (b) Environmental Assessment. At its sole cost and expense, Buyer shall commence and diligently pursue a Phase I environmental site assessment of the Assets as Buyer desires and may continue such examination through the Closing Date. Seller shall fully cooperate with Buyer and Buyer’s representatives in regard to this assessment by providing on a timely basis all information reasonably requested and access to the Assets, together with complete copies of any and all previous Phase I or Phase II environmental site assessment reports on the Assets, if any, which Seller has in its possession or control. Buyer shall consult with Seller before conducting any work comprising Buyer’s environmental site assessment of the Assets, shall perform all such work in a safe and workmanlike manner so as not to unreasonably interfere with Seller’s operations, and will comply with all applicable laws, rules and regulations. With respect to any samples taken in connection with Buyer’s environmental site assessment of the Assets, Buyer shall take split samples, providing one of each such sample,

properly labeled and identified, to Seller. **BUYER HEREBY AGREES TO RELEASE, DEFEND, INDEMNIFY AND HOLD HARMLESS EACH PARTY SELLER AND THEIR RESPECTIVE PARTNERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, REPRESENTATIVES, MEMBERS, SHAREHOLDERS, AFFILIATES, HEIRS, SUCCESSORS AND ASSIGNS, FROM AND AGAINST ALL CLAIMS, LOSSES, DAMAGES, COSTS, EXPENSES, CAUSES OF ACTION AND JUDGMENTS OF ANY KIND OR CHARACTER (INCLUDING THOSE RESULTING FROM SELLER'S SOLE, JOINT, COMPARATIVE OR CONCURRENT NEGLIGENCE OR STRICT LIABILITY) ARISING OUT OF OR RELATING TO BUYER'S ENVIRONMENTAL SITE ASSESSMENT OF THE ASSETS.**

Notwithstanding the foregoing and assuming that Buyer complies with the notice requirements of this Section 4.06, prior to Closing Buyer shall have no indemnity obligation to Seller with respect to Buyer's discovery of information that may lead to Claims arising from the condition of the Assets prior to Buyer's Environmental Review.

- (c) Notice of Adverse Environmental Condition. Buyer shall notify Seller in writing of any claimed Adverse Environmental Condition ("Environmental Defect") on or before December 7, 2007 ("Environmental Defects Notice"). The Environmental Defects Notice shall
- (i) set forth in reasonable detail the Well and/or Lease with respect to which a claimed Adverse Environmental Condition is made,
 - (ii) the nature of such claimed Adverse Environmental Condition, and
 - (iii) Buyer's proposed calculation of the cost to remediate each claimed Adverse Environmental Condition ("Remediation Value Adjustment").
- (d) Determination of Adverse Environmental Conditions and Remediation Values. Within five (5) days after Seller's receipt of the Environmental Defects Notice, Seller shall give written counter notice ("Seller's Environmental Notice") to Buyer that it
- (i) intends to correct the asserted Environmental Defect,
 - (ii) agrees with the Adverse Environmental Condition and rather than correcting the Adverse Environmental Condition, agrees to the Remediation Value Adjustment as an adjustment to the Purchase Price, payable under this Agreement, or
 - (iii) it agrees with the Adverse Environmental Condition, does not want to correct the Adverse Environmental Condition, but does not agree to the amount of the Remediation Value Adjustment, or

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- (iv) it disagrees that the asserted Adverse Environmental Condition for that Lease or Well exists, or
- (v) agrees with the asserted Adverse Environmental Condition for that Lease or Well, but because the Remediation Value Adjustment is greater than the Allocated Value assigned to the Lease or Well on Exhibit F, Seller elects to exclude the property from the sale and reduce the Purchase Price by the full Allocated Value thereof.
- (1) If Seller's Environmental Notice expresses the intent to cure the Environmental Defect, it shall have a period of five (5) days from the receipt of the Environmental Defect Notice (the "Cure Period") to correct such asserted Environmental Defect at its own expense. If the Environmental Defect has not been cured within the Cure Period, the amount of the Remediation Value Adjustment shall be credited to Buyer at Closing as a part of the Purchase Price Adjustment to be made pursuant to Section 10.03 hereof and the Environmental Defect shall be assumed by Buyer at Closing.
- (2) If Seller's Environmental Notice states that the Seller disagrees that there is an Environmental Defect and/or Remediation Value Adjustment cannot be agreed upon, then the existence of the Environmental Defect and/or Remediation Value Adjustment, if any, will be determined by arbitration pursuant to Article XV hereof.
- (3) The failure of Seller to deliver Seller's Environmental Notice within the time prescribed shall be deemed to be:
- (i) an acquiescence to the existence of such Environmental Defect,
 - (ii) an agreement to the amount of the Remediation Value Adjustment, and
 - (iii) an agreement that the Purchase Price, under this Agreement, shall be adjusted by the Remediation Value Adjustment pursuant to Section 10.03 hereof.
- (4) If the existence of an Environmental Defect or the amount of Remediation Value Adjustment is to be determined by arbitration pursuant to Article XV hereof, the Purchase Price to be paid by Buyer to Seller, under this Agreement, shall not be reduced on the Closing Date by the amount of the Remediation Value Adjustment that Buyer has proposed be made, but until the conclusion of the arbitration proceeding such amount shall be held in escrow

pursuant to a mutually acceptable escrow agreement to be negotiated by the Parties. If Buyer should prevail in the arbitration, Seller shall, within five (5) days, cause to be refunded any portion or all of such Remediation Value Adjustment Reduction to Buyer in the amount determined by the arbitration decision.

- (e) Exclusive Remedy. Subject to Section 16.01(a), this Section 4.06 shall be the exclusive right and remedy of Buyer with respect to any Environmental Defect.

Section 4.07 Limitation of Remedies for Title and Environmental Defects. Notwithstanding anything to the contrary contained in Article IV hereof, (a) if the Defect Value of a given Title Defect or the Remediation Value Adjustment of a given Environmental Defect does not exceed \$25,000, as determined pursuant to Article IV or Article XV hereof, then no adjustment to the Purchase Price shall be made for such Title Defect or Environmental Defect and no such Title Defect or Environmental Defect shall be counted toward the Aggregate Deductible, (b) if the aggregate net adjustment to the Purchase Price determined in accordance with this Agreement for all Title Defects and Environmental Defects does not exceed 2% of the Purchase Price (the "Aggregate Deductible"), then no adjustment to the Purchase Price shall be made therefor, and (c) if the aggregate net adjustment to the Purchase Price determined in accordance with this Agreement for all Title Defects and Environmental Defects does exceed the Aggregate Deductible, then the Purchase Price shall only be adjusted by the amount of such excess. If Seller elects to retain any Assets related to an Environment Defect under Section 4.06, the Environmental Defect Value with respect to all such Environmental Defects shall not be counted towards the Aggregate Deductible.

ARTICLE V

Representations and Warranties of Seller

Section 5.01 Representations and Warranties. Seller represents and warrants to Buyer that:

- (a) Existence. Each of the non-individual Parties Seller represents to the Buyer, that they are duly formed and validly existing and in good standing under the laws of their respective states of formation, and in all other states in which they do business. Each of the Parties Seller has full legal power, right, and authority to carry on its business as such is now being conducted and as contemplated to be conducted.
- (b) Legal Power. Each of the Parties Seller has the legal power and right to enter into and perform this Agreement and the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with:
- (i) any provision of the entity documents of any Party Seller or other governing documents,

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- (ii) except for any provisions customarily contained in oil and gas agreements relating to maintenance of uniformity of interest provisions, preferential purchase rights and consents to assignment, any material agreement or instrument to which any Party Seller is a party or by which any Party Seller or its assets are bound, or
 - (iii) any judgment, order, ruling or decree applicable to any Party Seller as a party in interest or any law, rule or regulation applicable to any Party Seller.
- (c) Execution. The execution, delivery, and performance of this Agreement and the transactions contemplated hereby are duly and validly authorized by all requisite action on the part of any Party Seller enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other laws relating to or affecting the rights of creditors generally, and by general equitable principles.
 - (d) Brokers. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Seller or any affiliate of Seller for which Buyer has or will have any liabilities or obligations (contingent or otherwise).
 - (e) Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or to the best of Seller's knowledge threatened against any Party Seller.
 - (f) Suits and Claims. There is no audit, claim, investigation, suit or proceedings by any person or entity or by any Governmental Authority pending against any Party Seller in any legal, administrative or arbitration proceeding or, to Seller's knowledge, threatened against any Party Seller that will materially affect Seller's ability to consummate the transactions contemplated herein or materially affect Seller's title to, ownership or operation of, or the value of its interest in the Assets.
 - (g) Taxes. Seller has paid all ad valorem, property, production, severance, excise, and similar taxes and assessments based on or measured by the ownership of Assets or the production of Hydrocarbons or the receipt of proceeds therefrom that have become due and payable. All returns or information returns, statements, and reports, required to be filed, by Seller as to the Assets have been timely filed. With respect to the Assets there are not tax deficiencies assessed against or audits in progress by any Governmental Authority. There are no tax liens on or with respect to the Assets.

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- (h) Leases and Operations. To Seller's knowledge, all material Leases and Contracts are in full force and effect, and are valid and existing documents. Operations with respect to the Assets have been in material compliance with applicable rules, regulations, statutes, and laws of any Governmental Authority (excluding Environmental Laws which are handled exclusively in Article IV hereof). Seller is not in breach or default under the terms of any of the Leases, or any operating agreement, unit, or farmout agreement respecting the Assets which may result in material impairment or loss of title to any material part of the Assets taken as a whole or the value thereof taken as a whole or which might materially hinder or impede the operation of the Assets taken as a whole.
- (i) Governmental Approval. To Seller's knowledge, except as shown on Schedule 5.01(i), Seller has obtained all material consents, approvals, certificates, licenses, permits, and other authorizations of the necessary Governmental Authorities required for Seller to own, develop, operate, and maintain the Assets and the Assets have been developed, operated, and maintained in material compliance with all such consents, approvals, certificates, licenses, permits, and other authorizations.
- (j) Post Effective Time Events. Since the Effective Time, unless disclosed on Schedule 5.01(j), to Seller's knowledge none of the following has occurred:
- (1) any damage, destruction, or loss to or of the Assets whether or not covered by insurance, that has had, or would reasonably be expected to have, a material adverse effect on the Assets taken as a whole;
 - (2) any sale or other disposition of the Assets other than sales of Hydrocarbons in the ordinary course of business and a supplement to the TCW Net Profits Interest;
 - (3) the creation of any encumbrances on the Assets, except for the Excluded Assets, the TCW Net Profits Interest and liens which are to be released at Closing pursuant to Section 10.07;
 - (4) execution, amendment, waiver, or termination of any provision of any material Contract, agreement or instrument related to the Assets, other than the TCW Net Profits Interest;
 - (5) any election not to participate in any operation proposed to be conducted with respect to the Assets under any joint operating agreement;
 - (6) the incurrance of any expenses or other obligations relating to the Assets other than in the ordinary course of business consistent with past practices; or
 - (7) failure to pay cash calls for operation in which Seller elected to participate with respect to the Assets.

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- (k) Royalties. To Seller's knowledge, all royalties, rentals, and other payments due under the Leases have been paid in all material respects or the operator has created suspense accounts therefor. Seller has not been advised in writing of a material breach or default by a landowner or predecessor in title to the Assets, which claim of breach or default has not been resolved.
- (l) Compliance. To Seller's knowledge, all Wells have been, in all material respects, drilled, completed, and operated in compliance with the Leases, the Contracts and all applicable laws and rules, regulations, permits, judgments, orders, and decrees of any court or the federal and state regulatory authorities having jurisdiction thereof (excluding Environmental Laws which are handled exclusively in Article IV hereof).
- (m) Operations. Except as shown on Schedule 5.01(m), there are no outstanding Authorities For Expenditures or capital commitments in excess of \$25,000.00 to the Subject Interest with respect to the Assets for operations to be conducted on or after the Effective Time.
- (n) Insurance. Schedule 5.01(n) hereto, contains a listing of the names and coverage of any and all fire and extended coverage and liability insurance policies currently carried by Seller which it will continue to have in effect through Closing.
- (o) Calls on Production. Except as provided for on Schedule 5.01(o) hereto, there are no calls on production or contracts for sale of production encumbering the Wells or Leases which provide for the delivery of Hydrocarbons at a price below the prevailing market price, or which provide for the delivery of Hydrocarbons after the Effective Time as consideration for proceeds received prior to the Effective Time.
- (p) Gas Imbalances. There are no material gas imbalances with respect to any of the Wells or Leases.
- (q) Payout Balances. There are no payout balances with respect to any of the Wells or Leases, except as shown on Schedule 5.01(q) hereto.
- (r) Plugging and Abandonment Obligations. To Seller's knowledge, other than the Wells, there are no wells located on the Leases which have been abandoned, or wells which should be plugged and abandoned under current Railroad Commission rules, which Seller has the obligation to plug.
- (s) Take or Pay. Seller is not obligated, by virtue of a prepayment arrangement, a "take-or-pay" or other prepayment arrangement, a production payment, or any other arrangement, to deliver any volume of Hydrocarbons, or permit any other person to take any volume of Hydrocarbons produced from or attributable to the Wells or Leases at some future time without then or thereafter receiving full payment therefor.

Section 5.02 Seller's Representations and Warranties Exclusive. All representations and warranties of Seller contained in this Agreement (including those in Article V) and in the Assignment and the other documents delivered in connection herewith, are exclusive, and are given in lieu of all other representations and warranties, express, implied or statutory.

ARTICLE VI
Representations and Warranties of Buyer

Section 6.01 Representations and Warranties. Buyer represents and warrants to Seller that:

- (a) Existence. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer has full legal power, right and authority to carry on its business as such is now being conducted and as contemplated to be conducted.
- (b) Legal Power. Buyer has the legal power and right to enter into and perform this Agreement and the transactions contemplated hereby. The consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with:
 - (i) any provision of Buyer's formation documents and other governing documents;
 - (ii) any material agreement or instrument to which Buyer is a party or by which Buyer or its assets are bound; or
 - (iii) any judgment, order, ruling or decree applicable to Buyer as a party in interest or any law, rule or regulation applicable to Buyer.
- (c) Execution. The execution, delivery and performance of this Agreement and the transactions contemplated hereby are duly and validly authorized by all requisite action on the part of Buyer. This Agreement constitutes the legal, valid and binding obligation of Buyer enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other laws relating to or affecting the rights of creditors generally, and by general equitable principles.
- (d) Brokers. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of Buyer or any affiliate of Buyer for which Seller has or will have any liabilities or obligations (contingent or otherwise).
- (e) Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or to the best of Buyer's knowledge threatened against Buyer or any affiliate of Buyer.

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- (f) Suits and Claims. There is no suit, action, claim, investigation or inquiry by any person or entity or by any Governmental Authority and no legal, administrative or arbitration proceeding pending or, to the best of Buyer's knowledge, threatened against Buyer or any affiliate of Buyer that will materially affect Buyer's ability to consummate the transactions contemplated herein.
- (g) Independent Evaluation. Buyer acknowledges that it is an experienced and knowledgeable investor in the oil and gas business, and the business of purchasing, owning, developing and operating oil and gas properties such as the Assets. In making the decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon (i) its own independent due diligence investigation of the Assets and (ii) the express representations and warranties made by Seller in this Agreement, and has been advised by and has relied solely on its own expertise and its own legal, tax, operations, environmental, reservoir engineering and other professional counsel and advisors concerning this transaction, the Assets and the value thereof.
- (h) Qualification. As of the Closing the Buyer shall be, and thereafter shall continue to be, qualified with all applicable Governmental Authorities to own and operate the Assets. Without limiting the foregoing, Buyer is, as of the Closing, and thereafter will continue to be, qualified to own any federal or state oil, gas and mineral leases that constitute part of the Assets, including meeting all bonding requirements, if any.
- (i) Securities Laws. Buyer is acquiring the Assets for its own account and not with a view to, or for offer of resale in connection with, a distribution thereof, within the meaning of the Securities Act of 1933, 15 U.S.C. § 77a *et seq.*, and any other rules, regulations, and laws pertaining to the distribution of securities. With the exception of discussions with Gulfport Energy Corporation previously disclosed to Seller, Buyer has not sought or solicited, nor is Buyer participating with, investors, partners or other third parties in order to fund the Purchase Price and to close this transaction, and all funds used by Buyer in connection with this transaction are Buyer's own funds.
- (j) No Holding Company. Buyer is not (a) a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (b) subject in any respect to the provisions of that Act, other than Section 9(a)(2) thereof.
- (k) No Investment Company. Buyer is not (a) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (b) subject in any respect to the provisions of that Act.

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- (l) Funds. Buyer has arranged to have available by the Closing Date sufficient funds to enable Buyer to pay in full the Purchase Price in immediately available funds as herein provided and otherwise to perform its obligations under this Agreement.

Section 6.02 Buyer's Representations and Warranties Exclusive. All representations and warranties of Buyer contained in this Agreement (including those in Article VI), and the documents delivered in connection herewith, are exclusive, and are given in lieu of all other representations and warranties, express, implied or statutory.

ARTICLE VII

Operation of the Assets After the Closing

Seller does not warrant or guarantee that Buyer or WEG will become the operator of the Assets or any portion thereof, as such matter will be controlled by the applicable joint operating agreement(s) and governmental regulations.

ARTICLE VIII

Conditions to Obligations of Seller

Except as may be waived in writing by Seller, all of the obligations of Seller to consummate the transactions provided for herein are subject to and conditioned upon, at the option of Seller, the fulfillment by Buyer, on or prior to the Closing Date, of each of the following conditions:

Section 8.01 Representations. The representations and warranties of Buyer in this Agreement shall be true and correct in all material respects at and as of the Closing Date as though made on and as of such date, except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date.

Section 8.02 Performance. Buyer shall have performed or complied with all of its material obligations, covenants and agreements contained in this Agreement to be performed or complied with by it at or prior to the Closing Date.

Section 8.03 Pending Matters. No suit, action, bankruptcy or other proceeding by or before any court or Governmental Authority shall be pending or threatened that seeks to, or could reasonably result in a judicial order, judgment or decree that would, restrain, prohibit, invalidate, or collect damages arising out of the transactions contemplated by this Agreement or which, in the reasonable judgment of Seller, makes it inadvisable to proceed with the transactions contemplated hereby.

Section 8.04 Bonds. Buyer shall have acquired and posted at or before Closing, any and all bonds required by any and all other applicable Governmental Authority to own and operate the Assets.

Section 8.05 Closing Deliveries. Seller shall have received the Purchase Price referred to in Section 2.01, above, subject to the adjustments thereto provided for in Section 10.03, below

in this Agreement, in the amount set forth in the Pre-Closing Statement determined pursuant to Section 10.04 of this Agreement, and all other documents and certificates, duly executed in a form reasonably acceptable to Seller, required to be delivered by Buyer in Section 10.08 below.

ARTICLE IX
Conditions to Obligations of Buyer

Except as may be waived by Buyer, all of the obligations of Buyer to consummate the transactions provided for herein are subject to and conditioned upon, at the option of Buyer, to the fulfillment by Seller, on or prior to the Closing Date, of each of the following conditions:

Section 9.01 Representations. The representations and warranties of Seller in this Agreement shall be true and correct in all material respects at and as of the Closing Date as though made on and as of such date, except that those representations and warranties which address matters only as of a particular date shall remain true and correct as of such date.

Section 9.02 Performance. Seller shall have performed or complied with all of its material obligations, covenants and agreements contained in this Agreement to be performed or complied with by it at or prior to the Closing Date.

Section 9.03 Pending Matters. No suit, action, bankruptcy or other proceeding by or before any court or Governmental Authority, shall be pending or threatened that seeks to, or could reasonably result in a judicial order, judgment or decree that would, restrain, prohibit, invalidate, enjoin, or collect damages arising out of the transactions contemplated by this Agreement, or which in the reasonable judgment of Buyer, makes it inadvisable to proceed with the transactions contemplated by this Agreement.

Section 9.04 Closing Deliveries. Buyer shall have received all documents and certificates, duly executed, in form acceptable to Buyer, which are required to be delivered at Closing by Seller pursuant to Section 10.07, below.

ARTICLE X
The Closing

Section 10.01 Time and Place of the Closing. If the conditions referred to in Articles VIII and IX of this Agreement have been satisfied or waived in writing, the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of ExL in Midland, Texas on December 19, 2007, or as such date may be extended pursuant to Section 10.02 (the "Closing Date").

Section 10.02 Extension. The Closing Date may be extended by mutual written agreement of the Parties.

Section 10.03 Adjustments to Purchase Price. The Purchase Price shall be adjusted on the Closing Date in the following manner, pursuant to the procedure for doing so set forth in Section 10.04, below:

- (a) The Purchase Price shall be increased by an amount equal to the sum of the following amounts, properly documented:
- (i) the amount of all (A) prepaid ad valorem, property or similar taxes and assessments based upon or measured by the ownership of the Assets, and (B) prepaid charges, costs and expenses of any kind or nature to the extent that either of the above are attributable to the Assets for the period from and after the Effective Time;
 - (ii) except as set forth below, the amount of all expenses and expenditures, including, but not limited to operating and capital expenditures, incurred and paid by or on behalf of Seller, or in incurred and paid by Seller on behalf of Buyer, in connection with the operation of the Assets which are, in accordance with generally accepted accounting principles, attributable to the period of time after the Effective Time, including, without limitation, royalties, rentals, and other charges based upon or measured by the ownership of property or the production of Hydrocarbons or the receipt of proceeds therefrom and expenses incurred under applicable operating agreements, including any overhead charges allowable under the applicable accounting procedure (COPAS), and including any charges incurred by Seller as a non-operator, in lieu of being incurred by operator under rights granted Seller by the operating agreement(s) governing the Assets (including, but not limited to, the costs of providing insurance coverage which otherwise would have been charged to the joint account), or in the absence of an operating agreement, those customarily billed under such agreements, including, without limitation, drilling, testing, treating, completing, reworking, deepening, side-tracking, plugging and abandoning; costs and overhead charges and other applicable expenses; geological and land costs incurred for the period of time after the Effective Time, specifically excluding any and all costs and expenses directly associated with the curing or remediation of any Title Defect or any Environmental Defect;
 - (iii) the value of all merchantable oil, gas and natural gas liquids in storage or in the pipelines as of the Effective Time that is credited or attributable to the Assets, and are due and owing (whether presently or at some time in the future), such value to be the actual price received for such oil, gas or natural gas liquids upon the first sale thereof or absent a sale, then such value shall be based upon the average market price posted in the area for oil, gas or natural gas liquids of similar quality and grade in effect as of the Effective Time; and

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- (iv) any other amount provided for in this Agreement or agreed upon in writing by Buyer and Seller.
 - (b) At the Closing, the Purchase Price shall be decreased by an amount equal to the sum of the following amounts, properly documented:
 - (i) the Earnest Money Deposit, plus interest earned thereon as set forth in Section 2.03 herein;
 - (ii) an amount equal to all proceeds received by Seller for the Hydrocarbons produced and saved from the Subject Interests after the Effective Time (net of royalties, severance taxes and marketing costs, including but not limited to, transportation, compression, gathering and processing fees actually deducted or paid by Seller to third parties);
 - (iii) any amounts due from Seller to any other person as of the Effective Time for Lease or Well operating expenses, unpaid cash calls, and any other amounts, of whatever kind or nature, owing by Seller as to the Assets for the period of time before the Effective Time and unpaid as of the Closing Date;
 - (iv) an amount equal to all ad valorem, property, and similar taxes and assessments based upon or measured by Seller's ownership of the Assets that are unpaid on the Closing Date and attributable to periods of time before the Effective Time, which amounts shall be computed upon such taxes or assessments for the calendar year 2006, if such amounts are unavailable for 2007;
 - (v) the aggregate amount, if any, determined to be the total Defect Value Adjustments in connection with the Title Defects as provided for in Section 4.04 of this Agreement;
 - (vi) the aggregate amount, if any, determined to be the total Remediation Value Adjustments in connection with the Environmental Defects, as provided for in Section 4.06 of this Agreement; and
 - (vii) any other amount provided for in this Agreement or agreed upon in writing by Buyer and Seller.
 - (c) The adjustments described in Sections 10.03(a) and (b) are hereinafter referred to as the "Purchase Price Adjustments."

Section 10.04 Pre-Closing Allocations/Statement.

- (a) Provided that the Closing occurs, the Purchase Price Adjustments shall be made between Buyer and Seller pursuant to Section 10.03 on the Closing Date, in the manner provided in this Section.
- (b) On or before five (5) days prior to the Closing Date, Seller shall prepare and deliver to Buyer a statement of the estimated Purchase Price Adjustments (the

“Pre-Closing Statement”), which Pre-Closing Statement shall be based upon the then most currently available data and information as provided in Section 10.03. The Pre-Closing Statement shall be accompanied by all documents supporting the estimated Purchase Price Adjustments. The Purchase Price paid by Buyer to Seller at Closing shall be the Purchase Price, as adjusted by the estimated Purchase Price Adjustments, set forth in the Pre-Closing Statement.

Section 10.05 Post-Closing Adjustments to Purchase Price.

- (a) On or before ninety (90) days after the Closing Date, Buyer shall prepare and deliver to Seller a revised Pre-Closing Statement setting forth the actual Purchase Price Adjustments (if any revisions to the Pre-Closing Statement are deemed necessary and appropriate to be made by Buyer), based on the final data and information available, or if no revisions are made then Buyer shall simply resubmit the Pre-Closing Statement to Seller. Each Party shall provide the other such data and information as may be reasonably requested to permit Seller to prepare such adjustments as necessary to finalize the Pre-Closing Statement or to permit Seller to perform or cause to be performed an audit of such Statement, whether or not adjusted. The revised Pre-Closing Statement (“Final Statement”) shall become final and binding upon the Parties on the fifth (5th) day following receipt thereof by Seller, unless Seller gives written notice of its disagreement (a “Notice of Disagreement”) to Buyer prior to such date. Any Notice of Disagreement shall specify in reasonable detail the dollar amount and the nature and basis of any disagreement so asserted and provide documentation supporting that asserted position. If a Notice of Disagreement is received by Buyer in a timely manner, then the Parties shall resolve the dispute evidenced by the Notice of Disagreement by arbitration, or otherwise in accordance with Article XV.
- (b) If the amount of the adjusted Purchase Price as set forth on the Final Statement exceeds the amount of the estimated Purchase Price paid by Buyer to Seller at the Closing, then Buyer shall pay to Seller in immediately available funds, the amount by which the Purchase Price as set forth on the Final Statement exceeds the amount of the estimated Purchase Price paid at the Closing within five (5) business days after the date upon which all aspects of the Final Statement are fully resolved and determined and it has become final and binding upon the Parties, including any disputes thereof which have been arbitrated pursuant to Article XV (“Final Settlement Date”). If the amount of the adjusted Purchase Price as set forth on the Final Statement is less than the amount of the estimated Purchase Price paid at the Closing by Buyer to Seller, then Seller shall pay to Buyer, in immediately available funds, the amount by which the Purchase Price as set forth on the Final Statement is less than the amount of the estimated Purchase Price paid at the Closing by Buyer to Seller pursuant to the Pre-Closing Statement, within three (3) business days after the Final Settlement Date. The term “Final Statement” shall mean (i) if the revised Statement becomes final pursuant to Section 10.05(a), such revised Statement, or (ii) upon resolution of any dispute regarding a Notice of Disagreement, the revised Statement reflecting such resolutions, which the Parties shall issue, or cause the arbitration to issue, pursuant to Article XV and Section 10.05(b), as applicable, following such resolution.

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- (c) If Buyer has elected to attempt to cure a Title Defect itself pursuant to Section 4.04 (g) and has withheld from the adjusted Purchase Price the value of the leasehold acres attributable to such Title Defect, the Final Statement shall note that withholding.

Section 10.06 Ad Valorem and Other Taxes. All unpaid ad valorem, property and similar taxes and assessments based upon or measured by the value of the Subject Interests and attributable to the period prior to the Effective Time will be paid by the Seller and all unpaid ad valorem, property and similar taxes and assessments based upon or measured by the value of the Subject Interests and attributable to the period after the Effective Time will be paid by the Buyer. All sales, use or other similar taxes (other than taxes on gross income, net income or gross receipts) and duties, levies, recording fees or other governmental charges incurred by or imposed with respect to the property transfers undertaken pursuant to this Agreement shall be the responsibility of, and shall be paid by, Buyer.

Section 10.07 Actions of Seller at the Closing. At the Closing, Seller shall execute (where applicable) and deliver to Buyer the following, all of which shall in form and content reasonably satisfactory to Buyer:

- (a) the Assignments, effective as of the Effective Time;
- (b) such letters in lieu of transfer or division orders as may be reasonably requested by Buyer no less than three (3) days prior to the Closing Date directing all purchasers of production from the Subject Interests to make payment of proceeds attributable to such production to Buyer from and after the Effective Time;
- (c) possession of all of the Assets;
- (d) a Closing Certificate executed by a principal executive officer of Seller certifying that all of Seller's representations and warranties are true and correct in all material respects as of the Closing Date and that Seller has performed in all material respects all of the covenants required of it in this Agreement as of the Closing Date;
- (e) a "non-foreign person" affidavit establishing that the transaction contemplated by this Agreement does not subject Buyer to the withholding requirements of the Foreign Investment Real Property Tax Act of 1980;
- (f) a duly executed Request for Taxpayer Identification and Certification on Form W-9 certifying Seller's federal employer identification number;
- (g) recordable releases of all mortgage liens, security interests and financing statements, if any, covering the Assets;
- (h) recordable reassignments of the TCW Net Profits Interest to Ambrose Energy I, Ltd. insofar as it covers the Assets; and

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- (i) any other agreements provided for herein or any other documents required to be executed by Seller in order to effectuate the transactions contemplated by this Agreement, in form reasonably acceptable to Buyer.

Section 10.08 Actions of Buyer at the Closing. At the Closing, Buyer shall execute (where applicable) and deliver to Exl Petroleum, LP, for the benefit of the Parties Seller, the following, all of which shall be in form and content reasonably satisfactory to Seller:

- (a) the Purchase Price, as adjusted pursuant to this Agreement, i.e. subject to the Purchase Price Adjustments on the Pre-Closing Statement, in immediately available funds pursuant to wire transfer instructions to be provided by Seller to Buyer, before the Closing Date.
- (b) take possession of the Assets;
- (c) a Closing Certificate, executed by a principal executive officer of Buyer, certifying that all of Buyer's representations and warranties are true and correct as of the Closing Date and that Buyer has performed all of the covenants required of it in this Agreement as of the Closing Date; and
- (d) the Assignments and any other documents or agreements provided for herein or necessary to effectuate the transactions contemplated hereby.

Section 10.09 Recordation; Further Assurances.

- (a) Promptly following the Closing, Buyer shall (i) submit the Assignments and designation of operator forms executed by Seller and Buyer to any necessary Governmental Authority for approval and (ii) cause the documents identified in Sections 10.07(a), (g) and (h) to be recorded in the appropriate conveyance and other applicable records, in the order reasonably agreed upon by the Parties. Promptly following the filing and recording of the documents as required by the preceding sentence, Buyer shall provide Seller with photocopies of all of the filed and recorded documents.
- (b) Seller shall make the Records available to be picked up by Buyer, at Buyer's expense, at the offices of Seller during normal business hours on the Closing Date, to the extent the Records are in the possession of Seller and are not subject to contractual restrictions on transferability. Seller shall have the right to retain copies of any of the Records and the rights granted under Section 19.03.
- (c) After the Closing Date, each Party, at the request of the other and without additional consideration, shall execute and deliver, or shall cause to be executed and delivered, from time to time such further instruments of conveyance and transfer and shall take such other action as the other Party may reasonably request to convey and deliver the Assets to Buyer and to accomplish the orderly transfer of the Assets to Buyer in the manner contemplated by this Agreement. After the Closing, the Parties will cooperate to have all proceeds received attributable to the Assets be paid to the proper Party hereunder and to have all expenditures to be made with respect to the Assets be made by the proper Party hereunder.

ARTICLE XI
Risk of Loss

Title, possession and risk of loss with respect to the Assets shall pass from Seller to Buyer at 10:00 o'clock a.m. (CST) on the Closing Date, but effective as of the Effective Time, provided Buyer and Seller have performed their respective obligations under this Agreement and all conditions to the Closing have been fully satisfied or waived by the applicable Party.

ARTICLE XII
Covenants of Seller

Section 12.01 Consummation of Agreement. Seller shall use reasonable good faith efforts to cause the consummation by Seller of the transactions contemplated by this Agreement in accordance with the terms and conditions of this Agreement.

Section 12.02 Access. Prior to the Closing Date, Seller shall permit Buyer and its authorized representatives full access to, and make available for, inspection, all of the Assets which are being conveyed pursuant to this Agreement, including, specifically, all of the Records, whether electronic or paper, maintained by Seller on the Wells, Leases and Subject Interests, and will permit Buyer and its authorized representatives to inspect and make copies, at Buyer's expense, of all documents, records, and information with respect to the Assets as Buyer and its representatives may reasonably request, all for the sole purpose of permitting Buyer to become familiar with the Assets provided that, all such access and information shall be during normal business hours.

Section 12.03 Notice of Material Change. Seller shall give prompt notice in writing to Buyer of the occurrence or non-occurrence of any event which would likely cause any representation or warranty made by Seller herein to be untrue or inaccurate in any material respect, or any covenant, condition or agreement contained herein not to be complied with or satisfied in any material respect (provided however, that any such disclosure shall not in any way be deemed to amend, modify or in any way affect the representations, warranties and covenants made by any Party in or pursuant to this Agreement).

Section 12.04 No Negotiation with Others. Seller shall not solicit or participate in negotiations with (and will prevent any affiliate, shareholder, member, director, officer, manager, employee or other representative or agent of Seller from negotiating with, soliciting or participating in negotiations with) any third party with respect to the sale of the Assets until close of business on the Closing Date. Seller shall notify Buyer promptly upon becoming aware of any activity proscribed by this Section 12.04.

Section 12.05 Cooperation. Seller shall cooperate with Buyer, without being obligated to incur any unreimbursable expense (a) in the notification of all applicable governmental regulatory agencies, oil and gas purchasers and third party operators of the transactions contemplated hereby and shall cooperate with Buyer in obtaining the issuance by each such

authority of such permits, licenses, and authorizations as may be necessary for Buyer to own and operate the Wells and Leases following the consummation of the transactions contemplated by this Agreement, (b) to execute, acknowledge and deliver to Buyer such further documentation as needed after Closing as may be reasonably requested in order to more effectively assure that all the respective rights, titles and privileges intended to be assigned, delivered or inuring to the benefit of Buyer in consummation of the transactions contemplated herein are properly conveyed to Buyer, and (c) in obtaining financial information related to the Assets necessary for Buyer to produce auditable historical financial statements on the Assets.

Section 12.06 Operation of the Assets.

- (a) Seller will, or, to the extent third parties operate the Assets, will take such steps as would a prudent non-operator to cause the operator to, (i) continue the routine operation of the Assets in the ordinary course of business and as would a prudent operator, (ii) operate the Assets in conformity, in all material respects, with all applicable laws, and all applicable rules, regulations and orders of all governmental agencies having jurisdiction, and in conformity with the terms of the Leases and all relevant Surface Agreements, Contracts and Permits (the "Basic Documents"), (iii) fulfill all obligations under such Leases or other Basic Documents, and comply, in all material respects, with all obligations under such laws, rules, regulations and orders, (iv) to the best of its knowledge, properly account to third parties for proceeds of production from the Subject Interests (to the extent that it disburses such proceeds) (including placing proceeds in suspense where appropriate in accordance with prudent industry standards) and (v) maintain the machinery, improvements, equipment and other personal property and fixtures forming a part of the Assets in at least as good condition as it is on the date of this Agreement, subject to normal wear and tear. Where Seller is the operator of a Well or Subject Interest, Seller will (unless removed without its consent) remain the operator of such Well or Subject Interest.
- (b) Seller will not expend any funds, or make any commitments to expend funds or enter into any agreement which would obligate Seller to expend funds, or otherwise incur any other obligations or liabilities, in connection with the ownership or operation of the Assets after the Effective Date, other than routine expenses incurred in the normal operation of the existing wells on the Subject Interests and emergency expenditures. Seller will not, without the prior written consent of Buyer, abandon, or consent to the abandonment of, any wells located on the Assets, or take any other steps which represent a substantial departure from the current operational status of the Assets. Specifically in connection with, but not in limitation of, the foregoing, Seller will not propose the drilling of any additional wells, or propose the deepening, plugging back or reworking of any existing wells, or propose the conducting of any other operations which require consent under the applicable operating agreement, or propose the conducting of any other operations other than the normal operation of the existing wells on the Assets and emergency expenditures, or propose the abandonment of any Wells which are capable of producing in paying quantities; Seller will advise Buyer of

any such proposals made by third parties, and will respond to each such proposal made by a third party in the manner requested by Buyer. Seller will promptly notify Buyer of any emergency expenditures made.

- (c) Seller will not sell, transfer or abandon any portion of the personal property forming a part of the Assets, other than items of materials, supplies, machinery, equipment, improvements or other personal property or fixtures which are replaced with an item of equal suitability and value free of liens and security interests other than Permitted Encumbrances, which replacement item will then, for the purposes of this Agreement, become part of the Assets. Seller will not, without Buyer's consent, release (or permit to terminate), or modify or reduce its rights under, any Lease, or any other Basic Document.
- (d) Seller will cause all undisputed expenses (including, without limitation, all bills for labor, materials and supplies used or furnished for use in connection with the Assets and all severance, production and similar taxes) and liabilities relating to the ownership or operation of the Assets, prior to the date of Closing to be promptly paid and discharged.
- (e) Seller will not, without Buyer's consent, take more, or less, of the gas produced from the wells located on any Subject Interest (or on units in which such properties participates) than Seller's ownership of such of Subject Interest would entitle Seller to take absent any gas balancing agreement or arrangement.

ARTICLE XIII Covenants of Buyer

13.01 Consummation. Buyer shall use its reasonable good faith efforts to cause the consummation by Buyer of the transactions contemplated by this Agreement in accordance with the terms and conditions of the Agreement.

13.02 Notice of Material Change. Buyer shall give prompt notice in writing to Seller of the occurrence or non-occurrence of any event which would likely cause any representation or warranty made by Buyer herein to be untrue or inaccurate or any covenant, condition or agreement contained herein, not to be complied with or satisfied (provided however, that any such disclosure shall not in any way be deemed to amend, modify or in any affect the representations, warranties and covenants made by any part in or pursuant to this Agreement).

13.03 Confidentiality. Seller has previously provided to Buyer and will continue to provide to Buyer certain information, in oral, written and/or electronic format, pertaining to and for Buyer's sole purpose of evaluating the Assets for purchase by Buyer (the "Confidential Information"). Buyer acknowledges and agrees that the Confidential Information constitutes valuable assets of Seller and that Seller desires and requires that the Confidential Information remain confidential and proprietary.

The Confidential Information will be kept confidential and shall not, unless in the opinion of counsel for Buyer disclosure is required by law or with the prior written consent of Seller, be disclosed by the Buyer or any of its directors, officers, employees, agents, representatives,

affiliates, subsidiaries, related companies, or any other party related to or controlled by Buyer, in any manner whatsoever, in whole or in part, to third parties not described below and shall not be used by Buyer, or any of its directors, officers, employees, agents, representatives, affiliates, subsidiaries, related companies, or any other party related to or controlled by Buyer, other than in connection with the transaction described in this Agreement. Moreover, Buyer agrees that the Confidential Information will be revealed only to its lenders, officers, directors, employees, agents, representatives, affiliates, subsidiaries and related companies who need to know the Confidential Information for the purpose of evaluating the transaction described in this Agreement, all of whom will be informed by Buyer of the confidential nature of the Confidential Information and all of whom will be required by Buyer to refrain from using any Confidential Information for their own use.

The terms of this Agreement shall not apply to any Confidential Information which (a) is or becomes generally available to the public, other than as a result of a disclosure by Buyer, or (b) is or becomes available to Buyer on a nonconfidential basis from a source which is not known to Buyer to be prohibited from disclosing such information to Buyer by a legal, contractual or fiduciary obligation to Seller.

All Confidential Information which comes into Buyer's possession and control or acknowledged to be the property of Seller will be promptly surrendered to Seller upon the termination of this Agreement pursuant to Section 16.01. Additionally, Buyer will likewise promptly destroy all electronic Confidential Information and all copies, summaries and notes regarding any Confidential Information which are made by Buyer in connection with this Agreement and will subsequently represent to Seller that such has been destroyed. After the termination of this Agreement, Buyer shall make no further use of any Confidential Information. This will apply regardless of the reasons for or circumstances surrounding such expiration or termination.

The provisions of this Section 13.03 shall terminate and be of no further force and effect upon Closing.

ARTICLE XIV

Good Will

The Parties agree that the portion of the Purchase Price to be allocated to good will for purposes of this transaction is One Hundred and No One Hundredths Dollars (\$100.00), and no further amount will be allocated or claimed with respect thereto by any Party hereto. The Parties acknowledge and agree to the tax consequences of this allocation and agree to report the tax consequences arising therefrom in accordance with the allocation of only One Hundred and No One Hundredths Dollars (\$100.00) to this Section and the restrictions contained herein.

ARTICLE XV

Arbitration

If any matter is required to be arbitrated pursuant to the terms and conditions of this Agreement, such arbitration shall be conducted in the manner set forth in this Article:

Section 15.01 Selection of Arbitrator. The Parties shall jointly select a mutually acceptable person as the sole arbitrator under this Agreement (“Arbitrator”). The Arbitrator shall be selected by the Parties, (acting reasonably and in good faith) within ten (10) days following the receipt of the notice of any demand made for arbitration pursuant to the terms of this Agreement by any Party hereto, and shall be a person who is independent, impartial, and knowledgeable in the subject matter and substantive laws as to the subject of the arbitration. Each Party shall bear its own costs and expenses incurred in connection with any such proceeding, and one-half (1/2) of the costs and expenses of the Arbitrator. If the Parties are unable to select a Arbitrator pursuant to the foregoing procedure, then they shall submit the matter to the American Arbitration Association (“AAA”) and ask that the AAA designate an Arbitrator who satisfies the foregoing qualifications within ten (10) days after such request is made by them to AAA.

Section 15.02 Place of Hearing. Any arbitration hearing shall be held at a place in Dallas, Texas, acceptable to the Arbitrator.

Section 15.03 Rules of Arbitration. The Arbitrator shall settle any disputes in accordance with procedures and rules mutually agreed upon by the Parties and failing such agreement, in accordance with the rules or procedures for non-administered arbitration set forth in the Commercial Arbitration Rules of the AAA in effect at the time of the arbitration. The Arbitrator shall resolve the dispute in accordance with the governing law selected by the Parties in Section 19.10 below, and shall be instructed by the Parties to resolve such dispute as soon as reasonably practicable, in light of the circumstances, utilizing the terms and provisions of this Agreement with respect to Title and Environmental Matters as guidance and direction for such decisions, and to conduct such arbitration in the time and manner provided for in Section 15.04, below. The decision and award of the Arbitrator shall be binding upon the Parties and final and nonappealable to the maximum extent permitted by applicable law, and judgment thereon may be entered in a court of competent jurisdiction and enforced by any Party as a final judgment of such court. Seller and Buyer, respectively, shall bear their own legal fees and other costs incurred in presenting their respective cases to the Arbitrator.

Section 15.04 Time of the Arbitration Procedure. The arbitration shall commence within ten (10) days after the Arbitrator is selected as set forth in Section 15.01, above, unless the Parties and the Arbitrator shall agree to some other commencement date. The hearing shall not last more than two (2) days with each Party being allowed the maximum of one (1) day for presentation of their evidence. In fulfilling its duties hereunder, the Arbitrator shall be bound by the terms of this Agreement. In fulfilling any of its arbitration duties, the Arbitrator may also consider such other matters which, in the opinion of the Arbitrator, are necessary or helpful to make a proper evaluation of the matter disputed. Additionally, the Arbitrator may consult with and engage, as a part of the Arbitrator’s expenses, disinterested third parties, including, without limitation, petroleum engineers, geologists, attorneys, and consultants to advise the Arbitrator or to the resolution of the subject matter of the arbitration. If any Arbitrator selected hereunder should die, resign or be unable to perform his duties hereunder, a replacement Arbitrator shall be mutually selected by the Parties or, absent mutual agreement, by the AAA in the foregoing manner. The aforesaid procedure shall be followed from time to time as necessary.

Section 15.05 Decision. The Arbitrator shall be instructed to use his reasonable best efforts to deliver his final decision within ten (10) days of the conclusion of the arbitration hearing.

ARTICLE XVI
Termination

Section 16.01 Right of Termination. This Agreement may be terminated at any time at or prior to the Closing:

- (a) by Seller or Buyer if the aggregate Purchase Price Adjustment necessitated by the Title Defects and Environmental Defects determined pursuant to Article IV and in the manner provided in Section 10.03, above, exceed ten percent (10%) of the aggregate Purchase Price for the interest in the Assets of Seller;
- (b) by mutual written consent of the Parties;
- (c) by Seller on the Closing Date if the conditions set forth in Article VIII have not been satisfied in all material respects by Buyer or waived by Seller in writing by the Closing Date;
- (d) by Buyer on the Closing Date if the conditions set forth in Article IX have not been satisfied in all material respects by Seller or waived by Buyer in writing by the Closing Date;
- (e) by any Party if any Governmental Authority shall have issued a final and non-appealable order, judgment or decree or taken any other final and non-appealable action challenging, restraining, enjoining, prohibiting or invalidating the consummation of any of the transactions contemplated herein; or
- (f) as otherwise provided herein; provided, however, that no Party shall have the right to terminate this Agreement pursuant to clause (c) or (d) above if such Party is at such time in material breach of any provision of this Agreement, or such Party instigates a proceeding of the nature described in Sections 8.03 and 9.03.

Section 16.02 Effect of Termination. In the event of the termination of this Agreement by Seller pursuant to Section 16.01(c) hereof due to Buyer's failure to meet a condition of Closing, Seller may terminate this Agreement and retain the Earnest Money Deposit and any accrued interest thereon as its sole remedy. In the event Buyer terminates this Agreement pursuant to Section 16.01(d) hereof due to Seller's failure to meet a condition of Closing, Buyer may pursue its rights and remedies against Seller for Seller's breach of this Agreement and receive back the Earnest Money Deposit, with accrued interest. In the event of the termination of this Agreement pursuant to either Section 16.01 (a), (b), (e) or (f) hereof, the termination shall be without penalty and the Parties shall have no further obligations to, nor rights against, one another, except that Seller shall return the Earnest Money Deposit to Buyer, with accrued interest. Notwithstanding the preceding sentence, in the event of the termination of this

Agreement for any reason, such termination shall not relieve Buyer of its indemnity obligations under Section 4.06, its confidentiality obligations under Section 13.03 or its obligations under Section 16.03.

Section 16.03 Return of Documentation. Upon termination of this Agreement, Buyer shall promptly return to Seller all title, geological data, reports, contracts, and maps and other information furnished by Seller to Buyer and destroy or return all copies thereof.

ARTICLE XVII

Assumption and Indemnification

Section 17.01 Seller's Retained Obligations. Provided that the Closing occurs, Seller shall retain the following: (a) all Claims and Liabilities of Seller for the payment or improper payment of royalties, rentals and other similar payments by Seller under the Leases relating to the Subject Interests accruing during the period prior to the Effective Time (to the extent Buyer has provided Seller with written notice claiming indemnification therefor within one (1) year of the Closing pursuant to Section 17.07, and not thereafter); (b) all Liability of Seller to third parties for personal injury or death to the extent occurring prior to the Effective Time as a result of the operation of the Assets by Seller or its affiliates; (c) ad valorem, property, severance and similar taxes attributable to the period of time prior to the Effective Time retained by Seller under Section 10.06; and (d) Liability for any contamination or condition that is the result of any off-site disposal by Seller or its affiliates of any wastes, pollutants, contaminants, hazardous material or other material or substances on, in or below any properties not included in the Assets prior to the Effective Time, for which, and to the extent, that remediation of such contamination or condition is required by any Environmental Law (collectively, the "Retained Obligations").

Section 17.02 Buyer's Assumed Obligations. Provided that the Closing occurs, Buyer hereby assumes all duties, obligations, Claims and Liabilities of every kind and character with respect to the Assets or the ownership or operation thereof (other than the Retained Obligations), whether attributable to periods before or after the Effective Time, including, without limitation, those arising out of (a) the terms of the Surface Agreements, Contracts, Leases or Subject Interests comprising part of the Assets, (b) Gas Imbalances, (c) suspense accounts, (d) ad valorem, property, severance and other similar taxes or assessments based upon or measured by the ownership of the Assets or the production therefrom, (e) the condition of the Assets, regardless of whether such condition arose before or after the Effective Time, (f) obligations to properly plug and abandon or re-plug or re-abandon or remove wells, flowlines, gathering lines and other facilities, equipment or other personal property or fixtures comprising part of the Assets, (g) obligations to restore the surface of the Assets and obligations to bring the Assets into compliance with applicable Environmental Laws (including conducting any remediation activities that may be required on or otherwise in connection with activities on the Assets), regardless of whether such obligations or conditions or events giving rise to such obligations, arose, occurred or accrued before or after the Effective Time, (h) any other duty, obligation, event, condition or liability assumed by Buyer under the terms of this Agreement, (i) alleged Title Defects and Environmental Defects that are deemed to constitute Assumed Obligations under Article IV, and (j) the obligations and liabilities described in Section 17.01(a) to the extent Buyer does not provide Seller with written notice claiming indemnification therefor within one (1) year of the Closing (collectively, the "Assumed Obligations").

Section 17.03 Definition of Claims and Liabilities. The term “Claims” means any and all direct or indirect, demands, claims, notices of violation, notices of probable violation, filings, investigations, administrative proceedings, actions, causes of action, suits, other legal proceedings, judgments, assessments, damages, deficiencies, taxes, penalties, fines, obligations, responsibilities, liabilities, payments, charges, costs, and expenses (including costs and expenses of operating the Assets) of any kind or character (whether or not asserted prior to Closing, and whether known or unknown, fixed or unfixed, conditional or unconditional, based on negligence, strict liability or otherwise, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent, or other legal theory), including penalties and interest on any amount payable as a result of any of the foregoing, any legal or other costs and expenses incurred in connection with investigating or defending any Claim, and all amounts paid in settlement of Claims. Without limiting the generality of the foregoing, the term “Claims” specifically includes any and all Claims arising from, attributable to or incurred in connection with any (a) breach of contract, (b) loss or damage to property, injury to or death of persons, and other tortious injury and (c) violations of applicable laws, rules, regulations, orders, including Environmental Laws, or any other legal right or duty actionable at law or equity. The term, “Liability or Liabilities” shall mean collectively, all damages, (including consequential and punitive damages), including those for personal injury, death, or damage or destruction to personal or real property (both surface and subsurface), costs for remediation, restoration, or clean up of contamination, whether the injury, death, or damage occurred or occurs on or off any of the Subject Interests by migration, disposal, or otherwise; losses; fines; penalties, expenses; costs to remove or modify Facilities on or under the Subject Interests; plugging liabilities for all Wells; attorneys’ fees; court and other costs incurred in defending a Claim; liens; and judgments; in each instance, whether these damages and other costs are foreseeable or unforeseeable.

Section 17.04 Application of Indemnities. All indemnities set forth in this Agreement extend to the affiliates, partners, directors, employees, agents, representatives, members, shareholders, subsidiaries, heirs, successors and assigns of the indemnified party. The indemnities set forth in this Agreement do not extend to any part of an indemnified Claim that is the result of the gross negligence, willful misconduct or fraud of the indemnified party.

- (a) NEITHER BUYER NOR SELLER SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY, RESPECTIVELY, AND EACH PARTY RELEASES THE OTHER PARTY FROM AND WAIVES, ANY LIABILITIES ARISING UNDER THIS AGREEMENT BY REASON OF THE BREACH THEREOF, OR IN CONNECTION WITH OR WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT, ANY AMOUNT IN EXCESS OF THE ACTUAL COMPENSATORY DAMAGES SUFFERED BY SUCH PARTY. BUYER AND SELLER WAIVE, AND RELEASE EACH OTHER FROM ANY RIGHT TO RECOVER PUNITIVE OR EXEMPLARY DAMAGES ARISING IN CONNECTION WITH OR WITH RESPECT TO ANY BREACH HEREOF OR AS TO THE TRANSACTIONS CONTEMPLATED IN THIS AGREEMENT; PROVIDED, HOWEVER, ANY SUCH DAMAGES RECOVERED BY A THIRD PARTY (OTHER A PARTY’S

AFFILIATES) FOR WHICH A PARTY OWES THE OTHER PARTY AN INDEMNITY UNDER THIS AGREEMENT SHALL NOT BE WAIVED. BUYER AND SELLER ACKNOWLEDGE THAT THIS STATEMENT IS CONSPICUOUS.

- (c) The indemnities of the indemnifying Party in this Agreement do not cover or include any amounts that the indemnified party may legally recoup from other third party owners under applicable joint operating agreements or other agreements, and for which the indemnified party is reimbursed by any third party. The indemnifying Party will pay all costs incurred by the indemnified party in obtaining reimbursement from third parties. There will be no upward or downward adjustment in the Purchase Price as a result of any matter for which Buyer or Seller is indemnified under this Agreement. If it is judicially determined that any provision of this indemnity is found to be in violation of state or federal law, such that the violation would render the entire Agreement void and unenforceable, said provision shall be amended automatically to comply with said law. In the event that such provision cannot be amended to comply with said law, the provision shall be disregarded, and the validity and enforceability of the remaining provisions shall not be affected.

Section 17.05 Buyer's Indemnity. **PROVIDED THAT THE CLOSING OCCURS, BUYER SHALL INDEMNIFY, DEFEND AND HOLD SELLER HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS AND LIABILITIES CAUSED BY, RESULTING FROM OR INCIDENTAL TO THE ASSUMED OBLIGATIONS, AND ANY CLAIMS AND LIABILITIES CAUSED BY, RESULTING FROM OR ATTRIBUTABLE TO (A) ANY INACCURACY OF ANY REPRESENTATION OR WARRANTY OF BUYER SET FORTH IN THIS AGREEMENT, (B) ANY BREACH OF, OR FAILURE TO PERFORM OR SATISFY, ANY OF THE COVENANTS AND OBLIGATIONS OF BUYER HEREUNDER, AND (C) ANY MATTER ARISING OR RESULTING FROM BUYER'S OWNERSHIP AND OPERATION OF THE ASSETS AFTER THE EFFECTIVE TIME.**

Subject 17.06 Seller's Indemnity. **SUBJECT TO SECTION 17.08, SELLER SHALL INDEMNIFY, DEFEND AND HOLD BUYER HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS AND LIABILITIES CAUSED BY, RESULTING FROM OR INCIDENTAL TO THE RETAINED OBLIGATIONS, AND ANY CLAIMS AND LIABILITIES CAUSED BY OR RESULTING FROM (A) ANY INACCURACY OF ANY REPRESENTATION OR WARRANTY OF SELLER SET FORTH IN THIS AGREEMENT THAT SURVIVES THE CLOSING, EXCEPT FOR THOSE WHICH ARE WAIVED BY OR DEEMED WAIVED BY BUYER PURSUANT TO THE TERMS OF THIS AGREEMENT OR WHICH CONSTITUTE PERMITTED ENCUMBRANCES AND/OR ASSUMED OBLIGATIONS, (B) ANY BREACH OF, OR FAILURE TO PERFORM OR SATISFY, ANY OF THE COVENANTS AND OBLIGATIONS OF SELLER HEREUNDER WHICH ARE TO BE PERFORMED AFTER THE CLOSING.**

Section 17.07 Notices and Defense of Indemnified Claims. Each Party shall immediately notify the other Party of any Claim of which it becomes aware and for which it is

entitled to indemnification from the other Party under this Agreement. The indemnifying Party shall be obligated to defend, at the indemnifying Party's sole expense, any litigation or other administrative or adversarial proceeding against the indemnified Party relating to any Claim for which the indemnifying Party has agreed to indemnify and hold the indemnified Party harmless under this Agreement. However, the indemnified Party shall have the right to participate with the indemnifying Party in the defense of any such Claim and may retain its own separate counsel to do so at its own sole cost and expense.

Section 17.08 Indemnity Limits. Notwithstanding anything to the contrary contained herein, (a) Seller's indemnification obligation under Section 17.06 shall only apply if Buyer has provided Seller with written notice claiming indemnification within six (6) months after the Closing, and (b) Buyer shall bear sole responsibility for the aggregate costs associated with all Claims and Liabilities for which Seller has indemnified Buyer up to a deductible percentage of two percent (2%) of the Purchase Price. By the prior sentence, it is the intent that Seller shall only be obligated to provide indemnity to the extent such Claims and Liabilities exceed the deductible percentage of two percent (2%) of the Purchase Price. In no event shall Seller be required to indemnify Buyer for any amount or to pay any other amount in connection with or with respect to the transactions contemplated in this Agreement exceeding in the aggregate twenty percent (20%) of the Purchase Price.

Section 17.09 Survival. The representations and warranties of Seller set forth in Sections 5.01(a) through 5.01(f) shall survive the Closing indefinitely. The representations of Seller set forth in Sections 5.01(g) through 5.01(s) shall survive the Closing for a period of one (1) year after Closing. All other representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing indefinitely; provided however that (i) any covenants and agreements of Seller or Buyer that are to be performed prior to or at the Closing shall terminate upon the Closing, and (ii) nothing herein shall extend the one (1) year period after Closing in which Buyer may send written notice claiming indemnification under Section 17.07 and Buyer thereafter expressly waives all other rights to make any claim against Seller in accordance with Section 17.07. The obligations and covenants of Buyer under this Agreement that survive the Closing shall be deemed covenants running with the land.

Section 17.10 Exclusive Remedy. The terms and provisions of this Article XVII, and Article IV, as applicable, and Article VII shall be the sole and exclusive remedy of each of the Parties indemnified hereunder with respect to the representations, warranties, covenants and agreements of the Parties set forth in this Agreement and the other documents executed and delivered hereunder.

Section 17.11 Defenses and Counterclaims. Each Party that is required to assume any obligation or liability of the other Party pursuant to this Agreement or that is required to defend, indemnify or hold the other Party harmless hereunder shall, notwithstanding any other provision hereof to the contrary, be entitled to the use and benefit of all defenses (legal and equitable) and counterclaims of such other Party in defense of third party Claims arising out of any such assumption or indemnification.

ARTICLE XVIII
Disclaimers; Casualty Loss and Condemnation

Section 18.01 Disclaimers of Representations and Warranties. **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. BUYER ACKNOWLEDGES THAT SELLER HAS NOT MADE, AND SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY EXPRESSLY WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, AT COMMON LAW, BY STATUTE OR OTHERWISE, RELATING TO (a) PRODUCTION RATES, RECOMPLETION OPPORTUNITIES, DECLINE RATES, GAS BALANCING INFORMATION OR THE QUALITY, QUANTITY OR VOLUME OF THE RESERVES OF HYDROCARBONS, IF ANY, ATTRIBUTABLE TO THE ASSETS AND (b) THE ACCURACY, COMPLETENESS OR MATERIALITY OF ANY INFORMATION, DATA OR OTHER MATERIALS (WRITTEN OR ORAL) NOW, HERETOFORE OR HEREAFTER FURNISHED TO BUYER BY OR ON BEHALF OF SELLER. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, SELLER EXPRESSLY DISCLAIMS AND NEGATES, AND BUYER HEREBY WAIVES, AS TO PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES CONSTITUTING A PART OF THE ASSETS (i) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (ii) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (iii) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (iv) ANY RIGHTS OF PURCHASERS UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (v) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM DEFECTS, WHETHER KNOWN OR UNKNOWN, AND (vi) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAWS, RULES, STATUTES, REGULATIONS, ORDERS OR DECREES, IT BEING THE EXPRESS INTENTION OF BUYER AND SELLER THAT THE ASSETS, INCLUDING ALL PERSONAL PROPERTY, EQUIPMENT, INVENTORY, MACHINERY AND FIXTURES INCLUDED IN THE ASSETS, SHALL BE CONVEYED TO BUYER, AND BUYER SHALL ACCEPT SAME, AS IS, WHERE IS, WITH ALL FAULTS AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR, AND BUYER REPRESENTS TO SELLER THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS WITH RESPECT TO SUCH ASSETS AS BUYER DEEMS APPROPRIATE. SELLER AND BUYER AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN WARRANTIES CONTAINED IN THIS SECTION ARE “CONSPICUOUS” DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAWS, RULES, STATUTES, REGULATIONS, ORDERS OR DECREES RULE OR ORDER.**

Section 18.02 NORM. **BUYER ACKNOWLEDGES THAT IT HAS BEEN INFORMED THAT OIL AND GAS PRODUCING FORMATIONS CAN CONTAIN NATURALLY OCCURRING RADIOACTIVE MATERIAL (“NORM”). SCALE FORMATION OR SLUDGE DEPOSITS CAN CONCENTRATE LOW LEVELS OF NORM ON EQUIPMENT AND OTHER ASSETS. THE ASSETS SUBJECT TO THIS**

AGREEMENT MAY HAVE LEVELS OF NORM ABOVE BACKGROUND LEVELS, AND A HEALTH HAZARD MAY EXIST IN CONNECTION WITH THE ASSETS BY REASON THEREOF. THEREFORE, BUYER MAY NEED TO FOLLOW SAFETY PROCEDURES WHEN HANDLING THE EQUIPMENT AND OTHER ASSETS.

Section 18.03 Casualty Loss; Condemnation.

- (a) Buyer shall assume all risk of loss with respect to, and any change in the condition of, the Assets from the date of this Agreement until and after the Closing Date, including with respect to the depletion of Hydrocarbons, the watering-out of any well, the collapse of casing, sand infiltration of wells, and the depreciation and/or deterioration of personal property.
- (b) If prior to the Closing Date, the Assets, having an aggregate value constituting less than ten percent (10%) of the Purchase Price shall be damaged or destroyed by fire or other casualty, or shall be taken in condemnation or under the right of eminent domain or if proceedings for such purposes shall be pending or threatened, this Agreement shall remain in full force and effect notwithstanding any such damage, destruction, taking or proceeding, or the threat thereof to that amount of Assets, and the Parties shall proceed with the transactions contemplated by this Agreement notwithstanding such damage, destruction or taking in that amount without any reduction of the Purchase Price.
- (c) In the event of any loss described in Section 18.03(b), at the Closing Seller shall pay to Buyer all sums paid to Seller by third parties by reason of the damage, destruction or taking of such Assets (up to the Allocated Value thereof) and shall assign, transfer and set over unto Buyer all of the rights, 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 damage, destruction or taking (up to the Allocated Value thereof). Notwithstanding anything to the contrary in this Section 18.03, Seller shall not be obligated to carry or maintain any insurance coverage with respect to any of the Assets other than as required under any applicable operating agreements affecting such Assets.

Section 18.04 Deceptive Trade Practice Act. **BUYER EXPRESSLY WAIVES THE PROVISIONS OF CHAPTER XVII, SUBCHAPTER E, SECTIONS 17.41 THROUGH 17.63, INCLUSIVE (OTHER THAN SECTION 17.555, WHICH IS NOT WAIVED), VERNON'S TEXAS CODE ANNOTATED BUSINESS AND COMMERCE CODE (THE "DECEPTIVE TRADE PRACTICES ACT").**

ARTICLE XIX
Miscellaneous

Section 19.01 Names. As soon as reasonably possible after the Closing, but in no event later than forty five (45) days after the Closing, Buyer shall remove the names of Seller and its affiliates, and all variations thereof, from all of the Assets and make the requisite filings with, and provide the requisite notices to, the appropriate Governmental Authorities to place the title or other indicia or responsibility of ownership in a name other than the name of the Seller or any of its affiliates, or any variations thereof.

Section 19.02 Expenses. Each Party shall be solely responsible for all expenses, including due diligence expenses, attorney, and accounting fees, incurred by it in connection with this transaction, and neither Party shall be entitled to any reimbursement for any such expenses from the other Party, unless the other Party materially breaches the terms and conditions of this Agreement.

Section 19.03 Document Retention. As used in this Section 19.03, the term “Documents” shall mean all files, documents, books, records and other data delivered to Buyer by Seller pursuant to the provisions of this Agreement (other than those that Seller has retained either the original or a copy of), including financial and tax accounting records; land, title and division order files; contracts; engineering and well files; and books and records related to the operation of the Assets prior to the Closing Date. Buyer shall retain and preserve the Documents for a period of no less than five (5) years following the Closing Date (or for such longer period as may be required by law or governmental regulation), and shall allow Seller or its representatives to inspect the Documents at reasonable times and upon reasonable notice during regular business hours during such time period. Seller shall have the right during such period to make copies of any of the Documents at its expense.

Section 19.04 Entire Agreement. This Agreement, the documents to be executed and delivered hereunder, and the Exhibits, Schedules and Appendices attached hereto constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof. No supplement, amendment, alteration, modification or waiver of this Agreement shall be binding unless executed in writing by each of the Parties and specifically referencing this Agreement.

Section 19.05 Waiver. Any waiver must be in writing executed by the waiving Party and no waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

Section 19.06 Publicity. Seller and Buyer shall consult with each other with regard to all publicity and other releases concerning this Agreement and the transactions contemplated hereby and, except as required by applicable law or the applicable rules or regulations of any Governmental Authority or stock exchange, neither Party shall issue any such publicity or other release without the prior written consent of the other Party hereto, such consent not to be unreasonably withheld.

Section 19.07 Construction. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

Section 19.08 No Third Party Beneficiaries. Except as provided in Sections 17.08 and 17.09, nothing in this Agreement shall provide any benefit to any third party or entitle any third party to any claim, cause of action, remedy or right of any kind, it being the intent of the Parties that this Agreement shall otherwise not be construed as a third party beneficiary contract.

Section 19.09 Assignment. Except as provided in Section 2.04, neither Party may assign or delegate any of its rights or duties under this Agreement without the prior written consent of the other Party; provided, however, Buyer may without the consent of Seller assign all or a portion of its rights under this Agreement (a) to Gulfport Energy Corporation, or (b) to any affiliated entity (provided that an assignment to an affiliate of Buyer shall not relieve Buyer of its obligations hereunder). This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective permitted successors, assigns and legal representatives.

Section 19.10 Governing Law; Venue; Jury Waiver. THIS AGREEMENT, THE OTHER DOCUMENTS DELIVERED PURSUANT HERETO, AND THE LEGAL RELATIONS BETWEEN THE PARTIES SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, EXCLUDING ANY CONFLICTS OF LAW, RULE OR PRINCIPLE THAT MIGHT REFER CONSTRUCTION OF THIS AGREEMENT AND SUCH OTHER DOCUMENTS TO THE LAWS OF ANOTHER JURISDICTION. ALL OF THE PARTIES HERETO CONSENT TO THE EXERCISE OF JURISDICTION *IN PERSONAM* BY THE COURTS OF THE STATE OF TEXAS FOR ANY ACTION ARISING OUT OF THIS AGREEMENT OR THE OTHER DOCUMENTS EXECUTED PURSUANT TO OR IN CONNECTION WITH THIS AGREEMENT. ALL ACTIONS OR PROCEEDINGS WITH RESPECT TO, ARISING DIRECTLY OR INDIRECTLY IN CONNECTION WITH, OUT OF, RELATED TO, OR FROM THIS AGREEMENT OR THE OTHER DOCUMENTS EXECUTED PURSUANT TO OR IN CONNECTION WITH THIS AGREEMENT SHALL BE EXCLUSIVELY LITIGATED IN COURTS HAVING SITES IN DALLAS, DALLAS COUNTY, TEXAS. EACH PARTY HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 19.11 Notices. Any notice, communication, request, instruction or other document required or permitted hereunder (including notices of Title Defects or Environmental Defects) shall be given in writing and delivered in person or sent by U.S. Mail postage prepaid, return receipt requested, or by reliable overnight courier service, or facsimile transmission to the addresses of Seller and Buyer set forth below. Any such notice shall be effective and deemed given only upon receipt.

Seller: ExL Petroleum, LP
6 Desta Drive, Suite 2800
Midland, TX 79705
Attn: Mr. Douglass C. Robison
Phone: (432) 686-8080
Fax: (432) 686-8087

Buyer: Windsor Permian LLC
14301 Caliber Drive, Suite 300
Oklahoma City, Oklahoma 73134
Attention: Mr. Robert G. Carter
Phone: (405) 463-6928
Fax: (405) 469-6998

Either Party may, by written notice so delivered to the other Party, change its address for notice purposes hereunder.

Section 19.12 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect and the Parties shall negotiate in good faith to modify this Agreement so as to effect their original intent as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

Section 19.13 Interpretation. This Agreement shall be deemed and considered for all purposes to have been jointly prepared by the Parties, and shall not be construed against any one Party (nor shall any inference or presumption be made) on the basis of who drafted this Agreement or any particular provision hereof, who supplied the form of Agreement, or any other event of the negotiation, drafting or execution of this Agreement. Each Party agrees that this Agreement has been purposefully drawn and correctly reflects its understanding of the transaction that it contemplates. In construing this Agreement, the following principles will apply.

- (a) A defined term has its defined meaning throughout this Agreement and Exhibit and Schedule to this Agreement, regardless of whether it appears before or after the place where it is defined.
- (b) If there is any conflict or inconsistency between the provisions of the main body of this Agreement and the provisions of any Appendix, Exhibit or Schedule hereto, the provisions of this Agreement shall take precedence. If there is any conflict between the provisions of any of the Assignments or other transaction documents attached to this Agreement as an Exhibit and the provisions of any Assignment and other transaction documents actually executed by the parties, the provisions of this Agreement shall take precedence.
- (c) The Exhibits and Schedules referred to herein are hereby incorporated and made a part of this Agreement for all purposes by such reference.
- (d) The omission of certain provisions of this Agreement from the Assignments does not constitute a conflict or inconsistency between this Agreement and the Assignments, and will not effect a merger of the omitted provisions. To the fullest extent permitted by law, all provisions of this Agreement are hereby deemed incorporated into the Assignments by reference.

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- (e) The word “includes” and its derivatives means “includes, but not limited to” and corresponding derivative meanings.
 - (f) The Article, Section, Exhibit and Schedules references in this Agreement refer to the Articles, Sections, Exhibits and Schedules of this Agreement. The headings and titles in this Agreement are for convenience only and shall have no significance in interpreting or otherwise affect the meaning of this Agreement.
 - (g) The plural shall be deemed to include the singular, and vice versa.

Section 19.14 Time of the Essence. Time shall be of the essence with respect to all time periods and notice periods set forth in this Agreement.

Section 19.15 Facsimile; Counterpart Execution. This Agreement may be executed by facsimile and in any number of counterparts, and each counterpart hereof shall be effective as to each party that executes the same whether or not all of such parties execute the same counterpart. If counterparts of this Agreement are executed, the signature pages from various counterparts may be combined into one composite instrument for all purposes. All counterparts together shall constitute only one Agreement, but each counterpart shall be considered an original.

Section 19.16 Enforcement of the Agreement. The Parties agree that they will be irreparably damaged if any of the provisions of this Agreement are not fully performed by the other Party hereto, in accordance with their specific terms, or are otherwise breached. It is accordingly agreed that the Parties shall be entitled to obtain equitable relief in the form of an injunction or injunctions to prevent breach of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to, and cumulative of, any other remedy to which they may then be entitled to seek, whether at law or in equity.

Section 19.17 Prevailing Party. Should either the Buyer or the Seller employ an attorney or attorneys to enforce any of the terms and conditions hereof, or to protect any right, title or interest created or evidenced hereto, in any state or federal court, the non-prevailing party in any action pursued in courts of competent jurisdiction shall pay to the prevailing party all reasonable costs, damages and expenses, including reasonable attorneys’ fees, expended or incurred by the prevailing party.

Section 19.18 Several Not Joint; Obligations and Rights of Parties. The obligations of Parties Seller with respect to the Assets are several (and not joint and several) with respect to the working interests owned by each Party Seller in the Assets. Without limitation of the foregoing, any representation, warranty, indemnity or covenant made by Seller or the Parties Seller or any Party Seller herein or pursuant hereto, with respect to the Assets is only made by each Party Seller as to itself only or its interest in such Assets, as applicable.

Section 19.19 Seller’s Representative. All the Parties Seller hereby appoint ExL Petroleum LP to serve as their exclusive representative and agent (“Sellers’ Representative”) under this Agreement for the limited purpose of (i) exercising and performing, on their behalf, those rights and duties that are expressly designated herein as a right or duty of Seller, (ii) giving and receiving of notices and requests under this Agreement, (ii) making of adjustments to the

Purchase Price, (iii) receiving of the Earnest Money Deposit, the Purchase Price and any other payments due the Parties Seller under this Agreement, and (iv) the allocating, and distributing of the Earnest Money Deposit, the Purchase Price and any other payments due the Parties Seller among the various Parties Seller. Buyer may act, and shall be fully protected in acting, in reliance upon any and all acts and things done and performed by or agreements made by the Sellers' Representative with respect to the foregoing described matters on behalf of the Parties Seller as fully and effectively as though each had done, performed, made or executed the same

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, Seller and Buyer have executed and delivered this Agreement as of the date first set forth above.

BUYER

WINDSOR PERMIAN LLC

By: /s/ ROBERT G. CARTER
Name: Robert G. Carter
Title: President and CEO

SELLER

AMBROSE ENERGY I, LTD.

By: **SAINT AMBROSE ENERGY, LLC**
its sole GENERAL PARTNER

By: /s/ DOUGLASS C. ROBISON
Name: Douglass C. Robison
Title: Manager

EXL PETROLEUM, LP

By: **EXCELSIOR ENERGY, LLC**
its sole GENERAL PARTNER

By: /s/ DOUGLASS C. ROBISON
Name: Douglass C. Robison
Title: Manager

CHARTER PARTNERS III, LTD.

By: **CHARTER ROYALTY COMPANY**
its sole GENERAL PARTNER

By: /s/ ARMAND SMITH, JR.
Name: Armand Smith, Jr.
Title: President

R&R ROYALTY, LTD.

**By: MAGNUM O&G, INC.
its GENERAL PARTNER**

By: /s/ AVINASH C. AHUJA
Name: Avinash C. Ahuja
Title: President

SHANEE OIL CO. INC.

By: /s/ C. R. TIERCE
Name: C. R. Tierce
Title: President

OJOS VENTURES, LLC

By: /s/ RONALD W. INGRAM
Name: Ronald W. Ingram
Title: President

IRONWOOD EXPLORATION LLC

By: /s/ DUNCAN M. CHISHOLM
Name: Duncan M. Chisholm
Title: President

STALKER ENERGY, LP

**By: STALKER ENERGY, LLC
its GENERAL PARTNER**

By: /s/ E.E. TREADAWAY
Name: E. E. Treadaway
Title: Chief Executive Officer

THE NINETY-SIX CORPORATION

By: /s/ W. DUNCAN KENNEDY
Name: W. Duncan Kennedy
Title: President

KENNEDY MINERALS, LTD.

**By: M&B FAMILY MINERALS LLC,
its GENERAL PARTNER**

By: /s/ W. DUNCAN KENNEDY
Name: W. Duncan Kennedy
Title: Vice President

PYRITE INVESTMENTS, INC.

By: /s/ SAL J. PAGANO
Name: Sal J. Pagano
Title: President

CRAIG M. MCDONNOLD

By: /s/ CRAIG M. MCDONNOLD
CRAIG M. MCDONNOLD, an individual

REECE BOUDREAUX

By: /s/ REECE BOUDREAUX
REECE BOUDREAUX, an individual

SECOND AMENDMENT TO PURCHASE AND SALE AGREEMENT

This Second Amendment to Purchase and Sale Agreement dated as of December 18, 2007 (this "Amendment") is by and among Ambrose Energy I, Ltd., and each of the other parties which are listed as a party Seller on the signatures pages hereof and which execute a counterpart of this Amendment (all of the foregoing described parties are referred to collectively as "Seller" or "Parties Seller" and individually as a "Party Seller"), Windsor Permian LLC ("Buyer") and Gulfport Energy Corporation ("Gulfport").

Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of November 28, 2007, and subsequently entered into that certain First Amendment to Purchase and Sale Agreement dated as of December 3, 2007, pursuant to which Seller has agreed to sell to Buyer the Assets, as defined therein, subject to the terms and conditions therein (collectively, the "Purchase Agreement").

Buyer and Gulfport entered into that certain Assignment of Contract Rights dated December 12, 2007 pursuant to which Buyer assigned to Gulfport a 50% interest in Buyer's right, title and interest in the Purchase Agreement (the "Buyer Assignment").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer, Seller and Gulfport agree as follows:

1. Gulfport ratifies, affirms and approves the Purchase Agreement and is hereby added as a "Buyer" thereto such that Windsor Permian LLC and Gulfport Energy Corporation, for purposes of the Purchase Agreement and this Amendment, are hereinafter referred to collectively as "Buyer" or "Parties Buyer" and individually as a "Party Buyer."

2. Seller consents to the Buyer Assignment and the addition of Gulfport as a Buyer or Party Buyer as set forth herein; provided, however, that notwithstanding anything contained in this Amendment such consent and the Buyer Assignment shall not relieve Windsor Permian LLC of any of its original obligations under the Purchase Agreement, including without limitation, its original obligations under Section 10.08 and Section 13.01 of the Purchase Agreement.

3. Section 6.01 of the Purchase Agreement is hereby amended in its entirety to read as follows:

Section 6.01 Representations and Warranties. Each Party Buyer represents and warrants to Seller, severally with respect to itself only and not with respect to any other Party Buyer, that:

- (a) Existence. Such Party Buyer is duly organized, validly existing and in good standing under the laws of the State of Delaware. Such Party Buyer has full legal power, right and authority to carry on its business as such is now being conducted and as contemplated to be conducted.

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- (b) Legal Power. Such Party Buyer has the legal power and right to enter into and perform this Agreement and the transactions contemplated hereby. The consummation of the transactions contemplated by this Agreement will not violate, or be in conflict with
- (i) any provision of such Party Buyer's formation documents and other governing documents;
 - (ii) any material agreement or instrument to which such Party Buyer is a party or by which such Party Buyer or its assets are bound; or
 - (iii) any judgment, order, ruling or decree applicable to such Party Buyer as a party in interest or any law, rule or regulation applicable to such Party Buyer.
- (c) Execution. The execution, delivery and performance of this Agreement and the transactions contemplated hereby are duly and validly authorized by all requisite action on the part of such Party Buyer. This Agreement constitutes the legal, valid and binding obligation of such Party Buyer enforceable against such Party Buyer in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or other laws relating to or affecting the rights of creditors generally, and by general equitable principles.
- (d) Brokers. No broker or finder is entitled to any brokerage or finder's fee, or to any commission, based in any way on agreements, arrangements or understandings made by or on behalf of such Party Buyer or any affiliate of such Party Buyer for which Seller has or will have any liabilities or obligations (contingent or otherwise).
- (e) Bankruptcy. There are no bankruptcy, reorganization or arrangement proceedings pending, being contemplated by or to the best of such Party Buyer's knowledge threatened against such Party Buyer or any affiliate of such Party Buyer.
- (f) Suits and Claims. There is no suit, action, claim, investigation or inquiry by any person or entity or by any Governmental Authority and no legal, administrative or arbitration proceeding pending or, to the best of such Party Buyer's knowledge, threatened against such Party Buyer or any affiliate of such Party Buyer that will materially affect such Party Buyer's ability to consummate the transactions contemplated herein.
- (g) Independent Evaluation. Such Party Buyer acknowledges that it is an experienced and knowledgeable investor in the oil and gas business, and the business of purchasing, owning, developing and operating oil and gas properties such as the

Assets. In making the decision to enter into this Agreement and to consummate the transactions contemplated hereby, such Party Buyer has relied solely upon (i) its own independent due diligence investigation of the Assets and (ii) the express representations and warranties made by Seller in this Agreement, and has been advised by and has relied solely on its own expertise and its own legal, tax, operations, environmental, reservoir engineering and other professional counsel and advisors concerning this transaction, the Assets and the value thereof.

- (h) Qualification. As of the Closing such Party Buyer or its representative shall be, and thereafter shall continue to be, qualified with all applicable Governmental Authorities to own and operate the Assets. Without limiting the foregoing, such Party Buyer or its representative is, as of the Closing, and thereafter will continue to be, qualified to own any federal or state oil, gas and mineral leases that constitute part of the Assets, including meeting all bonding requirements, if any.
- (i) Securities Laws. Such Party Buyer is acquiring the Assets for its own account and not with a view to, or for offer of resale in connection with, a distribution thereof, within the meaning of the Securities Act of 1933, 15 U.S.C. § 77a *et seq.*, and any other rules, regulations, and laws pertaining to the distribution of securities. With the exception of discussions with Gulfport previously disclosed to Seller, such Party Buyer has not sought or solicited, nor is such Party Buyer participating with, investors, partners or other third parties in order to fund the Purchase Price and to close this transaction, and all funds used by such Party Buyer in connection with this transaction are such Party Buyer's own funds.
- (j) No Holding Company. Such Party Buyer is not (a) a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or (b) subject in any respect to the provisions of that Act, other than Section 9(a)(2) thereof.
- (k) No Investment Company. Such Party Buyer is not (a) an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (b) subject in any respect to the provisions of that Act.
- (l) Funds. Such Party Buyer has arranged to have available by the Closing Date sufficient funds to enable such Party Buyer to pay in full its 50% portion of the Purchase Price in immediately available funds as herein provided and otherwise to perform its obligations under this Agreement.

5. Section 19.11 of the Purchase Agreement is hereby amended by adding at the end thereof the following:

Gulfport Gulfport Energy Corporation
14313 N. May Ave.
Suite 100
Oklahoma City, OK 73134
Attn: Ben Russ
Phone: 405-887-8807 x182
Fax: 405-848-8816

6. Section 19.18 of the Purchase Agreement is hereby amended in its entirety to read as follows:

Section 19.18 Several Not Joint; Obligations and Rights of Parties. The obligations of Parties Seller and the Parties Buyer with respect to the Assets are several (and not joint and several) with respect to the working interests owned by each Party Seller, or to be acquired by each Party Buyer, in the Assets (excepting Windsor Permian LLC's obligations under Section 10.08 and Section 13.01 hereof). Without limitation of the foregoing, any representation, warranty, indemnity or covenant made by Seller or the Parties Seller or any Party Seller herein or pursuant hereto, with respect to the Assets is only made by each Party Seller as to itself only or its interest in such Assets, as applicable. Without limitation of the foregoing, any representation, warranty, indemnity or covenant made by Buyer or the Parties Buyer or any Party Buyer herein or pursuant hereto is only made by each Party Buyer as to itself only or its interest to be acquired in such Assets, as applicable (excepting Windsor Permian LLC's obligations under Section 10.08 and Section 13.01 hereof).

7. A new Section 19.20 of the Purchase Agreement shall be added to read as follows:

Section 19.20 Buyer's Representative. Both of the Parties Buyer hereby appoint Windsor Permian LLC to serve as their exclusive representative and agent ("Buyers' Representative") under this Agreement for the limited purpose of (i) prior to the Closing, exercising and performing, on their behalf, those rights and duties that are expressly designated herein as a right or duty of Buyer, (ii) prior to the Closing, giving notices and requests under this Agreement, and (iii) making of adjustments to the Purchase Price. Seller may act, and shall be fully protected in acting, in reliance upon any and all acts and things done and performed by or agreements made by the Buyers' Representative with respect to the foregoing described matters on behalf of the Parties Buyer as fully and effectively as though each had done, performed, made or executed the same; provided, however for purposes of clarity at Closing an undivided 50% interest in the Assets shall be conveyed by the Parties Seller to each Party Buyer.

8. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Purchase Agreement. Except as amended herein, the terms of the Purchase Agreement shall remain unchanged and in full force and effect.

9. This Amendment may be executed in one or more separate counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. All signatures of the parties to this Amendment may be transmitted by facsimile, and such facsimile will, for all purposes, be deemed to be the original signature of and be binding upon such party.

[SIGNATURE PAGES TO FOLLOW]

This Amendment is executed as of the date first set forth above.

BUYER

WINDSOR PERMIAN LLC

By: /s/ ROBERT G. CARTER
Name: Robert G. Carter
Title: President and CEO

GULFPORT ENERGY CORPORATION

By: /s/ JAMES D. PALM
Name: James D. Palm
Title: CEO

SELLER

AMBROSE ENERGY I, LTD.

By: **SAINT AMBROSE ENERGY, LLC**
its sole GENERAL PARTNER

By: /s/ DOUGLASS C. ROBISON
Name: Douglass C. Robison
Title: Manager

CHARTER PARTNERS III, LTD.

By: **CHARTER ROYALTY COMPANY**
its sole GENERAL PARTNER

EXL PETROLEUM, LP

By: **EXCELSIOR ENERGY, LLC**
its sole GENERAL PARTNER

By: /s/ DOUGLASS C. ROBISON
Name: Douglass C. Robison
Title: Manager

By: /s/ ARMAND SMITH, JR.
Name: Armand Smith, Jr.
Title: President

R&R ROYALTY, LTD.

**By: MAGNUM O&G, INC.
its GENERAL PARTNER**

By: /s/ AVINASH C. AHUJA
Name: Avinash C. Ahuja
Title: President

SHANEE OIL COMPANY, INC.

By: /s/ C. R. TIERCE
Name: C. R. Tierce
Title: President

OJOS VENTURES, LLC

By: /s/ RONALD W. INGRAM
Name: Ronald W. Ingram
Title: President

IRONWOOD EXPLORATION, L.L.C.

By: /s/ DUNCAN M. CHISHOLM
Name: Duncan M. Chisholm
Title: President

STALKER ENERGY, L.P.

**By: STALKER ENERGY GENERAL
PARTNER, LLC, its GENERAL PARTNER**

By: /s/ E. E. TREADAWAY
Name: E. E. Treadaway
Title: Chief Executive Officer

THE NINETY-SIX CORPORATION

By: /s/ W. DUNCAN KENNEDY
Name: W. Duncan Kennedy
Title: President

KENNEDY MINERALS, LTD.

**By: M&B FAMILY MINERALS LLC,
its GENERAL PARTNER**

By: /s/ W. DUNCAN KENNEDY
Name: W. Duncan Kennedy
Title: Vice President

PYRITE INVESTMENTS, LTD.

**By: PYRITE CORP., ITS GENERAL
PARTNER**

By: /s/ SAL J. PAGANO
Name: Sal J. Pagano
Title: President

CRAIG M. MCDONNOLD

By: /s/ CRAIG M. MCDONNOLD
CRAIG M. MCDONNOLD, an individual

REECE BOUDREAUX

By: /s/ REECE BOUDREAUX
REECE BOUDREAUX, an individual



PRESS RELEASE

Gulfport Energy Closes Permian Asset Acquisition

OKLAHOMA CITY (December 20, 2007) Gulfport Energy Corporation (NASDAQ: GPOR) today announced that it has successfully closed the acquisition of strategic assets in West Texas in the Permian Basin for approximately \$85 million. The effective date of the transaction is November 1, 2007.

As previously announced on December 3, 2007, through this transaction Gulfport acquired 4,100 net acres with production of approximately 800 net barrels of oil equivalent ("BOE") a day from 32 gross wells, predominately from the Wolfcamp formation. Existing production is approximately 64% oil, 23% natural gas liquids and 13% natural gas.

A recent independent external engineering report by Pinnacle Energy Services LLC estimates proved reserves net to Gulfport of 6.9 million BOE, of which 23% are classified as proved developed producing (PDP). Proved undeveloped (PUD) reserves included in this estimate are from 92 gross well locations on 40-acre units. The proved reserves are located in the Wolfcamp and Spraberry formations, which are generally characterized as long-lived, with predictable production profiles.

Gulfport estimates additional resource potential of 4.9 million BOE net to Gulfport of incremental probable resources from the remaining acreage assuming 40-acre units. Gulfport has identified 86 gross future development drilling locations.

Current plans include drilling 45 gross wells in 2008. The wells are expected to be drilled to approximately 10,200 feet at an estimated average gross completed well cost of \$1.6 million. The gross estimated ultimate recovery (EUR), as provided by Pinnacle Energy Services, is expected to average 146,000 BOE per well with average net revenue interest of approximately 75%.

Gulfport funded this transaction predominately through a 4.5 million common share offering, which closed on December 12, 2007. The company received net proceeds of approximately \$76 million from the equity offering.

About Gulfport

Gulfport Energy Corporation is an Oklahoma City based independent oil and natural gas exploration and production company with its principal producing properties located along the Louisiana Gulf Coast and the Permian Basin in West Texas. Gulfport also holds 511,000 acre position in the Alberta Oil Sands in Canada through its interest in Grizzly

Oil Sands ULC. Grizzly will be conducting its second winter evaluation drilling program in January 2008. In addition, Gulfport is participating in 13 wells in the Bakken play in the Williston Basin in North Dakota and has an interest in entities with acreage in Southeast Asia, including the producing Phu Horm gas field in Thailand.

Investor & Media Contact:

John Kilgallon
Director, Investor Relations
jkilgallon@gulfportenergy.com
405-242-4474