UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended: March 31, 2013

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

Commission file number 001-35432

ZAZA ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**45-2986089**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)

ZaZa Energy Corporation
1301 McKinney St Suite 2850
Houston, Texas 77010
(Address of principal executive office)

Registrant's telephone number, including area code: **713-595-1900**

Indicate by check mark whether the Registrant (i) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller Reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 30, 2013, there were 102,544,001 shares of common stock, par value $0.01 per share, outstanding.

ZAZA ENERGY CORPORATION

TABLE OF CONTENTS

		Page
	PART I - FINANCIAL INFORMATION	
Item 1	**Financial Statements** (unaudited)	
	Consolidated Balance Sheets - March 31, 2013 and December 31, 2012	2
	Consolidated Statements of Operations and Comprehensive Income - three months ended March 31, 2013 and 2012	3
	Consolidated Statements of Changes in Stockholders' Equity (Deficit) - three months ended March 31, 2013	4
	Consolidated Statements of Cash Flows - three months ended March 31, 2013 and 2012	5
	Notes to Consolidated Financial Statements	6
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3	Quantitative and Qualitative Disclosures About Market Risk	28
Item 4	Controls and Procedures	28
	PART II - OTHER INFORMATION	
Item 1	Legal Proceedings	29
Item 1A	Risk Factors	29
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3	Default Upon Senior Securities	31
Item 4	Mine Safety Disclosures	31
Item 5	Other Information	31
Item 6	Exhibits	31

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

ZAZA ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,991	$ 34,649
Restricted cash	21,602	21,875
Accounts receivable	1,659	1,354
Assets held for sale, net	42,401	-
Prepayments and other current assets	3,746	1,134
Total current assets	77,399	59,012
Property and equipment:		
Oil and gas properties, successful efforts method	122,683	151,828
Furniture and fixtures	2,800	2,947
Total property and equipment	125,483	154,775
Accumulated depletion, depreciation and amortization	(2,292)	(4,705)
Property and equipment, net	123,191	150,070
Assets held for sale, net	14,887	9,965
Other assets	273	4,066
Total assets	**$ 215,750**	**$ 223,113**
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable - trade	$ 7,924	$ 8,431
Deferred income taxes	11,107	14,568
Accrued liabilities	15,385	12,200
Senior Secured Notes, net of discount	6,247	-
Convertible Senior Notes, net of discount	25,938	25,298
Embedded conversion options associated with Convertible Senior Notes	15,034	21,382
Income taxes payable	3,601	3,658
Total current liabilities	85,236	85,537
Long-term accrued liabilities	52	53
Asset retirement obligations	16	130
Deferred income taxes	31,615	32,597
Long-term payable - related parties	4,128	4,128
Subordinated notes	47,330	47,330
Senior Secured Notes, net of discount	20,847	23,647
Warrants associated with Senior Secured Notes	27,771	28,043
Total liabilities	216,995	221,465
Stockholders' equity (deficit):		
Preferred stock, $0.01 par value, 25,000,000 shares authorized; zero issued or outstanding	-	-
Common stock, $0.01 par value, 250,000,000 shares authorized; 102,544,001 and 102,519,001 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	1,025	1,025
Additional paid-in capital	104,723	104,639
Accumulated retained deficit	(106,926)	(104,048)
Accumulated other comprehensive income (loss)	(67)	32
Total stockholders' equity (deficit)	(1,245)	1,648
Total liabilities and stockholders' equity (deficit)	**$ 215,750**	**$ 223,113**

The accompanying notes are an integral part of these financial statements.

ZAZA ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2013	**2012**
Revenues and other income:		
Oil and gas revenues	$ 2,797	$ 2,081
Total revenues and other income	2,797	2,081
Operating costs and expenses:		
Lease operating expense	433	935
Depreciation, depletion and amortization	1,347	585
Accretion expense	11	3
General and administrative	6,858	42,189
Total operating costs and expenses	8,649	43,712
Operating loss	(5,852)	(41,631)
Other expenses:		
Foreign currency exchange (gain) loss	-	106
Loss on extinguishment of debt	15,092	-
Interest expense, net	3,555	1,370
(Gain) loss on fair value of warrants	(11,162)	38,210
Gain on fair value of embedded conversion option	(6,348)	-
Total other expenses (income)	1,137	39,686
Income (loss) from continuing operations before income taxes	(6,989)	(81,317)
Income tax expense (benefit)	(4,665)	33,796
Net income (loss) from continuing operations	(2,324)	(115,113)
Loss from discontinued operations, net of income taxes	(554)	(2,710)
Net income (loss)	**$ (2,878)**	**$ (117,823)**
Basic income (loss) per share:		
Continuing operations	$ (0.02)	$ (1.32)
Discontinued operations	(0.01)	(0.03)
Total basic income (loss) per share	$ (0.03)	$ (1.35)
Diluted income (loss) per share:		
Continuing operations	$ (0.02)	$ (1.32)
Discontinued operations	(0.01)	(0.03)
Total diluted income (loss) per share	$ (0.03)	$ (1.35)
Weighted average shares outstanding:		
Basic	102,523	87,233
Diluted	102,523	87,233
Consolidated Statement of Comprehensive Income (Loss)		
Net income (loss)	$ (2,878)	$ (117,823)
Foreign currency translation adjustments, net of taxes	(99)	-
Comprehensive income (loss)	$ (2,977)	$ (117,823)

The accompanying notes are an integral part of these financial statements.

ZAZA ENERGY CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(In thousands)

	Common Stock (Shares)	Common Stock ($)	Additional Paid-in Capital	Accumulated Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2012	102,519	$ 1,025	$ 104,639	$ (104,048)	$ 32	$ 1,648
Issuance of ZaZa Energy Corp shares	25	-		-	-	-
Comprehensive income (loss)	-	-	-	(2,878)	(99)	(2,977)
Stock-based compensation cost	-	-	84	-	-	84
Balance at March 31, 2013	**102,544**	**$ 1,025**	**$ 104,723**	**$ (106,926)**	**$ (67)**	**$ (1,245)**

The accompanying notes are an integral part of these financial statements.

ZAZA ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2013	2012
Cash flows from operating activities:		
Net income (loss)	$ (2,878)	$ (117,823)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, depletion and amortization	1,347	585
Loss on French divestiture	554	-
Loss on disposal of furniture and fixtures	-	27
Accretion expense	11	3
Deferred income taxes	(4,443)	33,796
Amortization of deferred debt issuance costs and discount	1,274	676
Loss on extinguishment of debt	15,092	-
Unrealized loss (gain) on value of warrants	(11,162)	38,210
Unrealized gain on value of embedded conversion option	(6,348)	-
Stock-based compensation expense	84	-
Changes in operating assets and liabilities:		
Restricted cash	273	(1,200)
Accounts receivable	(344)	14,072
Prepayments and other assets	(208)	1,098
Accounts payable and accrued liabilities	1,905	(26,633)
Cash used in operating activities - continuing operations	(4,843)	(57,189)
Cash used in operating activities - discontinued operations	(554)	(1,336)
Net cash used in operating activities	(5,397)	(58,525)
Cash flows from investing activities:		
Cash acquired in connection with the merger	-	4,118
Additions to oil and gas properties	(21,162)	(4,648)
Additions to furniture and fixtures	-	(115)
Cash used in investing activities - continuing operations	(21,162)	(645)
Cash flows from financing activities:		
Issuance of senior secured notes	-	100,000
Payment of debt issuance costs	-	(4,500)
Payment of notes payable - members	-	(3,000)
Payment of revolving line of credit	-	(5,000)
Payment of Toreador notes	-	(31,754)
Cash provided by financing activities - continuing operations	-	55,746
Effects of foreign currency translation on cash and cash equivalents	(99)	1,145
Net (decrease) in cash and cash equivalents	(26,658)	(2,279)
Cash and cash equivalents, beginning of period	34,649	10,619
Cash and cash equivalents, end of period	**$ 7,991**	**$ 8,340**
Supplemental disclosures:		
Cash paid during the period for interest	$ 2,394	$ 95
Cash paid during the period for income taxes	$ 155	$ -

The accompanying notes are an integral part of these financial statements

NOTE 1 - BASIS OF PRESENTATION

ZaZa Energy Corporation ("ZEC", or "ZaZa" or the "Company") was formed on August 4, 2011 for the purpose of being a holding company of both ZaZa Energy, LLC ("ZaZa LLC") and Toreador Resources Corporation ("Toreador") upon completion of an Agreement and Plan of Merger and Contribution, dated August 9, 2011, as amended (the "Combination"). On February 21, 2012, upon the consummation of the transaction under the Agreement and Plan of Merger and Contribution, ZaZa became the parent company of ZaZa LLC and Toreador. In this quarterly report on Form 10-Q, unless the context provides otherwise, "we", "our", "us" and like references refer to ZaZa, its subsidiaries (including ZaZa LLC and Toreador) and each of their respective direct and indirect subsidiaries.

The accompanying Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012 include the accounts of ZaZa Energy Corporation and all subsidiaries, including ZaZa LLC and Toreador. The Consolidated Statements of Operations and Comprehensive Income and the Consolidated Statements of Cash Flows for three months ended March 31, 2013 and 2012 and the Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2013, and Notes to the Consolidated Financial Statements include the results of our accounting predecessor, ZaZa LLC, through February 20, 2012 and all of our subsidiaries, including ZaZa LLC and Toreador, since February 21, 2012. All figures presented are in thousands except per share data unless otherwise indicated.

The accompanying consolidated financial statements are prepared in accordance with GAAP and reflect all adjustments, consisting of only normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the period. All material intercompany accounts and transactions have been eliminated in consolidation.

The preparation of these consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could be materially different from these estimates.

The consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2012, included in the Form 10-K which was filed with the SEC on April 2, 2013. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

Combination of ZaZa LLC and Toreador Resources Corporation

On February 21, 2012, we consummated the combination of ZaZa LLC and Toreador Resources Corporation, on the terms set forth in the Agreement and Plan of Merger and Contribution, dated August 9, 2011, and as subsequently amended by Amendment No. 1 thereto on November 10, 2011 and Amendment No. 2 thereto on February 21, 2012 (as amended, the "Merger Agreement"), by and among us, ZaZa LLC, Toreador, and Thor Merger Sub Corporation, our wholly-owned subsidiary ("Merger Sub").

We finalized the purchase price allocation during the first quarter of 2013 without any adjustments compared to the preliminary purchase price presented as of December 31, 2012 in our annual report on Form 10-K.

Sale of ZaZa Energy France SAS

On November 13, 2012, the Company, through its wholly-owned subsidiary ZaZa France SAS ("Seller"), and Vermillion REP SAS ("Buyer"), a wholly owned subsidiary of Vermillion Energy Inc., entered into a Share Purchase Agreement (the "Purchase Agreement") pursuant to which Seller sold to Buyer all of its shares in Seller's wholly-owned subsidiary, ZaZa Energy France SAS ("ZEF"), formerly Toreador Energy France SAS. On December 21, 2012, the Company completed the sale of 100% of the shares in ZaZa Energy France SAS to Vermillion REP SAS.

Upon the closing, the net purchase price paid to Seller was approximately $ 76.0 million in cash following the application of certain closing adjustments required by the Purchase Agreement. Following reductions for advisor fees, estimated liquidation costs and taxes, the net proceeds to Company were approximately $ 68.0 million. The Company used approximately half of the net proceeds to pay down part of its remaining Senior Secured Notes. Additionally, as part of the Paris Basin Agreement signed with Hess Corporation ("Hess") in July 2012,

$15.0 million of the sales proceeds will be held in escrow until all exploration permits for the Paris Basin are successfully transferred to Hess. Additionally, $6.6 million has been earmarked and included in restricted cash for wind up activities of ZEC, including French capital gains tax and severance. The remaining net proceeds will be used by the Company to fund its development program.

As a result of the consummation of the Purchase Agreement and with the exception of an 5% overriding royalty interest retained under the Paris Basin Agreement with Hess, the Company no longer has any meaningful operations or assets in connection with oil and gas operations in France which were acquired in the February 2012 Combination of ZaZa LLC and Toreador. The Company anticipates solely focusing its efforts and resources on its oil and gas operations based in the United States. In our quarterly reports, we have previously classified the French operations as a segment based on the geographic regions. After the sale of ZEF, we operate under one segment.

The results of operations of entities in France have been presented as discontinued operations in the accompanying consolidated statements of operations. Results for these entities reported as discontinued operations for the three months ended March 31, 2013 and from February 21, 2012 to March 31, 2012 were as shown in the table below.

	Three Months Ended March 31, 2013	Period from February 21, 2012 to March 31, 2012
	(In thousands)	
Oil revenues	$ -	$ 3,775
Operating loss	-	2,004
Other expenses	-	613
Loss on disposal of assets	554	-
Income tax benefit	-	93
Loss from discontinued operations	$ 554	$ 2,710

Eaglebine Joint Venture with EOG

On March 21, 2013, we entered into a Joint Exploration and Development Agreement with EOG Resources, Inc., ("our counterparty"), for the joint development of certain of our Eaglebine properties located in Walker, Grimes, Madison, Trinity, and Montgomery Counties, Texas. Under this agreement, we and our counterparty will jointly develop up to approximately 100,000 gross acres (approximately 73,000 net acres) that ZaZa currently owns in the Eaglebine trend in these counties. Our counterparty will act as the operator and will pay us certain cash amounts, bear 100% of the drilling and completion costs of certain specified wells, and a portion of our share of any additional seismic or well costs in order to earn their interest in these properties. Generally, ZaZa will retain a 25% working interest, our counterparty will earn a 75% working interest in the acreage, subject to the agreement, that is currently 100% owned by ZaZa. ZaZa will retain a 25% working interest, our counterparty will earn a 50% working interest, and Range will retain a 25% working interest in the acreage that is currently owned 75% by ZaZa and 25% by Range, subject to the terms of our agreement with Range. This joint development will be divided into three phases.

The first phase commenced on April 2, 2013. In this phase we transferred 20,000 net acres, approximately 15,000 of which came from our joint venture with Range, to our counterparty in exchange for a cash payment by our counterparty to us of $ 10 million and an obligation of our counterparty to drill and pay 100% of the drilling and completion costs of three wells. The second of these three wells to be drilled will be the substitute well that we are required to drill pursuant to our agreement with Range described above. Drilling operations on the third well in the first phase of joint development with our counterparty must be commenced by our counterparty before December 31, 2013.

Within 60 days of completion of the third well under the first phase, our counterparty will have the option to elect to go forward with the second phase of the joint development. If they so elect, we will transfer an additional 20,000 net acres to our counterparty in exchange for a cash payment of $20 million, an obligation of our counterparty to drill and pay 100% of the drilling and completions costs of an additional three wells, and an obligation of our counterparty to pay for up to $ 1.25 million of ZaZa's share of additional costs for seismic or well costs.

Within 60 days of completion of the second phase, our counterparty will have the option to elect to go forward with the third phase of the joint development. If they so elect, we will transfer an additional 15,000 net acres to our counterparty in exchange for a cash payment of $20 million, an obligation of our counterparty to drill and pay 100% of the drilling and completion costs of an additional three wells, and an obligation of our counterparty to pay for up to $ 1.25 million of ZaZa's share of additional costs for seismic or well costs.

NOTE 2 — GOING CONCERN

In connection with the audit of our financial statements for the year ended December 31, 2012, our independent registered public accounting firm issued their report dated April 1, 2013, that included an explanatory paragraph describing the existence of conditions that raise substantial doubt about our ability to continue as a going concern due to our dependency on the sale of non-core assets and success of our Eaglebine joint venture entered into subsequent to December 31, 2012. As described in Note 11 - Subsequent Events, we consummated the sale of a portion of these non-core assets in the second quarter of 2013 and received $ 8.8 million in cash. Additionally, we entered into the first development phase in our Eaglebine joint venture and received $ 10.0 million in April 2013. We believe that we have made progress in remediating the uncertainties that gave rise to this going concern qualification upon entering the first phase of the Eaglebine joint venture and closing the sale of a portion of our non-core assets. Our independent registered public accounting firm will provide a new opinion based on facts and circumstances at December 31, 2013 for the year then ended.

The first phase of the joint venture resulted in ZaZa receiving $ 10 million in the second quarter of 2013, and being 100% carried on the drilling and completion costs of three (3) exploratory wells. The Moulton property sale that we consummated in the second quarter of 2013 provided approximately $8.8 million of cash. We used $4.6 million of the proceeds from this transaction to reduce the outstanding principal amount of our Senior Secured Notes to approximately $ 28.6 million in the second quarter of 2013. Our 2013 plan assumes that we will receive approximately $42 million in cash in the second quarter of 2013 upon the consummation of the sale of the remainder of our Moulton properties pursuant to an agreement that we entered into on March 22, 2013. As of May 14, 2013, we have not yet closed this sale, and any non-breaching party may now unilaterally terminate this agreement due to the closing not having occurred by the outside date of April 30, 2013. We are uncertain whether this closing will be achieved and are pursuing alternative purchasers for these interests in parallel.

In addition to the transactions, we are currently in the process of drilling and completing three (3) stand-alone exploratory wells. These wells are estimated to cost approximately $34.2 million in the aggregate. Also included in the 2013 business plan is approximately $15.5 million in leasehold costs to extend our leases that are not held by production. To offset a portion of these costs, our 2013 business plan also includes a 35% reduction in our general and administrative costs beginning in the second quarter of 2013. The reduction in general and administrative costs is expected to be reflected in the third quarter due to the severance expenses incurred in the second quarter. As discussed in Note - 11 Subsequent Events in more detail, we terminated approximately 34 employees in the second quarter of 2013 and will close our offices in Corpus Christi and Dallas.

Going forward, we will utilize cash flow from operations, alternative sources of equity or debt capital and possible asset divestitures to finance additional drilling operations in the Eaglebine. Any significant delay in the disposition of our remaining Moulton properties would decrease ZaZa's near-term liquidity and materially adversely affect the Company. In the absence of additional financing, the sale of its remaining Moulton interests is necessary to fund the Company's 2013 forecasted operations beyond the second quarter. There is no assurance that asset divestitures will be available to the Company at appropriate valuations. Absent additional sources of liquidity, or the sale of additional assets, the Company will have to further reduce our expenditures in 2013 and beyond.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers investments in all highly liquid instruments with original maturities of three months or less at date of purchase to be cash equivalents.

Revenue Recognition

The Company derives its oil and gas revenue primarily from the sale of produced oil and gas. The Company uses the sales method of accounting for the recognition of gas revenue whereby revenues, net of royalties are recognized as the production is sold to the purchaser. The amount of gas sold may differ from the amount to which the Company is entitled based on its working interest or net revenue interest in the properties. Revenue is recorded when title is transferred based on our nominations and net revenue interests. Pipeline imbalances occur when production delivered into the pipeline varies from the gas we nominated for sale. Pipeline imbalances are settled with cash approximately 30 days from date of production and are recorded as a reduction of revenue or increase of revenue depending upon whether we are over-delivered or under-delivered. Settlements of oil and gas sales occur after the month in which the product was produced. We estimate and accrue for the value of these sales using information available at the time financial statements are generated. Differences are reflected in the accounting period during which payments are received from the purchaser.

Accounts Receivable

Accounts receivable include oil and gas revenues, joint interest billing, and related parties receivables. Management periodically assesses the Company's accounts receivable and establishes an allowance for estimated uncollectible amounts. Accounts determined to be uncollectible are charged to operations when that determination is made. The Company usually does not require collateral.

Concentration of Credit Risk

The Company maintains its cash balances at several financial institutions, which are insured by the Federal Deposit Insurance Corporation. The Company's cash balances typically are in excess of the insured limit. This concentration may impact the Company's overall credit risk, either positively or negatively, in that it may be similarly affected by changes in economic or other conditions. The Company has incurred no losses related to these accounts.

Successful Efforts Method of Accounting for Oil and Gas Activities

The Company accounts for its natural gas and crude oil exploration and production activities under the successful efforts method of accounting. Oil and gas lease acquisition costs are capitalized when incurred. Lease rentals are expensed as incurred. Oil and gas exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. The costs of drilling exploratory wells are capitalized pending determination of whether they have discovered proved commercial reserves. Exploratory drilling costs are capitalized when drilling is complete if it is determined that there is economic producibility supported by either actual production or a conclusive formation test. If proved commercial reserves are not discovered, such drilling costs are expensed. In some circumstances, it may be uncertain whether proved commercial reserves have been found when drilling has been completed. Such exploratory well drilling costs may continue to be capitalized if the reserve quantity is sufficient to justify its completion as a producing well and sufficient progress in assessing the reserves and the economic and operating viability of the project is being made. Costs to develop proved reserves, including the costs of all development wells and related equipment used in the production of natural gas and crude oil, are capitalized. Unproved properties with individually significant acquisition costs are analyzed on a property-by-property basis for any impairment in value. If the unproved properties are determined to be productive, the appropriate related costs are transferred to proved oil and gas properties.

ZaZa's third party engineers estimate proved oil and gas reserves, which directly impact financial accounting estimates, including depreciation, depletion, and amortization. Our proved reserves represent estimated quantities of oil and condensate, natural gas liquids and gas that geological and engineering data demonstrate, with reasonable certainty, to be recovered in future years from known reservoirs under economic and operating conditions existing at the time the estimates were made. The process of estimating quantities of proved oil and gas reserves is very complex requiring significant subjective decisions in the evaluation of all available geological, engineering, and economic data for each reservoir. The data for a given reservoir may also change substantially over time as a result of numerous factors including, but not limited to, additional development activity, evolving

producing history, and continual reassessment of the viability of production under varying economic conditions. Consequently, material revisions (upward or downward) to existing reserve estimates may occur from time to time.

Amortization rates are updated at least annually to reflect: (1) the addition of capital costs, (2) reserve revisions (upwards or downwards) and additions, (3) property acquisitions and/or property dispositions, and (4) impairments. When circumstances indicate that an asset may be impaired, the Company compares expected undiscounted future cash flows at a producing field level to the unamortized capitalized cost of the asset. If the future undiscounted cash flows, based on the Company's estimate of future natural gas and crude oil prices, operating costs, anticipated production from proved reserves, and other relevant data, are lower than the unamortized capitalized cost, the capitalized cost is reduced to fair value. Fair value is calculated by discounting the future cash flows at an appropriate risk-adjusted discount rate.

Asset Retirement Obligations

We follow ASC 410-20 which applies to obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction and development of the assets. ASC 410-20 requires that we record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset.

The following table summarizes the changes in our asset retirement liability during the three months ended March 31, 2013.

	Three Months Ended March 31, 2013
Asset retirement obligations at start of period	$ 130
Obligations reclassified as held for sale	(125)
Accretion expense	11
Asset retirement obligations at the end of period	$ 16

Furniture and Fixtures

Furniture and fixtures are stated at cost. Depreciation is calculated using the straight-line method over the assets' estimated useful lives as follows:

Office furniture and fixtures	2 - 5
Computing equipment	2 - 5
Vehicles	5 - 7

Other Assets

Other assets consist of long term restricted deposits related to letters of credit with the Railroad Commission and other vendors as well as debt issuance costs associated with the non-current portion of our Long-Term Debt. Debt issuance costs related to the current portion of our Long-Term debt are included in other current assets. At March 31, 2013 and December 31, 2012 debt issuance costs were $2.5 million and $7.0 million, and accumulated amortization was $0.2 million and $3.3 million, respectively. The costs are being amortized over the life of associated debt.

Income Taxes

For financial reporting purposes, we generally provide taxes at the rate applicable for the appropriate tax jurisdiction. Management periodically assesses the need to utilize any unremitted earnings to finance our operations. This assessment is based on cash flow projections that are the result of estimates of future production, commodity prices and expenditures by tax jurisdiction for our operations. Such estimates are inherently imprecise since many assumptions utilized in the cash flow projections are subject to revision in the future.

Management also periodically assesses, by tax jurisdiction, the probability of recovery of recorded deferred tax assets based on its assessment of future earnings estimates. Such estimates are inherently imprecise since many assumptions utilized in the assessments are subject to revision in the future.

Earnings (Loss) Per Common Share

Basic earnings (loss) per share was calculated by dividing net income or loss applicable to common shares by the weighted average number of common shares outstanding during the periods presented. Diluted earnings (loss) per share incorporate the potential dilutive impact of options and unvested stock outstanding during the periods presented, unless their effect is anti-dilutive. In addition, the Company applies the if-converted method to our convertible debt instruments, the effect of which is that conversion will not be assumed for purposes of computing diluted earnings (loss) per share if the effect would be anti-dilutive.

Foreign Currency Translation

The United States dollar is the functional currency for all of ZaZa's consolidated subsidiaries except for certain of its French subsidiaries, for which the functional currency is the Euro. For subsidiaries whose functional currency is deemed to be other than the United States dollar, asset and liability accounts are translated using the period-end exchange rates and revenues and expenses are translated at average exchange rates prevailing during the period. Translation adjustments are included in Accumulated Other Comprehensive Income ("AOCI") on the Consolidated Balance Sheets. Any gains or losses on transactions or monetary assets or liabilities in currencies other than the functional currency are included in net income (loss) in the current period.

Stock-based Compensation

Stock-based compensation cost is measured at the date of grant, based on the fair value of the award, and is recognized as expense, generally on a straight line basis over the vesting period of the award. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods to reflect actual forfeitures. Awards subject to vesting requirements for non-employees are fair valued each reporting period, final fair value being determined at the vesting date.

Recently adopted accounting pronouncements

In February 2013, the FASB issued guidance on disclosure requirements for items reclassified out of accumulated other comprehensive income by component. This new guidance requires entities to present (either on the face of the income statement or in the notes) the effects on the line items of the income statement for amounts reclassified out of accumulated other comprehensive income. We adopted this pronouncement for our fiscal year beginning January 1, 2013. The adoption of this pronouncement did not have a material effect on our consolidated financial statements.

In December 2011, the FASB issued guidance on disclosure requirements about the nature of an entity's right to offset and related arrangements associated with its financial instruments and derivative instruments. The new guidance requires the disclosure of the gross amounts subject to rights of set-off, amounts offset in accordance with the accounting standards followed, and the related net exposure. In January 2013, the FASB clarified that the scope of this guidance applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement, or similar agreements. We adopted this pronouncement for our fiscal year beginning January 1, 2013. The adoption of this pronouncement did not have a material effect on our consolidated financial statements.

Accounting pronouncements not yet adopted

In March 2013, the FASB issued AUS 2013-05 to clarify the accounting for the release of cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2013. We do not anticipate that this adoption will have a significant impact on our financial position, results of operations or cash flows .

NOTE 4 — EARNINGS (LOSS) PER COMMON SHARE

The following table reconciles the numerators and denominators of the basic and diluted income (loss) per common share computation:

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
	(In thousands, except per share data)	
Basic income (loss) per share:		
Numerator:		
Income (loss) from continuing operations	$ (2,324)	$ (115,113)
Income (loss) from discontinued operations, net	(554)	(2,710)
Net income (loss)	$ (2,878)	$ (117,823)
Denominator:		
Weighted average common shares outstanding	102,523	87,233
Basic income (loss) per share:		
Continuing operations	$ (0.02)	$ (1.32)
Discontinued operations	(0.01)	(0.03)
Total basic income (loss) per share	$ (0.03)	$ (1.35)
Diluted income (loss) per share:		
Numerator:		
Income (loss) from continuing operations	$ (2,324)	$ (115,113)
Impact of assumed conversions on interest expense, net of tax	-	-
Less: gain on fair value of warrants, net of tax	-	-
	(2,324)	(115,113)
Income (loss) from discontinued operations, net	(554)	(2,710)
Net income (loss)	$ (2,878)	$ (117,823)
Denominator:		
Weighted average common shares outstanding	102,523	87,233
Net warrants issued for secured debt under the treasury stock method	- (a)	- (a)
Weighted average shares associated with convertible debt	- (b)	-
Weighted average diluted shares outstanding	102,523	87,233
Diluted income (loss) per share:		
Continuing operations	$ (0.02)	$ (1.32)
Discontinued operations	(0.01)	(0.03)
Total diluted income (loss) per share	$ (0.03)	$ (1.35)

(a) For the three months ended March 31, 2013, the average ZaZa share price was lower than the exercise price of the warrants and therefore the anti-dilutive effect was not considered. For the three months ended March 31, 2012, 12.7 million common equivalent shares from warrants associated with the Senior Secured Notes were excluded from the calculation due to their anti-dilutive effect.

(b) For the three months ended March 31, 2013, the number of shares used in the calculation of diluted income per share did not include 16.0 million common equivalent shares from the embedded convertible options associated with the Convertible Senior Notes issued in October 2012, due to their anti-dilutive effect.

NOTE 5 — LONG-TERM DEBT

As described in more detail in our 2012 annual report on Form 10-K, we have the following three debt agreements: 8.00% Senior Secured Notes due 2017 and Warrants, Convertible Senior Notes due 2017 and Subordinated Notes. The fair market value of debt, warrants associated with the Senior Secured Notes and embedded conversion option associated with Convertible Senior Notes are disclosed in Note 9 — Fair Value Measurement.

Our Long-term debt consisted of the following:

	March 31, 2013	December 31, 2012
Senior Secured Notes, net of discount (1)	$ 27,094	$ 23,647
Convertible Senior Notes, net of discount (2)	25,938	25,298
Subordinated notes	47,330	47,330
Subtotal	100,362	96,275
Less: current portion (3)	(32,185)	(25,298)
Total long-term debt	$ 68,177	$ 70,977

(1) The Senior Secured Notes original issuance discount is amortized to the principal amount through the date of the first put right on February 21, 2017 using the effective interest rate method and rate of 14.94%.

(2) The Convertible Senior Notes original issuance discount is amortized to the principal amount through maturity on August 21, 2017 using the effective interest rate method and rate of 19.04%.

(3) The Convertible Notes are convertible, at the option of the holder, into shares of the Company's common stock. The initial conversion rate equates to an initial conversion price of $ 2.50 per share. Due to certain limitations under the indenture regarding the Company's ability to settle the conversion in shares, the debt is classified as current. Additionally we classified $6.2 million of our Senior Secured Notes as current in anticipation of use of proceeds related to the Moulton Transactions.

Sale of 8.00% Senior Secured Notes due 2017 and Warrants

The Senior Secured Notes will mature on February 21, 2017. Subject to certain adjustments set forth in the SPA, interest on the Senior Secured Notes accrues at 8% per annum, payable quarterly in cash. After giving effect to the shares issued to the ZaZa LLC Members and the former stockholders of Toreador in the Combination, the Warrants initially represented approximately 20.6% of the outstanding shares of Common Stock on an as-converted and fully-diluted basis. As of March 31, 2013, 27,226,223 warrants with an exercise price of $ 2.00 per share and an expiration date of August 31, 2020 were outstanding.

On March 28, 2013, we entered into Amendment No. 5 to the SPA ("Amendment No. 5"). Under Amendment No. 5, we agreed to make a prepayment on the Senior Secured Notes with the proceeds of an asset sale, which prepayment had previously been deferred, of approximately $4.6 million. Amendment No. 5 also provides for:

(a) revisions to the prepayment provisions to permit the Company to voluntarily prepay the Senior Secured Notes at 105% of their principal amount plus accrued and unpaid interest, if the aggregate principal amount of the Senior Secured Notes exceeds $ 25 million, at 103% if the aggregate principal amount of the Senior Secured Notes exceeds $ 15 million, and at 100% if the aggregate principal amount of the Senior Secured Notes are $ 15 million or less;

(b) the Company to make a prepayment to pay down the Senior Secured Notes to $ 15 million by February 28, 2014, and a provision that if the Senior Secured Notes have not been repaid in full by February 28, 2014, the interest rate will increase from 8% to 10% per annum;

(c) the Company to make a prepayment on the Senior Secured Notes if the Company sells some of its acreage in Sweet Home or the Company receives the release of certain escrow funds, which funds were placed in escrow for the benefit of Hess in connection with the Company's sale of its French subsidiary, in each case prior to February 28, 2014, but solely to the extent to reduce the principal outstanding balance of the Senior Secured Notes to $15 million;

(d) reversion of consent rights on all joint ventures involving oil and gas properties to permit our recently announced joint venture in the Eaglebine without any requirement to use the proceeds thereof to pay down the Senior Secured Notes and to permit joint ventures in Hackberry or Sweet Home as long as 10% of the gross proceeds in excess of $ 10 million are used to pay down the Senior Secured Notes;

(e) the modification of the asset sale covenants to require (i) only 10% of the gross proceeds from asset sales in the Eaglebine to be used to pay down the Senior Secured Notes, (ii) only 10% of the net proceeds from the sale of the Moulton properties to be used to pay down the Senior Secured Notes, and (iii) only 10% of the gross proceeds from asset sales in the Eagle Ford to be used to pay down the Senior Secured Notes until such time as the Notes have been paid down to $15 million, whereupon no such paydown shall be required subject to certain requirements regarding reinvestment of funds;

(f) the exercise price of the warrants issued in connection with the Senior Secured Notes to be reduced to $ 2.00 per share and the exercise period to be extended to August 31, 2020; and
(g) the amendment of certain provisions of the lockup agreement entered into in connection with the SPA to permit certain additional categories of transfers.

Amendment No.5 was considered an extinguishment of debt. Accordingly, in the first quarter of 2013, we extinguished the Senior Secured Notes and associated discounts and debt issuance costs of $ 33.2 million, $9.1 and $1.2 million, respectively. We recognized a loss on extinguishment of debt of $15.1 million consisting of a loss from the modification of the terms of the warrants of $10.9 million and a difference between the fair value and book value of debt of $ 4.2 million. We recorded the modified debt at its fair market value of $27.1 million, consisting of a principal amount of $ 33.2 million and discount of $6.1 million. At December 31, 2012, the unamortized issuance discount related to Senior Secured Notes was $9.6 million.

9.00% Convertible Senior Notes due 2017

The Company has $40,000,000 aggregate principal amount of 9% Convertible Senior Notes due 2017 (the "Convertible Notes"). The Convertible Notes are the senior, unsecured obligations of the Company, bear interest at a fixed rate of 9.0% per year, payable semiannually in arrears and mature August 1, 2017 unless earlier converted, redeemed or repurchased. The Convertible Notes are convertible, at the option of the holder, at any time prior to the third trading day immediately preceding the maturity date, into shares of the Company's common stock, par value $0.01 per share (the "Conversion Shares"), and cash in lieu of fractional shares of common stock. The initial conversion rate will be 400 shares per $1,000 Convertible Note, reflecting a conversion premium of approximately 32.28% of the closing price of the Company's common stock on the pricing date of the offering, which equates to an initial conversion price of $ 2.50 per share.

At March 31, 2013 and December 31, 2012, the unamortized issuance discount related to Convertible Senior Notes was $ 14.1 million and $14.7 million, respectively.

8.00% Subordinated Notes

In February 2012, we issued Subordinated Notes in an aggregate amount of $47.33 million to the ZaZa LLC Members that accrue interest at a rate of 8% per annum payable monthly in cash, and mature on August 17, 2017.

Interest expense

For the three months ended March 31, 2013 and 2012, interest expense consisted of the following:

	Three Months Ended March 31,	
	2013	2012
Interest expense on Senior Secured Notes	$ 664	$ 889
Interest expense on Convertible Senior Notes	900	-
Interest expense on Subordinated Notes	947	421
Interest expense on revolving credit line	-	45
Interest expense on Members' Notes	-	50
Amortization original issuance discount on Senior Secured Notes	490	608
Amortization of issuance costs on Senior Secured Notes	58	68
Amortization original issuance discount on Convertible Senior Notes	640	-
Amortization of issuance costs on Convertible Senior Notes	86	-
Other interest (income) expense, net	(24)	(711)
Capitalized interest	(206)	-
Total interest expense, net	$ 3,555	$ 1,370

NOTE 6 — ASSETS HELD FOR SALE

ZaZa's Board of Directors met on November 2, 2012 and authorized management to negotiate the sale of the Hackberry prospect area including both the Conniff and Grahmann wells and unproved acreage. We have created a data room and have engaged a third party to assist in the divestiture. Currently, no market price has been

set. Net assets in the amount of $9.9 million have been classified as non-current "Assets Held for Sale, net" in the consolidated balance sheet.

ZaZa entered into an agreement on March 22, 2013 to sell approximately 10,000 net acres of our properties in the Eagle Ford trend located in Fayette, Gonzalez and Lavaca Counties, Texas, which we refer to as our Moulton properties, including seven producing wells located on the Moulton properties, for approximately $43.3 million. As of May 14, 2013, we have not yet consummated this sale, and any non-breaching party may now unilaterally terminate this agreement due to the closing not having occurred by the outside date of April 30, 2013. We are uncertain whether this closing will be achieved and are pursuing alternative purchasers for these interests in parallel. Net assets in the amount of $37.7 million have been classified as current "Assets Held for Sale, net" in the consolidated balance sheet.

On April 5, 2013 the Company closed a purchase and sale agreement and sold certain of its properties in the Eagle Ford trend located in Fayette, Gonzalez and Lavaca Counties, Texas, for approximately $9.2 million. Net proceeds from the sale, after closing purchase price adjustments and expenses, were approximately $8.8 million. We used approximately $4.6 million of the proceeds to pay down our Senior Secured Notes. Net assets in the amount of $4.7 million have been classified as current "Assets Held for Sale, net" in the consolidated balance sheet.

In the first quarter of 2013, management decided to market the Company's Dilley prospect. We have created a data room and have engaged a third party to assist in the divestiture. Currently, no market price has been set. N et assets in the amount of $5.0 million have been classified as non-current "Assets Held for Sale, net" in the consolidated balance sheet.

The following table summarizes the assets and liabilities associated with assets held for sale (current and non-current).

	March 31, 2013	December 31, 2012
Accounts receivable - revenue receivable	$ 152	$ 113
Oil and gas properties	64,118	13,095
Accumulated depletion	(6,674)	(3,060)
Asset retirement obligations	(308)	(183)
Total assets held for sale, net (current and non-current)	$ 57,288	$ 9,965

NOTE 7 —INCOME TAXES

We are subject to income taxes in the United States and France. The current provision for taxes on income consists primarily of income taxes based on the tax laws and rates of the countries in which operations were conducted during the periods presented. All interest and penalties related to income tax is charged to general and administrative expense. We compute our provision for deferred income taxes using the liability method. Under the liability method, deferred income tax assets and liabilities are determined based on differences between financial reporting and income tax basis of assets and liabilities and are measured using the enacted tax rates and laws. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to reduce the future tax benefits to the amount, based on available evidence it is more likely than not deferred tax assets will be realized.

The primary reasons for the difference between tax expense at the statutory federal income tax rate and our provision for income taxes for the three months ended March 31, 2013 and 2012 were:

	Three Months Ended March 31,	
	2013	2012
Statutory tax at 35%	$ (2,446)	$ (28,537)
(Gain) Loss on Warrants	(95)	12,991
Adjustments to valuation allowance	(2,155)	49,445
Foreign rate differential and other	31	(103)
Income tax expense (benefit)	$ (4,665)	$ 33,796

NOTE 8 — COMMITMENTS AND CONTINGENCIES

Tiway Arbitration

Toreador entered into a Share Purchase Agreement ("SPA") between Tiway Oil BC ("Tiway"), Tiway Oil AS and Toreador on September 30, 2009 for the purchase by Tiway of the entire issued share capital of Tiway Turkey Limited, f/k/a Toreador Turkey Limited ("TTL"). Tiway alleges in its request for arbitration that Toreador breached representations and warranties in the SPA as to five matters:

On December 12, 2011, Tiway commenced arbitration against Toreador by submitting a formal Request for Arbitration to the London Court of International Arbitration (the "LCIA") pursuant to the SPA. An arbitrator was selected in the first quarter of 2012, but no further actions have been made. On August 9, 2012, Tiway agreed to a stay of the arbitration proceedings. In March 2013, Tiway and Toreador negotiated a settlement of all claims for cash consideration of $275,000, waiver of certain rights under the SPA, and contingent liability for the General Directorate of Petroleum Affairs ("GDPA") training obligations not to exceed $200,000. The settlement amount of $275,000 was paid in March 2013. We believe that the likelihood of any payment related to the GDPA training obligations is remote.

FLMK/Emerald Leasing Claims

ZaZa LLC filed a lawsuit against certain lease brokers, consultants and law firms who were involved in the leasing of acreage for the company in DeWitt and Lavaca Counties, including Emerald Leasing LLC, FLMK Acquisition, LLC, John T. Lewis, Billy Marcum, Brad Massey, Max Smith, Randy Parsley, Timothy E. Malone, Heroux & Helton PLLC, and Whitaker Chalk Swindle & Schwartz PLLC. ZaZa paid certain of these brokers for approximately 3,924 acres of leases for which the brokers have not delivered to the company. Additionally, there are net lease acreage shortages for which ZaZa has made a claim. To the extent that the Company receives any cash settlement from these persons, it is required to share one-half of the cash settlement with Hess pursuant to the terms of the agreement dissolving the Hess joint venture.

Sankalp Amercias, Inc. Casing Collar Failure

On March 13, 2013, ZaZa LLC filed a lawsuit against Sankalp Americas, Inc. ("Sankalp"). The dispute arose due to the catastrophic loss of a 17,000+ foot horizontal well, the Stingray A-1H, drilled by ZaZa LLC in Walker County, Texas. While ZaZa LLC worked to complete the sixteenth stage of its hydraulic fracturing operations, a casing collar manufactured by Sankalp failed, separating completely, and causing a downhole restriction. This restriction, which could not be remediated, ultimately resulted in the loss of the entire horizontal portion of the well. ZaZa LLC seeks to recover from Sankalp for its substantial losses caused by such failure. On April 5, 2013, Sankalp filed its original answer and denied all claims.

Range Transaction

On March 28, 2012, ZaZa LLC entered into a Participation Agreement (the "Range Agreement") with Range Texas Production, LLC ("Range"), a subsidiary of Range Resources Corporation, under which ZaZa LLC agreed to acquire a 75% working interest from Range in certain leases located in Walker and Grimes Counties, Texas (the "Leases"). Pursuant to the terms of the Range Agreement, Range retained a 25% working interest in the Leases and ZaZa LLC committed to drill a well (the "Commitment Well"). ZaZa LLC drilled the Commitment Well but ceased completion operations due to a restriction. As a result of the restriction, the lateral section of the well was lost and, because of the resulting operational delay, effective January 16, 2013, ZaZa LLC and Range entered into an Amendment No. 5 to the Range Agreement (the "Amendment"). The Amendment requires ZaZa LLC to (i) commence re-completion operations on the Commitment Well by March 16, 2013 (the Company has timely commenced such operations), (ii) commence drilling operations of a substitute Commitment Well (the "Substitute Well") by July 17, 2013, and (iii) initiate sales of oil and/or gas from the Substitute Well by September 1, 2013. Failure to do so will require ZaZa to assign a 25% working interest in the Leases to Range and relinquish operatorship. On March 25, 2013, ZaZa entered into the Sixth Amendment to the Range Agreement (the "Sixth Amendment"). The Sixth Amendment (i) extends the deadline for initiating sales of oil and/or gas from the Substitute Well from September 1, 2013 to November 1, 2013, (ii) clarifies ZaZa's option to commence an additional Substitute Well at any time a previous Substitute Well is abandoned prior to reaching a certain specified minimum depth, (iii) specifies that if ZaZa assigns all or a portion of its rights and obligations in the Range Agreement to EOG, then the area of mutual interest will not include lands covered by mineral leases or options to purchase mineral leases owned by EOG prior to March 1, 2013 and (iv) grants ZaZa the option to drill and complete a vertical monitor well at a mutually agreeable location.

Other

From time to time, we are named as a defendant in other legal proceedings arising in the normal course of business. In our opinion, the final judgment or settlement, if any, which may be awarded with any suit or claim would not have a material adverse effect on our financial position, results of operations or cash flows.

NOTE 9 — FAIR VALUE MEASUREMENTS

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value at March 31, 2013 and December 31, 3012, due to the short-term nature or maturity of the instruments.

The warrants were valued as written call options using a Monte Carlo stock option pricing simulation. Exercise behavior prior to maturity was simulated using a Least-Squares approach based on the Longstaff-Schwartz Least Squares Monte Carlo (LSM) option pricing model. Key inputs into this valuation model are our current stock price, LIBOR zero coupon yield curve, and the underlying stock price volatility The debt was valued under the income approach using discounted cash flows. The discounting utilized the LIBOR zero coupon yield curve and our implied credit spread. The current stock price and LIBOR yield curve are based on observable market data and are considered Level 2 inputs while the stock price volatility and implied credit spread are unobservable and thus require management's judgment and are considered Level 3 inputs. We used average daily stock price volatility of 5% and credit spread of S&P CCC+ rated companies. The fair value measurements are considered a Level 3 measurement w ithin the fair value hierarchy. An increase in the volatility by 5% results in a $1.6 million increase in the fair value of the warrants. On March 31, 2013, the Senior Secured Notes had a book value equal to their fair market value of $27.1 million due to extinguishment accounting disclosed in Note 5 – Long-Term Debt .

The embedded conversion option was valued as written call option using a Monte Carlo stock option pricing simulation where exercise was based on periods where the stock price multiplied by shares plus the outstanding interest were greater than the value of the notes. Exercise behavior prior to maturity was simulated using a Least-Squares approach based on the Longstaff-Schwartz Least Squares Monte Carlo (LSM) option pricing model. Key inputs into this valuation model are our current stock price, LIBOR zero coupon yield curve, credit spread curve, and the underlying stock price volatility. The debt was valued under the income approach using discounted cash flows. The discounting utilized the LIBOR zero coupon yield curve and our implied credit spread. The current stock price and LIBOR yield curve are based on observable market data and are considered Level 2 inputs while the stock price volatility and implied credit spread are unobservable and thus require management's judgment and are considered Level 3 inputs. We used average daily stock price volatility of 5% and credit spread of S&P CCC+ rated companies. The fair value measurements are considered a Level 3 measurement within the fair value hierarchy. An increase the volatility by 5% results in a $ 0.2 million increase in the fair value of the conversion option. An increase in the credit spread by 500 basis points results in a $ 6.3 million decrease in the fair value of the conversion option. On March 31, 2013, the Convertible Senior Notes, which had a book value of $ 25.9 million, had a fair market value of approximately $35.0 million.

"ASC 820 - Fair value measurements and disclosures", establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted market prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

Effective January 1, 2012, we adopted the authoritative guidance that applies to all financial assets and liabilities required to be measured and reported on a fair value basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The guidance requires disclosure that establishes a framework for measuring fair value expands disclosure about fair value measurements and requires that fair value measurements be classified and disclosed in one of the following categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. We consider active markets as those in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that we value using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data or supported by observable levels at which transactions are executed in the market place. Instruments in this category include non-exchange traded derivatives such as over-the-counter commodity price swaps, certain investments and interest rate swaps.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e., supported by little or no market activity). Our valuation models for derivative contracts are primarily industry-standard models (i.e., Black-Scholes) that consider various inputs including: (a) quoted forward prices for commodities, (b) time value, (c) volatility factors, (d) counterparty credit risk and (e) current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Level 3 instruments primarily include derivative instruments, such as basis swaps, commodity price collars and floors and accrued liabilities. Although we utilize third -party broker quotes to assess the reasonableness of our prices and valuation techniques, we do not have sufficient corroborating market evidence to support classifying these assets and liabilities as Level 2.

Certain assets and liabilities are reported at fair value on a nonrecurring basis in our consolidated balance sheets. The following methods and assumptions were used to estimate the fair values:

Asset Impairments - The Company reviews a proved oil property for impairment when events and circumstances indicate a possible decline in the recoverability of the carrying value of such property as well as an annual assessment. We estimate the undiscounted future cash flows expected in connection with the property at a field level and compare such undiscounted future cash flows to the carrying amount of the property to determine if the carrying amount is recoverable. If the carrying amount of the property exceeds its estimated undiscounted future cash flows, the carrying amount of the property is reduced to its estimated fair value. Fair value may be estimated using comparable market data, a discounted cash flow method, or a combination of the two. In the discounted cash flow method, estimated future cash flows are based on management's expectations for the future and include estimates of future oil production, commodity prices based on commodity futures price strips as of the date of the estimate, operating and development costs, and a credit risk-adjusted discount rate. Asset impairments are further discussed in Note 10 - Impairment of Assets.

The following tables summarize the valuation of our liabilities measured on a recurring basis at levels of fair value at March 31, 2013 and December 31, 2012.

	Fair Value Measurement using			
	(Level 1)	(Level 2)	(Level 3)	Total
At March 31, 2013				
Warrants	-	-	27,771	27,771
Embedded conversion option	-	-	15,034	15,034
Total	$ -	$ -	$ 42,805	$ 42,805

	Fair Value Measurement using			
	(Level 1)	(Level 2)	(Level 3)	Total
At December 31, 2012				
Warrants	-	-	28,043	28,043
Embedded conversion option	-	-	21,382	21,382
Total	$ -	$ -	$ 49,425	$ 49,425

The following is a reconciliation of changes in fair value of our liabilities classified as Level 3 during the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Balance at beginning of period	$ 49,425	$ -
Issuance of warrants	-	33,632
Amendment to warrant agreement	10,890	-
Unrealized (gain) loss on warrants included in earnings	(11,162)	38,210
Unrealized (gain) loss on embedded conversion option included in earnings	(6,348)	-
Balance at end of period	$ 42,805	$ 71,842

NOTE 10 — IMPAIRMENT OF ASSETS

We evaluate producing property costs for impairment and reduce such costs to fair value if the sum of expected undiscounted future cash flows is less than net book value pursuant to FASB ASC 360 "Property, Plant and Equipment". We assess impairment of non-producing leasehold costs and undeveloped mineral and royalty interests periodically on a field-by-field basis. We charge any impairment in value to expense in the period incurred. Significant Level 3 assumptions associated with the calculation of discounted cash flows used in the impairment analysis include management's estimate of future natural gas and crude oil prices, production costs, development expenditures, anticipated production of proved reserves, appropriate risk-adjusted discount rates and other relevant data.

We had no impairments for the three month periods ended March 31, 2013 and 2012.

NOTE 11 — SUBSEQUENT EVENTS

The Company evaluated its March 31, 2013 financial statements for subsequent events. Other than as noted herein, the Company is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

Eaglebine Joint Venture with EOG

As described in Note 1 – Basis of Presentation, we entered into a Joint Exploration and Development Agre ement with EOG Resources, Inc. ("our counterparty") for the joint development of certain of our Eaglebine properties. The first phase commenced on April 2, 2013. In this phase we transferred 20,000 net acres, approximately 15,000 of which came from our joint venture with Range, to our counterparty in exchange for a cash payment by our counterparty to us of $10 million and an obligation of our counterparty to drill and pay 100% of the drilling and completion costs of three wells.

Sale of Moulton acreage (collectively "Moulton Transactions")

ZaZa entered into an agreement on March 22, 2013 to sell approximately 10,000 net acres of our properties in the Eagle Ford trend located in Fayette, Gonzalez and Lavaca Counties, Texas, which we refer to as our Moulton properties, including seven producing wells located on the Moulton properties, for approximately $43.3 million. As of May 14, 2013, we have not yet closed this sale, and any non-breaching party may now unilaterally terminate this agreement due to the closing not having occurred by the outside date of April 30, 2013. We are uncertain whether this closing will be achieved and are pursuing alternative purchasers for these interests in parallel.

On April 5, 2013 the Company closed a purchase and sale agreement and sold certain of its properties in the Eagle Ford trend located in Fayette, Gonzalez and Lavaca Counties, Texas, for approximately $9.2 million. Net proceeds from the sale, after closing purchase price adjustments and expenses were approximately $ 8.8 million. We used approximately $4.6 million of the proceeds to pay down our Senior Secured Notes.

Reduction in workforce

In April 2013, ZaZa announced a significant reduction in workforce and terminated approximately 34 employees and contractors, and is closing offices in Corpus Christi and Dallas. The reduction was a business

decision to reduce G&A expenses as included in our 2013 budget. The Company recorded severance expenses of approximately $ 2.8 million in April 2013.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

Certain matters discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report may constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, as such, may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "anticipates," "estimates," "plans," "believes," "continues," "expects," "projections," "forecasts," "intends," "may," "might," "will," "would," "could," "should," and similar expressions are intended to be among the statements that identify forward-looking statements. The factors that may affect our expectations regarding our operations include, among others, the following:

- our registered public accounting firm has expressed doubt about our ability to continue as a going concern;
- our ability to raise necessary capital in the future;
- the effect of our indebtedness on our financial health and business strategy;
- our ability to maintain or renew our existing oil and gas leases or obtain new ones;
- possible title impairments to our properties;
- our ability to obtain equipment and personnel;
- reserves estimates turning out to be inaccurate;
- our ability to replace oil reserves;
- the loss of the current purchaser of our oil production;
- our ability to market and transport our production;
- our ability to compete in a highly competitive oil industry;
- the loss of senior management or key employees;
- assessing and integrating acquisitions;
- hurricanes, natural disasters or terrorist activities;
- change in legal rules applicable to our activities;
- extensive regulation, including environmental regulation, to which we are subject;
- declines in prices for crude oil; and
- our ability to execute our business strategy and be profitable.

In addition to these factors, important factors that could cause actual results to differ materially from our expectations ("Cautionary Statements") are disclosed under "Risk Factors" included under Item 1A of Part II of this quarterly report and under Item 1A of Part I in our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on April 2, 2013 which are incorporated by reference herein.

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by the Cautionary Statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise unless required by law.

EXECUTIVE OVERVIEW

ZaZa is a Delaware corporation formed for the purpose of being a holding company of both Toreador Resources Corporation, a Delaware corporation ("Toreador"), and ZaZa Energy LLC, a Texas limited liability company ("ZaZa LLC"), from and after completion of the Combination, as described below. Prior to the Combination on February 21, 2012, ZaZa had no assets and had not conducted any material activities other than those incident to its formation. However, upon the consummation of the Combination, ZaZa became the parent company of ZaZa LLC and Toreador. In this Quarterly Report on Form 10-Q, unless the context provides otherwise, "we", "our", "us" and like references refer to ZaZa, and its subsidiaries.

Recent Developments

Eaglebine Joint Venture with EOG

On March 21, 2013, ZaZa entered into a Joint Exploration and Development Agreement with EOG Resources, Inc., ("our counterparty"), for the joint development of certain of our Eaglebine properties located in Walker, Grimes, Madison, Trinity, and Montgomery Counties, Texas. Under this agreement, we and our counterparty will jointly develop up to approximately 100,000 gross acres (approximately 73,000 net acres) that ZaZa currently owns in the Eaglebine trend in these counties. Our counterparty will act as the operator and will pay us certain cash amounts, bear 100% of the drilling and completion costs of certain specified wells, and a portion of our share of any additional seismic or well costs in order to earn their interest in these properties. Generally, ZaZa will retain a 25% working interest, our counterparty will earn a 75% working interest in the acreage, subject to the agreement, that is currently 100% owned by ZaZa. ZaZa will retain a 25% working interest, our counterparty will earn a 50% working interest, and Range will retain a 25% working interest in the acreage that is currently owned 75% by ZaZa and 25% by Range, subject to the terms of our agreement with Range. This joint development will be divided into three phases.

The first phase commenced on April 2, 2013. In this phase we transferred 20,000 net acres, approximately 15,000 of which came from our joint venture with Range, to our counterparty in exchange for a cash payment by our counterparty to us of $10 million and an obligation of our counterparty to drill and pay 100% of the drilling and completion costs of three wells. The second of these three wells to be drilled will be the substitute well that we are required to drill pursuant to our agreement with Range described above. Drilling operations on the third well in the first phase of joint development with our counterparty must be commenced by our counterparty before December 31, 2013

Within 60 days of completion of the third well under the first phase, our counterparty will have the option to elect to go forward with the second phase of the joint development. If they so elect, we will transfer an additional 20,000 net acres to our counterparty in exchange for a cash payment of $20 million, an obligation of our counterparty to drill and pay 100% of the drilling and completions costs of an additional three wells, and an obligation of our counterparty to pay for up to $1.25 million of ZaZa's share of additional costs for seismic or well costs.

Within 60 days of completion of the second phase, our counterparty will have the option to elect to go forward with the third phase of the joint development. If they so elect, we will transfer an additional 15,000 net acres to our counterparty in exchange for a cash payment of $20 million, an obligation of our counterparty to drill and pay 100% of the drilling and completion costs of an additional three wells, and an obligation of our counterparty to pay for up to $1.25 million of ZaZa's share of additional costs for seismic or well costs.

Sale of Moulton acreage (collectively "Moulton Transactions")

ZaZa entered into an agreement on March 22, 2013 to sell approximately 10,000 net acres of our properties in the Eagle Ford trend located in Fayette, Gonzalez and Lavaca Counties, Texas, which we refer to as our Moulton properties, including seven producing wells located on the Moulton properties, for approximately $43.3 million. As of May 14, 2013, we have not yet closed this sale, and any non-breaching party may now unilaterally terminate this agreement due to the closing not having occurred by the outside date of April 30, 2013. We are uncertain whether this closing will be achieved and are pursuing alternative purchasers for these interests in parallel. If the sale of these assets is not consummated under this agreement, we believe that we will be able to sell these assets for approximately the same price to one or more other purchasers, although it is likely that any such sale would not close until later in the second quarter or early in the third quarter of 2013.

On April 5, 2013 the Company closed a purchase and sale agreement and sold certain of its properties in the Eagle Ford trend located in Fayette, Gonzalez and Lavaca Counties, Texas, for approximately $9.2 million. Net proceeds from the sale, after closing purchase price adjustments and expenses were approximately $8.8 million. We used approximately $4.6 million of the proceeds to pay down our Senior Secured Notes.

Reduction in workforce

In April 2013, ZaZa announced a significant reduction in workforce and terminated approximately 34 employees and contractors, and is closing offices in Corpus Christi and Dallas. The reduction was a business decision to reduce G&A expenses. The Company recorded severance expenses of approximately $2.8 million in April 2013.

Amendments to the SPA

On March 28, 2013, we entered into Amendment No. 5 to the SPA ("Amendment No. 5"). Under Amendment No. 5, we agreed to make a prepayment on the Senior Secured Notes with the proceeds of an asset sale, which prepayment had previously been deferred, of approximately $4.6 million. Amendment No. 5 also provides for:

(a) revisions to the prepayment provisions to permit the Company to voluntarily prepay the Senior Secured Notes at 105% of their principal amount plus accrued and unpaid interest, if the aggregate principal amount of the Senior Secured Notes exceeds $25 million, at 103% if the aggregate principal amount of the Senior Secured Notes exceeds $15 million, and at 100% if the aggregate principal amount of the Senior Secured Notes are $15 million or less;
(b) the Company to make a prepayment to pay down the Senior Secured Notes to $15 million by February 28, 2014, and a provision that if the Senior Secured Notes have not been repaid in full by February 28, 2014, the interest rate will increase from 8% to 10% per annum;
(c) the Company to make a prepayment on the Senior Secured Notes if the Company sells some of its acreage in Sweet Home or the Company receives the release of certain escrow funds, which funds were placed in escrow for the benefit of Hess in connection with the Company's sale of its French subsidiary, in each case prior to February 28, 2014, but solely to the extent to reduce the principal outstanding balance of the Senior Secured Notes to $15 million;
(d) reversion of consent rights on all joint ventures involving oil and gas properties to permit our recently announced joint venture in the Eaglebine without any requirement to use the proceeds thereof to pay down the Senior Secured Notes and to permit joint ventures in Hackberry or Sweet Home as long as 10% of the gross proceeds in excess of $10 million are used to pay down the Senior Secured Notes;
(e) the modification of the asset sale covenants to require (i) only 10% of the gross proceeds from asset sales in the Eaglebine to be used to pay down the Senior Secured Notes, (ii) only 10% of the net proceeds from the sale of the Moulton properties to be used to pay down the Senior Secured Notes, and (iii) only 10% of the gross proceeds from asset sales in the Eagle Ford to be used to pay down the Senior Secured Notes until such time as the Notes have been paid down to $15 million, whereupon no such paydown shall be required subject to certain requirements regarding reinvestment of funds;
(f) the exercise price of the warrants issued in connection with the Senior Secured Notes to be reduced to $2.00 per share and the exercise period to be extended to August 31, 2020; and
(g) the amendment of certain provisions of the lockup agreement entered into in connection with the SPA to permit certain additional categories of transfers.

Financial Summary

For the three months ended March 31, 2013:

- Production was 34 MBOE.
- Revenues and other income from continuing operations were $ 2.8 million.
- Operating costs of continuing operations were $8.6 million.
- Net loss from continuing operations was $2.3 million.

At March 31, 2013, we had:

- Cash and cash equivalents of $8.0 million.
- Current ratio (current assets/current liabilities) of 0.91 to 1.

RESULTS OF OPERATIONS

The results of operations include the results of our accounting predecessor, ZaZa LLC, from January 1, 2012 through February 20, 2012 and all of our subsidiaries, since February 21, 2012 excluding ZEF which was sold on December 21, 2012 and is presented as discontinued operations. The discussion below relates to our contin uing corporate activities and oil and gas exploration and production operations, and excludes discontinued operations.

The following table presents our production and average prices obtained for our production for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Production:		
Oil (Bbls):	28,177	20,001
Gas (Mcf):	37,121	11,515
Equivalents (BOE):	34,364	21,920
Average Price:		
Oil ($/Bbl):	$ 95.42	$ 102.29
Gas($/Mcf):	$ 2.93	$ 3.01

The following tables present our production data for the referenced geographic areas for the periods indicated:

	Three Months Ended March 31, 2013		
	Gas (Mcf)	Oil (Bbls)	Equivalent (BOE)
Eagle Ford:			
Cotulla	-	-	-
Moulton	5,253	22,435	23,311
Sweet Home	14,040	3,612	5,952
Hackberry	17,814	1,811	4,780
Eaglebine	-	-	-
Other Onshore	14	319	321
Total	37,121	28,177	34,364

	Three Months Ended March 31, 2012		
	Gas (Mcf)	Oil (Bbls)	Equivalent (BOE)
Eagle Ford:			
Cotulla	6,384	15,984	17,048
Moulton	239	2,565	2,605
Sweet Home	-	-	-
Hackberry	4,700	1,206	1,989
Eaglebine	-	-	-
Other Onshore	192	246	278
Total	11,515	20,001	21,920

Revenue and other income

Oil and gas revenue

Oil and gas revenue for the three months ended March 31, 2013 was $2.8 million, compared to $2.1 million for the three months ended March 31, 2012. This increase is primarily due to the Boening well (Sweet Home) beginning test production on February 3, 2013 ($0.3 million), the increase in Moulton production for the Crabb Ranch ($1.4 million) and the Ring Unit ($0.6 million) partially offset by the loss of Cotulla revenues ($1.6 million) as a result of the Hess dissolution.

The above table of production and average prices compares both volumes and prices received for our oil and gas production. The results of our operations are highly dependent upon the prices received from our oil production, which are dependent on numerous factors beyond our control. Accordingly, significant changes to oil prices are likely to have a material impact on our financial condition, results of operation, cash flows and revenue.

Operating costs and expenses

The following table presents our lease operating expense for the referenced geographical areas for the periods indicated:

	Three Months Ended March 31,	
	2013	2012
Eagle Ford:		
Cotulla	$ -	$ 406
Moulton	228	131
Sweet Home	43	-
Hackberry	139	395
Eaglebine	17	-
Other Onshore U.S.	6	3
Total	$ 433	$ 935

Lease operating expense

Lease operating expense was $0.4 million, or $12.60 per BOE produced, for the three months ended March 31, 2013, compared to $0.9 million, or $42.66 per BOE produced, for the three months ended March 31, 2012. This decrease is primarily due to the exclusion of Cotulla, $0.4 million, as a result of the Hess dissolution, as well as a decrease in Hackberry of $0.3 million. This decrease was partially offset by an increase in Moulton, $0.1 million, and Sweet Home, $0.1 million.

Depreciation, depletion and amortization

Depreciation, depletion and amortization for the three months ended March 31, 2013 was $1.3 million ($0.2 million related to furniture and fixtures) or $33.81 per BOE produced, compared to $0.6 million, all related to furniture and fixtures, for the three months ended March 31, 2012 These increases are primarily due to the capital expenditures on oil and gas properties during 2012 and production for the three months ended March 31, 2013.

General and administrative

General and administrative expense for the three months ended March 31, 2013 totaled $6.9 million, compared to $42.2 million for the same period in 2012. This decrease is due to legal and advisory fees incurred in connection with the Combination of $8.7 million, payment of $4.8 million to four executives of ZaZa LLC pursuant to net profit agreements between ZaZa LLC and each such executive and bonuses to ZaZa LLC Members of $17.5 million triggered by the Combination. Toreador's contribution to G&A expense decreased by $5.8 million. Additionally, during the three months ended March 31, 2012, G&A expense was offset by $2.1 million for reimbursements made under the terms of the Hess joint venture for expenses related to lease acquisition costs.

Other expenses

Loss on extinguishment of debt

Loss on extinguishment of debt for the three months ended March 31, 2013 was $15.1 million. The loss related to an amendment to the Senior Secured Notes dated March 28, 2013 that triggered debt extinguishment accounting. It consisted of a loss from the modification of the terms of the warrants of $10.9 million and a difference between the fair value and book value of debt of $4.2 million.

Interest expense, net

The following table presents details of net interest expense for the periods indicated:

	Three Months Ended March 31,	
	2013	2012
Interest expense on Senior Secured Notes	$ 664	$ 889
Interest expense on Convertible Senior Notes	900	-
Interest expense on Subordinated Notes	947	421
Interest expense on revolving credit line	-	45
Interest expense on Members' Notes	-	50
Amortization original issuance discount on Senior Secured Notes	490	608
Amortization of issuance costs on Senior Secured Notes	58	68
Amortization original issuance discount on Convertible Senior Notes	640	-
Amortization of issuance costs on Convertible Senior Notes	86	-
Other interest (income) expense, net	(24)	(711)
Capitalized interest	(206)	-
Total interest expense, net	$ 3,555	$ 1,370

Gain (loss) on valuation of warrants and embedded derivatives

For the three months ended March 31, 2013, we recorded a gain in fair value of warrants associated with our Senior Secured Notes of $11.2 million and a gain in fair value of embedded derivatives associated with our Convertible Senior Notes of $6.3 million. The variances are mainly a result of fluctuations in our stock price and passing of time.

Income tax expense

Income tax benefit for the three months ended March 31, 2013 was $4.7 million. The difference between the federal statutory tax benefit of $2.4 million and the tax benefit of $4.7 million is primarily related a reduction in valuation allowance. Income tax expense for the three months ended March 31, 2012 was $33.8 million. At the time of the Combination we recorded a net deferred tax liability of $9.2 million which consisted of deferred tax liabilities of $44 million due to historical deferred tax liability of $17 million and $27 million due to the step up of property at the time of the Combination, offset by deferred tax assets of $35 million due to Toreador NOL's. As a result of events subsequent to the Combination and based on the lack of positive evidence at the consolidated level, we recorded an allowance of $49.5 million.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with "Note 1 - Basis of Presentation", "Note 2 - Going Concern" and "Note 5 - Long Term Debt" in the Notes to the consolidated financial statements included in this filing.

Liquidity

For 2013, we are dependent on the proceeds from the creation of a joint venture (see below) and the sale of non-core assets in order to maintain a positive liquidity position and to fund our debt service requirements. The first phase of the joint venture resulted in ZaZa receiving $10 million in the second quarter of 2013, and being 100% carried on the drilling and completion costs of three (3) exploratory wells. The Moulton property sale that we have already closed provided approximately $8.8 million of cash. We used $4.6 million of the proceeds from this transaction to reduce the outstanding principal amount of our Senior Secured Notes to approximately $28.6 million in the second quarter of 2013. Our 2013 plan assumes that we will receive approximately $42 million in cash in the second quarter of 2013 upon the consummation of the sale of the remainder of our Moulton properties pursuant to an agreement that we entered into on March 22, 2013. As of May 14, 2013, we have not yet closed this sale, and any non-breaching party may now unilaterally terminate this agreement due to the closing not having occurred by the outside date of April 30, 2013. We are uncertain whether this closing will be achieved and are pursuing alternative purchasers for these interests in parallel. If the sale of the remainder of our Moulton assets is not consummated under this agreement, we believe that we will be able to sell these assets for approximately the same price to one or more other purchasers, although it is likely that any such sale would not close until later in the second quarter or early in the third quarter of 2013.

In addition to the transactions, we are currently in the process of drilling and completing three (3) stand-alone exploratory wells. These wells are estimated to cost approximately $34.2 million in the aggregate. Also included in the 2013 business plan is approximately $15.5 million in leasehold costs to hold our leases that are not held by production. To offset a portion of these costs, our 2013 business plan also includes a 35% reduction in our general and administrative costs beginning in the second quarter of 2013. As discussed in "Note - 11 Subsequent Events" in more detail, we terminated approximately 34 employees in the second quarter of 2013 and will close our offices in Corpus Christi and Dallas.

Going forward, we will utilize cash flow from operations, alternative sources of equity or debt capital and possible asset divestitures to finance additional drilling operations in the Eaglebine. Any significant delay in the disposition of our remaining Moulton properties would decrease ZaZa's near-term liquidity and materially adversely affect the Company. In the absence of additional financing, the sale of its remaining Moulton interests is necessary to fund the Company's 2013 forecasted operations beyond the second quarter. There is no assurance that asset divestitures will be available to the Company at appropriate valuations. Absent additional sources of liquidity, or the sale of additional assets, the Company will have to further reduce our expenditures in 2013 and beyond.

As of March 31, 2013 we had $8.0 million in cash and cash equivalents. In addition, we had restricted cash of $ 21.6 million as of March 31, 2013, and cash proceeds from the Moulton transaction of approximately $8.8 million that were received in the second quarter of 2013. As described in "Note 5 - Long Term Debt" in more detail, we have $100.4 million in long term debt, of which $32.2 million is classified as current, consisting of the following:

	March 31, 2013	December 31, 2012
Senior Secured Notes, net of discount	$ 27,094	$ 23,647
Convertible Senior Notes, net of discount	25,938	25,298
Subordinated notes	47,330	47,330
Subtotal	100,362	96,275
Less: current portion	(32,185)	(25,298)
Total long-term debt	$ 68,177	$ 70,977

Off-balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Dividends

Dividends on our common stock may be declared and paid out of funds legally available when and as determined by our Board of Directors, subject to certain loan covenants. Our policy is to hold and invest corporate funds on a conservative basis, and, thus, we do not anticipate paying cash dividends on our common stock in the foreseeable future.

CRITICAL ACCOUNTING POLICIES

Our critical accounting policies are disclosed in Note 4 – Summary of significant accounting policies in our annual report on Form 10-K for the year ended December 31, 2012. There have been no changes to our significant accounting policies during the three month period ended March 31, 2013.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Company's market risk during the three months ended March 31, 201 3. For additional information, refer to the market risk disclosure in Item 7A as presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on April 2, 2013.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

As of December 31, 2012, an evaluation was conducted by ZaZa management, including our Chief Executive Officer and Chief Financial Officer, as to the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, our management concluded that our disclosure controls and procedures were not effective as of December 31, 2012 because of material weaknesses in our internal controls over financial reporting resulting from our auditors identifying an adjustment related to the write-off of exploration costs and errors in the calculation of certain income taxes attributable to our merger with Toreador in 2012. Each of these errors were corrected prior to our filing the financial statements for such period with the SEC. Accordingly, management believes that the financial statements included in this and prior reports fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented.

Management is reviewing remediation steps necessary to address the material weaknesses and to improve our internal controls over financial reporting. We intend to correct the material weaknesses promptly. However, pending the remediation of the material weaknesses described above, our management concluded that our disclosure controls and procedures were not effective as of March 31, 2013.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

See “Note 8- Commitments and Contingencies”, which is incorporated into this “Item 1. Legal Proceedings” by reference.

ITEM 1A - RISK FACTORS

The risk factors below update the risk factors previously discussed in our Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on April 2, 2013. under the heading “Risk Factors - Risks Relating to Our Company.”

Our development and exploration operations require substantial capital and we may be unable to obtain needed capital or financing on satisfactory terms or at all, which could lead to a loss of properties and a decline in our oil and gas reserves.

The oil and gas exploration and development industry is capital intensive. We expect to continue making substantial capital expenditures in our business and operations for the purpose of exploration, development, production and acquisition of, oil and gas reserves. Historically, we financed capital expenditures in part from contributions, bonus payments and cost reimbursements by Hess under our joint venture with them. As a result of the termination of our joint venture with Hess in 2012, we have sold assets and incurred indebtedness in order to provide capital to carry out our activities. To maintain our oil and gas leases and pursue our planned drilling program, we will need to raise additional capital. We expect to sell all of our Moulton properties during the second quarter of 2013, but as of May 14, 2013 have not consummated the sale of a significant portion of those properties, and any non-breaching party may now unilaterally terminate this agreement under which such assets are to be sold , due to the closing not having occurred by the outside date of April 30, 2013. Although we continue to expect to sell these properties, no assurance can be given as to the timing of such sale, or, if the current agreement for the sale of these assets is terminated, that we will be able to find another purchaser or purchasers for these properties. If we are able to find another purchaser or purchasers, no assurance can be given that we will be able to sell these assets for the price that we expect to obtain under the current agreement.

Our cash flow from operations and access to capital are subject to a number of variables that may or may not be within our control, including:

- the level of oil and gas we are able to produce from existing wells;
- the prices at which our oil and gas production is sold;
- the results of our development programs associated with proved and unproved reserves;
- our ability to acquire, locate and produce new economically recoverable reserves;
- global credit and securities markets; and
- the ability and willingness of lenders and investors to provide capital and the cost of that capital.

We will need to raise capital to maintain our oil and gas leases and finance our drilling operations. We intend to pursue various strategies to raise capital, including asset sales, debt or equity financing, and joint ventures. However, our existing indebtedness contains covenants that restrict our ability to pursue these strategies. If we are unable to sell assets or if financing and joint venture partnerships are not available on acceptable terms or at all, we may have limited ability to obtain the capital necessary to sustain our operations at current levels or to implement our strategy, including executing on our portfolio of drilling opportunities or expanding our existing portfolio. Any significant delay in the receipt of sales proceeds for our remaining Moulton properties would adversely affect our near-term liquidity and materially adversely affect the Company. There can be no assurance as to our ability to sell assets, including but not limited to our remaining Moulton properties and other assets held for sale, or as to the availability or terms of any joi nt ventures or other financing.

The failure to obtain additional capital could result in an inability to implement our strategy to pursue our drilling program and a curtailment of our operations relating to exploration and development of our prospects, which in turn could lead to possible write-downs in the carrying value of our properties, a material decline in our oil and gas reserves as well as our revenues and results of operations. The failure to obtain additional capital could also materially adversely affect our operations and prospects, including potentially resulting in the reversion of certain portions of our acreage to the lessors.

Our indebtedness and near term obligations could materially adversely affect our financial health, limit our ability to finance capital expenditures and future acquisitions and prevent us from executing our business strategy.

As of March 31, 2013, we had approximately $33.2 million outstanding in aggregate principal under our Senior Secured Notes due 2017 (the "Senior Secured Notes") and $40 million outstanding in aggregate principal under our 9% Convertible Senior Notes due 2017 (the "Convertible Notes") and we may incur additional indebtedness in the future. In addition, we had approximately $47 million outstanding in aggregate principal amount under our Subordinated Notes. Our level of indebtedness has, or could have, important consequences to our business, because:

- a substantial portion of our cash flows from operations will have to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future for acquisitions, capital expenditures or general corporate purposes;
- it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- we may be substantially more leveraged than some of our competitors, which may place us at a relative competitive disadvantage and make us more vulnerable to downturns in our business, our industry or the economy in general.

In addition, the terms of our Senior Secured Notes and our Convertible Notes restrict, and the terms of any future indebtedness, including any future credit facility, may restrict our ability to incur additional indebtedness and grant liens because of debt or financial covenants we are, or may be, required to meet. Thus, we may not be able to obtain sufficient capital to grow our business or implement our business strategy and may lose opportunities to acquire interests in oil properties or related businesses because of our inability to fund such growth.

Our ability to comply with restrictions and covenants, including those in our Senior Secured Notes, Convertible Notes or in any future debt agreement, is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. Our Senior Secured Notes also contain restrictions on the operation of our business, such as limitations on the sale and acquisition of assets, limitations on entering into joint ventures, limitations on restricted payments, limitations on mergers and consolidations, limitations on loans and investments, and limitations on the lines of business in which we may engage, which may limit our activities. Our Convertible Notes contain certain of the foregoing restrictions as well. We must obtain consent from the holders of a majority of the Senior Secured Notes for all transactions involving oil and gas properties, with certain carveouts and requirements to apply a portion of net sales proceeds to pay down the Senior Secured Notes and with certain carveouts to enter into our joint venture with EOG and to sell our Moulton acreage. Thus, we may not be able to manage our cash flow in a manner that maximizes our business opportunities. Our failure to comply with any of the restrictions and covenants could result in a default, which could permit the holders of our Senior Secured Notes and our Convertible Notes to accelerate repayments and foreclose on the collateral securing the indebtedness.

If we do not satisfy our drilling obligations under our agreement with Range, we could lose a portion of our acreage and revenue stream in the Eaglebine, which could adversely affect our expected revenues.

On March 28, 2012, the Company entered into a Participation Agreement (the "Range Agreement"), and associated Joint Operating Agreement, with Range Texas Production, LLC ("Range"), a subsidiary of Range Resources Corporation, under which the Company agreed to acquire a 75% working interest from Range in certain leases located in Grimes Country, Texas (the "Leases"). Pursuant to the terms of the Range Agreement, Range retained a 25% working interest in the Leases and the Company committed to drill a well (the "Commitment Well"). The Company recently ceased completion operations at the Commitment Well, and effective January 16, 2013, the Company and Range entered into an Amendment No. 5 to the Range Agreement (the "Amendment"). Under the terms of the Amendment, if the Company fails to commence re-completion operations at the Commitment Well (the "Re-entry Well") in a bona fide attempt to complete the Re-entry Well as a vertical well within 60 days of January 16, 2013 (the Company has timely commenced such operations) or fails to commence drilling of a substitute well for the Commitment Well within 180 days of January 16, 2013, the Company will be required to assign a 25% working interest in the Leases to Range, resulting in the Company retaining a 50% working interest in the Leases, and transfer operatorship in the Leases to Range. In addition, under a further Sixth Amendment to the Range Agreement, the Company is required to reach initiating sales of oil and gas by November 1, 2013. If the Company fails to meet any of these deadlines, the foregoing remedies will have an impact on our expected revenues in the Eaglebine.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

Exhibit Number	Description
10.1	Amendment No. 5 to Range Agreement, effective as of January 16, 2013 (incorporated by reference to Exhibit 10.1 to Form 8-K of ZaZa Energy Corporation (File No. 001-35432) filed on January 22, 2013).
10.2 *	Amendment No. 6 to Range Agreement, dated March 25, 2013.
10.3 *	Purchase and Sale Agreement, dated March 22, 2013.
10.4 *	Joint Exploration & Development Agreement Walker, Grimes, Madison, Trinity, and Montgomery Counties, Texas effective March 1, 2013.
10.5 *	Operating Agreement, effective March 1, 2013, by and between EOG Resources, Inc. and ZaZa Energy LLC.
10.6 *	Amendment No. 5 to Securities Purchase Agreement, dated March 28, 2013.
10.7 *	Amended Form of Warrant Agreement.
10.8 *	Amended Form of Lockup Agreement.
31.1 *	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Schema Document
101.CAL*	XBRL Calculation Linkbase Document
101.LAB*	XBRL Label Linkbase Document
101.PRE*	XBRL Presentation Linkbase Document
101.DEF*	XBRL Definition Linkbase Document

* Filed or furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Form 10-Q report to be signed on its behalf by the undersigned thereunto duly authorized.

ZAZA ENERGY CORPORATION

May 14, 2013	By:	/s/ Todd A. Brooks **Todd A. Brooks** **President and Chief Executive Officer**
May 14, 2013	By:	/s/ Ian H. Fay **Ian H. Fay** **Chief Financial Officer**
May 14, 2013	By:	/s/ Paul F. Jansen **Paul F. Jansen** **Chief Accounting Officer**

EOG Resources, Inc.
6101 South Broadway, Suite 200
Tyler, TX 75703
(903) 534-8884

March 25, 2013

Via email –
Attention: Kyle Farmer
Range Texas Production, LLC
100 Throckmorton Street, Suite 1200
Fort Worth, Texas 76102

Via email –
Attention: Stewart Delcambre
ZaZa Energy Corporation
1301 McKinney Street, Suite 2850
Houston, Texas 77010

Re: Sixth Amendment to and Consent to Partial Assignment(s) of Participation Agreement dated March 1, 2012, by and between Range Texas Production, LLC and ZaZa Energy Corporation, as amended

Gentlemen:

This letter agreement (this "Letter Agreement") is by and among EOG Resources, Inc. ("EOG"), Range Texas Production, LLC ("Range"), and ZaZa Energy Corporation ("ZaZa"). EOG, Range, and ZaZa are sometimes hereinafter referred to individually as a " Party" and collectively as the "Parties".

Reference is hereby made to that certain Participation Agreement dated March 1, 2012, by and between Range and ZaZa, as amended (the " Participation Agreement"). Capitalized terms used herein and not otherwise defined shall have the mea nings given to such terms in the Participation Agreement.

I. SIXTH AMENDMENT

This Letter Agreement sets forth the terms of the sixth amendment to the Participation Agreement, pursuant to which Range and ZaZa hereby amend the Participation Agreement, with effect on and from the date first set forth above, as follows:

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

A. Paragraph 3.4 of the Participation Agreement shall be amended to change the deadline for reaching the Earning Point from September 1, 2013 to November 1, 2013.

B. For the avoidance of doubt, notwithstanding anything to the contrary in Section 3.1 of the Participation Agreement, ZaZa's option to commence the drilling of a Substitute Well as described in Paragraph 3.1 of the Participation Agreement shall be a continuing option, and ZaZa shall have the right to commence and additional Substitute Well any time a previous Substitute Well is abandoned prior to reaching the Minimum Required Depth and/or Minimum Required Lateral Interval, so long as such additional Substitute Well is commenced not later than sixty (60) calendar days after the release of the rig from the abandoned Substitute Well and a bona fide effort is made to reach the Minimum Required Depth and Minimum Required Lateral Interval.

C. If ZaZa shall assign all or a portion of its rights and obligations under the Participation Agreement to EOG, then the AMI shall not include any lands covered by oil, gas and mineral leases or options to purchase oil, gas and mineral leases owned by EOG prior to March 1, 2013.

D. For purposes of testing and logging, ZaZa may, at its option, drill and complete a vertical monitor well (the "Monitor Well") at a mutually agreeable location on lands covered solely by the Leases. If ZaZa chooses to drill the Monitor Well, then such Monitor Well shall be drilled to include a pilot hole sufficient to log the entire [*]and provide logs that are permissible pursuant to the terms of the relevant Lease. The tests and logs on the Monitor Well shall include (1) a conventional core sample over the entire interval, [*], and (2) an open hole logging program to evaluate the entire interval in the pilot hole consisting of the following logs: [*], and possible rotary sidewall cores to evaluate prospective zones not sampled by conventional core. In addition, ZaZa shall provide to Range all reasonably available well data for the Monitor Well as described on Exhibit C to the Participation Agreement. If ZaZa chooses to drill the Monitor Well, then the above tests and logs shall be performed and provided to Range in lieu of the logs listed in Paragraph 3.1 of the Participation Agreement.

II. CONSENT TO PARTIAL ASSIGNMENT(S)

By executing this Letter Agreement, Range also provides its prior written consent to one or more assignments from ZaZa to EOG, in whole or in part, of the Participation Agreement and the Leases. The Parties agree that such consent is in satisfaction of the consent requirements described in Paragraph 9.3 of the Participation Agreement. To the extent of any such partial assignment or assignments, EOG shall assume ZaZa's rights and obligations under the Participation Agreement, including as amended herein.

* * *

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Except as provided for in this Letter Agreement, the Participation Agreement shall remain in full force and effect and all the other terms and conditions of the Participation Agreement shall remain unchanged.

This Letter Agreement may be executed by the Parties in identical counterparts, which, once executed, shall be deemed to constitute a unitary, original document.

This Letter Agreement is binding on the Parties, their successors, and assigns.

Please confirm your agreement with the foregoing by signing and returning one copy of the Letter Agreement to the undersigned, whereupon this Letter Agreement shall become a binding agreement among the Parties.

If you have any questions or comments in this regard, please contact Jon Nykamp at (903) 509-7162 or jon_nykamp@eogresources.com.

Very truly yours,

EOG RESOURCES, INC.

/s/ Ernest J. LaFlure

Ernest J. LaFlure
Vice President and General Manager

(Acceptance page follows)

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Agreed and accepted this 26th day of March, 2013:

RANGE TEXAS PRODUCTION, LLC

/s/ D. Neal Harrington

D. Neal Harrington

Vice President - Land

Agreed and accepted this 27th day of March, 2013:

ZAZA ENERGY CORPORATION

/s/ Ian H. Fay

Ian H. Fay

CFO

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Execution Version (3-22-13)

Exhibit 10.3

PURCHASE AND SALE AGREEMENT

by and between

ZAZA ENERGY, LLC
(SELLER)

And

BEP MOULTON, LLC

(BUYER)

Dated March 22, 2013
Effective January 1, 2013

TABLE OF CONTENTS

ARTICLE 1 - DEFINITIONS 1
1.1“Accounting Dispute” 1
1.2“Accounting Dispute Notice” 1
1.3“Accounting Referee” 1
1.4“Affiliate” 1
1.5“Defect Baskets” 1
1.6“Agreement” 1
1.7“Allocated Value” 1
1.8“Arbitrators” 1
1.9“Assets” 1
1.10“Assumed Obligations” 3
1.11“Business Day” 3
1.12“Buyer” 3
1.13“Buyer’s Indemnitees” 3
1.14“Buyer’s Credits” 3
1.15“Casualty Loss” 3
1.16“Claim Notice” 4
1.17“Claims” 4
1.18“Closing” 4
1.19“Closing Date” 4
1.20“Closing Deferred Property” 4
1.21“Confidentiality Agreement” 4
1.22“Code” 4
1.23“Conveyance” 4
1.24“CPR” 4
1.25“Cure Period” 4
1.26“Defect Value” 4
1.27“Defect Arbitrator” 4
1.28“Defensible Title” 4
1.29“De Minimis Claim” 4
1.30“Dispute” 4
1.31“DTPA” 4
1.32“Effective Date” or “Effective Time” 4
1.33“Environmental Defect” 4
1.34“Environmental Defect Notice Date” 5
1.35“Environmental Law” 5
1.36“Environmental Obligations” 5
1.37“Excluded Assets” 6
1.38“Expiration Date” 7
1.39“Final Settlement,” “Final Settlement Date” and “Final Settlement Statement” 7
1.40“Governmental Entity” 7
1.41“Hydrocarbons” 7
1.42“Indemnified Party” 7
1.43“Indemnifying Party” 7
1.44“Indemnity Cap” 7
1.45“Indemnity Claim” 7
1.46“Indemnity Deductible” 7
1.47“Inventory Hydrocarbons” 7
1.48“Knowledge” 7
1.49“Laws” or “Law” 7
1.50“Liability” 7
1.51“Like-Kind Exchange Transaction” 8
1.52“Net Revenue Interest” 8
1.53“NORM” 8
1.54“Non-Compete Area” 8
1.55“Party” or “Parties” 8
1.56 “Permitted Encumbrances” 8
1.57“Person” 8
1.58“Plugging and Abandonment Obligations” 8
1.59“Post-Closing Accounting and Reporting Agreement” 9

1.60“Preferential Purchase Rights” 9
1.61“Preliminary Settlement Statement” 9
1.62“Purchase Price” 9
1.63“Regulated Substances” 9
1.64“Request Date” 9
1.65“Retained Obligations” 9
1.66“Rules” 9
1.67“Seller” 9
1.68“Seller Indemnitees” 9
1.69“Seller’s Credits” 9
1.70“Seller’s Parties” 9
1.71“Survival Period” 9
1.72“Third Party Claim” 10
1.73“Third Party Interests” 10
1.74“Title Defect” 10
1.75“Title Defect Notice Date” 10
1.76“Title Defect Property” 10
1.77“Well” or “Wells” 10
ARTICLE 2 - AGREEMENT TO PURCHASE AND SELL 10
ARTICLE 3 - PURCHASE PRICE AND PAYMENT 10
3.1Purchase Price. 10
3.2Purchase Price Adjustments. 10
3.3Allocation of Purchase Price. 13
ARTICLE 4 - SELLER’S REPRESENTATIONS AND WARRANTIES 14
ARTICLE 5 - BUYER’S REPRESENTATIONS AND WARRANTIES 16
ARTICLE 6 - ACCESS TO INFORMATION AND INSPECTIONS 17
6.1Title Files 17
6.2Other Files. 17
6.3Copies. 18
6.4Confidentiality Agreement. 18
6.5Inspections. 18
6.6No Warranty or Representation on Seller’s Information. 18
6.7Inspection Indemnity. 18
6.8Amendments to Exhibits and Schedules. 19
ARTICLE 7 - ENVIRONMENTAL MATTERS AND ADJUSTMENTS 19
7.1Environmental Defects Notice. 19
7.2Waiver of Environmental Defects. 20
7.3Remedies for Environmental Defects. 20
7.4Defect Baskets. 20
7.5Purchase Price Adjustment for Environmental Defect. 21
ARTICLE 8 - TITLE DEFECTS AND ADJUSTMENTS 21
8.1Seller’s Title. 21
8.2Notice of Title Defects. 24
8.3Title Defect Adjustment. 25
8.4Environmental Defect and Title Defect Values. 25
ARTICLE 9 - OPTION TO TERMINATE 27
9.1Option to Terminate for Defects. 27
9.2Option to Terminate for Defects and Other Matters. 27

9.3Dispute as to Defect Values..... 28
ARTICLE 10 - PREFERENTIAL PURCHASE RIGHTS AND CONSENTS OF THIRD PARTIES 28
10.1Actions and Consents..... 28
ARTICLE 11 - COVENANTS..... 29
11.1Covenants of Seller Pending Closing..... 29
11.2Limitations on Seller's Covenants Pending Closing..... 30
11.3Notification of Breaches..... 31
ARTICLE 12 - CLOSING CONDITIONS..... 31
12.1Seller's Closing Conditions..... 31
12.2Buyer's Closing Conditions..... 32
ARTICLE 13 - CLOSING..... 32
13.1Closing..... 32
13.2Seller's Closing Obligations..... 33
13.3Buyer's Closing Obligations..... 33
13.4Joint Closing Obligations..... 34
ARTICLE 14 - LIMITATIONS ON WARRANTIES AND REMEDIES/DTPA WAIVER..... 34
14.1Limitations on Warranties and Remedies..... 34
14.2Waiver of Trade Practices Act..... 35
ARTICLE 15 - CASUALTY LOSS AND CONDEMNATION..... 35
ARTICLE 16 - TERMINATION..... 36
16.1Termination..... 36
16.2Effect of Termination..... 36
16.3Other Remedies..... 36
16.4Limitations on Damages..... 36
ARTICLE 17 - ASSUMPTION AND INDEMNITY 37
17.1Assumed Obligations..... 37
17.2Buyer's Indemnity..... 37
17.3Seller's Indemnity..... 37
17.4Stipulation Regarding Express Negligence and Fault. 38
17.5Broker or Finder's Fee..... 38
17.6Indemnification Procedures..... 38
17.7Liability Limitation..... 39
ARTICLE 18 - GAS IMBALANCES..... 40
ARTICLE 19 - TRANSITION..... 41
19.1Post-Closing Accounting and Reporting..... 41
ARTICLE 20 - MISCELLANEOUS..... 41
20.1Receivables and other Excluded Funds..... 41
20.2Public Announcements..... 41
20.3Filing and Recording of Assignments, etc..... 41
20.4Further Assurances and Records..... 42
20.5Notices..... 42
20.6Incidental Expenses..... 43
20.7Waiver..... 43
20.8Binding Effect; Assignment..... 44
20.9Taxes..... 44
20.10Audits..... 44

20.11Like-Kind Exchanges. 44
20.12Governing Law and Arbitration. 45
20.13Entire Agreement. 48
20.14Severability 48
20.15Exhibits. 48
20.16Suspended Funds. 48
20.17Survival. 49
20.18Subsequent Adjustments. 49
20.19Counterparts 49
20.20Change of Name. 50
20.21Non-Compete Provision. 50
20.22No Third-Party Beneficiaries. 50
20.23Rules of Construction 50

EXHIBITS

Exhibit “A”Leases
Exhibit “B”Wells
Exhibit “C”Rights-of-Way, Easements and Surface Estates
Exhibit “D”Contracts and Other Agreements
Exhibit “E”Intentionally Deleted
Exhibit “F”Allocated Values
Exhibit “G”Conveyance, Assignment and Bill of Sale
Exhibit “H”Litigation
Exhibit “I”Payouts Balances
Exhibit “J”Gas and Oil Imbalances
Exhibit “K”Consents to Assign, Preferential Rights to Purchase and Burdens
Exhibit “L”Non-Foreign Affidavit
Exhibit “M”Assignments Due Seller
Exhibit “N”Assignments Owed By Seller
Exhibit “O”Mortgages, Liens and Encumbrances
Exhibit “P”Post-Closing Accounting and Reporting Agreement
Exhibit “Q”Preliminary Settlement Statement
Exhibit “R”Non-Compete Area Map

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (**"Agreement"**), dated as of March 22, 2013, is by and between **ZaZa Energy, LLC**, a Texas limited liability company (hereinafter referred to as the **"Seller"**), and **BEP Moulton, LLC**, a Texas limited liability company (hereinafter referred to as the **"Buyer**") Seller and Buyer are sometimes referred to herein individually as a **"Party"** or collectively as the **"Parties."**

R E C I T A L S

WHEREAS, the Parties desire that Seller convey to Buyer, and Buyer acquire from Seller and undivided one hundred percent (100%) of Seller's right, title and interest in the Assets (but excluding the Excluded Assets) (each as hereinafter defined).

NOW, THEREFORE, for and in consideration of the mutual promises contained herein, the benefits to be derived by each Party hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

ARTICLE 1- DEFINITIONS

"Accounting Dispute"
shall be as defined in Section 3.2(c).

"Accounting Dispute Notice"
shall be as defined in Section 3.2(c).

"Accounting Referee"
shall be as defined in Section 3.2(c).

"Affiliate"
(a) shall mean with respect to any Person, a Person that directly or indirectly controls, is controlled by or is under common control with such Person, with control in such context (including, with its correlative meaning, "controlled by" and "under common control with") meaning the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

"Defect Baskets"
shall be as defined in Section 7.4.

"Agreement"
shall mean this Purchase and Sale Agreement between Seller and Buyer.

"Allocated Value"
shall be as defined in Section 3.3 and as set forth on Exhibit "F."

"Arbitrators"
shall be as defined in Section 20.12(e).

"Assets"
shall mean the following described assets and properties (except to the extent constituting Excluded Assets) and which are attributable to, appurtenant to, incidental to or used for the ownership or operation of the Leases or other Assets:

(b)an undivided one hundred percent (100%) of all rights, titles, claims and interests owned by Seller in and to the oil, gas and/or mineral leases set forth on Exhibit "A" or the lands covered

by said leases, or in lands pooled or unitized with such leases (including all depths), or which Seller is entitled to receive by reason of any participation, joint venture, farmin, farmout, joint operating agreement, unitization agreement or other agreement, including all leasehold estates, royalty interests, overriding royalty interests, net revenue interests, executory interests, net profit interests, working interests, reversionary interests, mineral interests and any other interests of Seller in said oil, gas and/or mineral leases, or lands covered by said leases, it being the intent hereof that the leases, properties and interests and the legal descriptions set forth on Exhibit "A" or in instruments described in Exhibit "A" includes an undivided one hundred percent (100%) of all of Seller's right, title and interest in said oil, gas and/or mineral leases, other than the Excluded Assets, including, but not limited to, those described on Exhibit "A" or in instruments described in Exhibit "A" even though such interests may be incorrectly described in Exhibit "A" or omitted from Exhibit "A." (collectively referred to as the **"Leases");**

(c) an undivided one hundred percent (100%) of all rights, titles, claims and interests owned by Seller in and to all royalty, overriding royalty, net profits or other oil gas or mineral interests to the extent such interests cover the acreage and depths covered by the Leases or lands pooled or unitized therewith described in Exhibit "A" (except to the extent constituting Excluded Assets), it being the intent of the Parties that Buyer shall be conveyed a net revenue interest in the Leases that shall only be burdened by the lessor's royalties and those certain overriding royalty interests which are of record as of the Effective Date, provided however, in no event shall the net revenue interest to be conveyed to the Buyer under the Leases ever be less than seventy-two percent of eight-eights (72% of 8/8ths) proportionately reduced to the mineral interest coved by the Leases or to Seller's undivided interest in the Lease.

(d) an undivided one hundred percent (100%) of all rights, titles, claims and interests owned by Seller in and to all easements, rights-of-way, surface leases, permits, licenses, surface estate interests, surface use agreements or other similar rights or interests relating to Leases, Wells or related equipment, including, but not limited to, those described in Exhibit "C," or in instruments described in Exhibit "C;"

(e) an undivided one hundred percent (100%) of all rights, titles, claims and interests owned by Seller in and to all equipment and other personal property, Wells, inventory, spare parts, tools, tubing, casing, pipe, fixtures, wellhead equipment, pumping units, tank batteries, gathering lines or systems, flowlines, production equipment, gas plants and facilities, treatment facilities, injection facilities, disposal facilities, dehydration facilities, radio towers, remote terminal units, SCADA equipment, appurtenances and improvements situated upon the Assets or lands pooled or unitized therewith as of or after the Effective Time or used or held for use in connection with the ownership, development or operation of the Assets or the production, treatment, storage, compression, processing or transportation of Hydrocarbons from or in the Wells or the lands covered by the Leases or lands pooled or unitized therewith;

(f) all contracts, agreements and instruments to the extent attributable to and affecting the Assets in existence as of or after the Effective Time, including all Hydrocarbon sales, purchase, gathering, transportation, treating, marketing, exchange, processing, disposal and fractionating contracts, all unit agreements, orders and decisions of Governmental Entities establishing units, participation agreements, exchange agreements, joint operating agreements, enhanced recovery and injection agreements, farmout agreements and farmin agreements, options, drilling

agreements, exploration agreements, assignments of operating rights, working interests, or subleases, including, but not limited to, those described on Exhibit "D," but excluding any contracts, agreements and/or instruments to the extent transfer is restricted by third-party agreement or applicable law and the necessary consents to transfer are not obtained pursuant to Article 10 and provided that the contracts, agreements and/or instruments shall not include the instruments constituting the Leases;

(g) all lease files, land files, right-of-way files, regulatory records, well files, production records, environmental records, division order files (including paysheets and supporting files), abstracts, title opinions and contract files, insofar as the same are directly related to the Assets, Seller shall provide to Buyer, to the extent that Seller has in its possession the originals of all documents set forth in this Section 1.9(f) and in Section 1.9(g) above; and

(h) the Inventory Hydrocarbons.

"Assumed Obligations"
shall mean with respect to the Assets:

(i) the Plugging and Abandonment Obligations occurring after the Effective Date;

(j) all Environmental Obligations, related to, attributable to or arising from events occurring before or after the Effective Date, except those specifically included in the definition of "Retained Obligations;"

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

(l) except for the Retained Obligations , or as otherwise provided in this Agreement, all other Liabilities, Claims, duties and obligations that arise out of the ownership, operation or use of the Assets after the Effective Time, including, but not limited to, the payment of all royalties, operating expenses and capital expenditures relating to the Assets and all Liabilities, duties and obligations, express or implied, imposed upon Seller under the provisions of the Leases (including, without limitation, the payment of royalties) and any and all assignments, subleases, farmout agreements, participation agreements, joint venture agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, whether listed or not on Exhibit "D," and under all applicable Laws.

"Business Day"
shall mean any day that is not Saturday or Sunday or any other day on which commercial banks are required or authorized by Law to be closed in the City of Houston, Texas.

"Buyer"
shall be as defined in the Preamble.

"Buyer's Indemnitees"
shall be as defined in Section 17.3.

"Buyer's Credits"
shall be as defined in Section 3.2(a)(ii).

"Casualty Loss"
shall be as defined in Article 15.

"Claim Notice"
shall be defined in Section 17.6(b).

"Claims"
shall mean all claims, demands, losses, damages, costs, expenses, causes of action and judgments of any kind or character, including, without limitation, any interest, penalty, attorneys' fees and other costs and expenses incurred in connection therewith or the defense thereof.

"Closing"
shall be as defined in Section 13.1.

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

"Closing Deferred Property"
shall be as defined in Section 8.3(a).

"Confidentiality Agreement"
shall be as defined in Section 6.4.

"Code"
shall be as defined in Section 3.3.

"Conveyance"
shall be as defined in Section 8.1(b).

"CPR"
shall be as defined in Section 8.4(d).

"Cure Period"
shall be as defined in Section 8.3(a).

"Defect Value"
shall be as defined in Section 8.4.

"Defect Arbitrator"
shall be as defined in Section 8.4(d).

"Defensible Title"
shall be as defined in Section 8.1(e)(i).

"De Minimis Claim"
shall be as defined in Section 17.7(a).

"Dispute"
shall be as defined in Section 20.12(a).

"DTPA"
shall be as defined in Section 14.2(a).

"Effective Date" or "Effective Time"
shall mean 7:00 a.m., local time where the Assets are located, on January 1, 2013.

"Environmental Defect"
shall mean:

(a) a condition or activity with respect to an Asset that is in violation of any Environmental Law, any surface or mineral lease obligation or other condition which creates Environmental Obligations, whether an express or implied obligation, relating to natural resources, conservation, the environment or the emission, release, storage, treatment, disposal, transportation, handling or management of industrial or solid waste, hazardous waste, hazardous or toxic substances, chemicals or pollutants, petroleum, including crude oil, natural gas, natural gas liquids or liquefied natural gas, and any wastes, associated with the exploration and production of oil and gas (**"Regulated Substances"**); or

(b) the presence of Regulated Substances in the soil, groundwater or surface water in, on, at or under an Asset in any manner or quantity which is required currently to be remediated by Environmental Law or by any applicable action or guidance levels or other standards published by any Governmental Entity with jurisdiction over the Assets, or by an express surface or mineral lease obligation.

Notwithstanding the foregoing, the Parties agree and acknowledge that (i) Buyer will be provided an opportunity to examine the Assets for potential naturally occurring radioactive materials (**"NORM"**), and any potential obligations with respect to NORM, and (ii) that the presence of NORM on any of the Assets may not be raised by Buyer as the subject of an Environmental Defect.

"Environmental Defect Notice Date"
shall be as defined in Section 7.1.

"Environmental Law"
shall mean any and all federal, state, tribal or local Laws entered, issued or made by any Governmental Entity pertaining to pollution, protection of human health or the environment, including the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et. seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 1471 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j; and all similar Laws entered, issued or made by any Governmental Entity having jurisdiction over the Assets or the operation thereof, and all amendments to such Laws.

"Environmental Obligations"
shall mean all Liabilities, obligations, expenses (including, without limitation, all reasonable attorneys' fees), fines, penalties and Claims (including natural resource Claims) of any nature associated with the ownership and operation of the Assets and attributable to or resulting from:

(m) pollution or contamination in violation of any Environmental Law of soil, surface water, groundwater or air on, in, by, from or under the Assets or lands in the vicinity thereof, and any other contamination of or adverse effect upon the environment in violation of any Environmental Law;
(n) clean-up responses, remedial, control or compliance costs, including the required cleanup or remediation of spills, pits, lakes, ponds or lagoons, including any subsurface or surface pollution caused by such spills, pits, lakes, ponds or lagoons;
(o) noncompliance with applicable land use, permitting, surface disturbance(s), licensing or notification requirements, including express provisions of a surface or mineral lease;
(p) violation of any federal, state, tribal or local Environmental Law; and
(q) except to the extent such obligations relate to the Retained Obligations, any and all indemnity obligations of Seller with respect to the above, along with any and all Claims against

Seller for indemnity with respect to the above, under, pursuant to or arising from any acquisition, purchase and sale or other agreement.

"Excluded Assets"
shall mean, except to the extent associated with or related to the Assumed Obligations, the following:

(a) Seller reserves and accepts from the Conveyance of the Leases, the lessor's royalty and those certain overriding royalty burdens on production encumbering the Leases that are of record on the Effective Date; provided however, in no event shall the net revenue interest to be conveyed to the Buyer under the Leases ever be less than seventy-two percent of eight-eights (72% of 8/8ths) proportionately reduced to the mineral interest coved by the Leases or Seller's undivided interest in the Leases.

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

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

(s)except as provided in Article 15, all Claims of Seller arising from acts, omissions or events, or damage to or destruction of the Asset(s), occurring prior to the Effective Time; provided, however, Seller shall transfer to Buyer its proportionate share of all Claims of Seller against prior owners of the Assets or third Persons associated with or relating to Environmental Obligations that are not Retained Obligations;

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

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

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

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

(x) 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;

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

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

"Expiration Date"
shall be as defined in Section 20.17(a).

"Final Settlement," "Final Settlement Date" and "Final Settlement Statement"
shall be as defined in Section 3.2(c).

"Governmental Entity"
shall mean any federal, state, municipal, domestic or foreign court, tribunal, administrative agency, department, commission, board, bureau or other governmental authority or instrumentality.

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

"Indemnified Party"
shall be as defined in Section 17.6(a).

"Indemnifying Party"
shall be as defined in Section 17.6(a).

"Indemnity Cap"
shall be as defined in Section 17.7(b).

"Indemnity Claim"
shall be as defined in Section 17.6.

"Indemnity Deductible"
shall be as defined in Section 17.7(a).

"Inventory Hydrocarbons"
shall mean all merchantable oil and condensate produced from or attributable to the Leases prior to the Effective Time which has not been sold by Seller and which is above the inlet flange, delivery line, or fill line in any storage facility or tank.

"Knowledge"
means the actual knowledge of a Person after due inquiry of such Persons responsible for the matters in question, and if the Person is a corporation or limited liability company, the actual knowledge of the corporation's or limited liability company's officers.

"Laws" or "Law"
shall mean all statutes, laws, ordinances, regulations, orders, rules, codes, permits, franchises, licenses, certificates, writs, injunctions or decrees of the United States, any state or commonwealth, any municipality, any foreign country, any territory or possession or any Governmental Entity.

"Liability"
means any liability (whether asserted or unasserted, whether liquidated or unliquidated, whether known or unknown, and whether due or to become due).

"Like-Kind Exchange Transaction"
shall be as defined in Section 20.11.

"Net Revenue Interest"
shall be as defined in Section 8.1(e)(i)(A).

1.53"NORM"
shall be as defined in the definition of the "Environmental Defect."

1.54 "Non-Compete Area" shall be as defined in Section 20.21(a).

1.55"Party" or "Parties"
shall be as defined in the Preamble.

1.56 "Permitted Encumbrances"
shall be as defined in Section 8.1(e)(iv).

1.57"Person"
shall mean any individual, firm, partnership, corporation, limited liability company, joint venture, trust, unincorporated organization or other entity or organization.

1.58"Plugging and Abandonment Obligations"
shall mean the responsibility and Liability, including, but not limited to, Claims for damages and/or other relief, for the following plugging and abandonment obligations related to the Assets, regardless of whether they are attributable to the ownership or operation of the Assets before or after the Effective Time:

(aa) the necessary and proper plugging, replugging and abandonment of all Wells, whether plugged and abandoned before or after the Effective Time;
(bb) the necessary and proper removal, abandonment, closure or disposal of all structures, pipelines, equipment, production facilities, disposal facilities, tank batteries, gathering lines, gas plants, gas processing plants or any related facilities, abandoned property and junk located on or comprising part of the Assets;
(cc) to the extent required by the applicable authorized Governmental Entity and the owners of the property affected, the necessary and proper capping and burying of all associated flow lines located on or comprising part of the Assets;
(dd) the necessary and proper restoration of the Assets and/or the property covered by the Assets or upon which the Assets are located, including surface, surface water, groundwater, waterbottom and subsurface, to such condition as may be required by applicable Laws or contract;
(ee) any necessary clean-up or disposal of Assets contaminated by NORM as may be required by applicable Laws or contract;
(ff) all plugging and abandonment obligations arising from contractual requirements and demands made by the applicable authorized Governmental Entity or Persons owning an interest in the Assets and/or the property covered by the Assets or upon which the Assets are located; and
(gg) any and all indemnity obligations of Seller with respect to any of the above, along with any and all Claims against Seller for indemnity with respect to any of the above, under, pursuant to or arising from any acquisition, purchase and sale or other agreement.

1.59"Post-Closing Accounting and Reporting Agreement"
shall be as defined in Section 19.1.

1.60"Preferential Purchase Rights"
shall mean preferential rights, preemptive rights or contracts, rights of first refusal or other commitments or understandings of a similar nature to which Seller is a party or to which the Assets are subject.

1.61"Preliminary Settlement Statement"
shall be as defined in Section 3.2(b).

1.62"Purchase Price"
shall be as defined in Section 3.1.

1.63"Regulated Substances"
shall be as defined in the definition of "Environmental Defect."

1.64"Request Date"
shall be defined in Section 3.2(c).

1.65"Retained Obligations"
shall mean:

(hh) any Environmental Obligations of Seller related to the Excluded Assets;
(ii) any Liabilities or Claims relating or attributable to the Excluded Assets;
(jj) all Claims for personal injury or wrongful death and property damage occurring, attributable to, or relating to any time prior to the Effective Time and that are asserted on or before the sixth anniversary of the Closing Date; and
(kk) except as otherwise provided in this Agreement all other Liabilities, Claims, duties and obligations that arise out of the Seller's ownership, operation or use of the Assets for the time period prior to the Effective Time and that are asserted on or before the sixth anniversary of the Closing Date, including, but not limited to, the payment of all royalties, severance taxes, operating expenses and capital expenditures relating to the Assets, all Liabilities, duties and obligations, express or implied, imposed upon Seller under the provisions of the Leases (including, without limitation, the payment of royalties) and any and all assignments, subleases, farmout agreements, participation agreements, joint venture agreements, assignments of overriding royalty, joint operating agreements, easements, rights-of-way and all other contracts, agreements and instruments affecting the Leases, or the premises covered thereby, whether recorded or unrecorded, whether listed or not on Exhibit "D," and under all applicable Laws.

1.66"Rules"
shall be as defined in Section 8.4(d).

1.67"Seller"
shall be as defined in the Preamble.

1.68"Seller Indemnitees"
shall be as defined in Section 17.2.

1.69"Seller's Credits"
shall be as defined in Section 3.2(a)(i).

1.70 "Seller's Parties" shall be as defined in Section 20.21(a)

1.71"Survival Period"
shall be as defined in Section 20.17(a).

1.72"Third Party Claim"
shall be as defined in Section 17.6(b).

1.73"Third Party Interests"
shall be as defined in Section 10.1(c).

1.74"Title Defect"
shall be as defined in Section8.1(e)(ii).

1.75"Title Defect Notice Date"
shall be as defined in Section 8.2.

1.76"Title Defect Property"
shall be as defined in Section 8.1(e)(iii).

1.77"Well" or "Wells"
shall refer to all rights, titles, claims and interests owned by Seller in and to all wells located on the Leases or lands pooled or unitized therewith, including, but not limited to, those wells identified on Exhibit "B" attached hereto, whether or not such wells are producing, active or inactive, plugged and abandoned, temporarily abandoned, shut-in, injection wells, disposal wells, water supply wells or otherwise.

(ll)**- AGREEMENT TO PURCHASE AND SELL**

Subject to the terms and conditions of this Agreement, Seller agrees to sell and convey to the Buyer an undivided one hundred percent (100%) of all of Seller's right, title and interest in and to the Assets and the Buyer agrees to purchase and pay for the Assets and to assume the Assumed Obligations.

(mm)**- PURCHASE PRICE AND PAYMENT**

1.2Purchase Price.

Subject to adjustment as provided in Section 3.2 set forth below, the purchase price for the Assets (the **"Purchase Price"**) shall be Forty-Three Million Two Hundred Fifty Thousand and No/100 Dollars ($43,250,000.00), which shall be allocated among the Assets as provided in Section 3.3.

1.3 Purchase Price Adjustments.

(a)The Purchase Price shall be adjusted as follows:

(i) The Purchase Price shall be adjusted upward by the following, without duplication (**"Seller' Credits"**):

(A) the value of (i) all Inventory Hydrocarbons existing as of the Effective Time, such value to be based upon the existing contract price for crude oil or natural gas, as applicable, in effect as of the Effective Time, less severance taxes, transportation fees and other fees that would be deducted by the purchaser of such oil or gas, such Inventory Hydrocarbons to be measured at the Effective Time by the operators of the Assets; and (ii) all of Seller's unsold inventory of gas plant products, if any, attributable to the Assets as of Effective Time valued in the same manner as if such products had been sold under the contract then in existence between Seller and the purchaser of such products; provided, however,

that, in each of cases (i) and (ii) above, if there is no such contract existing as of the Effective Time, such Inventory Hydrocarbons and/or gas plant products shall be valued in the same manner as if Inventory Hydrocarbons and/or gas plant products had been sold at the posted price in the field for said Inventory Hydrocarbons and/or gas plant products;

(B) the amount of all production expenses, operating expenses and all other expenditures attributable to the ownership or operation of the Assets after the Effective Time and paid by Seller prior to the Closing Date; provided, however, any wells in which the Seller owns 100% of the working interest, the operating expenses will be calculated on a COPAS basis which is mutually agreed between the Parties;

(C) the amount of all ad valorem, property, production, excise, severance and similar taxes and assessments (but not including income taxes) which accrue to the Assets after the Effective Time and are paid by Seller;

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

(E) the amount of any Hydrocarbon underbalances as provided in Article 18; and

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

(ii) The Purchase Price shall be adjusted downward by the following, without duplication (**"Buyer's Credits"**):

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

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

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

(D) an amount equal to the Allocated Value of any Preferential Purchase Rights or consents as provided in Article 10;

(E) an amount equal to the value of all Title Defects as provided in Section 8.3.

(F) an amount equal to the value of all Environmental Defects as provided in Section 7.3;

(G) the amount of any Hydrocarbon overbalances as provided in Article 18; and

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

(b) Seller shall prepare and deliver to Buyer, at least five (5) Business Days prior to Closing, Seller's estimate of the adjusted Purchase Price to be paid at Closing, together with a preliminary statement setting forth Seller's estimate of the amount of each adjustment to the Purchase Price to be made pursuant to Section 3.2(a) and the calculations used by Seller to reach such estimates (the **"Preliminary Settlement Statement"**). The Preliminary Settlement Statement shall be in substantially the same form as Exhibit "Q" attached hereto. All such adjustments shall be determined in accordance with generally accepted accounting principles (GAAP) and Council of Petroleum Accountants Society (COPAS) standards. The Parties shall negotiate in good faith and attempt to agree on such estimated adjustments prior to Closing. In the event any estimated adjustment amounts are not agreed upon prior to Closing, the estimate of the adjusted Purchase Price for purposes of Closing shall be calculated based on Seller's and Buyer's agreed upon estimated adjustments and Seller's reasonable good faith estimate of any disputed amounts (and any such disputes shall be resolved by the Parties in connection with the resolution of the Final Settlement Statement pursuant to Section 3.2(c) below).

(c) Within sixty (60) days after Closing (the **"Final Settlement Date"**), Seller shall provide to Buyer, for Buyer's concurrence, an accounting (the **"Final Settlement Statement"**) of the actual amounts of Seller's Credits and Buyer's Credits for the adjustments set out in Section 3.2(a). Buyer shall have the right for thirty (30) days after receipt of the Final Settlement Statement to audit and take exceptions to such adjustments. The Parties shall attempt in good faith to expeditiously resolve any disagreements on a best efforts basis. Those credits agreed upon by Buyer and Seller shall be netted, and the final settlement shall be paid as directed hereinbelow, on final adjustment by the Party owing it (the **"Final Settlement"**). If Buyer and Seller are unable to agree with respect to the Final Settlement Statement within the thirty (30) day period after Buyer's receipt of the Final Settlement Statement, then, at the written request of either Seller or Buyer, each of Seller and Buyer shall nominate and commit one of its senior officers to meet at a mutually agreed time and place not later than ten (10) days after the date of receipt by Buyer or Seller, as applicable, of such request (the **"Request Date"**) to attempt to resolve the dispute (the **"Accounting Dispute"**). If such senior officers have been unable to resolve an Accounting Dispute within a period of thirty (30) days after the Request Date, either Party shall have the right, by written notice (the **"Accounting Dispute Notice"**) to the other Party, to resolve the Accounting Dispute by the submission thereof to a nationally recognized independent public accounting firm commonly considered as one of the "Big 4" and reasonably acceptable to Seller and Buyer, which firm shall serve as sole arbitrator of such Accounting Dispute (the **"Accounting Referee"**). Within five (5) days of the selection of the Accounting

Referee, Buyer and Seller shall each submit to the Accounting Referee in writing its position with respect to the Accounting Dispute, specifying in reasonable detail the basis for the Accounting Dispute. The scope of the Accounting Referee's engagement shall be limited to the resolution of the items described in the Accounting Dispute Notice given in accordance with the foregoing. The Accounting Referee shall be instructed by the Parties to impartially resolve the Accounting Dispute as soon as reasonably practicable in light of the circumstances but in no event in excess of thirty (30) days following the submission of the Parties' positions regarding the Accounting Dispute to the Accounting Referee. The decision and award of the Accounting Referee shall be binding upon the Parties and final and nonappealable to the maximum extent permitted by Law, and decision and award thereon may be entered in a court of competent jurisdiction and enforced by any Party as a final judgment of such court. Payment of any amount determined to be payable by the Accounting Referee hereunder or by the Parties pursuant to the agreed upon Final Settlement Statement shall be made in cash (via bank wire transfer) within five (5) Business Days after such determination. The fees and expenses of the Accounting Referee shall be borne and paid one-half by Seller and one-half by Buyer.

1.4Allocation of Purchase Price.

Concurrent with the execution of this Agreement, Buyer shall allocate the unadjusted Purchase Price among each of the Assets, in compliance with the principles of Section 1060 of the Internal Revenue Code of 1986, as amended (the **"Code"**), and the Treasury regulations thereunder. Such allocation of value shall be attached to this Agreement as Exhibit "F" (the **"Allocated Value"**). The Allocated Value for any Asset equals the portion of the unadjusted Purchase Price allocated to such Asset on Exhibit "F," increased or reduced as described in this Article 3. Any adjustments to the Purchase Price other than the adjustments provided for in Sections 3.2(a)(ii)(D), 3.2(a)(ii)(E) and 3.2(a)(ii)(F) shall be applied on a pro rata basis to the amounts set forth on Exhibit "F" for all Assets. After all such adjustments are made, any adjustments to the Purchase Price pursuant to Sections 3.2(a)(ii)(D), 3.2(a)(ii)(E) and 3.2(a)(ii)(F) shall be applied to the amounts set forth in Exhibit "F" for the particular affected Assets. After Buyer has provided the Allocated Values for the Assets, Seller will be deemed to have accepted such Allocated Values for purposes of this Agreement and the transactions contemplated hereby but otherwise makes no representation or warranty as to the accuracy of such Allocated Values. Seller and Buyer agree (i) that the Allocated Values, as adjusted pursuant to the foregoing, shall be used by Seller and Buyer as the basis for reporting asset values and other items for purposes of all federal, state and local tax returns, including, without limitation, Internal Revenue Service Form 8594, and (ii) that neither they nor their Affiliates will take positions inconsistent with such Allocated Values in notices to Governmental Entities, in audit or other proceedings with respect to Taxes, in notices to Preferential Purchase Right holders or in other documents or notices relating to the transactions contemplated by this Agreement. Buyer and Seller further agree that, on or before the Final Settlement Date (or the Closing Date, in the event of a Like-Kind Exchange Transaction), they will attempt to agree, if necessary, to the further allocation of the Allocated Values included in Exhibit "F." If the Parties are unable to agree the dispute will be settled as provided in Section 3.2(c) above.

1.5- SELLER'S REPRESENTATIONS AND WARRANTIES

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

(a) Seller is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Texas;

(b) Seller has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby and to perform its obligations under this Agreement and the other documents and agreements contemplated hereby. The execution, delivery and performance of this Agreement and the transactions contemplated hereunder have been duly and validly authorized by all requisite authorizing action on the part of Seller;

(c) The execution of this Agreement and the consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with, any provision of Seller's governing documents or any agreement or instrument to which it is a party or by which it or the Assets are bound, except any provision contained in any contract listed on Exhibit "D" or any other agreements customary in the oil and gas industry, or Seller's bank financing agreements relating to (1) the Preferential Purchase Rights; (2) required consents to transfer and related provisions; (3) maintenance of uniform interest provisions; and (4) any other third Person approvals or consents contemplated herein or any judgment, decree, order, statute, rule or regulation applicable to Seller or the Assets;

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

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

(f) Neither Seller nor any Affiliate of Seller has incurred any obligation or Liability, contingent or otherwise, for brokers' or finders' fees in connection with this Agreement and the transaction provided herein for which Buyer shall have any Liability or responsibility;

(g) Other than as set forth in Exhibit "H," there are no written demands, actions, suits or administrative, legal or arbitration proceedings relating to the Assets (including condemnation, expropriation or forfeiture proceedings) pending or, to the Knowledge of Seller, threatened against Seller or any of its Affiliates or any Asset;

(h) The transfer of the Assets to Buyer will not violate at the Closing Date any covenants or restrictions imposed on Seller by any bank or other financial institution in connection with a mortgage or other instrument and will not result in the creation or imposition of a lien on any portion of the Assets, except as to those mortgages or instruments to be released at Closing as provided in Section 13.2(f) herein;

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

(j)All tax returns required to be filed with respect to the Assets have been duly and timely filed, each such tax return is true, correct and complete in all material respects, and all taxes owed with respect to the Assets (whether or not shown on a tax return) have been timely paid in full. There are no liens for taxes on any of the Assets other than with respect to taxes not yet due and payable, and Seller has paid all ad valorem, property, production, severance, excise and other taxes or assessments related to the Assets that have become due and payable other than any such taxes being contested in good faith by Seller;

(k)Except as set forth on Exhibit "D," no Hydrocarbons produced or to be produced from the Assets are subject to any Hydrocarbon sales, purchase or exchange contracts not cancellable on 60 or fewer days' notice nor does any third Person have any call upon, option to purchase, take-or-pay obligations, dedication rights or similar rights with respect to the Hydrocarbons produced or to be produced from Assets";

(l)Except as set forth on Exhibit "J," there are no Hydrocarbon imbalances with respect to the Assets;

(m)Except as provided in Exhibit "O," there are no mortgages, liens or other encumbrances of record affecting the Assets other than Permitted Encumbrances;

(n)If any of the interests comprising the Assets were acquired by Seller under farmout, exploration, development, participation or other agreements and Seller has not as of the Closing Date received assignments to such interests (which are described in Exhibit "M"), then, with respect to such Assets, Seller represents to Buyer that except for consents which are subject to Section 4(i) and interests which cannot be assigned due to provisions in applicable agreements prohibiting assignments of interests which do not meet specified minimum interest requirements, all conditions to earning assignments of record title or operating rights, as the case may be, to such Assets have been fully satisfied by Seller ;

(o)Seller is not in material breach of any material contract described on Exhibit "D" and Exhibit "D" sets forth a list of all material contracts, agreements, and commitments to which any of the Assets are subject to: (a) any agreement or contract for the sale, exchange or other disposition of hydrocarbons produced from the Leases or Wells that requires more than sixty (60) days' prior written notice to cancel; (b) any agreement to sell, lease, farmout or otherwise dispose of any of the Seller's interests in any of the Leases other than conventional rights of reassignment; (c) any operating agreement to which Seller's interests in any of the Leases and/or Wells are subject; (d) any contract that requires Seller to expend more than $20,000.00, net to the Seller's interest, in any year in connection with the Assets; (e) any option to purchase the hydroc arbons produced from the Assets;

(p)The Assets currently are in material compliance with all applicable Environmental Laws, (i) all necessary governmental permits, licenses, approvals, consents, certificates and other authorizations required by applicable Environmental Laws with regard to the ownership or

operations of the Assets have been obtained and maintained in effect by such Seller and no notices of unresolved written violations exist in respect of such permits, licenses, approvals, consents, certificates or authorizations except for such permits, licenses, approvals, consents, certificates or other authorizations, and (ii) Seller has not received any written notice that (A) the Assets are not in compliance with any applicable Environmental Laws, and (B) the Assets are subject to any pending or, to Seller's Knowledge, threatened Claims which would require Seller, under applicable Environmental Laws, to conduct any investigation or remediation.

(q) **- BUYER'S REPRESENTATIONS AND WARRANTIES**

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

(r) Buyer is duly organized, validly existing and in good standing under the Laws of the state in which it was formed and is, or will be as of the Closing Date, duly qualified to carry on its business in those states where it is required to do so, including Texas;

(s) Buyer has all requisite power and authority to carry on its business as presently conducted, to enter into this Agreement and the other documents and agreements contemplated hereby and to perform its obligations under this Agreement and the other documents and agreements contemplated hereby. The execution, delivery and performance of this Agreement and the transactions contemplated hereunder have been duly and validly authorized by all requisite authorizing action on the part of Buyer;

(t) The execution of this Agreement and the consummation of the transactions contemplated by this Agreement will not violate, nor be in conflict with, any provision of Buyer's governing documents or any agreement or instrument to which it is a party or by which it is bound or any judgment, decree, order, statute, rule or regulation applicable to Buyer;

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

(v) There are no bankruptcy, reorganization or receivership proceedings pending against, being contemplated by or, to the Knowledge of Buyer, threatened against Buyer;

(w) Neither Buyer nor any Affiliate has incurred any obligation or Liability, contingent or otherwise, for brokers' or finders' fees in connection with this Agreement and the transaction provided herein for which Seller shall have any Liability or responsibility;

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

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

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

(aa) Buyer is experienced and knowledgeable in the oil and gas business and aware of the risks of that business. Buyer represents and warrants that (i) as of the execution date of this Agreement, it has made all such independent investigation, verification, analysis and evaluation of the Assets as it deems necessary or appropriate to enter into this Agreement, (ii) it has made all such reviews and inspections of the Assets as it has deemed necessary or appropriate to execute and deliver this Agreement, and (iii) prior to Closing, it will make further independent investigations, inspections and evaluations of the Assets as it deems necessary or appropriate to consummate the transactions contemplated hereby; and (iv) that in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, Buyer has relied solely upon its own independent investigation, verification, analysis and evaluation.

(bb) **- ACCESS TO INFORMATION AND INSPECTIONS**

1.6 Title Files.

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

1.7 Other Files.

After the execution of this Agreement and until the Closing Date, Seller shall continue permit Buyer and its representatives at reasonable times during normal business hours to examine, in Seller's offices or at their actual location, all production, well, regulatory, engineering and geological information, accounting information, environmental information, inspections and reports and other agreements, information, files, books, records and data pertaining to the Assets as reasonably requested by Buyer, insofar as the same may now be in existence and in the possession or control of Seller, including Seller's proprietary interpretations of same, however, specifically excluding any such information that is subject to third party confidentiality agreements or to the attorney/client and work product privileges (provided Seller shall use its reasonable efforts to obtain waivers of any confidentiality restrictions). No warranty of any kind is made by Seller as to the information so supplied, and Buyer agrees that any conclusions drawn therefrom are the result of its own independent review and judgment.

1.8Copies.

Buyer will be allowed to make copies of the files described in Article 6 at Buyer's sole cost and expense; provided that, in the reasonable judgment of Seller, such copying does not unduly interfere with the conduct of Seller's operation or business.

1.9Confidentiality Agreement.

All information made available to Buyer pursuant to Article 6 shall be maintained confidential by Buyer until Closing. The Confidentiality Agreement executed by Seller and Energy Group of South Texas, LLC, dated November 6, 2012 (the **"Confidentiality Agreement"**), shall remain in force and effect until Closing, at which time it shall terminate and the provisions thereof shall be superseded and replaced by the terms hereof and the Transaction Documents, except as to any Closing Deferred Properties, as to any Assets which were not otherwise transferred at Closing, as provided in Section 8.3 or as such information may be related to other properties not acquired by Buyer.

1.10Inspections.

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

1.11No Warranty or Representation on Seller's Information.

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

Inspection Indemnity.

If Buyer exercises rights of access under this Article 6 or otherwise, or conducts examinations or inspections under this Section or otherwise, then (a) such access, examination and inspection shall be at Buyer's sole risk, cost and expense, and Buyer waives and releases all Claims against Seller (and its Affiliates and the respective directors,

officers, employees, attorneys, contractors, agents and successors and assigns) arising in any way therefrom or in any way connected therewith or arising in connection with the conduct of its directors, officers, employees, attorneys, contractors and agents in connection therewith, and (b) Buyer shall indemnify, defend and hold harmless the Seller Indemnitees from any and all Claims, actions, causes of action liabilities, damages, losses, costs or expenses (including, without limitation, court costs and attorneys' fees), or liens or encumbrances for labor or materials arising out of or in any way connected with such matters. THE FOREGOING RELEASE AND INDEMNIFICATION SHALL APPLY WHETHER OR NOT SUCH CLAIMS, ACTIONS, CAUSES OF ACTION, LIABILITIES, DAMAGES, LOSSES, COSTS OR EXPENSES ARISE OUT OF (i) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SIMPLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE, BUT EXPRESSLY NOT INCLUDING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT) OF ANY INDEMNIFIED PARTY, OR (ii) STRICT LIABILITY. FOR THE AVOIDANCE OF DOUBT, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION SHALL NOT BE DEEMED A WAIVER AND RELEASE OF BUYER'S RIGHTS AGAINST SELLER PURSUANT TO THIS AGREEMENT.

1.12Amendments to Exhibits and Schedules.

Seller and Buyer acknowledge that Buyer's inspection of Seller's records and files, or further review by Seller, prior to Closing may indicate that some or all of the Exhibits and/or Schedules attached to this Agreement were not complete or entirely correct at the time of execution of this Agreement, and accordingly, Seller and Buyer agree Seller has the right to revise and amend the Exhibits and Schedules to such representations and warranties, as needed, but no later than two (2) Business Days prior to Closing, in the event Closing occurs. It is understood, however, that such revisions or amendments shall not otherwise be taken into account for purposes of the Closing condition set forth in Article 12 or the indemnification provisions set forth in Article 17 unless otherwise mutually agreed by the Parties in writing.

1.13- ENVIRONMENTAL MATTERS AND ADJUSTMENTS

1.14Environmental Defects Notice.

Upon execution of and pursuant to the terms of this Agreement, Buyer (and Buyer's environmental consultants) shall continue to have the right, at reasonable times during normal business hours, to conduct its investigation into the status of the physical and environmental condition of the Assets and their compliance with applicable Environmental Laws. If, in the course of conducting such investigation, Buyer discovers that any Asset is subject to a material Environmental Defect, Buyer may raise such Environmental Defect in the manner set forth hereafter. For purposes hereof, the term "material" shall mean that Buyer's good faith estimate, supported by documentation, of the cost of remediating any single Environmental Defect exceeds Thirty Thousand and No/100 Dollars ($30,000.00) net to the interest of the Seller, the Parties agreeing that such amount will be a per Environmental Defect threshold rather than a deductible. No later than 5:00 p.m. local time in Houston, Texas five (5) Business Days prior to the Closing Date (the **"Environmental Defect Notice Date"**), Buyer shall notify Seller in writing specifying such Environmental Defects, if any, the Assets are affected thereby, and Buyer's good faith estimate of the costs of remediating such defects, together with supporting

documentation. Seller may, but shall be under no obligation to, correct at its own cost and expense such defects on or before the Closing Date, in which case there shall be no reduction to the Purchase Price therefor if such condition is properly remedied. Prior to Closing, Buyer and Seller shall treat all information regarding any environmental conditions as confidential, whether material or not, and shall not make any contact with any Governmental Entity or third Person (other than Buyer's representatives, consultants and lenders) regarding same without the written consent of the other Party unless required by Law.

Waiver of Environmental Defects.

If the Buyer fails to notify Seller prior to or on the Environmental Defect Notice Date of any Environmental Defects, all such defects, whether known or unknown, will be deemed waived (which waived defects shall be deemed Permitted Encumbrances), the Parties shall proceed with Closing, Seller shall be under no obligation to correct the defects, and Buyer shall assume its proportionate share of the risks, Liabilities and obligations associated with such Environmental Defects.

1.15Remedies for Environmental Defects.

In the event any Environmental Defect relating to any of the Assets for which notice has been timely given as provided hereinabove, remains uncured as of Closing, Seller, at its sole option, shall (i) agree prior to Closing to cure or remediate, at Seller's expense, such Environmental Defect as soon as reasonably possible after Closing and without any reduction to the Purchase Price in a manner acceptable to both Parties, or (ii) reduce the Purchase Price by the amount of the Defect Value as determined pursuant to Section 8.4, subject to the Thirty Thousand and No/100 Dollars ($30,000.00) threshold described in Section 7.1 and the Defect Baskets described in Section 7.4. Neither (i) (remediation) nor (ii) (reduction of Purchase Price) shall exceed the Allocated Value of such affected Assets. If Seller elects the option set forth in clause (ii) above, Buyer shall be deemed to have assumed its proportionate share of such Environmental Defect and all Liabilities with respect thereto. If Seller elects the option set forth in clause (i) above, Seller shall use commercially reasonable efforts to implement such remediation in a manner which is consistent with the requirements of Environmental Laws in a timely fashion for the type of remediation that Seller elects to undertake and shall have access to the affected Assets after the Closing Date to implement and complete such remediation. Seller will be deemed to have adequately completed the remediation required in the immediately preceding sentence (a) upon receipt of approval from the applicable Governmental Entities that the remediation has been implemented to the extent necessary to comply with existing regulatory requirements or (b) upon receipt of a certificate from a third Person licensed professional engineer that the remediation has been implemented to the extent necessary to comply with applicable Environmental Laws.

Defect Baskets.

The Parties agree that adjustments to the Purchase Price under Article 7 and Article 8 shall only occur to the extent that the Defect Value for all Environmental Defects exceeds Three Hundred Thousand and No/100 Dollars ($300,000.00) after taking the applicable materiality threshold into account and the Defect Value for all Title Defects exceeds Three Hundred

Thousand and No/100 Dollars ($300,000.00) after taking the applicable materiality threshold into account. (the " **Defect Baskets**"), after taking the applicable materiality deductibles into account. For the purpose of clarity, each Defect Basket shall be a threshold and not a deductible and there may be adjustments for Environment Defects and not Title Defects and vice versa.

1.16Purchase Price Adjustment for Environmental Defect.

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

1.17- TITLE DEFECTS AND ADJUSTMENTS

1.18Seller's Title.

(a)Except for the special warranty of title referenced in Section 8.1(b) and without limiting Buyer's right to adjust the Purchase Price by operation of this Article 8, Seller makes no warranty or representation, express, implied, statutory or otherwise, with respect to Seller's title to any of the Assets, and Buyer hereby acknowledges and agrees that for any defect of title, including any Title Defect, with respect to any of the Assets, (i) before Closing, Buyer's sole remedy shall be Buyer's right to adjust the Purchase Price to the extent provided in this Article 8, and (ii) after Closing Buyer's sole remedy shall be pursuant to the special warranty of title referenced in Section 8.1(b).

(b)Seller shall, at Closing, deliver to Buyer a conveyance to reflect the transfer of "Defensible Title" to the Assets, which shall be substantially in the form of Exhibit "G" (the **"Conveyance"**). The Conveyance, subject to the Permitted Encumbrances, shall be made without warranty of title, either express, implied, statutory or otherwise, except that, subject to the Permitted Encumbrances, Seller shall only warrant title to the Assets against all claims, liens, burdens and encumbrances arising by, through or under Seller, but not otherwise. The Conveyance shall be made with full substitution and subrogation to Buyer in and to all covenants and warranties by others heretofore given or made to Seller with respect to the Assets to the extent such may be conveyed by Seller.

(c)Buyer shall not be entitled to protection under Seller's special warranty of title in the Conveyance against (i) any Title Defect reported under this Article 8, or (ii) any Title Defect disclosed to or known by Buyer prior to the Title Defect Notice Date.

(d)Notwithstanding anything herein provided to the contrary, if a Title Defect under this Article 8 results from any matter which could also result in the breach of any representation or warranty of Seller set forth in Article 4, then Buyer shall only be entitled to assert such matter (i) before Closing, as a Title Defect to the extent permitted by this Article 8, or (ii) after Closing, as a breach of Seller's special warranty of title contained in the Conveyance to the extent permitted by this Section 8.1, and shall be precluded from also asserting such matter as the basis of the breach of any such representation or warranty.

(e)For the purposes hereof, the terms set forth below shall have the meaning assigned thereto.

(i) **"Defensible Title"** subject to and except for the Permitted Encumbrances shall mean:

(A) Such title held by Seller that entitles Seller to receive a share of the Hydrocarbons produced, saved and marketed from any Well (and the Leases included in the production or pooled unit for any such Well) identified in Exhibit "B" throughout the duration of the productive life of such Well (after satisfaction of all royalties, overriding royalties, net profits interests or other similar burdens on or measured by production of Hydrocarbons) (a **"Net Revenue Interest"**) of not less than the Net Revenue Interest shown in Exhibit "B" for such Well, except decreases in connection with those operations in which (1) after Effective Date, Seller is a non-consenting co-owner; (2) there are decreases resulting from the establishment or amendment after the Effective Date of pools or units; (3) there are decreases required to allow other working interest owners to make up past underproduction or pipelines to make up past under deliveries; and (4) is expressly stated in such Exhibit "B," as applicable.

(B) Such title held by Seller that obligates Seller to bear a percentage of the costs and expenses for the maintenance and development of, and operations relating to, any Well (and the Leases included in the production or pooled unit for any such Well) identified in Exhibit "B" not greater than the "working interest" shown in Exhibit "B" for such Well without increase throughout the productive life of such Well, except as stated in Exhibit "B" and except increases resulting from contribution requirements with respect to non-consenting co-owners under applicable operating agreements and increases that are accompanied by at least a proportionate increase in Seller's Net Revenue Interest;

(C) Such title held by Seller in a Lease (which is not included in the unit or pool of a Well) that entitles Seller to the total Net Leased Mineral Acres identified for such Lease on Exhibit "A."

(D) Such title held by Seller in a Lease (which is not included in the unit or pool of a Well) that it entitles Seller to receive the decimal share of oil and gas and other Hydrocarbons produced from the Lease which is not less than 72% of 8/8ths proportionately reduced to the mineral interest covered by the Leases or to Seller's undivided interest in the Lease .

(E) Such title to any Well or Lease held by Seller is free and clear of liens, encumbrances, security interests or pledges; and

(F) As to other property included in the Assets, Seller's ownership thereof is free and clear of any liens, claims or encumbrances of any kind or character.

(ii) **"Title Defect"** shall mean any matter which causes Seller to have less than Defensible Title to any of the Assets, except for Permitted Encumbrances. Notwithstanding the foregoing, imbalances with respect to oil or natural gas shall not be deemed to be Title Defects and shall be governed by Article 18 hereof.

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

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

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

(B) defects or irregularities arising out of uncancelled mortgages, judgments or liens, the inscriptions or the enforceable effect of which, on their face, have expired as a matter of Law prior to the Effective Time, or prior unreleased oil and gas leases which, on their face, expired more than ten (10) years prior to the Effective Time and have not been maintained in force and effect by production or operations pursuant to the terms of such leases and any deeds of trust affecting the lessor's mineral interest subject to a lease, whether or not subordinated to such lease;

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

(D) to the extent any of the following do not materially diminish the value of, or impair the conduct of operations on, any of the Assets and do not decrease the net revenue interest of Seller below that set forth on Exhibit "B" or increase the working interest of Seller above that set forth on Exhibit "B": (1) easements, rights-of-way, permits, surface leases and other rights in respect of surface operations, pipelines, grazing, hunting, fishing, logging, canals, ditches, lakes, reservoirs or the like, (2) easements for streets, alleys, highways, pipelines, telephone lines, power lines, railways and other similar rights-of-way on, over or in respect of property owned or leased by Seller or over which Seller owns rights-of-way, easements, permits or licenses, and (3) the terms and conditions of all leases, agreements, orders, instruments and documents pertaining to the Assets;

(E) all lessors' royalties, overriding royalties, net profits interests, carried interests, production payments, reversionary interests and other burdens on or deductions from the proceeds of production if the net cumulative effect of such burdens or deductions does not reduce the Net Revenue Interest of Seller in any Assets affected thereby to the extent that Seller will not be able to deliver to Buyer at the Effective Time, a Net Revenue Interest of at least 72% of 8/8ths proportionately reduced to the mineral interest covered by the Leases or to Seller's undivided interest in the Lease of all Hydrocarbons produced, saved and

marketed from or attributable to such Well, or impair the right to receive revenues attributable thereto;

(F) Preferential Purchase Rights and required third Person consents to assignments and similar agreements with respect to which waivers or consents are obtained from the appropriate parties or the appropriate time period for asserting the rights has expired without an exercise of the rights prior to the Closing Date;

(G) defects or irregularities of title arising out of events or transactions which have been barred by statutes of limitations or by adverse possession;

(H) the application of maintenance of uniform interest provisions contained with joint operating or similar agreements;

(I) any encumbrance or other matter having an adverse effect on the value of the Assets of Thirty Thousand and No/100 Dollars ($30,000.00) or less, the Parties agreeing that such amount will be a per Title Defect threshold rather than a deductible;

(J) rights reserved to or vested in any Governmental Entity to control or regulate any of the Assets in any manner, and all applicable Laws;

(K) any encumbrance or other matter (whether or not constituting a Title Defect) expressly waived in writing by Buyer or listed on Exhibit "O;"

(L) the assignments earned, acquired or otherwise due to Seller by a third Person but not yet received and/or filed of record, as listed on Exhibit "M;" and

(M) the assignments earned, acquired or otherwise owed by Seller to a third Person but not yet delivered and/or filed of record, as listed on Exhibit "N," to the extent same do not reduce the Net Revenue Interest of Seller in any Asset below 72% of 8/8ths proportionately reduced to the mineral interest covered by the Leases or to Seller's undivided interest in the Lease .

1.19Notice of Title Defects.

No later than 5:00 p.m. local time in Houston, Texas five (5) Business Days prior to the Closing Date (the **"Title Defect Notice Date"**), Buyer may provide Seller written notice of any Title Defect relating to the Assets along with a description of those matters which, in Buyer's reasonable opinion, constitute Title Defects and setting forth in detail Buyer's calculation of the value for each Title Defect. Seller may elect, at its sole cost and expense, but without obligation, to cure all or any portion of such Title Defects prior to Closing, in a manner reasonably acceptable to both Parties, in which case no reduction in the Purchase Price shall be made. Subject to Buyer's remedies for a breach of Seller's obligations under Section 11.1, or a breach of the special warranty of title set forth in the Conveyance, any defect or deficiency concerning Seller's title to the Assets (including, but not limited to, Title Defects) not asserted by Buyer on or prior to the Title Defect Notice Date shall be deemed waived by Buyer (which waived defects

shall be deemed Permitted Encumbrances), the Parties shall proceed with Closing, Seller shall be under no obligation to correct such defects, and Buyer shall assume the risks, Liabilities and obligations associated with such defects.

1.20 Title Defect Adjustment.

(a) In the event any Title Defect for the Assets, for which notice has been timely given as provided hereinabove, remains uncured as of Closing, Seller shall have the opportunity, but not the obligation, to cure until the Final Settlement Date (**"Cure Period"**) any such Title Defect, or, alternatively, Seller may elect to reduce the Purchase Price by an amount equal to the Defect Value as determined pursuant to Section 8.4, subject to the application of the Thirty Thousand and No/100 Dollars ($30,000.00) threshold for each such Title Defect and the Defect Basket described in Section 7.4. Should Seller elect to reduce the Purchase Price in this Section 8.3(a), those Assets affected by the Title Defect shall be transferred to Buyer at Closing. In no event shall the Defect Value for any Title Defect ever exceed the Allocated Value of such Asset.

(b) If Seller elects to attempt to cure a Title Defect for the Assets after Closing, Closing with respect to the portion of the Assets affected by such Title Defect will be deferred (the **"Closing Deferred Property"**). Closing with respect to all other Assets will proceed as provided in this Agreement, but the Purchase Price delivered to Seller at such initial Closing shall be reduced by the aggregate Allocated Value of the Assets for all Closing Deferred Properties. If Seller cures any Title Defect within the Cure Period, then the Closing with respect to the Closing Deferred Property for which such Title Defect has been cured will proceed and will be finalized within seven (7) days following the end of the Cure Period. If Seller fails to cure any Title Defect prior to the expiration of the Cure Period, Buyer shall have the right to elect by written notice to Seller, which notice shall be delivered within seven (7) days after receipt by Buyer of notice from Seller of such failure to cure any such Title Defect, to waive all of the Title Defects applicable to any Closing Deferred Property (which waived Title Defects shall be deemed Permitted Encumbrances) and proceed to Closing on such Closing Deferred Property. If Buyer does not elect to waive an existing Title Defect, Seller shall retain the Closing Deferred Property, and the Parties shall have no further obligation with respect thereto and such property shall not be subject to the terms of this Agreement.

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

1.21 Environmental Defect and Title Defect Values.

Upon timely delivery of notice of an Environmental Defect and/or a Title Defect under Section 7.1 or Section 8.2, respectively, Buyer and Seller shall in good faith use their reasonable efforts to agree on the validity and value of the claim for the purpose of making any adjustment to the Purchase Price (the **"Defect Value"**). Notwithstanding anything to the contrary set forth herein, the Defect Value for any Title Defect and any related adjustment to the Purchase Price shall in no event exceed the Allocated Value of the affected Asset. In determining the Defect Value of an Environmental Defect or a Title Defect, it is the intent of the Parties to include, to the extent possible, only that portion of the Assets, whether an undivided interest, separate

interest or otherwise, adversely affected by such defect. The following guidelines shall be followed by the Parties in establishing the Defect Value of any Environmental Defect or Title Defect for the purpose of adjusting the Purchase Price if the validity of the claim is agreed to by the Parties and proper notice has been timely given, subject to (i) application of the appropriate individual thresholds as set forth in this Agreement for Environmental Defects and Title Defects, and (ii) application of the Defect Baskets requirement as set forth in Section 7.4 for Environmental Defects and Title Defects:

(a) If the Title Defect is based on a difference in Net Revenue Interest, net mineral acres or expense interest from that shown on Exhibit "A" or Exhibit "B" for the affected Assets, then the Purchase Price shall be reduced based on the difference between interest identified on the applicable exhibit and the applicable defect.

(b) If the Environmental Defect or Title Defect is liquidated in amount (for example, but not limited to, a lien, encumbrance, charge or penalty), then the adjustment to the Purchase Price shall be the sum necessary to be paid to the obligee to remove the defect from the Asset.

(c) If the Environmental Defect or Title Defect represents an obligation or burden upon the affected Assets for which the economic detriment is not liquidated but can be estimated with reasonable certainty as agreed to by the Parties, the adjustment to the Purchase Price shall be the sum necessary to compensate Buyer at Closing for the estimated adverse economic effect which the Environmental Defect or Title Defect will have on the affected Assets, taking into account all relevant factors, including, but not limited to, the following:

(1) the Allocated Value of the Assets affected by an Environmental Defect or a Title Defect;

(2) the economic assumptions Buyer utilized in the determination of the Allocated Value of the Asset, including prices, forecasts, production, reserves, discount factors or other relevant information; and

(3) cost to remediate or otherwise resolve an Environmental Defect.

(d) If the Defect Value cannot be determined using the above guidelines, and if the Parties cannot otherwise agree on the amount of an adjustment to the Purchase Price, or if the validity of the claim as to an Environmental Defect or Title Defect cannot be agreed upon, then the Closing shall include the Asset(s) affected thereby. If the validity of the claim is in dispute or if the Defect Value of the claim is in dispute, the Purchase Price at Closing shall be adjusted by Buyer's good faith estimate of the Defect Value subject to Section 7.4. In either case Buyer or Seller shall have the right exercisable within thirty (30) days after the Closing Date to refer the disputed matter to arbitration, and such disputed matter shall be exclusively and finally resolved pursuant to this Section 8.4. There shall be a single arbitrator, (i) for Title matters shall be a title attorney, in good standing, with at least ten (10) years' experience in oil and gas title involving properties in the regional area in which the Assets are located or (ii) for Environmental matters shall be an environmental attorney, in good standing, with at least ten (10) years' experience in environmental matters involving oil and gas properties in the regional area in which the Assets are located, which shall be selected by mutual agreement of Buyer and Seller within fifteen (15)

Business Days after Buyer's referral of the disputed matter to arbitration under this Section 8.4, and absent such agreement, by the International Institute for Conflict Prevention & Resolution (**"CPR")** (the **"Defect Arbitrator"**). The Defect Arbitrator shall not have been employed by or performed services to either Seller or Buyer for a period five (5) years prior to the Closing Date. The arbitration proceeding shall be held in Houston, Texas and shall be conducted in accordance with the Rules for Non-Administered Arbitration (the **"Rules"**) of CPR (but need not be administered by the CPR), to the extent such rules do not conflict with the terms of this Section. The Defect Arbitrator's determination shall be made within fifteen (15) Business Days after submission of the matters in dispute and shall be final and binding upon both Parties, without right of appeal. In making his determination, the Defect Arbitrator shall be bound by the rules set forth in this Section 8.4 and may consider such other matters as in the opinion of the Defect Arbitrator are necessary or helpful to make a proper determination. Additionally, the Defect Arbitrator may consult with and engage disinterested third parties to advise the arbitrator, including, without limitation, petroleum or environmental engineers. The Defect Arbitrator shall act as an expert for the limited purpose of determining the specific disputed Environmental or Title Defect and Environmental or Title Defect Value submitted by either Party and may not award damages, interest or penalties to either Party with respect to any matter. Seller and Buyer shall each bear its own legal fees and other costs of presenting its case. Each Party shall bear one-half of the costs and expenses of the Defect Arbitrator, including any costs incurred by the Defect Arbitrator that are attributable to such third party consultation. Within ten (10) days after the Defect Arbitrator delivers written notice to Buyer and Seller of his award with respect to the specific disputed Environmental or Title Defect and Environmental or Title Defect Value, Buyer shall pay to Seller the amount, if any, so awarded by the Defect Arbitrator to Seller.

(e)**- OPTION TO TERMINATE**

1.22Option to Terminate for Defects.

If the aggregate of the Defect Values attributable to all Environmental Defects and Title Defects determined pursuant to Articles 7 and 8 and the provisions of Section 9.3 below shall exceed ten percent (10%) of the Purchase Price after the application of the Defect Baskets set forth in Section 7.4, then either Buyer or Seller may terminate this Agreement without any further obligation by giving written notice of termination to the other Party at any time prior to Closing.

1.23Option to Terminate for Defects and Other Matters.

If, prior to Closing the sum of (a) the aggregate Defect Values attributable to all Environmental Defects and Title Defects determined pursuant to Articles 7 and 8 and the provisions of Section 9.3 below, after application of the Defect Baskets set forth in Section 7.4, (b) the Allocated Values of all Assets excluded from the transactions contemplated hereby because of the exercise of Preferential Purchase Rights, (c) the Allocated Values of all Third Party Interest, and (d) the Allocated Values of all Assets affected by Casualty Losses excluded from the transactions contemplated hereby exceed Five Million and No/100 Dollars ($5,000,000.00), then either Buyer or Seller may terminate this Agreement without any further obligation by giving written notice of termination to the other Party at any time prior to Closing.

1.24Dispute as to Defect Values.

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

1.25- PREFERENTIAL PURCHASE RIGHTS AND CONSENTS OF THIRD PARTIES

1.26Actions and Consents.

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

(b)Seller shall notify all holders of (i) Preferential Purchase Rights relating to the Assets, (ii) rights of consent to the assignment of the Assets, or (iii) rights of approval to the assignment of the Assets of such terms and conditions of this Agreement to which the holders of such rights are entitled. Seller shall promptly notify Buyer if any Preferential Purchase Rights are exercised, any consents or approvals denied, or if the requisite period has elapsed without said rights having been exercised or consents or approvals having been received. Notwithstanding anything set forth in Articles 7 and 8 herein, if prior to Closing, any such Preferential Purchase Rights are timely and properly exercised, the interest or part thereof so affected shall be eliminated from the Assets and the Purchase Price reduced by the portion of the Purchase Price allocated to such interest or part thereof as provided in Exhibit "F." The Parties agree that the Allocated Values for Assets subject to Preferential Purchase Rights shall be the sole responsibility of Buyer, and Buyer agrees to indemnify and hold Seller harmless from all Liability and Claims related to reasonableness of such values.

(c)With respect to any portion of the Assets for which a Preferential Purchase Right has not been asserted or waived prior to Closing or a consent or other approval to assign has not been granted and for which the time for election to exercise such Preferential Purchase Right or to grant such consent or approval has not expired and, in the case of consents or approvals, the reassignment of the affected Lease in the absence of such consent or approval having been obtained would (x) be void or voidable at the option of the holder of the consent or approval right, (y) subject buyer to a liquidated damages penalty or (z) give rise to an express right to terminate the affected Lease, (and Buyer is unwilling to assume the Liability associated with the failure to obtain such consent or approval), Closing with respect to the specific portion of the Assets subject to such outstanding obligations will be deferred (the **"Third Party Interests"**). Subject to Section 9.2, Closing with respect to all other Assets will proceed as provided in this Agreement, but the Purchase Price delivered to Seller at Closing will be reduced by the Allocated Value of the Third Party Interests. In the event that within one hundred twenty (120) days after Closing any such Preferential Purchase Right is waived or consent or approval is

obtained or the time for election to purchase or to deliver a consent or approval passes (such that under the applicable documents, Seller may sell the affected Third Party Interest to Buyer), then subject to the terms and conditions hereof (including Article 12), the Closing with respect to the applicable portion of the Third Party Interests will proceed promptly. If such waivers, consents or approvals as are necessary are not received by Seller within the applicable one hundred twenty (120) day period, Seller shall retain such Third Party Interests, and the Parties shall have no further Liability or obligation to each other with respect thereto.

(d) If any additional Preferential Purchase Rights are discovered after Closing, or if a Preferential Purchase Rights holder alleges improper notice, then Buyer agrees to cooperate with Seller in giving effect to any such valid Preferential Purchase Rights. In the event any such valid Preferential Purchase Rights are validly exercised after Closing, Buyer's sole remedy against Seller shall be return by Seller to Buyer of that portion of the Purchase Price allocated under Exhibit "F" to the portion of the Assets on which such rights are exercised and lost by Buyer to such third Person.

(e) **- COVENANTS**

1.27 Covenants of Seller Pending Closing.

(a) From and after the date of execution of this Agreement and until the Closing, and subject to Section 11.2 and the constraints of applicable operating and other agreements, Seller shall manage and administer the Assets as a reasonable and prudent operator and in a good and workmanlike manner consistent with industry standard practices and shall carry on its business with respect to the Assets in substantially the same manner as before execution of this Agreement. Prior to Closing, Seller shall use all commercially reasonable efforts to preserve in full force and effect all Leases, operating agreements, easements, rights-of-way, surface leases, permits, licenses and agreements which relate to the Assets and shall perform all obligations of Seller in or under all such agreements relating to the Assets; provided, however, Buyer's sole remedy for Seller's breach of its obligations under this Section 11.1(a) shall be limited to the amount of that portion of the Purchase Price allocated in Exhibit "F" to that portion of the Assets affected by such breach. Seller shall, except for emergency action taken in the face of serious risk to life, property or the environment, (1) submit in writing to Buyer, for prior written approval, all requests for operating or capital expenditures and all proposed contracts and agreements relating to the Assets which involve individual commitments of more than Thirty Thousand and No/100 Dollars ($30,000.00) net to Seller's interest; (2) consult with, inform and advise Buyer regarding all material matters concerning the operation, management and administration of the Assets; (3) obtain Buyer's written approval prior to voting under any operating, unit, joint venture, partnership or similar agreement relating to the Assets; and (4) obtain Buyer's written approval prior to approving or electing to proceed as to any proposed well located on the Assets or to plug and abandon any Well. On any matter requiring Buyer's written approval under this Section 11.1(a), Buyer shall respond within two (2) Business Days to Seller's written request for approval (unless Seller notifies Buyer in writing that a shorter time to respond is required in which case Buyer shall respond in the required time), and failure of Buyer to respond to Seller's request for approval within such time shall release Seller from the obligation to obtain Buyer's approval before proceeding on such matter. With respect to emergency actions taken by Seller in the face of serious risk to life, property or the environment, without prior

approval of Buyer pursuant to the provisions above, Seller will advise Buyer of its actions as promptly as reasonably possible and consult with Buyer as to any further related actions.

(b) Seller shall promptly notify Buyer of any threatened or actual Claim before any Governmental Entity of which Seller obtains Knowledge of and any Claim which relates to the Assets or which would reasonably be expected to result in impairment or loss of any material portion of the Assets or which would reasonably be expected to hinder or impede the operation of the Assets in any material respect.

(c) In addition, without the prior written approval of Buyer, Seller agrees to (i) not sell, lease, farmout, transfer or otherwise dispose of, directly or indirectly, any Assets, except for sales of Hydrocarbons in accordance with those contracts or agreements set forth on Exhibit "D," (ii) maintain all insurance with respect to the Assets currently in effect, (iii) remain in material compliance with all Laws with respect to its ownership and operation of the Assets as a reasonably prudent operator, (iv) not amend any material contract or enter into any contract affecting the Assets that would be considered a material contract if in effect as of the date of this Agreement, or (v) not waive or release any material Claim or right with respect to the Assets or settle any Claim with respect to the Assets, except to the extent constituting a Retained Obligation or an Excluded Asset, or the litigation referred to in Exhibit "H."

(d) Seller shall cooperate with Buyer and shall execute such documents or instruments as may be reasonably necessary to apply for the timely transfer to Buyer or re-issuance in the name of Buyer of all permits, licenses, registrations or other approvals required for Buyer's post-Closing ownership or operation of the Assets, including, without limitation, those required under or pursuant to Environmental Laws.

(e) As requested by Buyer from time to time, Seller agrees to notify each holder of interests in such Assets (which are the subject of such notice) before Closing that Buyer will purchase the Assets and to direct each such interest holder to make all such assignments of interest in the Assets to Seller. With respect to any such assignments received by Seller after Closing, Seller agrees to promptly assign such interests to Buyer pursuant to the provisions of this Agreement as if such assignments had been made at Closing. All such property interests, whether assigned to Buyer by Seller or such third Person, shall be Assets for all purposes of this Agreement.

1.28 Limitations on Seller's Covenants Pending Closing.

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

1.29Notification of Breaches.

Until the Closing,

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

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

(c)If any of Buyer's or Seller's representations or warranties are untrue or shall become untrue in any material respect between the date of execution of this Agreement and the Closing Date, or if any of Buyer's or Seller's covenants or agreements to be performed or observed prior to or on the Closing Date shall not have been so performed or observed in any material respect, but if such breach of representation, warranty, covenant or agreement shall (if curable) be cured in its entirety by the Closing (or, if the Closing does not occur, by the date set forth in Section 16.1), then such breach shall be considered not to have occurred for all purposes of this Agreement.

(d) **- CLOSING CONDITIONS**

1.30Seller's Closing Conditions.

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

(a)All representations and warranties of Buyer contained in this Agreement shall be true and accurate in all material respects as of the date hereof and as of the Closing as if such representations and warranties were made at and as of the Closing, and Buyer shall have performed, satisfied and complied in all material respects with all agreements and covenants required by this Agreement to be performed, satisfied and complied with by Buyer at or prior to the Closing;

(b)The execution, delivery and performance of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all necessary action, corporate, partnership or otherwise, on the part of Buyer, and Buyer shall have executed and delivered, at Closing, to Seller an officer's certificate of Buyer confirming the same;

(c)As of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by Seller) shall be pending or threatened before any Governmental Entity seeking to restrain Seller or prohibit the Closing or seeking damages against Seller as a result of the consummation of this Agreement; and

(d) Buyer shall have delivered (or be ready, willing and able to deliver) all Transaction Documents, instruments and any other documents which are required by other terms of this Agreement to be executed or delivered by Buyer to Seller prior to or in connection with the Closing .

1.31 Buyer's Closing Conditions.

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

(a) All representations and warranties of Seller contained in this Agreement shall be true and accurate in all material respects at and as of the Closing as if such representations and warranties were made as of the date hereof and as of the Closing, and Seller shall have performed, satisfied and complied in all material respects with all agreements and covenants required by this Agreement to be performed, satisfied and complied with by Seller at or prior to the Closing;

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

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

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

(e) Seller shall have delivered (or be ready, willing and able to deliver) all transaction documents, instruments and any other documents which are required by other terms of this Agreement to be executed or delivered by Seller to Buyer prior to or in connection with the Closing.

(f) **- CLOSING**

1.32 Closing.

Consummation of the purchase and sale transaction contemplated by this Agreement, (the **"Closing"**) shall, unless otherwise agreed in writing by Seller and Buyer, be held at the offices of Seller located at 1301 McKinney, Suite 2800, Houston, Texas 77010, at 10:00 a.m., local time, on or before April 4, 2013, or at such other date or place as the Parties may agree in writing (herein called **"Closing Date"**). Time is of the essence, and the Closing Date shall not be extended unless by written agreement of the Parties.

1.33 Seller's Closing Obligations.

At Closing, Seller shall deliver to Buyer the following:

(a) the Conveyance and such other documents as may be reasonably necessary to convey the Assets to Buyer in accordance with the provisions hereof executed by Seller;

(b) a non-foreign affidavit executed by Seller in the form attached as Exhibit "L;"

(c) copies of all applicable waivers of Preferential Purchase Rights, or evidence of consents or approvals relating to the Assets obtained by Seller;

(d) letters-in-lieu of transfer orders relating to the Assets prepared by Buyer in form reasonably acceptable to Seller;

(e) all regulatory transfer documents for the Texas Railroad Commission and any other required documentation for any Governmental Entity;

(f) releases of all mortgages, liens and similar encumbrances burdening the Assets and securing funded indebtedness of Seller and its Affiliates, including those shown on Exhibit "O," in form and substance reasonably satisfactory to Buyer; and

(g) an officer's certificate of Seller, certifying (i) that true and complete copies of the resolutions duly and validly adopted by the governing body of Seller evidencing the authorization of the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are attached thereto and are in full force and effect and (ii) to the incumbency of the officers of Seller executing this Agreement and the instruments contemplated hereby.

1.34 Buyer's Closing Obligations.

At Closing, Buyer shall deliver to Seller the following:

(a) by wire transfer in immediately available funds to a bank account or accounts designated by Seller no later than two (2) Business Days prior to Closing the Purchase Price as adjusted by Section 3.2;

(b) Conveyance executed by Buyer, and

(c) an officer's certificate of Buyer, certifying (i) that true and complete copies of the resolutions duly and validly adopted by the governing body of Buyer evidencing the authorization of the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby are attached thereto and are in full force and effect and (ii) to the incumbency of the officers of Buyer executing this Agreement and the instruments contemplated hereby.

1.35Joint Closing Obligations.

The Parties at Closing shall execute and deliver to the other Party:

(a)Preliminary Settlement Statement evidencing the amount actually wire transferred and all adjustments to the Purchase Price taken into account at Closing;

(b)all other Transaction Documents; and

(c)Post-Closing Accounting and Reporting Agreement.

All events of Closing shall each be deemed to have occurred simultaneously with the other, regardless of when actually occurring, and each shall be a condition precedent to the other.

(d)**- LIMITATIONS ON WARRANTIES AND REMEDIES/DTPA WAIVER**

1.36Limitations on Warranties and Remedies.

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

BUYER ACKNOWLEDGES THAT THIS EXPRESS WAIVER IS A MATERIAL AND INTEGRAL PART OF THIS SALE AND THE CONSIDERATION THEREOF; AND BUYER ACKNOWLEDGES THAT THIS WAIVER HAS BEEN BROUGHT TO THE ATTENTION OF BUYER AND EXPLAINED IN DETAIL AND THAT BUYER

HAS VOLUNTARILY AND KNOWINGLY CONSENTED TO THIS WAIVER FOR THE ABOVE DESCRIBED ASSETS.

THE EXPRESS REPRESENTATIONS AND WARRANTIES OF THE BUYER CONTAINED IN THIS AGREEMENT AND IN THE CONVEYANCE ARE EXCLUSIVE AND IN LIEU OF ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, OF ANY KIND WHATSOEVER. ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED.

The above is subject to the other terms and conditions of this Agreement.

1.37Waiver of Trade Practices Act.

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

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

(c) **- CASUALTY LOSS AND CONDEMNATION**

If, prior to the Closing, all or any portion of the Assets are destroyed by fire or other casualty or if any portion of the Assets shall be taken by condemnation or under the right of eminent domain (all of which are herein called **"Casualty Loss"** and limited to property damage or taking only), Buyer and Seller must agree prior to Closing either (i) to delete that portion of the Assets which is subject to the Casualty Loss from the Assets, and the Purchase Price shall be reduced by the value allocated to the deleted Asset as set out in Exhibit "F," or (ii) for Buyer to proceed with the purchase of such Assets, notwithstanding any such destruction or taking (without reduction of the Purchase Price) in which case Seller shall pay, at the Closing, to Buyer all sums paid to Seller by third Persons by reason of the destruction or taking of such Assets and shall assign, transfer and set over unto Buyer all insurance proceeds received by Seller as well as all of the right, title and interest of Seller in and to any Claims, unpaid proceeds or other payments from third Persons arising out of such destruction or taking.

(d)**- TERMINATION**

1.38Termination.

This Agreement may be terminated at any time prior to Closing: (i) by the mutual prior written consent of Seller and Buyer; (ii) by Buyer or Seller pursuant to Section 9.1 and 9.2 and Article 15; or (iii) by Seller or Buyer, if Closing has not occurred on or before April 12, 2013 (the **"Outside Date"**) provided that no Party in breach of any obligation hereof may terminate the Agreement.

1.39Effect of Termination.

If this Agreement is terminated pursuant to Section 16.1, this Agreement shall become void and of no further force or effect (except for the provisions of Sections 4(f), 5(f), 6.6, 6.7, 14.1, 14.2, 20.2, 20.12, 20.13 and 20.22 of this Agreement all of which shall continue in full force and effect), and Seller shall be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any party without any restriction under this Agreement. Notwithstanding anything to the contrary in this Agreement, the termination of this Agreement under Section 16.1(iii) shall not relieve any party from liability for any willful failure to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed or observed at or prior to Closing or if Closing has not occurred, by the Outside Date owing to the willful breach of a Party. In the event this Agreement terminates under Section 16.1(iii) because a Party has willfully failed to perform or observe in any material respect any of its agreements or covenants contained herein which are to be performed at or prior to Closing, then the other Party shall be entitled to all remedies available at law or in equity in lieu of termination or otherwise and shall be entitled to recover court costs and reasonable attorneys' fees in addition to any other relief to which such party may be entitled.

1.40Other Remedies.

Notwithstanding the foregoing, termination of this Agreement shall not prejudice or impair Buyer's obligations under Section 6.4 (and the Confidentiality Agreement referenced therein). The prevailing Party in any legal proceeding brought under or to enforce this Agreement shall be additionally entitled to recover court costs and reasonable attorneys' fees from the non-prevailing Party.

1.41Limitations on Damages.

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

1.42- ASSUMPTION AND INDEMNITY

1.43Assumed Obligations.

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

1.44Buyer's Indemnity.

BUYER AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD SELLER AND SELLER'S AFFILIATES AND EACH OF THEIR RESPECTIVE SHAREHOLDERS, MANAGERS, MEMBERS, EMPLOYEES, OFFICERS, DIRECTORS AND REPRESENTATIVES ("SELLER INDEMNITEES") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO OR ARISING OUT OF THE (I) ASSUMED OBLIGATIONS, (II) BUYER'S BREACH OF ITS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT, OR (III) BUYER'S BREACH OF ITS COVENANTS CONTAINED IN THIS AGREEMENT. THE DEFENSE AND INDEMNITY OBLIGATIONS PROVIDED BY THIS SECTION SHALL APPLY REGARDLESS OF THE SOLE OR PARTIAL OR COMPARATIVE OR CONCURRENT OR OTHER FAULT, NEGLIGENCE OR STRICT, PRE-EXISTING OR OTHER LIABILITY ON THE PART OF SELLER. ADDITIONALLY, THE DEFENSE AND INDEMNITY OBLIGATIONS PROVIDED BY THIS SECTION SHALL APPLY REGARDLESS OF THE NATURE OF THE OBLIGATIONS OF SELLER, BE THEY IN TORT, CONTRACT, QUASI-CONTRACT, STATUTORY OR OTHERWISE.

1.45Seller's Indemnity.

SELLER AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD BUYER AND BUYER'S AFFILIATES AND EACH OF THEIR PARTNERS, RESPECTIVE SHAREHOLDERS, MANAGERS, MEMBERS, EMPLOYEES, OFFICERS, DIRECTORS AND REPRESENTATIVES ("BUYERS INDEMNITEES") HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS WITH RESPECT TO ALL LIABILITIES AND OBLIGATIONS OR ALLEGED OR THREATENED LIABILITIES AND OBLIGATIONS CAUSED BY, RELATED TO, ATTRIBUTABLE TO OR ARISING OUT OF (I) THE RETAINED OBLIGATIONS, (II) SELLER'S BREACH OF ITS REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS AGREEMENT, OR (III) SELLER'S BREACH OF ITS COVENANTS CONTAINED IN THIS AGREEMENT. THE DEFENSE AND INDEMNITY OBLIGATIONS PROVIDED BY THIS SECTION SHALL APPLY REGARDLESS OF THE SOLE OR PARTIAL OR COMPARATIVE OR CONCURRENT OR OTHER FAULT, NEGLIGENCE OR STRICT, PRE-EXISTING OR OTHER LIABILITY ON THE PART OF BUYER. ADDITIONALLY, THE DEFENSE

AND INDEMNITY OBLIGATIONS PROVIDED BY THIS SECTION SHALL APPLY REGARDLESS OF THE NATURE OF THE OBLIGATIONS OF BUYER, BE THEY IN TORT, CONTRACT, QUASI-CONTRACT, STATUTORY OR OTHERWISE.

1.46Stipulation Regarding Express Negligence and Fault.

THE PARTIES BOTH AGREE AND STIPULATE THAT THEY HAVE ACTUAL KNOWLEDGE OF ALL INDEMNITY PROVISIONS HEREIN, THAT THEY ARE FAMILIAR WITH THE EXPRESS NEGLIGENCE TEST, THAT THIS DEFENSE AND INDEMNIFICATION AGREEMENT COMPLIES WITH THE EXPRESS NEGLIGENCE TEST, THAT THE PARTIES CLEARLY INTEND TO TRANSFER THE RISK OF LOSS FOR THE INDEMNITEE'S NEGLIGENCE, FAULT AND OTHER LIABILITIES AND OBLIGATIONS AS SET FORTH ABOVE TO THE OTHER PARTY, AND THAT THESE INDEMNIFICATION PROVISIONS ARE CONSPICUOUS.

1.47Broker or Finder's Fee.

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

Indemnification Procedures.

All Claims for indemnification (an **"Indemnity Claim"**) under this Agreement shall be asserted and resolved as follows:

(a)For purposes of this Section 17.6, the term **"Indemnifying Party"** shall mean the Party having an obligation to indemnify the other Party and its related parties pursuant to this Article 17, and the term **"Indemnified Party"** shall mean the Party having the right to be indemnified by the other Party pursuant to this Article 17.

(b)To make an Indemnity Claim under Section 6.7, this Article 17 or Section 20.16, an Indemnified Party shall notify the Indemnifying Party in writing of its Indemnity Claim, including the basis under this Agreement for its Indemnity Claim (the **"Claim Notice"**). In the event that the Indemnity Claim is based upon a claim by a unaffiliated third Person against the Indemnified Party (a **"Third Party Claim"**), the Indemnified Party shall provide its Claim Notice promptly after the Indemnified Party has Knowledge of the Third Party Claim and shall enclose a copy of all papers (if any) served with respect to the Third Party Claim; provided that the failure of any Indemnified Party to give notice of a Third Party Claim as provided in this Section 17.6(b) shall not relieve the Indemnifying Party of its indemnification obligations under Section 6.7, this Article 17 or Section 20.17 except to the extent (and then only to such extent) such failure results in insufficient time being available to permit the Indemnifying Party to

effectively defend against the Third Party Claim or otherwise materially prejudices the Indemnifying Party's ability to defend against the Third Party Claim.

(c) In the case of an Indemnity Claim based upon a Third Party Claim, the Indemnifying Party shall have thirty (30) days from its receipt of the Claim Notice to notify the Indemnified Party whether it admits or denies its Liability to defend the Indemnified Party against such Third Party Claim at the sole cost and expense of the Indemnifying Party. The Indemnified Party is authorized, prior to and during such thirty (30) day period, to file any motion, answer or other pleading that it shall deem necessary or appropriate to protect its interests or those of the Indemnifying Party so long as such pleading is not prejudicial to the Indemnifying Party.

(d) If the Indemnifying Party admits its Liability, it shall have the right and obligation to diligently defend, at its sole cost and expense, the Third Party Claim. The Indemnifying Party shall have full control of such defense and proceedings, including any compromise or settlement thereof. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate (to the extent reasonable) in contesting any Third Party Claim which the Indemnifying Party elects to contest. The Indemnified Party may (at its sole costs and expense) participate in, but not control, any defense or settlement of any Third Party Claim controlled by the Indemnifying Party pursuant to this Section 17.6. An Indemnifying Party shall not, without the written consent of the Indemnified Party, (i) settle any Third Party Claim or consent to the entry of any judgment with respect thereto which does not include an unconditional written release of the Indemnified Party from all Liability in respect of such Third Party Claim or (ii) settle any Third Party Claim or consent to the entry of any judgment with respect thereto in any manner that may materially and adversely affect the Indemnified Party (other than as a result of money damages covered by the indemnity).

(e) If, within the 30-day period after its receipt of the Claim Notice, the Indemnifying Party does not admit its Liability or admits its Liability with respect to but fails to diligently prosecute or settle, the Third Party Claim, then the Indemnified Party shall have the right to defend against the Third Party Claim at the sole cost and expense of the Indemnifying Party, with counsel of the Indemnified Party's choosing, subject to the right of the Indemnifying Party to admit its Liability and assume the defense of the Third Party Claim at any time prior to settlement or final determination thereof. If the Indemnifying Party has not yet admitted its Liability for a Third Party Claim, the Indemnified Party shall send written notice to the Indemnifying Party of any proposed settlement, and the Indemnifying Party shall have the option for ten (10) days following receipt of such notice to (i) admit in writing its Liability for the Third Party Claim and (ii) if Liability is so admitted, reject, in its reasonable judgment, the proposed settlement.

Liability Limitation.

Notwithstanding the foregoing provisions of this Article 17:

(f) Seller shall have no Liability for indemnification for any Claims under Section 17.3 unless and until the cumulative total of such Claims exceeds in the aggregate an amount equal to three percent (3%) of the Purchase Price (the **"Indemnity Deductible"**), at

which time all amounts of Liabilities (other than De Minimis Claims (as defined below)) in excess of the Indemnity Deductible may be claimed and recovered as provided in this Agreement; provided, however, that in the event that the aggregate Claims with respect to a single matter for which indemnity otherwise is provided under Section 17.3 is less than Fifty Thousand and No/100 Dollars ($50,000.00) (a **"De Minimis Claim"**) such Claims shall not be included in calculating the aggregate amount of Claims for determining whether the Indemnity Deductible has been satisfied and shall not be recoverable for any reason. For the purpose of clarity, Seller agrees that the Indemnity Deductible and the De Minimis Claim amount shall not be applicable to its indemnification obligations in respect of Section 17.3(I) or Section 17.5.

(g) The aggregate Liability of Seller pursuant to this Article 17 shall be limited to an amount equal to ten percent (10%) of the Purchase Price (the **"Indemnity Cap"**). For the purposes of clarity, Seller agrees that the Indemnity Cap amount shall not be applicable to its indemnification obligations pursuant to Section 17.3(I) or Section 17.5.

(h) Notwithstanding Section 17.7(a) and Section 17.7(b), the Indemnity Deductible and Indemnity Cap shall not apply to Seller's representations and warranties set forth in Sections 4(a), (b), (c), (d), (e), (f) and (j).

(i) If an Indemnified Party recovers from any third party (including insurers) all or any part of any amount previously paid to it by an Indemnifying Party pursuant to Sections 6.7, 17.2, 17.3, 17.5 or 20.16, as applicable, such Indemnified Party will promptly pay over to the Indemnifying Party the amount so recovered (after deducting therefrom the full amount of the expenses incurred by it in procuring such recovery), but not in excess of any amount previously so paid by the Indemnifying Party; and

(j) Seller shall not be liable to indemnify Buyer for any Claim, and such Claim shall not be applied towards the deductibles in Section 17.7(a), to the extent such Claims constitute an Assumed Obligation.

(k) WITHOUT LIMITING THE RIGHTS THAT ANY PARTY MAY HAVE FOR FRAUD UNDER COMMON LAW, BUYER AND SELLER AGREE THAT, FROM AND AFTER THE CLOSING, THE SOLE AND EXCLUSIVE REMEDY OF ANY PARTY WITH RESPECT TO ALL CLAIMS RELATED TO THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS REGARDING THE ASSETS ARISING OUT OF ANY ACTUAL OR ALLEGED BREACH OF THIS AGREEMENT SHALL BE AS PROVIDED IN SECTION 6.7, SECTION 20.17 AND THIS ARTICLE 17 SUBJECT TO LIMITATIONS IMPOSED THEREON CONTAINED IN THIS ARTICLE 17 AND SECTION 17.7.

(l) **- GAS IMBALANCES**

Up to the Final Settlement Date, Seller and Buyer in good faith will use their reasonable efforts to update (to the Effective Time) the gas imbalance volume amounts listed on Exhibit "J." If, prior to the Final Settlement Date, either Party hereto notifies the other Party hereto that the volumes set forth in Exhibit "J" are incorrect, then Buyer or Seller will pay the other on the Final Settlement Date, as appropriate, an amount equal to $2.25 per net mmbtu variance from the net imbalance shown on Exhibit "J." Subject to such adjustment on the Final Settlement Date, as of

the Closing, Buyer agrees to assume all Liability and obligation for gas production imbalances (whether over or under) attributable to the Assets (which liability and obligation shall be deemed Assumed Obligations). Except as set forth in this Article 18, in assuming this Liability at Closing, Buyer shall not be obligated to make any additional payment over the Purchase Price to Seller, and Seller shall not be obligated to refund any of said price to reimburse Buyer for any over-balances existing at the time of sale.

(m)**- TRANSITION**

1.48Post-Closing Accounting and Reporting.

Seller and Buyer agree that the post-closing transition procedures with respect to the Assets as set forth in this Section 19.1 shall be governed by the **"Post-Closing Accounting and Reporting Agreement"** to be executed at Closing which is attached hereto as Exhibit "P."

1.49- MISCELLANEOUS

1.50Receivables and other Excluded Funds.

Buyer shall be under no obligation to collect on behalf of Seller any receivables or other funds included in the Excluded Assets and described in Section 1.37(c) of the definition of Excluded Assets.

1.51Public Announcements.

The Parties agree that prior to Closing, each Party may publicly disclose the principal terms of this Agreement following its execution, and prior to making any public announcement or statement with respect to the transaction(s) contemplated by this Agreement, the Party desiring to make such public announcement or statement shall notify the other Party and exercise reasonable efforts to obtain approval of the other Party to the text of the public announcement or statement to be made solely by Seller or Buyer, as the case may be (such approval not to be unreasonably withheld, conditioned or delayed). Nothing contained in this paragraph shall be construed to prevent either Party from disclosing information with respect to the transaction contemplated by this Agreement to any Governmental Entity to the extent (i) required by applicable Law; or (ii) necessary to comply with disclosure requirements of the New York Stock Exchange or other recognized exchange or over the counter, and applicable securities Laws.

1.52Filing and Recording of Assignments, etc.

Buyer shall be solely responsible for all filings and the prompt recording of the Conveyance and any assignments and other documents related to the transfer of the Assets as contemplated hereunder, and for all fees connected therewith, including the fees charged by any Governmental Entity in connection with the change of operator, and Buyer shall furnish copies of all such filed and/or recorded documents to Seller once they become available. Seller shall not be responsible for any loss to Buyer because of Buyer's failure to file or record documents correctly or promptly. Buyer shall promptly file all appropriate forms, declarations or bonds with Governmental Entities relative to its assumption of operations, and Seller shall cooperate with Buyer in connection with such filings. Seller shall also comply with all notice provisions

contained in the Leases or otherwise applicable to the transfer of the Assets which call for notice to be given following the consummation of the transactions contemplated by this Agreement.

1.53Further Assurances and Records.

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

(b)Buyer agrees to maintain the files and records of Seller that are acquired pursuant to this Agreement for three (3) years after Closing. Buyer shall provide Seller and its representatives reasonable access to and the right to copy such files and records for the purposes of (i) preparing and delivering any accounting provided for under this Agreement and adjusting, prorating and settling the charges and credits provided for in this Agreement; (ii) complying with any Law affecting the Assets prior to the Closing Date; (iii) preparing any audit of the books and records of any third Persons relating to the Assets prior to the Closing Date, or responding to any audit related to the Assets prepared by such third Persons; (iv) preparing tax returns; (v) responding to or disputing any tax audit related to the Assets; or (vi) asserting, defending or otherwise dealing with any Claim or dispute under this Agreement or as to the Assets.

(c)The records associated (including, originals (to the extent that Seller has in its possession), copies and electronic data files) with the Assets shall be made available to Buyer within ten (10) Business Days after the Closing Date at Seller's offices. Any reproduction, transportation, postage or delivery costs from Seller's offices shall be at Buyer's sole cost, risk and expense.

(d)Buyer shall comply with all current and subsequently amended Laws applicable to the Assets and shall promptly obtain and maintain all permits required by Governmental Entities in connection with the Assets.

1.54Notices.

Except as otherwise expressly provided herein, all communications required or permitted under this Agreement shall be in writing and may be given by personal delivery, facsimile, email, US mail (postage prepaid) or nationally recognized delivery service, and any communication hereunder shall be deemed to have been duly given and received when actually delivered to if during normal business hours (or upon the next Business Day, if not during normal business hours) the address of the Parties to be notified as set forth below and addressed as follows:

If to Seller, as follows:

ZaZa Energy Corporation
Attention: VP & General Counsel, E&P
1301 McKinney St., Suite 3000
Houston, Texas 77010
E-mail: patrick.dunn@zazaenergy.com
Facsimile: +1.713.595.1919

If to Buyer, as follows:

BEP Moulton, LLC

Attention: Mr. Larry Ewers

8531 N. New Braunfels

Suite 200

San Antonio, Texas 78217

E-mail:

Facsimile: (210) 824-3589

Any Party may, by written notice so delivered to the other, change the address to which delivery shall thereafter be made.

1.55Incidental Expenses.

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

1.56Waiver.

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

1.57Binding Effect; Assignment.

All the terms, provisions, covenants, obligations, indemnities, representations, warranties and conditions of this Agreement shall inure to the benefit of, and be binding upon, and shall be enforceable by, the Parties hereto and their respective successors and assigns.

1.58Taxes.

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

(b)Seller acquired the Assets for use or consumption, and Seller has not been engaged, nor held itself out as being engaged, in selling similar property on a repeated or continuing basis. The Assets constitute an identifiable segment of Seller's business within the meaning of Texas Comptroller's Sales Tax Rule 34 Tex. Admin. Code § 3.316(d), and, accordingly, it is Seller's belief that the sale of the Assets (other than any motor vehicles) is exempt from Texas sales and use tax as an occasional sale pursuant to Texas Tax Code 151.304(b)(2).

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

1.59Audits.

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

1.60Like-Kind Exchanges.

Each Party consents to the other Party's assignment of its rights and obligations under this Agreement to its Qualified Intermediary (as that term is defined in Section 1.1031(k)-l(g)(4)(v) of the Treasury Regulations) and/or to its Qualified Exchange Accommodation Titleholder (as that term is defined in Rev. Proc. 2007-37 issued effective September 15, 2000) in connection with effectuation of a like-kind exchange, in whole or in part, as provided in Section 1031 of the Code and the Treasury Regulations thereto, and if applicable, Rev. Proc. 2000-37, 2000-2 C.B. 308 (Sept. 18, 2000), as amended by Rev. Proc. 2004-51, 2004-33 I.R.B. 294 (Jul. 20, 2004) (a **"Like-Kind Exchange Transaction"**).

However, Seller and Buyer acknowledges and agrees that any assignment of this Agreement to a Qualified Intermediary or Qualified Exchange Accommodation Titleholder does not release either Party from any of its respective Liabilities and obligations to the other Party under this Agreement, including, without limitation, indemnities, warranties, representations or covenants set forth in this Agreement. If requested by the other Party, each Party agrees to cooperate with the other Party (to the extent reasonable) to attempt to structure the transaction as a Like-Kind Exchange Transaction. If a Like-Kind Exchange Transaction occurs, the Parties recognize that IRS Form 8824, Like-Kind Exchanges, will be required to be filed, and each Party consents to the filing of such Form and will fully cooperate, to the extent necessary, with the other Party in filing such Form.

1.61 Governing Law and Arbitration.

(a) THIS AGREEMENT SHALL BE GOVERNED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS OTHERWISE APPLICABLE TO SUCH DETERMINATIONS. The Parties agree that any dispute arising out of or relating to or in connection with this Agreement or the alleged breach thereof (a **"Dispute"**) shall be resolved in accordance with the procedures specified in this Section 20.12, which shall be the sole and exclusive procedures for the resolution of any such disputes.

(b) The Parties shall attempt in good faith to resolve any Dispute promptly by negotiation between the executive officers or managers of the Parties who have authority to settle the Dispute. Either Party may give the other Party written notice of any Dispute not resolved in the normal course of business. Within fifteen (15) days after delivery of such notice, the receiving Party shall submit to the other a written response. The notice and response shall include (i) a statement of that Party's position and a summary of arguments supporting that position, and (ii) the name and title of the executive officer or manager who will represent that Party and of any other person who will accompany the executive. Within thirty (30) days after delivery of the initial notice, the executives of the Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the Dispute. All reasonable requests for information made by one Party to the other will be honored. All communications and negotiations pursuant to this provision shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

(c) If the Dispute has not been resolved by negotiation as provided herein within forty-five (45) days after delivery of the initial notice of negotiation (or if the Parties failed to meet within thirty (30) days), the Parties shall endeavor to settle the Dispute by mediation under the CPR Mediation Procedure currently in effect, provided, however, that if one Party fails to participate in the negotiation as provided herein, the other Party can initiate mediation prior to the expiration of the forty-five (45) days. Unless otherwise agreed, the Parties will select a mediator from the CPR Panels of Distinguished Neutrals, and all fees and costs of the mediator shall be borne equally.

(d) If a Dispute is not resolved by agreement among the Parties as provided in Section 20.12(b), and said Dispute was not resolved in mediation as provided in

Section 20.12(c), then within ten (10) calendar days after the later of (i) the date of the mediation was conducted, or (ii) sixty (60) days after delivery of the initial notice of the Dispute as proved in Section 20.12(b), either Party may provide written notice to the other Parties of an intent to submit such matter to arbitration, and the Parties hereby agree, upon the request of such Party providing such notice, to submit the Dispute to binding arbitration to be held in Houston, Texas, such arbitration to be conducted in accordance with the Rules (but need not be administered by the CPR). The Dispute must be resolved through arbitration regardless of whether the Dispute involves claims that this Agreement is unlawful, unenforceable, void or voidable or involves claims sounding in tort, contract, statute or common law. The obligation to arbitrate a Dispute shall be binding on and shall inure to the benefit of the Parties.

(e) The arbitration shall be governed by Texas law, provided that issues involving application of arbitration law shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1 et.seq. The arbitration shall be before a three-person (3) panel of neutral arbitrators (the **"Arbitrators"**). No later than ten (10) days after the submission of the matter to arbitration, each Party shall select an Arbitrator and request the two (2) selected Arbitrators to select a third neutral Arbitrator. This third Arbitrator shall be the presiding Arbitrator. If the two (2) Arbitrators fail to select a third on or before the tenth (10^{th}) day after the second Arbitrator was selected, either Party is entitled to request CPR to appoint the third neutral Arbitrator in accordance with the Rules. Before beginning the hearings, each Arbitrator must provide an oath or undertaking of impartiality. The presiding Arbitrator shall be a member of the CPR Panel of Distinguished Neutrals. All Arbitrators shall be and remain at all times independent and impartial, and, once appointed, no Arbitrator shall have any ex parte communications with any of the Parties or any of their affiliates concerning the arbitration or the underlying Dispute other than communications directly concerning the selection of the presiding Arbitrator, when applicable. All Arbitrators (whether appointed or nominated by a claimant or respondent, by the other Arbitrators, or by the CPR) shall be lawyers licensed to practice law who are in good standing and have at least fifteen (15) years of experience in representing parties engaged in the oil and/or gas business or in the handling of disputes involving application of oil and/or gas law. No Arbitrator shall have been an employee or consultant to any Party or any of its Affiliates within the five (5) year period preceding the arbitration, or have any financial interest in the Dispute. Notwithstanding the foregoing, if a Dispute arises regarding the rights or remedies available to a Party or an Affiliate of a Party pursuant to a final award of an arbitral tribunal that is issued pursuant to this Agreement, such Dispute shall be heard and resolved by the same arbitral tribunal that issued the award, unless one or more of the Arbitrators serving on the arbitral tribunal that issued the award is unable or unwilling to serve as Arbitrator.

(f) Without limitation of the Arbitrators' authority to decide any Dispute and grant any relief allowed by agreement, at Law, or in equity, the Arbitrators shall have the authority to award declaratory relief regarding future obligations of the Parties and declaratory relief regarding the remedies that are available to the Parties as allowed by agreement, at Law or in equity.

(g) All decisions of the arbitral tribunal shall be made by majority vote. The award of the arbitral tribunal shall be final and binding.

(h) Notwithstanding the agreement to arbitrate Disputes in this Section 20.12, any Party may apply to a United States Federal District Court sitting in Houston, Texas for interim measures pending appointment of the arbitration tribunal, including injunction, attachment and conservation orders as allowed by applicable Law. The Parties agree that no court other than a United States Federal District Court sitting in Houston, Texas will have authority or jurisdiction to enter interim orders pending appointment of the arbitration tribunal, and the Parties agree that neither the Parties nor their Affiliates shall make any application for interim orders to any court other than a United States Federal District Court sitting in Houston, Texas unless that court would not have personal and subject matter jurisdiction. The Parties agree that seeking and obtaining such court-ordered interim measures shall not waive the right to arbitration. Additionally, the Arbitrators (or in an emergency the presiding Arbitrator acting alone in the event one or more of the other Arbitrators is unable to be involved in a timely fashion) may grant interim measures including injunctions, attachments and conservation orders as allowed by applicable Law, which measures may be immediately enforced by court order.

(i) Any disputes over the scope of discovery shall be determined by the Arbitrators. The Arbitrators shall conduct a hearing no later than ninety (90) days after appointment of the presiding Arbitrator, and the Arbitrators shall render a written decision within thirty (30) days of the hearing. At the hearing, the Parties shall present such evidence and witnesses as they may choose, with or without counsel. Adherence to formal rules of evidence shall not be required, but the Arbitrators shall consider any evidence and testimony that they determine to be relevant, in accordance with procedures that they determine to be appropriate. Any award entered in the arbitration shall be made by a written opinion stating the reasons and basis for the award made and any payment due pursuant to the arbitration shall be made within fifteen (15) days of the decision by the Arbitrators. The Arbitrators will have no authority to award indirect, consequential, special or punitive damages or other damages not measured by the prevailing Party's actual damages.

(j) All negotiations, mediation and arbitration relating to a Dispute (including a settlement resulting from negotiation or mediation, an arbitral award, documents exchanged or produced during a mediation or arbitration proceeding and memorials, briefs or other documents prepared for the arbitration) are confidential and may not be disclosed by the Parties, their respective Affiliates and each of their respective employees, officers, directors, counsel, consultants and expert witnesses, except to the extent necessary to enforce any settlement agreement or arbitration award, to enforce other rights of a Party, as required by Law or regulation (including stock exchange rules), or for a bona fide business purpose, such as disclosure to accountants, attorneys or shareholders; provided, however, that breach of this confidentiality provision shall not void any settlement or award.

(k) Any papers, notices or process necessary or proper for an arbitration hereunder, or any court action in connection with an arbitration or an award, may be served on a Party in the manner set forth in Section 20.5 for the giving of notices or any other manner allowed by Law.

(l) Any arbitration award may be confirmed by a United States Federal District Court sitting in Houston, Texas. Any action to confirm, challenge, vacate or set aside the award in whole or in part may be brought in a United States Federal District Court sitting in Houston, Texas. The Parties agree to jointly request that any such action be decided by the court on an

expedited basis. Any arbitration award may be recognized and enforced, and judgment on the award may be entered, by any United States Federal District Court sitting in Houston, Texas or by any other court of competent subject matter jurisdiction (including a court located in a jurisdiction in which a Party holds or keeps assets). The Parties and their Affiliates agree to jointly request that any application for recognition or enforcement of an award be decided by the court on an expedited basis. All Parties and their Affiliates waive their right to appeal any court order confirming, recognizing or enforcing an award. The Parties and their Affiliates do not waive any rights they may have to appeal a court order refusing to confirm, recognize or enforce an award.

(m) The arbitral tribunal shall award costs, attorneys' fees, fees of the arbitrators and expert witness fees to the prevailing party or parties.

1.62 Entire Agreement.

This Agreement and the Exhibits hereto and the documents delivered pursuant to the terms hereof embody the entire agreement between the Parties and replaces and supersedes all prior agreements, arrangements and understandings related to the subject matter hereof, whether written or oral. No other agreement, statement or promise made by any Party, or to any employee, officer or agent of any Party which is not contained in this Agreement shall be binding or valid. This Agreement may be supplemented, altered, amended, modified or revoked by a writing only, signed by the Parties hereto. The headings herein are for convenience only and shall have no significance in the interpretation hereof. The Parties stipulate and agree that this Agreement shall be deemed and considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, submittal or other event of negotiation, drafting or execution thereof.

1.63 Severability.

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

1.64 Exhibits.

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

1.65 Suspended Funds.

At Closing, Seller shall transfer to Buyer all funds, if any, held by Seller in suspense owing to third Persons on account of the sale of Hydrocarbons from the Assets, together with all information in the possession of Seller identifying the funds. Buyer upon receipt of the funds shall assume all responsibility for the payment thereof to third Persons entitled to the same. Buyer shall indemnify and hold Seller harmless for its proportionate share of Claims and Liabilities relating to or arising out of Buyer's payment, mispayment or failure to make payments of any such funds. Seller shall indemnify and hold Buyer harmless for Claims and

Liabilities related to wrongfully withheld suspended funds attributable to the period of time prior to the Effective Time. Notwithstanding anything the contrary set forth herein, the terms of this Section 20.16 shall survive the Closing.

1.66Survival.

(a)Representations and Warranties. All of the representations and warranties of or by the Parties to this Agreement, excluding the special warranty of title of Seller contained in Section 8.1(b), will survive the Closing until twelve (12) months after the Closing Date (the **"Expiration Date"**), at which time all such representations and warranties shall expire (the time periods set forth in this Section 20.17(a) and Section 20.17(b) are each respectively a **"Survival Period"**).

(b)Covenants. Except as otherwise provided herein, the covenants and agreements contained in this Agreement to the extent that, by their terms, they are to be performed or complied with (i) prior to or on the Closing Date, shall expire at Closing, and (ii) after the Closing Date, shall expire on the later of (x) the Expiration Date or (y) thirty (30) days after the period in which such covenant is to be performed.

(c)Notwithstanding anything in this Agreement to the contrary, no Party shall have any obligation to indemnify the other pursuant to Section 17.2 or Section 17.3 (as those provisions apply to the representations and warranties only) unless a notice has been received by the Indemnifying Party prior to the end of the respective Survival Period.

(d)The covenants and agreements contained in Section 20.21 shall survive the Closing and shall remain in full force and effect as between the Parties and any of their Affiliates for a period of two (2) years after the Closing Date.

1.67Subsequent Adjustments.

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

1.68Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute one (1) agreement.

1.69Change of Name.

As promptly as practicable, but in any case within ninety (90) days after the Closing Date, Buyer shall eliminate the names "ZaZa Energy, LLC," ZaZa Energy Corporation," and "ZaZa" and any variants of these names from the Assets acquired pursuant to this Agreement and, except with respect to such grace period for eliminating existing usage, shall have no right to use any logos, trademarks or trade names belonging to Seller or any of its Affiliates.

1.70Non-Compete Provision.

(a) As additional consideration for the consummation of the transaction contemplated by this Agreement, the Seller has agreed that for a period of three (3) years from the Closing Date, that neither Seller nor any of its Affiliates, officers, directors, members, or managers, (**"Seller's Parties"**) shall directly or indirectly, acquire or seek to acquire any additional acreage, oil and gas leasehold, mineral interests, or any other oil and gas interest within the area outlined in purple on the plat that is attached hereto as Exhibit "R " (" **Non-Compete Area"**) In the event the Seller's Parties acquire any additional acreage, oil and gas leasehold, mineral interests, or any other oil and gas interest within the Non-Compete Area, Buyer shall be entitled to an assignment from Seller's Parties of any additional acreage, oil and gas leasehold, mineral interests, or any other oil and gas interest within fifteen (15) days after Seller's receipt of written demand for an assignment from Buyer. Buyer shall, upon receipt of an executed assignment or conveyance, in recordable form of any such interest, reimburse Seller the actual consideration, costs and expenses paid to an unaffiliated third party for the additional acreage, oil and gas leasehold, mineral interests, or any other oil and gas interest.

(b) As a result of the unique nature of the oil and gas interests involved, Seller acknowledges that Buyer may be irreparably damaged by the acquisition of any additional acreage, oil and gas leasehold, mineral interest, or any other oil and gas interest within the Non-Compete Area. Without prejudice to the rights and remedies otherwise available to Buyer, Buyer may be entitled to seek equitable relief, including an injunction or specific performance, in the event of any breach of this Section 20.21 of the Agreement. Seller agrees to reimburse Buyer for all costs and expenses, including reasonable attorneys' fees, incurred by Buyer in enforcing the terms of this Section 20.21.

1.71No Third-Party Beneficiaries.

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

1.72Rules of Construction

All references in this Agreement to Exhibits, Articles, Sections, subsections and other subdivisions refer to the corresponding Exhibits, Articles, Sections, subsections and other subdivisions of or to this Agreement unless expressly provided otherwise. Titles appearing at the beginning of any Articles, Sections, subsections and other subdivisions of this Agreement are for

convenience only, do not constitute any part of this Agreement and shall be disregarded in construing the language hereof. The words "this Agreement," "herein," "hereby," "hereunder" and "hereof," and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision unless expressly so limited. The words "this Article," "this Section" and "this subsection," and words of similar import, refer only to Article, Section or subsection hereof in which such words occur. The word "including" (in its various forms) means "including, without limitation." All references to "$" or "dollars" shall be deemed references to United States Dollars. Each accounting term not defined herein will have the meaning given to it under generally accepted accounting principles (GAAP). Pronouns in masculine, feminine or neuter genders shall be construed to state and include any other gender, and words, terms and titles (including terms defined herein) in the singular form shall be construed to include the plural and vice versa, unless the context otherwise requires. Exhibits and Schedules referred to herein are attached to and made a part of this Agreement. Unless expressly stated otherwise, references to any Law shall mean such Law as it may be amended from time to time.

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

SELLER:

ZAZA ENERGY, LLC

Todd A. Brooks, Manager

BUYER:

BEP MOULTON, LLC

Larry Ewers, Manager

EXHIBITS TO

PURCHASE AND SALE AGREEMENT

by and between

ZAZA ENERGY, LLC
(SELLER)

And

BEP MOULTON, LLC

(BUYER)

Dated March 22, 2013
Effective January 1, 2013

EXHIBIT "A"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Leases

Lease #	Lessor	Lessee	Lease Date	Gross Acres	Net Acres	County	Book	Page	NRI
0013000-001	ROBERT BEN HOERSTER	SCOUT ENERGY	7/12/2010	98.893	49.447	FAYETTE	1541	524	0.725
0013000-002	MILTON ODELL GATES	SCOUT ENERGY	8/6/2010	98.893	9.889	FAYETTE	1541	490	0.75
0013000-003	CELITA GATES HASTINGS	SCOUT ENERGY	8/6/2010	98.893	9.889	FAYETTE	1541	531	0.75
0013000-004	GARY LEWIS ANDERSON	SCOUT ENERGY	8/6/2010	98.893	9.889	FAYETTE	1541	533	0.75
0013000-005	LEIGHTON NOBLE GATES	SCOUT ENERGY	8/6/2010	98.893	4.945	FAYETTE	1541	529	0.75
0013000-006	RONALD AUSTIN GATES	SCOUT ENERGY	8/6/2010	98.893	4.945	FAYETTE	1541	492	0.75
0013000-007	SYLVIA GATES WORRELL	SCOUT ENERGY	8/6/2010	98.893	4.945	FAYETTE	1541	494	0.75
0013000-008	DAVID WAYNE GATES	SCOUT ENERGY	10/26/2010	98.893	4.945	FAYETTE	1544	802	0.75
0013001-000	HUGO WEHMEYER JR ET UX	SCOUT ENERGY	6/11/2010	18.140	18.140	FAYETTE	1541	496	0.75
0013002-000	ROBERT DALE WEHMEYER ET UX	SCOUT ENERGY	6/11/2010	4.960	4.960	FAYETTE	1541	488	0.75
0013003-001	ELIZA FAIRES LEIGH	SCOUT ENERGY	7/19/2010	88.000	66.000	FAYETTE	1541	582	0.75
0013003-002	ROBERT F THOMPSON JR	SCOUT ENERGY	7/19/2010	88.000	22.000	FAYETTE	1541	581	0.725
0013004-000	STANLEY ROSS CRUMP	SCOUT ENERGY	6/18/2010	70.000	70.000	FAYETTE	1541	593	0.725
0013005-000	LINDA MATHEWS KAUFHOLD	SCOUT ENERGY	6/21/2010	101.539	101.539	FAYETTE	1541	498	0.725
0013006-000	GREGORY SCOTT PFOFF ET UX	SCOUT ENERGY	6/18/2010	121.980	121.980	FAYETTE	1541	585	0.725
0013007-001	BALCONES MINERALS CORPORATION	SCOUT ENERGY	7/26/2010	151.295	149.048	FAYETTE	1541	536	0.725
0013008-001	KRYSTAL SEGER	SCOUT ENERGY	7/12/2010	100.000	50.000	FAYETTE	1541	601	0.72
0013008-002	VERDEAN JUREK SCHIHAB	SCOUT ENERGY	7/12/2010	100.000	50.000	FAYETTE	1541	518	0.72
0013010-000	RICHARD F STEARNS ET UX	SCOUT ENERGY	6/30/2010	190.460	190.460	FAYETTE	1541	576	0.725
0013011-000	NEZZEL "PAT" WERLEIN	SCOUT ENERGY	7/12/2010	216.400	216.400	FAYETTE	1541	594	0.72
0013013-000	HUGO WEHMEYER JR ET AL	SCOUT ENERGY	6/11/2010	99.600	99.600	FAYETTE	1541	514	0.75
0013014-000	ROBERT WAYNE PECHACEK, TRUSTEE	SCOUT ENERGY	6/25/2010	110.250	110.250	FAYETTE	1541	598	0.75
0013015-001	DEANNA JEAN HANNA WIELAND	SCOUT ENERGY	7/12/2010	258.720	86.240	FAYETTE	1543	546	0.72
0013015-002	KENT FRANK HANNA	SCOUT ENERGY	7/12/2010	258.720	86.240	FAYETTE	1543	564	0.72
0013015-003	WAYNE WILLIAM HANNA	SCOUT ENERGY	7/11/2010	258.720	86.240	FAYETTE	1543	562	0.72
0013016-001	JOY RAE LAY HUTTO	SCOUT ENERGY	7/6/2010	99.000	49.500	FAYETTE	1541	522	0.75
0013016-002	LOU ANN LAY MATLOCK	SCOUT ENERGY	7/6/2010	99.000	49.500	FAYETTE	1541	527	0.75
0013017-000	WINDEL-SULLIVAN PARTNERSHIP LTD	SCOUT ENERGY	5/17/2010	79.125	79.125	FAYETTE	1541	516	0.72
0013018-001	CARA ANNE COLLIER	SCOUT ENERGY	6/18/2010	159.580	19.948	FAYETTE	1541	590	0.725
0013018-002	CHRISTOPHER DOLTON COLLIER	SCOUT ENERGY	6/18/2010	159.580	19.948	FAYETTE	1541	591	0.725
0013018-003	FELIX BARGAS ET UX	SCOUT ENERGY	6/11/2010	159.580	79.790	FAYETTE	1541	588	0.725
0013018-004	GABRIEL CORNELL COLLIER	SCOUT ENERGY	6/18/2010	159.580	19.948	FAYETTE	1541	592	0.725
0013018-005	KEILAH JOAN COLLIER SWEENEY	SCOUT ENERGY	6/18/2010	159.580	19.948	FAYETTE	1541	587	0.725
0013019-000	BENJAMIN CERNY	SCOUT ENERGY	6/18/2010	96.510	96.510	FAYETTE	1541	499	0.75
0013020-001	BETTY JOYCE DESHA	SCOUT ENERGY	6/11/2010	62.000	20.667	FAYETTE	1541	584	0.75
0013020-002	LESLIE RICHARDSON	SCOUT ENERGY	6/11/2010	62.000	20.667	FAYETTE	1541	558	0.75
0013020-003	QUEEN ESTHER DESHA BROWN	SCOUT ENERGY	6/11/2010	62.000	20.667	FAYETTE	1541	583	0.75
0013022-001	RICHARD E. BRUNNER	SCOUT ENERGY	8/9/2010	164.450	64.925	FAYETTE	1541	482	0.72
0013022-002	DENNIS F BRUNNER	SCOUT ENERGY	8/9/2010	164.450	64.925	FAYETTE	1541	484	0.72
0013022-003	JAMES DAVID POWELL	SCOUT ENERGY	11/8/2010	69.200	4.325	FAYETTE	1551	835	0.725
0013022-004	WAYNE AHR	SCOUT ENERGY	11/11/2010	69.200	4.325	FAYETTE	1551	805	0.725
0013023-000	JOHN H MARTISEK ET UX	SCOUT ENERGY	8/1/2010	138.186	138.186	FAYETTE	1541	561	0.72
0013024-001	ESTATE OF EDWIN J. CHERNOSKY	SCOUT ENERGY	6/1/2010	105.000	52.500	FAYETTE	1551	811	0.725
0013024-002	THOMAS GRAY FORDTRAN, II TRUST	SCOUT ENERGY	6/1/2010	105.000	52.500	FAYETTE	1551	815	0.725
0013025-000	LINDA LOU BARTA	SCOUT ENERGY	8/11/2010	85.054	85.054	FAYETTE GONZALES	1541 1036	525 927	0.72
0013026-001	GENE D SYRINEK ET UX	SCOUT ENERGY	7/25/2010	46.880	23.440	FAYETTE	1551	857	0.72
0013026-002	JAMES A SMITH	SCOUT ENERGY	7/25/2010	46.880	23.440	FAYETTE	1551	803	0.72
0013027-001	ERNEST F MICA ESTATE	SCOUT ENERGY	7/26/2010	105.272	52.636	FAYETTE	1541	605	0.72
0013027-002	RONALD W WOTIPKA	SCOUT ENERGY	7/21/2010	105.272	23.399	FAYETTE	1541	508	0.72
0013027-003	RICHARD YOUNG	SCOUT ENERGY	7/21/2010	105.272	29.237	FAYETTE	1541	509	0.72
0013028-000	EVELYN BECK SYRINEK ET VIR	SCOUT ENERGY	7/7/2010	67.000	67.000	FAYETTE	1541	596	0.72
0013030-000	BARBARA KLOZIK	SCOUT ENERGY	8/9/2010	28.500	28.500	FAYETTE	1541	519	0.72
0013032-001	BIRDIE MATTHEWS REEDY	SCOUT ENERGY	8/2/2010	113.070	56.535	FAYETTE	1541	467	0.72
0013032-002	PHYLLIS DOBSON MCGUYER	SCOUT ENERGY	8/2/2010	113.070	56.535	FAYETTE	1541	500	0.72
0013033-001	STEPHEN R. HUMPHREY ET UX	SCOUT ENERGY	7/21/2010	34.500	8.625	FAYETTE	1541	600	0.75
0013033-002	PITTS FAMILY PARTNERSHIP, LTD	ZAZA ENERGY	11/18/2011	34.500	25.875	FAYETTE	1596	517	0.725
0013034-001	WILLIAM FRANKLIN HUFF	SCOUT ENERGY	7/8/2010	104.000	52.000	FAYETTE	1541	473	0.75
0013034-002	AMELIA HUFF BECK	SCOUT ENERGY	7/8/2010	165.320	113.320	FAYETTE	1541	474	0.725

0013035-000	JOE FRED CRABB, ET UX	SCOUT ENERGY	8/26/2010	631.862	631.862	GONZALES	1034	412	0.72
0013036-001	BARBARA ANN ENAX HART	SCOUT ENERGY	8/9/2010	61.500	15.375	GONZALES	1034	387	0.725
0013036-002	MICHAEL WAYNE ENAX	SCOUT ENERGY	8/9/2010	61.500	15.375	GONZALES	1034	391	0.725
0013036-003	PEGGY ENAX	SCOUT ENERGY	8/9/2010	61.500	15.375	GONZALES	1034	389	0.725
0013036-004	SANDRA JEAN ENAX MACHA	SCOUT ENERGY	8/9/2010	61.500	15.375	GONZALES	1034	393	0.725
0013038-001	BRYAN B. BERGER ET AL	SCOUT ENERGY	8/26/2010	457.843	434.797	FAYETTE GONZALES	1541	551	0.72
0013038-002	MICHAEL GENE SCHULZE ESTATE TRUST	SCOUT ENERGY	10/1/2010	46.093	23.047	FAYETTE	1543	561	0.725
0013039-001	LINDA MATHEWS KAUFHOLD	SCOUT ENERGY	8/9/2010	10.033	3.762	FAYETTE	1541	478	0.75
0013039-002	RODNEY P KAUFHOLD	SCOUT ENERGY	8/9/2010	20.612	14.341	FAYETTE	1541	476	0.75
0013039-003	GREGORY K MOHR ET UX	ZAZA ENERGY	11/1/2011	10.033	2.508	FAYETTE	1596	515	0.75
0013041-001	BEVERLY ANN BUCEK	SCOUT ENERGY	9/3/2010	121.980	30.495	FAYETTE	1541	549	0.725
0013041-002	THE ROY E BUCEK TRUST ET AL	SCOUT ENERGY	9/3/2010	121.980	60.990	FAYETTE	1541	547	0.725
0013041-003	BARBARA MOELLENBERNDT	SCOUT ENERGY	9/3/2010	121.980	30.495	FAYETTE	1541	479	0.725
0013042-000	LULA MARIE DARLING	SCOUT ENERGY	8/19/2010	323.400	323.400	FAYETTE	1541	559	0.75
0013043-001	H. NOVAK, L.P., BY HENRY J. NOVAK	SCOUT ENERGY	8/25/2010	256.383	245.951	FAYETTE	1541	480	0.72
0013044-000	HENRY J NOVAK ET AL	SCOUT ENERGY	8/25/2010	54.380	54.380	FAYETTE	1541	469	0.72
0013045-000	KRISTI I ANGUIANO ET VIR	SCOUT ENERGY	8/11/2010	17.000	17.000	FAYETTE	1541	506	0.725
0013046-000	JOYCE D VAUGHN ET AL	SCOUT ENERGY	8/11/2010	11.202	11.202	FAYETTE	1541	504	0.725
0013047-001	JAMES THOMAS MILLER	SCOUT ENERGY	7/26/2010	13.000	6.500	FAYETTE	1541	580	0.72
0013047-002	KENNETH D SYRINEK	SCOUT ENERGY	7/26/2010	13.000	6.500	FAYETTE	1541	512	0.72
0013048-000	ALLEN R SYRINEK	SCOUT ENERGY	7/26/2010	13.000	13.000	FAYETTE	1541	572	0.72
0013049-000	ROBERT L. SYRINEK	SCOUT ENERGY	7/26/2010	13.000	13.000	FAYETTE	1541	510	0.72
0013050-000	CHRISTOPHER J MILLER	SCOUT ENERGY	7/26/2010	13.000	13.000	FAYETTE	1541	564	0.72
0013051-000	EVELYN CAROL S MILLER	SCOUT ENERGY	7/26/2010	13.100	13.100	FAYETTE	1541	566	0.72
0013052-000	RICHARD MILLER ET UX	SCOUT ENERGY	7/26/2010	16.390	16.390	FAYETTE	1541	568	0.72
0013053-001	DEANNA JEAN HANNA WIELAND	SCOUT ENERGY	7/25/2010	73.020	12.170	FAYETTE	1551	855	0.72
0013053-002	KENT FRANK HANNA	SCOUT ENERGY	7/25/2010	73.020	12.170	FAYETTE	1551	847	0.72
0013053-003	WAYNE WILLIAM HANNA	SCOUT ENERGY	7/25/2010	73.020	12.170	FAYETTE	1551	849	0.72
0013053-004	DORIS B FINKE	SCOUT ENERGY	11/22/2010	17.780	8.890	FAYETTE	1553	234	0.75
0013053-005	MARIGLEN WILSON BURKMAN	SCOUT ENERGY	3/11/2011	18.000	9.000	FAYETTE	1575	168	0.725
0013053-006	PATSY JANAK SALAZAR	SCOUT ENERGY	3/8/2011	18.300	9.150	FAYETTE	1560	566	0.725
0013053-007	LINDA DIANNE FAVRO	ZAZA ENERGY LLC	6/1/2012	13.000	1.625	FAYETTE	1615	521	0.745
0013053-008	TERRY L FAVRO	ZAZA ENERGY LLC	5/23/2012	13.000	1.625	FAYETTE	1615	523	0.745
0013054-000	EDWARD BRANECKY ET UX	SCOUT ENERGY	9/3/2010	6.749	6.749	FAYETTE	1541	545	0.725
0013055-001	WILLIAM GLENN PARKER ET UX	SCOUT ENERGY	8/25/2010	20.290	10.145	FAYETTE	1541	502	0.72
0013055-002	MARCELINO A. ALVAREZ	SCOUT ENERGY	2/21/2011	20.290	10.145	FAYETTE	1558	558	0.75
0013056-001	RICHARD F STEARNS ET AL	SCOUT ENERGY	9/3/2010	12.000	6.000	FAYETTE	1541	578	0.725
0013056-002	SARA B POLLARD	SCOUT ENERGY	10/18/2010	12.000	6.000	FAYETTE	1544	810	0.725
0013057-000	RONALD K MCCLUNG ET AL	SCOUT ENERGY	9/2/2010	40.390	40.390	FAYETTE	1541	471	0.72
0013058-001	BARBARA C. CHUMNEY	SCOUT ENERGY	8/9/2010	149.500	74.750	FAYETTE	1541	556	0.72
0013058-002	MILDRED C. ELAM	SCOUT ENERGY	8/9/2010	149.500	74.750	FAYETTE	1541	486	0.72
0013059-001	AMELIA HUFF BECK	SCOUT ENERGY	8/23/2010	162.000	40.500	FAYETTE	1541	535	0.725
0013059-002	WILLIAM FRANKLIN HUFF	SCOUT ENERGY	8/23/2010	162.000	121.500	FAYETTE	1541	505	0.75
0013061-001	MARION S NORMAN	SCOUT ENERGY	9/2/2010	65.580	2.733	FAYETTE	1543	553	0.725
0013061-002	PRISCILLA S. DAVIS	SCOUT ENERGY	9/2/2010	65.580	6.831	FAYETTE	1544	804	0.725
0013061-003	KENNETH P SOLOMONS III	SCOUT ENERGY	3/14/2011	65.580	6.831	FAYETTE	1575	157	0.725
0013062-001	ROBERT W WEBSTER JR ET UX	SCOUT ENERGY	8/25/2010	56.246	28.123	FAYETTE	1541	543	0.725
0013063-001	EDWIN J BARTA	SCOUT ENERGY	9/30/2010	68.320	24.358	FAYETTE	1543	580	0.725
0013063-002	FLORETTA BARTA RILEY	SCOUT ENERGY	9/30/2010	68.320	24.358	FAYETTE	1543	568	0.725
0013064-001	DAVID HILL ET UX	SCOUT ENERGY	9/16/2010	12.632	6.316	FAYETTE	1543	566	0.725
0013065-000	CHARLES E PHILLIPUS ET UX	SCOUT ENERGY	8/16/2010	11.328	11.328	FAYETTE	1541	541	0.72
0013066-000	ALLENE KORICANEK PHILLIPUS ET VIR	SCOUT ENERGY	8/23/2010	11.328	11.328	FAYETTE	1543	555	0.72
0013067-000	MILLIE KORICANEK OWENS	SCOUT ENERGY	8/23/2010	5.664	5.664	FAYETTE	1541	540	0.72
0013068-000	STEVEN KORICANEK	SCOUT ENERGY	8/23/2010	5.664	5.664	FAYETTE	1543	582	0.72
0013069-000	CAROL ROSS HUNTER	SCOUT ENERGY	8/23/2010	5.664	5.664	FAYETTE	1541	615	0.72
0013070-000	WALTER KORICANEK	SCOUT ENERGY	8/23/2010	5.664	5.664	FAYETTE	1543	577	0.72
0013071-000	FRED E. KORICANEK FAMILY TRUST	SCOUT ENERGY	8/30/2010	11.328	11.328	FAYETTE	1541	616	0.72
0013072-000	ROBIN LEA KORICANEK	SCOUT ENERGY	8/23/2010	5.664	5.664	FAYETTE	1541	618	0.72
0013073-000	DOUGLAS G MACH ET UX	SCOUT ENERGY	7/9/2010	128.790	128.790	FAYETTE	1541	520	0.72
0013074-001	CYNTHIA MICA HURST ET VIR	SCOUT ENERGY	8/16/2010	28.549	3.569	FAYETTE	1543	573	0.72
0013074-002	HENRIETTA MICA REVOCABLE TRUST	SCOUT ENERGY	8/16/2010	28.549	14.275	FAYETTE	1543	550	0.72
0013074-003	DAVID L LEHMAN ET UX	SCOUT ENERGY	8/16/2010	28.549	10.706	FAYETTE	1544	808	0.72
0013075-000	EMIL MICHAL JR ET UX	SCOUT ENERGY	7/21/2010	17.195	17.195	FAYETTE	1541	603	0.72
0013076-000	SAMUEL DALE MIGL ET UX	SCOUT ENERGY	9/3/2010	6.744	6.744	FAYETTE	1541	538	0.725
0013077-000	MELISSA GARDEA	SCOUT ENERGY	9/7/2010	7.000	7.000	FAYETTE	1555	561	0.75
0013078-000	SILVESTER ROSAS	SCOUT ENERGY	9/7/2010	7.710	7.710	FAYETTE	1543	559	0.75
0013079-000	PAULA R SALAZAR	SCOUT ENERGY	9/18/2010	7.000	7.000	FAYETTE	1591	231	0.75
0013080-000	EUSEBIO ROSAS	SCOUT ENERGY	9/7/2010	7.000	7.000	FAYETTE	1543	557	0.75
0013081-000	JAMES E FAUST ET UX	SCOUT ENERGY	10/6/2010	19.767	19.767	FAYETTE	1541	611	0.725
0013083-001	ARVIL HART	SCOUT ENERGY	9/3/2010	42.110	21.055	FAYETTE	1543	544	0.725
0013083-002	CLAY COOPER	SCOUT ENERGY	9/3/2010	42.110	4.211	FAYETTE	1541	607	0.725
0013083-003	CURTIS COOPER	SCOUT ENERGY	9/3/2010	42.110	4.211	FAYETTE	1541	609	0.725
0013083-004	DONNA URBANOVSKY	SCOUT ENERGY	9/3/2010	42.110	4.211	FAYETTE	1543	548	0.725
0013083-005	HOPE MILLS	SCOUT ENERGY	9/3/2010	42.110	4.211	FAYETTE	1543	551	0.725
0013083-006	KATHY HARRIS	SCOUT ENERGY	9/3/2010	42.110	4.211	FAYETTE	1543	575	0.725
0013084-001	PATRICIA HARRIS BAYNE	SCOUT ENERGY	8/3/2010	327.968	109.869	FAYETTE GONZALES	1548 1034	691 397	0.725

0013084-002	JAMES SPENCER HARRIS TRUST ET AL	SCOUT ENERGY	8/3/2010	327.968	108.229	FAYETTE GONZALES	1548 1034	686 401	0.725
0013084-003	ELIZABETH H STEPHENS	SCOUT ENERGY	8/3/2010	327.968	109.869	GONZALES FAYETTE	1034 1543	399 542	0.725
0013085-001	JAMES E FAUST ET UX	SCOUT ENERGY	10/12/2010	66.274	33.137	FAYETTE GONZALES	1541 1041	613 833	0.725
0013085-002	JIMMY F WALKER	SCOUT ENERGY	10/14/2010	66.274	33.137	FAYETTE GONZALES	1557	85	0.725
0013086-000	SCOTT ALLEN BROWN	SCOUT ENERGY	9/15/2010	38.479	38.479	GONZALES	1034	408	0.725
0013087-000	LINDA KATHLEEN RODRIGUEZ	SCOUT ENERGY	9/15/2010	3.290	3.290	GONZALES	1034	410	0.725
0013088-000	WALTER S BAZARSKY ET UX	SCOUT ENERGY	9/17/2010	71.287	71.287	GONZALES	1034	404	0.725
0013089-001	L.M. PREUSS III ET UX	SCOUT ENERGY	9/1/2010	39.960	35.964	GONZALES	1041	440	0.725
0013089-002	JANET S REED	SCOUT ENERGY	2/1/2011	18.287	1.829	GONZALES	1045	88	0.75
0013089-003	WALTER S BAZARSKY ET UX	SCOUT ENERGY	10/4/2010	21.673	2.167	GONZALES	1034	406	0.725
0013095-001	ERVIN O STEINHAUSER	SCOUT ENERGY	9/23/2010	100.000	29.630	FAYETTE	1546	628	0.725
0013095-002	KENNETH WAYNE STEINHAUSER	SCOUT ENERGY	9/23/2010	100.000	29.630	FAYETTE	1546	627	0.725
0013095-003	LILLIAN STEINHAUSER RAGSDALE	SCOUT ENERGY	9/23/2010	100.000	29.630	FAYETTE	1546	629	0.725
0013095-004	HERBERT H STEINHAUSER	SCOUT ENERGY	9/23/2010	100.000	11.111	FAYETTE	1551	802	0.725
0013096-001	JOAN S MOHR	SCOUT ENERGY	9/3/2010	36.390	18.195	FAYETTE	1544	812	0.725
0013096-002	LEONARD G SCHULZE	SCOUT ENERGY	9/3/2010	36.390	18.195	FAYETTE	1544	811	0.725
0013097-001	DALE TOEPPERWEIN ET UX	SCOUT ENERGY	9/22/2010	2.000	1.000	FAYETTE	1544	806	0.725
0013098-000	WESLEY W BURKLUND ET UX	SCOUT ENERGY	10/18/2010	101.560	101.560	FAYETTE	1543	578	0.725
0013100-000	JEROME RAINOSEK ET UX	SCOUT ENERGY	11/8/2010	45.000	45.000	FAYETTE	1551	833	0.725
0013101-000	THOMAS C DIBALA ET UX	SCOUT ENERGY	10/25/2010	14.380	14.380	FAYETTE	1551	807	0.725
0013102-000	MIGUEL ESTRADA JR. ET UX	SCOUT ENERGY	10/20/2010	5.998	5.998	FAYETTE	1551	809	0.725
0013103-000	DOUGLAS G MACH ET UX	SCOUT ENERGY	10/25/2010	10.000	10.000	FAYETTE	1546	630	0.72
0013104-001	EULINE JONES PRICE	SCOUT ENERGY	10/11/2010	35.750	20.109	FAYETTE	1592	823	0.75
0013104-002	LLOYD DOUGLAS JONES	ZAZA ENERGY LLC	1/24/2012	35.750	1.117	FAYETTE	1600	863	0.725
0013104-003	VANESSA JONES FULLER	ZAZA ENERGY LLC	1/24/2012	35.750	1.117	FAYETTE	1600	861	0.725
0013104-004	REGINA ANDREWS	ZAZA ENERGY LLC	3/28/2012	35.750	1.117	FAYETTE	1608	85	0.725
0013104-005	VICTORIA BELL	ZAZA ENERGY LLC	3/28/2012	35.750	1.117	FAYETTE	1608	87	0.725
0013104-006	JOSEPH SIMMS	ZAZA ENERGY LLC	4/23/2012	35.750	2.234	FAYETTE	1608	105	0.725
0013105-001	DAVID LEE ZOUZALIK	SCOUT ENERGY	11/2/2010	60.400	2.517	FAYETTE	1551	819	0.725
0013105-002	CAROL ANN VRANA	SCOUT ENERGY	11/1/2010	60.400	2.517	FAYETTE	1551	841	0.725
0013105-003	ROBERT JAMES ZOUZALIK	SCOUT ENERGY	11/2/2010	60.400	2.517	FAYETTE	1551	839	0.725
0013105-004	LAWRENCE ZOUZALIK	SCOUT ENERGY	11/2/2010	60.400	10.067	FAYETTE	1551	829	0.725
0013105-005	GENE ZOUZALIK	SCOUT ENERGY	11/1/2010	60.400	10.067	FAYETTE	1551	843	0.725
0013105-006	GARY LEON ZOUZALIK	SCOUT ENERGY	11/1/2010	60.400	2.517	FAYETTE	1551	823	0.725
0013105-007	GREG VRANA ET UX	SCOUT ENERGY	11/1/2010	1.453	0.727	FAYETTE	1555	559	0.725
0013105-008	CHARLES VRANA, JR, ET UX	SCOUT ENERGY	11/1/2010	58.947	29.474	FAYETTE	1551	831	0.725
0013106-000	ADAH FRANCES KENNON	SCOUT ENERGY	9/20/2010	9.433	9.433	FAYETTE	1558	725	0.725
0013108-000	KENNETH J. PONDER, ET UX	SCOUT ENERGY	9/3/2010	17.470	17.470	FAYETTE	1541	570	0.725
0013111-000	CHARLES STEVEN COCHRAN	SCOUT ENERGY	10/12/2010	18.260	18.260	GONZALES	1040	288	0.725
0013112-000	BARBARA J. GIBSON LIFE TENANT ET AL	SCOUT ENERGY	9/3/2010	60.004	60.004	GONZALES	1040	290	0.725
0013127-001	LEONARD B COX ET UX	SCOUT ENERGY	12/9/2010	15.554	3.889	FAYETTE	1551	821	0.725
0013128-000	CARRIE J WINGO	SCOUT ENERGY	11/9/2010	27.390	27.390	FAYETTE	1551	804	0.725
0013129-001	DENNIS CARDENAS	SCOUT ENERGY	11/8/2010	20.000	17.500	FAYETTE	1551	845	0.725
0013129-002	BILLIE GRACE HERRING	SCOUT ENERGY	11/9/2010	5.000	2.500	FAYETTE	1551	837	0.725
0013130-000	RONALD CRAIG OWENS ET UX	SCOUT ENERGY	12/10/2010	0.777	0.777	FAYETTE	1551	825	0.725
0013131-000	DENNIS JOE MICAN ET UX	SCOUT ENERGY	10/20/2010	7.500	7.500	FAYETTE	1551	851	0.725
0013132-000	ROBERT SAM HALE	SCOUT ENERGY	11/30/2010	11.210	11.210	FAYETTE	1552	807	0.725
0013134-000	JOHNNY MAC OSBORNE ET UX	SCOUT ENERGY	11/3/2010	61.000	61.000	FAYETTE	1551	853	0.725
0013135-001	WAYNE AHR	SCOUT ENERGY	12/2/2010	24.030	3.004	FAYETTE	1551	801	0.725
0013135-002	JAMES DAVID POWELL	SCOUT ENERGY	12/2/2010	24.030	3.004	FAYETTE	1551	813	0.725
0013135-003	G. STEWART VINSON ET UX	ZAZA ENERGY	12/14/2011	24.030	6.008	FAYETTE	1596	521	0.725
0013136-000	JOSEPH H BREADS ET AL	SCOUT ENERGY	12/21/2010	46.760	46.760	FAYETTE	1551	797	0.725
0013139-000	PATRICK T. KLOZIK, ET UX	SCOUT ENERGY	1/13/2011	3.050	3.050	FAYETTE	1555	557	0.725
0013141-001	RICHARD E. BRUNNER	SCOUT ENERGY	11/19/2010	47.180	23.590	FAYETTE	1553	827	0.72
0013141-002	DENNIS F. BRUNNER	SCOUT ENERGY	11/19/2010	47.180	23.590	FAYETTE	1553	825	0.72
0013142-000	DENNIS F BRUNNER ET UX	SCOUT ENERGY	11/19/2010	5.000	5.000	FAYETTE	1553	823	0.72
0013143-001	LETICIA AUSTIN	SCOUT ENERGY	10/10/2010	70.000	14.000	FAYETTE	1555	563	0.725
0013143-002	CHARLES RICHTER	SCOUT ENERGY	4/26/2011	70.000	42.000	FAYETTE	1575	152	0.725
0013144-000	BYRON WATSON TRUCKING INC.	SCOUT ENERGY	1/6/2011	8.530	8.530	FAYETTE	1555	704	0.725
0013147-000	JIMMY F. WALKER	SCOUT ENERGY	12/22/2010	40.291	40.291	GONZALES FAYETTE	1041	831	0.725
0013154-000	CONNIE V. KUBESCH	SCOUT ENERGY	1/10/2011	8.750	8.750	FAYETTE	1553	833	0.725
0013155-000	JERRY N. BROWNING	SCOUT ENERGY	12/3/2010	12.660	12.660	FAYETTE	1557	87	0.725
0013156-001	PEDRO VILLEGAS ET UX	SCOUT ENERGY	1/19/2011	13.523	6.762	FAYETTE	1557	83	0.725
0013158-001	BRYAN B BERGER ET AL	SCOUT ENERGY	8/26/2010	147.135	120.302	FAYETTE	1541	553	0.72
0013158-002	WAYNE AHR	SCOUT ENERGY	12/14/2010	8.000	2.667	FAYETTE	1551	817	0.725
0013158-003	JAMES DAVID POWELL	SCOUT ENERGY	12/14/2010	8.000	2.667	FAYETTE	1551	827	0.725
0013177-001	DONALD A STRYK	SCOUT ENERGY	12/22/2010	7.504	3.752	FAYETTE	1558	562	0.725
0013179-000	ALAN BERRY ET AL	SCOUT ENERGY	1/6/2011	198.030	198.030	FAYETTE	1558	559	0.725
0013182-001	JEFFREY WAYNE HILLERY ET UX	SCOUT ENERGY	1/24/2011	30.200	7.550	GONZALES FAYETTE	1058 1575	43 142	0.72

0013182-002	JENNIFER LYNN STEVENS	SCOUT ENERGY	1/24/2011	30.200	7.550	FAYETTE GONZALES	1591 1074	201 836	0.72
0013182-003	REBECCA KINSEY HILLERY	SCOUT ENERGY	1/24/2011	30.200	7.550	FAYETTE GONZALES	1591 1074	203 838	0.72
0013182-004	DAVID TAUCH	SCOUT ENERGY	7/7/2010	192.649	154.999	FAYETTE GONZALES	1548 1034	689 395	0.75
0013182-005	CHRIS HICKS ET UX	SCOUT ENERGY	1/10/2011	30.000	15.000	GONZALES	1048	580	0.72
0013185-001	THEODORE MIRELES	SCOUT ENERGY	3/28/2011	61.000	20.333	FAYETTE	1575	161	0.725
0013185-002	EUSEFIO MIRELEZ	ZAZA ENERGY LLC	2/1/2012	61.000	6.778	FAYETTE	1600	865	0.725
0013185-003	MARIA MIRELES SANDOVAL	ZAZA ENERGY, LLC	2/10/2012	61.000	8.472	FAYETTE	1604	412	0.725
0013185-004	SALLY ORTIZ	ZAZA ENERGY LLC	3/20/2012	61.000	1.694	FAYETTE	1604	410	0.725
0013185-005	IRENE COMPTON	ZAZA ENERGY LLC	3/20/2012	61.000	1.694	FAYETTE	1608	83	0.725
0013185-006	TONI MARTINEZ	ZAZA ENERGY LLC	4/11/2012	61.000	0.502	FAYETTE	1608	101	0.725
0013185-007	CATHERINE MIRELES	ZAZA ENERGY LLC	4/11/2012	61.000	2.259	FAYETTE	1608	95	0.725
0013185-008	DAVID MIRELES	ZAZA ENERGY LLC	4/11/2012	61.000	0.502	FAYETTE	1608	103	0.725
0013185-009	FRANCES MIRELES	ZAZA ENERGY LLC	4/11/2012	61.000	0.502	FAYETTE	1608	89	0.725
0013185-010	STEVE MIRELES	ZAZA ENERGY LLC	4/11/2012	61.000	0.502	FAYETTE	1608	91	0.725
0013185-011	GUADALUPE SANCHEZ	ZAZA ENERGY LLC	4/11/2012	61.000	0.502	FAYETTE	1608	97	0.725
0013185-012	JOSIE SANCHEZ	ZAZA ENERGY, LLC	4/11/2012	61.000	0.502	FAYETTE	1608	93	0.725
0013185-013	FRANCIS ALBARRAN	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	885	0.745
0013185-014	GLORIA ANDERSON	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1620	102	0.745
0013185-015	CONNIE DAVILA	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	887	0.745
0013185-016	BESSIE GARCIA	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	889	0.745
0013185-017	CINDY GARCIA	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	891	0.745
0013185-018	MARY LOPEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	899	0.745
0013185-019	ALBERT MARTINEZ JR	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	893	0.745
0013185-020	EDDY MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	895	0.745
0013185-021	RALPH MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1613	897	0.745
0013185-022	CARMEN MIRELES	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1613	901	0.745
0013185-023	CASIMIRO MIRELES	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1620	104	0.745
0013185-024	EUSEBIA M MIRELES - LIFE TENANT	ZAZA ENERGY LLC	5/10/2012	61.000	2.259	FAYETTE	1613	903	0.745
0013185-025	SYL MIRELES	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1613	905	0.745
0013185-026	JANE ROSS	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1613	907	0.745
0013185-027	ROSALIO MIRELES	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1615	535	0.745
0013185-028	TAMMY HOWARD	ZAZA ENERGY LLC	5/10/2012	61.000	0.301	FAYETTE	1615	527	0.745
0013185-029	BOBBY MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1615	529	0.745
0013185-030	EUSEBIA M MIRELES	ZAZA ENERGY LLC	5/10/2012	61.000	0.301	FAYETTE	1615	531	0.745
0013185-031	PAUL MIRELES	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1615	533	0.745
0013185-032	ASHLEY CASTILLO	ZAZA ENERGY LLC	4/11/2012	61.000	0.167	FAYETTE	1620	106	0.745
0013185-033	ALICE DAVILA	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1620	108	0.745
0013185-034	BEN MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1620	110	0.745
0013185-035	FIDEL MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1620	112	0.745
0013185-036	FRANK MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.075	FAYETTE	1620	114	0.745
0013185-037	JOE MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.452	FAYETTE	1620	116	0.745
0013185-038	LEWIS MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.075	FAYETTE	1620	118	0.745
0013185-039	RAY MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.075	FAYETTE	1620	120	0.745
0013185-040	ROSIE MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.075	FAYETTE	1620	122	0.745
0013185-041	TOMMY MARTINEZ	ZAZA ENERGY LLC	5/29/2012	61.000	0.075	FAYETTE	1620	124	0.745
0013185-042	BENJAMIN MIRELES	ZAZA ENERGY LLC	3/20/2012	61.000	1.694	FAYETTE	1620	126	0.745
0013185-043	JASON MIRELES	ZAZA ENERGY LLC	4/11/2012	61.000	0.167	FAYETTE	1620	128	0.745
0013185-044	MARK MIRELES	ZAZA ENERGY LLC	8/16/2012	61.000	0.067	FAYETTE	1620	130	0.745
0013185-045	SEAN MIRELES	ZAZA ENERGY LLC	8/10/2012	61.000	0.100	FAYETTE	1620	132	0.745
0013185-046	MELISSA VILLA	ZAZA ENERGY LLC	8/16/2012	61.000	0.067	FAYETTE	1620	134	0.745
0013185-047	TONY ROGER CASTILLO	ZAZA ENERGY LLC	4/11/2012	61.000	0.167	FAYETTE	1624	848	0.745
0013185-048	AMY GARCIA	ZAZA ENERGY LLC	9/14/2012	61.000	0.301	FAYETTE	1624	850	0.745
0013185-049	GABRIEL GARCIA	ZAZA ENERGY LLC	9/14/2012	61.000	0.151	FAYETTE	1624	852	0.745
0013185-050	DANIEL MIRELES	ZAZA ENERGY LLC	10/10/2012	61.000	0.502	FAYETTE	1635	126	0.745
0013185-051	FRED MIRELES	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1635	130	0.745
0013185-052	MARTIN MIRELES JR	ZAZA ENERGY LLC	8/16/2012	61.000	0.067	FAYETTE	1635	124	0.745
0013185-053	SANTIAGO JAMES MIRELES	ZAZA ENERGY LLC	4/11/2012	61.000	0.502	FAYETTE	1635	128	0.745
0013185-054	VICTORIA MIRELES	ZAZA ENERGY LLC	9/14/2012	61.000	0.301	FAYETTE	1635	122	0.745
0013185-055	JOSIE SHY	ZAZA ENERGY LLC	5/29/2012	61.000	0.075	FAYETTE	1635	134	0.745
0013185-056	SANTOS MIRELES	ZAZA ENERGY LLC	5/11/2012	61.000	0.301	FAYETTE	1635	132	0.745
0013186-001	BETTY HUSER	SCOUT ENERGY	3/28/2011	27.000	3.871	FAYETTE GONZALES	1575 1058	140 41	0.725
0013186-002	PAUL HUSER FAMILY TRUST	SCOUT ENERGY	3/23/2011	27.000	3.871	FAYETTE GONZALES	1575 1058	148 49	0.725
0013186-003	POLLARD GALIPP	SCOUT ENERGY	3/31/2011	27.000	0.774	FAYETTE GONZALES	1575 1058	144 45	0.725
0013186-004	DAVID HOUSTON	SCOUT ENERGY	4/20/2011	27.000	0.774	FAYETTE GONZALES	1575 1058	146 47	0.725
0013186-005	EMILY HOUSTON NEAL	SCOUT ENERGY	4/20/2011	27.000	0.774	FAYETTE GONZALES	1591 1074	205 840	0.725
0013186-006	MATTHEW GALIPP	SCOUT ENERGY	4/20/2011	27.000	0.774	FAYETTE GONZALES	1591 1074	207 842	0.725

0013186-007	CHAVEL MELCHOR	SCOUT ENERGY	1/17/2011	23.035	11.518	GONZALES FAYETTE	1043	969	0.725
0013189-000	DWAYNE EDWARD HASELOFF	SCOUT ENERGY	12/10/2010	7.790	7.790	FAYETTE	1575	165	0.725
0013190-001	SAMUEL L BROWN	ZAZA ENERGY LLC	1/13/2012	8.947	0.746	FAYETTE	1600	857	0.725
0013190-002	LOIS FIRKINS	ZAZA ENERGY LLC	1/13/2012	8.947	0.746	FAYETTE	1600	859	0.725
0013190-003	JACKIE T BERTLING	ZAZA ENERGY LLC	5/2/2012	8.947	0.249	FAYETTE	1608	99	0.725
0013190-004	LEWIS BERTLING	ZAZA ENERGY LLC	5/3/2012	8.947	0.249	FAYETTE	1608	107	0.725
0013190-005	MARILYN SUE VRANA	ZAZA ENERGY LLC	6/15/2012	8.947	0.895	FAYETTE	1615	537	0.745
0013190-006	FRANCES ARLEEN HOPKINS	ZAZA ENERGY LLC	6/15/2012	8.947	0.597	FAYETTE	1615	525	0.745
0013190-007	DOROTHY BERTLING	ZAZA ENERGY LLC	8/21/2012	8.947	0.083	FAYETTE	1624	846	0.745
0013190-008	DARREL BERTLING	ZAZA ENERGY LLC	8/21/2012	8.947	0.083	FAYETTE	1624	844	0.745
0013190-009	CINDY POLASEK	ZAZA ENERGY LLC	8/21/2012	8.947	0.083	FAYETTE	1624	854	0.745
0013190-010	ROBERT STIPANOVIC ET UX	ZAZA ENERGY LLC	8/27/2012	8.947	1.491	FAYETTE	1624	856	0.745
0013190-011	MRS MARGIE WENDT	ZAZA ENERGY LLC	9/20/2012	8.947	0.249	FAYETTE	1624	858	0.745
0013191-001	FELIX ALAN VINKLAREK	ZAZA ENERGY LLC	1/10/2012	1.240	0.155	FAYETTE	1600	869	0.725
0013191-002	LAWRENCE JOSEPH VINKLAREK	ZAZA ENERGY LLC	1/10/2012	1.240	0.155	FAYETTE	1600	871	0.725
0013191-003	VICTOR ALPHONSE VINKLAREK	ZAZA ENERGY LLC	1/10/2012	1.240	0.155	FAYETTE	1604	414	0.725
0013300-001	LATONJA SUTTON	SCOUT ENERGY	3/28/2011	45.000	7.607	GONZALES FAYETTE	1058 1575	51 150	0.725
0013302-001	DONNY A. HEARN ET UX	SCOUT ENERGY	1/27/2011	58.230	9.766	FAYETTE	1575	166	0.725
0013302-002	MARY HELEN DI STEFANO	SCOUT ENERGY	4/14/2011	58.230	22.443	FAYETTE	1591	233	0.725
0013302-003	BARBARA JOHNSON	ZAZA ENERGY	12/20/2011	58.230	11.221	FAYETTE	1596	509	0.725
0013302-004	TERRY TOOTLE	ZAZA ENERGY	12/20/2011	58.230	11.221	FAYETTE	1596	519	0.725
0013302-005	JIMMY A. HEARN, ET UX	SCOUT ENERGY	1/27/2011	43.230	6.578	FAYETTE	1560	564	0.725
0013302-006	JAMES WILLIAM SANDERS, ET UX	SCOUT ENERGY	4/20/2011	39.040	16.520	FAYETTE	1591	227	0.725
0013302-007	JUANITA LUCILLE THOMPSON	ZAZA ENERGY LLC	1/24/2012	39.040	19.520	FAYETTE	1600	867	0.725
0013304-000	GENERAL LAND OFFICE	ZAZA ENERGY	5/3/2011	25.305	25.305	GONZALES	1074	844	0.72
0013305-001	DENNIS RICHTER	SCOUT ENERGY	4/26/2011	25.000	1.786	FAYETTE	1575	170	0.725
0013305-002	CHARLES RICHTER	SCOUT ENERGY	4/26/2011	25.000	1.786	FAYETTE	1575	154	0.725
0013305-003	DONNIE RICHTER	SCOUT ENERGY	4/26/2011	25.000	1.786	FAYETTE	1591	209	0.725
0013305-004	VIRGINIA DRASTATA	SCOUT ENERGY	4/26/2011	25.000	1.786	FAYETTE	1591	213	0.725
0013305-005	CLAYTON RICHTER	SCOUT ENERGY	4/26/2011	25.000	1.786	FAYETTE	1591	217	0.725
0013305-006	TERRY RICHTER	SCOUT ENERGY	4/26/2011	25.000	1.786	FAYETTE	1591	215	0.725
0013305-007	WILLIAM RICHTER	SCOUT ENERGY	4/26/2011	25.000	1.786	FAYETTE	1591	219	0.725
0013305-008	ROBERT M DIDION	ZAZA ENERGY	12/2/2011	25.000	2.083	FAYETTE	1596	507	0.725
0013305-009	FALCON INTERNATIONAL BANK	ZAZA ENERGY LLC	12/13/2011	25.000	6.250	FAYETTE			
0013307-001	NANCY KEATHLEY WICKER	SCOUT ENERGY	4/28/2011	79.710	19.928	FAYETTE	1575	223	0.725
0013307-002	KAREN KEATHLEY	SCOUT ENERGY	4/28/2011	79.710	19.928	FAYETTE	1591	221	0.725
0013307-003	RICHARD F STEARNS ET UX	SCOUT ENERGY	6/30/2010	79.710	39.855	FAYETTE	1541	574	0.725
0013309-000	SARAH HUNT, ET AL	SCOUT ENERGY	5/2/2011	35.000	35.000	FAYETTE	1591	225	0.725
0013310-000	JEROME A. RITTIMANN, ET UX	SCOUT ENERGY	4/26/2011	9.449	9.449	FAYETTE	1591	229	0.725
0013311-000	DONNIE RICHTER	SCOUT ENERGY	4/26/2011	25.000	25.000	FAYETTE	1591	211	0.725
0013312-000	JOHNNY MAC OSBORNE ET UX	SCOUT ENERGY	4/20/2011	75.430	75.430	FAYETTE	1575	155	0.725
0013313-001	CHARLES RICHTER, ET AL	SCOUT ENERGY	4/26/2011	48.760	24.380	FAYETTE	1575	172	0.725
0013315-000	CAROL J BARRE	ZAZA ENERGY	11/17/2011	152.300	152.300	FAYETTE	1596	505	0.725
0013316-001	HENRIETTA VYBIRAL MICA	ZAZA ENERGY	11/18/2011	22.546	11.273	FAYETTE	1596	513	0.725
0013316-002	BARBARA KLOZIK	ZAZA ENERGY	11/18/2011	22.546	11.273	FAYETTE	1596	511	0.725
0017733-000	ALBIN M LAMZA ET UX	TEXAS INDEPENDENT EXPLORATION LTD	5/5/2010	50.500	50.500	LAVACA	510	384	0.71
0017734-001	ESTELLE FRANCIS BAROS	TEXAS INDEPENDENT EXPLORATION LTD	5/5/2010	178.976	89.488	LAVACA	510	330	0.71
0017737-000	ESTELLE FRANCIS BAROS	TEXAS INDEPENDENT EXPLORATION LTD	5/5/2010	186.580	186.580	LAVACA	510	339	0.71
0017739-000	WENDEL'S JEWELRY, INC.	TEXAS INDEPENDENT EXPLORATION LTD	4/21/2010	47.270	47.270	LAVACA	510	349	0.71
0017758-000	JOHN BEMROSE III	TEXAS INDEPENDENT EXPLORATION LTD	5/6/2010	78.352	78.352	LAVACA	510	322	0.71
0017760-000	ETHEL WAGNER JOHNSON	TEXAS INDEPENDENT EXPLORATION LTD	4/20/2010	98.900	98.900	LAVACA	510	486	0.71
0017761-000	CARL W. SWORDS ET UX	TEXAS INDEPENDENT EXPLORATION LTD	5/12/2010	50.300	50.300	LAVACA	510	478	0.71
KAUFHOLD	KAUFHOLD	-	-	970.000	970.000	FAYETTE	-	-	-

End of Exhibit "A"

EXHIBIT “B”

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Wells

Well Name	API Number	ZaZa WI	ZaZa NRI
CRABB RANCH A-1H	42-177-32266	1.00000000	0.72000000
SABLE HUNTER A-1H	42-285-33603	0.15970442	0.11339016
RING "A" A-1H	42-149-33240	0.08804785	0.06360976
RING "A" A-2H	42-149-33244	0.08804785	0.06360976
RING "A" A-3H	42-149-33252	0.08804785	0.06360976
RING "A" A-4H	42-149-33253	0.08804785	0.06360976
RING "A" A-5H	42-149-33260	0.08804785	0.06360976

End of Exhibit "B"

EXHIBIT "C"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Rights-of-Way, Easements and Surface Estates

None

EXHIBIT "D"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Contracts and Other Agreements

1. Operating Agreement dated August 1, 2011, by and between Southern Bay Operating, LLC and ZaZa Energy, LLC, and recorded as a Memorandum of Operating Agreement/Mortgage and Financing Statement in Volume 1587, Page 770, Document No. 11-7374 in the Official Public Records of Fayette County, Texas, as amended by that certain Revised Memorandum of Operating Agreement/Mortgage and Financing Statement recorded in Volume 1594, Page 760, Document No. 12-536 in the Official Public Records of Fayette County, Texas.

2. Operating Agreement dated June 27, 2011, by and between Eagle Ford Hunter Resources, Inc., a wholly-owned subsidiary of Magnum Hunter Resources Corporation, and ZaZa Energy, LLC, as amended by that certain letter agreement dated April 18, 2012.

3. GulfMark Contract No. 52573, Crude Oil Purchase Agreement dated effective July 1, 2012, by and between GulfMark Energy, Inc. ("Buyer") and ZaZa Energy, LLC ("Seller").

4. Gas Purchase Contract dated December 1, 2011, by and between ZaZa Energy Corporation and DCP Midstream.

EXHIBIT "E"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

INTENTIONALLY DELETED

EXHIBIT "F"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Allocated Values

The allocated value for the Wells is as follows:

Well Name	API Number	ZaZa WI	ZaZa NRI	Allocated Value
CRABB RANCH A-1H	42-177-32266	1.00000000	0.72000000	$6,444,849.92
SABLE HUNTER A-1H	42-285-33603	0.15970442	0.11339016	$633,317.07
RING "A" A-1H	42-149-33240	0.08804785	0.06360976	$598,970.64
RING "A" A-2H	42-149-33244	0.08804785	0.06360976	$432,439.56
RING "A" A-3H	42-149-33252	0.08804785	0.06360976	$271,475.81
RING "A" A-4H	42-149-33253	0.08804785	0.06360976	282,640.93
RING "A" A-5H	42-149-33260	0.08804785	0.06360976	$334,413.67
			Total	$8,998,107.60

The allocated value for the net leasehold acreage set forth on Exhibit "A" shall be $3,400 per net leasehold acre based on a total of 10,074.086 net leasehold acres for a total amount of $34,251,892.40.

EXHIBIT "G"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

CONVEYANCE, ASSIGNMENT AND BILL OF SALE

STATE OF TEXAS§

COUNTY OF _____§

This **CONVEYANCE**, **ASSIGNMENT AND BILL OF SALE** ("**Assignment**") dated [●], 2013, but effective as of January 1, 2013 ("**Effective Date**"), is from ZaZa Energy, LLC, a Texas limited liability company, with an office at 1301 McKinney Street, Suite 2850, Houston, Texas 77010 **(**"**Assignor**") to [●], a [●], with an office at [●] ("**Assignee**"), Assignor and Assignee may be collectively referred to herein as the " **Parties**" and individually as a "**Party**." This Assignment relates to that certain Purchase And Sale Agreement dated effective January 1, 2013, between Assignor and Assignee (hereinafter referred to as the "PSA"). Each capitalized term used in this Assignment that is not otherwise defined herein shall have the meaning as set out in the PSA.

ARTICLE I
Assignment of the Assets

Assignor, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, by these presents does hereby ASSIGN, TRANSFER, SELL, SET OVER and DELIVER unto Assignee, all of Assignor's right, title, and interest, in and to the following described Assets (defined below):

(a)the oil, gas and/or mineral leases listed and described on Exhibit "A" or the lands covered by said leases, or in lands pooled or unitized with such leases (including all depths), or which Assignor is entitled to receive by reason of any participation, joint venture, farmin, farmout, joint operating agreement, unitization agreement or other agreement, including all leasehold estates, royalty interests, overriding royalty interests, net revenue interests, executory interests, net profit interests, working interests, reversionary interests, mineral interests and any other interests of Seller in said oil, gas and/or mineral leases, or lands covered by said leases, it being the intent hereof that the leases, properties and interests and the legal descriptions set forth on Exhibit "A" or in instruments described in Exhibit "A" includes all of Assignor's right, title and interest in said oil, gas and/or mineral leases, other than lessor's royalty and overriding royalty interests of record on the Effective Date, including, but not limited to, those described on

Exhibit “A” or in instruments described in Exhibit “A” even though such interests may be incorrectly described in Exhibit ”A” or omitted from Exhibit “A” (collectively the “Leases”);

(b) all Wells listed on Exhibit “B” attached hereto and made a part hereof, including but not limited to, production accruing from and after the Effective Time, Inventory Hydrocarbons, all equipment and other personal property, inventory, spare parts, tools, tubing, casing, pipe, fixtures, wellhead equipment, downhole equipment, pumping units, tank batteries, transportation and gathering lines or systems, flowlines, production equipment, compressors, gas plants and facilities, treatment facilities, injection facilities, disposal facilities, dehydration facilities, radio towers, remote terminal units, SCADA equipment, all other tangible personal assets, appurtenances and improvements situated upon the Assets or lands pooled or unitized therewith as of or after the Effective Time or used or held for use in connection with the ownership, development or operation of the Assets or the production, treatment, storage, compression, processing or transportation of Hydrocarbons from or in the Wells or the lands covered by the Leases or lands pooled or unitized;

(c)all oil and gas purchase and sale contracts, farmin or farmout agreements, operating agreements, unit agreements, processing agreements, joint venture agreements, pooling agreements, transportation agreements and all other agreements in which Assignor has an interest to the extent the same directly affect and/or pertain to the ownership or operation of the interests described in the Leases and Wells; and

(d)all files (whether originals, copies, or in digital or electronic format), including the title files, abstracts of title, title opinions, title information, title commitments, land surveys, maps, data, correspondence, environmental and regulatory files and reports, engineering and production files, accounting files relating directly to the Leases or Wells, seismic records and surveys, gravity maps, geological or geophysical data and records, analyses, interpretations, and all other files, documents, materials, information, instruments and records of every kind and description in Assignor’s control or possession which affect, concern, pertain or relate to, or are used directly in connection with, the Leases or Wells.

For the purposes of this Assignment the term “Wells” or “Well” shall refer to all wells located on the Assets, or lands pooled or unitized therewith, including but not limited to (i) those wells identified on Exhibit “B” attached hereto, whether or not such wells are producing, active or inactive, plugged and abandoned, temporarily abandoned, shut-in, injection wells, disposal wells, water supply wells or otherwise.

The interests in and to the properties described in and assigned, transferred, set over and delivered pursuant to this Article I are hereinafter sometimes collectively called the “ Assets.”

ARTICLE II
Limited Warranty of Title

Section 2.1 Limited Warranty of Title. This Assignment is made without warranty of title, either express or implied, except that Assignor hereby binds itself, its successors and assigns to warrant and forever defend, all and singular, title to the Assets unto Assignee, its successors and assigns, against every person or entity whomsoever lawfully claiming or to claim the Assets by, through, or under Assignor, but not otherwise.

Section 2.2 Disclaimer of Representations and Warranties with Respect to Personal Property. **ASSIGNEE IS ACQUIRING THOSE ASSETS WHICH ARE PERSONAL PROPERTY ON AN "AS IS, WHERE IS" BASIS, SUBJECT TO ALL FAULTS AND DEFECTS.**

Section 2.3 Prior Agreements. The Assets are assigned by Assignor and accepted by Assignee expressly subject to the following:

(a) the terms and provisions of the PSA, including, but not limited to the Retained Obligations of the Assignor, the Assumed Obligations of the Assignee, and the Permitted Encumbrances (as those terms are defined in the PSA). Nothing in this Assignment shall operate to limit, release, or impair any of Assignor's or Assignee's respective rights, obligations, interests, remedies, or indemnities in the PSA. To the extent the terms and provisions of this Assignment are in conflict, or inconsistent, with the terms and provisions of the PSA, the terms and provisions of the PSA shall control;

(b) the existing burdens on the Leases as of the Effective Date;

(c) the terms of the Leases;

(d) any other burdens of record as of the Effective Date; and

(e) any and all of the applicable, rules, regulations and orders of all regulatory bodies, State, Federal or local.

ARTICLE III
Miscellaneous

Section 3.1 Further Assurances. The Parties agree to execute such further agreements, instruments, documents, stipulations, and/or conveyances as may be reasonably necessary to accomplish the intents and purposes of this Assignment and the PSA.

Section 3.2 Successors and Assigns. All of the provisions of this Assignment shall be covenants running with the land hereof shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties. All references herein to either Assignor or Assignee shall include their respective successors and assigns. Any subsequent transfer of all or

any part of the Assets conveyed and assigned herein shall be made expressly subject to the terms and provisions of this Assignment.

Section 3.3Exhibits. All exhibits attached to this Assignment, and the terms of those exhibits which are referred to in this Exhibit, are made a part hereof and incorporated herein by reference. References in such exhibits to instruments on file in the public records are made for all purposes. Unless provided otherwise, all recording references in such exhibits are to the appropriate records of the counties in which the Assets are located.

Section 3.4Counterparts. This Assignment is being executed in several original counterparts, all of which are identical, and each such counterpart shall be deemed to be an original instrument, but all such counterparts shall constitute but one and the same assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment to be executed on the dates of their respective acknowledgments set forth below, to be effective, however, as of the Effective Time.

Assignor:

_____

By:
Name:
Title:_____

Assignee:

_____

By:
Name:
Title:

THE STATE OF _____§
§
COUNTY OF _____ §

This instrument was acknowledged before me on the ____ day of _____, 20____, by _____, _____ of _____, a _____, on behalf of said _____.

(S E A L)
Notary Public in and for the State of _____

THE STATE OF _____§
§
COUNTY OF _____ §

This instrument was acknowledged before me on the ____ day of _____, 20____, by _____, _____ of _____, a _____, on behalf of said _____.

(S E A L)
_____ Notary Public in and for the State of _____

EXHIBIT "H"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Litigation

None

EXHIBIT "I"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Payout Balances

None

EXHIBIT "J"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Gas and Oil Imbalances

None

EXHIBIT “K”

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Consents to Assign, Preferential Rights to Purchase and Burdens

Lease #	Lessor	Lessee	Lease Date	County	Book	Page
0013018-001	CARA ANNE COLLIER	SCOUT ENERGY	6/18/2010	FAYETTE	1541	590
0013018-002	CHRISTOPHER DOLTON COLLIER	SCOUT ENERGY	6/18/2010	FAYETTE	1541	591
0013018-004	GABRIEL CORNELL COLLIER	SCOUT ENERGY	6/18/2010	FAYETTE	1541	592
0013018-005	KEILAH JOAN COLLIER SWEENEY	SCOUT ENERGY	6/18/2010	FAYETTE	1541	587
0013023-000	JOHN H MARTISEK ET UX	SCOUT ENERGY	8/1/2010	FAYETTE	1541	561
0013035-000	JOE FRED CRABB, ET UX	SCOUT ENERGY	8/26/2010	GONZALES	1034	412
0013038-001	BRYAN B. BERGER ET AL	SCOUT ENERGY	8/26/2010	FAYETTE GONZALES	1541	551
0013158-001	BRYAN B BERGER ET AL	SCOUT ENERGY	8/26/2010	FAYETTE	1541	553

End of EXHIBIT "K"

EXHIBIT "L"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

NON-FOREIGN AFFIDAVIT

Exemption from Withholding of Tax
For Dispositions of U.S. Real Property Interests

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform BEP Moulton, LLC that withholding of tax is not required upon the disposition of U.S. real property interests by ZaZa Energy, LLC, the undersigned hereby certifies the following:

1. ZaZa Energy, LLC, is not a nonresident alien, foreign corporation, foreign partnership, foreign trust or foreign estate for purposes of U.S. income taxation (as those terms are defined in the Internal Revenue Code of 1986, as amended and the U. S. Treasury regulations thereunder).

2. ZaZa Energy, LLC's taxpayer identification number is _____.

3. The office address of ZaZa Energy, LLC:

1301 McKinney
Suite 2800
Houston, Texas 77010

ZaZa Energy, LLC understands that this certification may be disclosed to the Internal Revenue Service by BEP Moulton, LLC and that any false statement contained herein could be punished by fine, imprisonment or both.

Under penalties of perjury, I declare that I have examined this certification and, to the best of my knowledge and belief, it is true, correct and complete, and I further declare I have authority to sign this document.

Dated the __ day of _____, 2013.

ZAZA ENERGY, LLC

By: _____
Title: _____

STATE OF TEXAS §
§
COUNTY OF HARRIS §

On this ___ day of _____, 2013, before me personally appeared _____, to me personally known and acknowledged, who being by me duly sworn, did say that he is the _____ of ZaZa Energy, LLC, and that the foregoing instrument was signed and delivered on behalf of the limited liability company as the free act and deed of said limited liability company.

_____
Notary Public in and for the State of Texas

EXHIBIT "M"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Assignments Due Seller

None

EXHIBIT "N"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Assignments Owed by Seller

None

EXHIBIT "O"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Mortgages, Liens and Encumbrances

1. Securities Purchase Agreement dated as of February 21, 2012 among ZaZa Energy Corporation, a Delaware corporation (the "Company"), and the Purchasers party thereto, as amended.

2. Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Production, effective March 6, 2013, by ZaZa Energy, LLC as Mortgagor, to Mauri J Cowen, as Trustee, for the benefit of U.S. Bank National Association in its capacity as collateral agent, a counterpart of which is recorded in the respective office designated for the filing of record of mortgages and deeds of trust in Fayette County

EXHIBIT "P"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Post-Closing Accounting and Reporting Agreement

In connection with the Purchase and Sale Agreement (the "Agreement") between ZaZa Energy, LLC ("Seller") and BEP Moulton, LLC ("Buyer"), the following is hereby agreed between the parties with respect to the Assets to be delivered at such Closing:

1. Seller will prepare and submit state production reports for the Assets for the production month of _____. All subsequent monthly production reports will be the responsibility of Buyer. Seller will send a copy of the _____ reports as filed to Buyer.

2. Change of operator forms will be prepared by Seller showing BEP Moulton, LLC as the new operator of the Assets effective _____. BEP Moulton, LLC's operator number for the State of Texas is _____.

3. Letters-in-lieu, effective with _____ production will be sent to the purchasers by Buyer. Seller shall prepare the letters and provide them at Closing.

4. Seller will make royalty distributions for the production month of _____. Royalty distributions for the production month of _____, will be the responsibility of Buyer.

5. Seller will pay severance taxes for the production month of _____. Severance tax payments for the production month of _____ will be the responsibility of Buyer.

6. Seller will make rental, minimum royalty and any other lease (including surface) obligation payments due on or before _____. Buyer will make subsequent monthly payments. Buyer agrees to indemnify and hold Seller harmless for any missed lease rental and/or minimum royalty payments from Closing through _____.

7. Buyer will take any royalty monies in suspense accounts attributable to the Assets.

8. Seller will make gas nominations for the production month of _____. Buyer will make gas nominations beginning for the production month of _____.

9. Seller will have their measurement service agent process the volumes for the wellhead meter points to be used in reporting and allocating for _____ production which will be closed out in _____ accounting. Buyer will take over this measurement function effective _____. Seller will provide Buyer with volume and integration statements for _____ production.

10. Buyer will assume actual field operations for the Assets at 12:00 pm the day of the Closing Date.

11. If either party receives revenue or other payments for the benefit of the other party, the party receiving revenue shall promptly forward such revenue to the other party. If either party pays invoices or otherwise incurs expenses for the benefit of the other party and provides supporting documentation related thereto, the party for whose benefit the payment in question was made shall promptly reimburse the party making such payment. For purposes of this paragraph, "promptly" shall be understood to mean within five (5) business days, in the absence of extenuating circumstances.

12. This agreement is intended to set forth the division of reporting and other responsibilities between the parties, but is not intended to alter any provisions of the Agreement related to which party will be ultimately financially responsible for payments made before or after the Effective Date. In the event of any conflict between the provisions of this memorandum and the Agreement, the Agreement shall control. All capitalized terms not defined herein shall have the meanings given in the Agreement.

Signed the _____ day of _____ 2013.

SELLER:BUYER:

By: _____ By:_____

Title:_____ Title:_____

EXHIBIT "Q"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

PRELIMINARY SETTLEMENT STATEMENT
Closing Date: _____, 2013
Effective Date: January 1, 2013

SELLER:	**BUYER:**
ZAZA ENERGY, LLC	**BEP MOULTON, LLC**

Purchase Price

Section 3.1
Immediately available funds $ 43,250,000.00

Upward Purchase Price Adjustments*

Section 3.2 (a)(i)(A)(i)
Inventory Hydrocarbons $ 000,000.00
(as of the Effective Date)

Section 3.2(a)(i)(A)(ii)
Seller's unsold inventory of gas plant products $ 000,000.00
(as of the Effective Date)

Section 3.2(a)(i)(B)
Operating Expenses after Effective Time $ 000,000.00
(January, February, March and April)

Section 3.2(a)(i)(C)
Taxes (Ad Valorem and Severance) $000,000.00

Section 3.2(a)(i)(D)
Upward Adjustments $000,000.00
(provided otherwise in Agreement)

Section 3.2(a)(i)(E)
Hydrocarbon underbalances $000,000.00

Section 3.2(a)(i)(F)
Other Agreed Adjustments $000,000.00

Total Upward Adjustments $ 000,000.00

Adjusted Purchase Price **$43,250,000.00**
(After Upward Adjustments)

Downward Purchase Price Adjustments*

Section 3.2(a)(ii)(A)
Revenues collected by Seller and attributable ($000,000.00)
to the Assets after the Effective Date
(January, February, March, and April)

Section 3.2(a)(ii)(B)
Unpaid Taxes ($000,000.00)

Section 3.2(a)(ii)(C)
Downward Adjustments ($000,000.00)
(provided otherwise in Agreement)

Section 3.2(a)(ii)(D)
Allocated Value of Preferential Purchase Rights ($000,000.00)

Section 3.2(a)(ii)(E)
Title Defects ($000,000.00)

Section 3.2(a)(ii)(F)
Environmental Defects ($000,000.00)

Section 3.2(a)(ii)(G)
Hydrocarbon overbalances ($000,000.00)

Section 3.2(a)(ii)(G)
Other Agreed Adjustments ($000,000.00)

Total Downward Adjustments **($000,000.00)**

Adjusted Purchase Price $ 43,250,000.00

Adjusted Purchase Price to be wire transferred to ZaZa Energy, LLC by or on behalf of BEP Moulton, LLC at the following financial institution:

Bank	ABA No.	Account No.	Amount
			43,250,000.00

*Back-up for all Adjustments to the Purchase Price are attached hereto and incorporated herein for all purposes.

AGREED and ACCEPTED on this the ____ day of _____, 2013.

ZAZA ENERGY, LLC

By: _____

Title:_____

BEP MOULTON, LLC

By: _____

Title:_____

EXHIBIT "R"

Attached to and made a part of that certain

Purchase and Sale Agreement, Effective January 1, 2013,

by and between ZaZa Energy, LLC, as Seller and

BEP Moulton, LLC, as Buyer

Non-Compete Area Map

Insert Map

Exhibit 10.4

JOINT EXPLORATION AND DEVELOPMENT AGREEMENT
WALKER, GRIMES, MADISON, TRINITY, AND MONTGOMERY COUNTIES, TEXAS

This Joint Exploration and Development Agreement (this "**Agreement**") is effective as of the 1st day of March, 2013 (the "**Effective Date**"), by and among **EOG RESOURCES, INC.** ("**EOG**"), whose address is 6101 S. Broadway, Suite 200, Tyler, Texas 75703, and **ZaZa Energy Corporation** ("**ZaZa Corporation**"), a Delaware corporation, and **ZaZa Energy LLC**, a Texas limited liability company ("**ZaZa LLC**" and, together with ZaZa Corporation, "**ZaZa**"), each having an address of 1301 McKinney, Suite 2850, Houston, Texas 77010. ZaZa and EOG are sometimes herein referred to individually as a "**Party**" and collectively as the "**Parties**."

Exhibits and Schedules; Definitions

Reference is herein made to: (i) Appendix 1 attached hereto for a list of all exhibits and schedules attached to this Agreement and made a part hereof, and (ii) Appendix 2 attached hereto for a list of all defined terms in this Agreement.

Recitals

A. The Parties have identified certain land located in Walker, Grimes, Madison, Trinity, and Montgomery Counties, Texas, outlined on the attached Exhibit "A" (but excluding the areas depicted and described on Exhibit "A" as "Excluded Areas"), which land is referred to herein as the "**Project Area**."

B. ZaZa and EOG each own certain Oil and Gas Interests within the Project Area. The Oil and Gas Interests owned by ZaZa within the Project Area are more particularly described on Exhibit "B-1" (the "**ZaZa Leasehold**"). A portion of the ZaZa Leasehold consists of an undivided seventy-five percent (75%) of 8/8ths leasehold interest in those certain Oil and Gas Interests, comprising approximately 61,123 gross acres and 37,837 net mineral acres (*i.e.*, ZaZa's undivided seventy-five percent interest therein comprises approximately 28,277.5 net leasehold acres) within the Project Area, that were assigned by Range to ZaZa pursuant to the Range-ZaZa JV Agreement as more particularly described on Exhibit "B-2" ((the "**Range-ZaZa Leasehold**").

C. EOG desires to acquire an undivided interest in certain portions of the ZaZa Leasehold, and ZaZa is willing to grant, assign, and convey to EOG such interests and rights in exchange for certain considerations stated below, including the right to participate jointly with EOG in the exploration and development of the Project Area for oil and gas production.

Agreement

In consideration of the foregoing, and of the mutual benefits and advantages accruing to the Parties, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, ZaZa and EOG hereby agree as follows:

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

1.FIRST CLOSING AND INITIAL CASH CONSIDERATION

The First Closing shall take place at the offices of Baker & McKenzie LLP, 711 Louisiana, Suite 3400, Houston, Texas 77002, at 10:00 a.m. (local time) on or before April 1, 2013, or such other time or place as the Parties may agree upon in writing (the "**First Closing Date**"). Subject to Section 5.3, failure to consummate the First Closing on the date and time and at the place determined pursuant to Section 1 shall not result in the termination of this Agreement and shall not relieve either Party of any obligation under this Agreement. Subject to Section 5.1.1, and pursuant to Section 5.2.2(h), at the First Closing, EOG will pay ZaZa, in cash (U.S. dollars) by federal funds wire transfer to an account designated by ZaZa, an amount equal to $10,000,000.00 (the "**Initial Cash Consideration**").

2.AREA OF MUTUAL INTEREST

2.1 **Designation of Area of Mutual Interest**. Subject to exceptions set forth in Section 2.3, the Parties hereby establish an area of mutual interest consisting of all lands within the Project Area (the "AMI").

2.2 **Exclusive Rights to Lease**. Subject to the Parties' respective rights hereunder to participate in the Acquired Interests:

2.2.1. EOG shall have the exclusive right to acquire (i) Phase I and, if applicable, Phase II, Oil and Gas Interests within the area depicted and described on Exhibit "A" as 'EOG Leasing Area" and (ii) during Phase II, Oil and Gas Interests within the entire AMI; and

2.2.2. ZaZa shall have the exclusive right to acquire, during Phase I and, if applicable, Phase II, Oil and Gas Interests within area depicted and described on Exhibit "A" as "ZaZa Leasing Area".

Each Party shall deliver to the other, no later than the fifth Business Day of each month, a written update of such leasing activity conducted, and all Acquired Interests acquired, in the prior month by such Party, including the estimated cost, location and net acres associated with each such acquisition.

2.3 **Exceptions from AMI.** For avoidance of doubt, the Leases are excluded from the AMI.

2.4 **Notice of Acquisition.** During the AMI Term and subject to Section 2.4.1, if either Party or its Affiliates (the "**Acquiring Party**") acquires, directly or indirectly, including the option or right to acquire, any Oil and Gas Interest within the AMI (an "**Acquired Interest**"), the Acquiring Party shall offer the other Party (the "**Non-Acquiring Party**") the option of purchasing its Participation Interest in the Acquired Interest(s) in accordance with the following provisions. Within thirty (30) calendar days after the Acquired Interest Offer Date, the Acquiring Party shall notify the Non-Acquiring Party in writing of such acquisition. Such notice shall set forth (i) a description of the Acquired Interest, (ii) the total

Acquisition Cost of the Acquired Interest, (iii) the Participation Interest the Non-Acquiring Party is entitled to acquire hereunder, (iv) any other pertinent terms of such acquisition necessary for the Non-Acquiring Party to make an informed decision whether to participate in the Acquired Interest, including copies of the following to the extent within the Acquiring Party's control: relevant leases, conveyances, assignments, bank draft or other evidence of payment for the interest, farmout agreements and term assignment agreements and any other agreements or commitments relating to the Acquired Interest, all lease take-off reports, landman's run sheets, abstracts of title, deeds, leases, and encumbrances. There shall be no additional Encumbrances placed on any Acquired Interest by Acquiring Party at the time of or subsequent to its acquisition of such interest (except for Encumbrances that shall be borne entirely by Acquiring Party), such that the Non-Acquiring Party shall have, should it elect to participate, the same net revenue interest in its portion of the Acquired Interest as was initially obtained by the Acquiring Party. By way of example, ZaZa may encumber its undivided interest in an Acquired Interest with the Post-3/1/13 Merger ORRIs, provided that the Post-3/1/13 Merger ORRIs shall be borne by ZaZa.

The "**Acquired Interest Offer Date**" for any Acquired Interest shall be as follows:

(A) the first day of the next calendar quarter following the date of acquisition or proposed acquisition of any Acquired Interest except Acquired Interests (x) outside of the outer boundaries of the area covered by Phase I while in Phase I or outside of the outer boundaries of the areas covered by Phase I and Phase II (as then determined pursuant to Section 3.2) if in Phase II;

(B) EOG's election of Phase II for any Acquired Interest within the outer the area covered by Phase II (as then determined pursuant to Section 3.2) acquired prior to such election date; and

(C) for any Acquired Interest not previously offered pursuant to items A) or (B) immediately above, the earlier of (x) EOG's election of Phase II and (y) he end of the AMI Term.

2.4.1. Range-ZaZa Area of Mutual Interest. If, after the Effective Date and through March 1, 2015 (being the term of the Range-ZaZa AMI), either Party or its Affiliates acquires, directly or indirectly, including the option or right to acquire, any Range AMI Interest within the Range-ZaZa AMI, then such acquiring Party shall offer the other Party and Range the option of purchasing their respective Participation Interest in such Range AMI Interest(s) in accordance with Section 2.5.2 and the provisions and procedures described in Paragraph 5 of the Range-ZaZa JV Agreement.

2.5 Participation Interests. The interests of the Parties and Range within the AMI (the "**Participation Interests**") shall be determined as follows:

2.5.1. Outside of the Range-ZaZa AMI. With respect to all Acquired Interests other than those within the Range-ZaZa AMI, the Participation Interests which each Party may elect to acquire shall be as follows:

EOG	75%
ZaZa	25%

2.5.2. Within the Range-ZaZa AMI. With respect to any Range AMI interests acquired by a Party within the Range-ZaZa AMI, the Participation Interests which each Party and Range may erect to acquire shall be as follows:

EOG	50%
ZaZa	25%
Range	25%

provided, however, that if the Earning Point (as defined in the Range-ZaZa JV Agreement) is not reached, then, subject to Section 3.1.2.2, the Participation Interests of each Party and Range in such Range AMI Interest shall be as follows:

EOG	33.33%
ZaZa	16.67%
Range	50%;

provided, further, however, that if Range does not elect to participate in a Range AMI Interest within the Range-ZaZa AMI, then the Participation Interests of the Parties in such Range AMI shall be as follows:

EOG	75%
ZaZa	25%

2.6 Election. Upon delivery of the notice required under Section 2.4, a Non-Acquiring Party shall have thirty (30) calendar days to elect to join in such acquisition to the extent of its Participation Interest. Failure to notify the Acquiring Party of its election within thirty (30) calendar days after delivery of the required notice shall be conclusively deemed an election not to participate in the Acquired Interest. If the Acquired Interest is a farmout/farmin, term assignment, or similar agreement requiring the drilling of a well or the performance of other obligations, the Non-Acquiring Party's election to participate in the Acquired Interest shall include an agreement by the Non- Acquiring Party to assume and be bound by all obligations and terms imposed by any such agreement to the extent of the Non-Acquiring Party's Participation Interest. Irrespective of whether more than one Acquired Interest is offered on the same Acquired Interest Offer Date, elections shall be on an Acquired Interest basis, with each Non-Acquiring Party having an independent election decision for each of the Acquired Interests required to be offered pursuant to Section 2.4.

2.7 **Election Not to Participate.** If the Non-Acquiring Party elects or is deemed to have elected not to acquire an interest in an Acquired Interest, the Acquiring Party shall retain its full interest in the Acquired Interest and in any production therefrom or attributable thereto, and the Acquired Interest shall not be subject to this Agreement, notwithstanding anything to the contrary in this Agreement

2.8 **Conveyance of Acquired Interests.** Within (30) calendar days after a Non Acquiring Party's election to participate in an Acquired Interest and concurrently with the Non-Acquiring Party's payment to the Acquiring Party of its Participation Interest share of the Acquisition Costs incurred by the Acquiring Party to acquire same, the Acquiring Party shall assign to the Non-Acquiring Party, using the form of assignment attached hereto as Exhibit "C", and except for any warranties made by the transferor to the Acquiring Party, without warranty of title, express or implied, except as to claims by, through, and under the Acquiring Party, the appropriate percentage of undivided interest, pursuant to Section 2.5, in the Acquired Interests so acquired by the Acquiring Party and provide the Non-Acquiring Party with copies (to the extent such are in the Acquiring Party's possession or control and were not previously provided with the notice of acquisition): (i) the lease and assignment; (ii) lease purchase report; (iii) mineral ownership report; (iv) draft or check copy documenting payment; (v) W-9; and (vi) legal description and plat. For purposes of this Section 2, "**Acquisition Cost**" is defined as all actual out of-pocket costs and expenses, including lease bonus or other cash payments to the assignor of Acquired Interest, land broker's fee and commissions, title examination costs, attorney's fees, recording fees, and taxes, but excluding in all cases internal charges and Affiliate charges. Failure of a Non-Acquiring Party to timely pay its Participation Interest share of Acquisition Costs within the 30-day period following its election to participate in an Acquired Interest shall be deemed an election not to participate in such Acquired Interest and a waiver of any right to do so, notwithstanding any written to participate by that Party.

2.9 **Lands Outside of AMI.** Recognizing that a Party may acquire multiple Oil and Gas interests pursuant to a s i n g l e acquisition contract, farmout agreement or term assignment, some of which may pertain to lands that are not within the AMI, this Section 2 shall apply only to that portion of the Acquired Interest that pertains to the boundaries of the AMI. The Acquiring Party's Acquisition Cost for the AMI portion shall be deemed to be:

Acquisition Cost of AMI Portion = A * B/C

WHERE "**A**" is the Acquisition Cost incurred by the Acquiring Party; "**B**" is the number of AMI net acres covered by such Acquired Interest; and "**C**" is the total net acres covered by the entire interest acquired (including the Acquired Interest);

provided, however, that with respect to (i) any acquisition of Acquired Interests by merger, consolidation, reorganization or equity acquisition, (ii) any acquisition

of assets for which any Acquired Interests are subject to completion of specified obligations such as drill to earn requirements, or (iii) any other package deal for which the Acquisition Cost of the AMI portion is not reasonably determinable, then: the Acquisition Cost for such Acquired Interest will be the average acquisition costs, calculated on a net acre basis, paid by the Parties for other Acquired Interests within the 6-month period prior to such Acquired Interest Offer Date.

The Non-Acquiring Party shall reimburse and pay the Acquiring Party for its Participation Interest share of the Acquisition Cost of the Acquired Interest, and, if applicable, its Participation Interest share of any costs for a well within the AMI.

2.10 Operations. All Acquired Interests jointly acquired by the Parties pursuant to Section 2.5 shall be subject to this Agreement and the JOA contemplated by Section 3.5.

2.11 AMI Term. The AMI shall remain in effect until the later of December 31, 2015, or the expiration of the Term, unless sooner terminated by mutual written agreement of the Parties (the "**AMI Term**"). Notwithstanding anything in this Agreement to the contrary, any Acquired Interest for which negotiations were commenced after the expiration of the AMI Term shall not be subject to the AMI.

2.12 EARNING PHASES, COMMITMENT WELLS AND EARNING PROVISIONS

2.13 Phase I.

2.13.1.Phase I Assignment.

At the First Closing, subject to the reassignment obligations set forth below in Section 3.1.4, ZaZa shall execute and deliver to EOG an assignment, in the form attached hereto as Exhibit "G-2", of an undivided seventy-five percent (75%) of 8/8ths interest (except that, with respect only to Range-ZaZa Leasehold, the assignment shall be an undivided fifty percent (50%) of 8/8ths interest) in the Phase I Leases, and al associated rights therewith.

2.13.2.Commitment Wells and Target Intervals.

In addition to payment of Initial Cash Consideration by EOG to ZaZa, E OG further commits to drill three (3) wells (*i.e.,* Well No. 1, Well No. 2, and Well No. 3 described below) at locations selected solely by EOG (after consultation with ZaZa) and in any order as determined solely by EOG (each a "**Phase I Commitment Well**", and, collectively, the "**Phase I Commitment Wells**"), to test the Target Intervals ("**Phase I**"), as described below; provided, however, that (a) unless the Parties agree otherwise, the wellbores for each Phase I Commitment Well shall be located such that all production therefrom is allocated solely to Phase I Leases, and (b) Well No. 2 shall be proposed to Range and drilled

pursuant to the requirements set forth in Paragraph 3 of the Range-ZaZa JV Agreement. The Phase I Commitment Wells shall be the first three wells drilled and Completed by EOG within the Project Area.

2.13.2.1. **Well No. 1**: One Phase I Commitment Well (*i.e.*, Well No. 1) shall be a vertical well to test the Lower Cretaceous Interval and may be utilized, at EOG's sole discretion, as a monitor well for another Phase I Commitment Well prior to any completion attempt in the Target Interval. EOG will bear 100% of Costs through Completion for a seventy-five percent (75%) of 8/8ths working interest in the well (except that, if the well is located on the Range-ZaZa Leasehold, EOG will bear 100% of Costs through Completion for a fifty percent (50%) of 8/8ths working interest in the well). Subject to Section 3.9, this Well No. 1 and associated carry obligation will be deemed satisfied by (i) drilling to the top of the Georgetown Formation in the Lower Cretaceous Interval, and (ii) using reasonable commercial efforts as a reasonable prudent operator to Complete such well, whether or not said Well No. 1 is successfully Completed as a well capable of producing in paying quantities.

2.13.2.2. **Well No. 2**: Another Phase I Commitment Well (*i.e.*, Well No. 2) shall be a "horizontal drainhole well" (as defined in the Range-ZaZa JV Agreement) to test the Eagle Ford Interval within the Range-ZaZa Leasehold. EOG will bear 100% of all costs and expenses incurred through the Earning Point (as defined in the Range-ZaZa JV Agreement) for a fifty percent (50%) of 8/8ths working interest in the well under the Range-ZaZa JV Agreement, subject to Range's option to elect to take a 25% of 8/8ths working interest in the well. If Range elects to take a working interest, ZaZa will instruct Range to reimburse to EOG 25% of the above costs. If Range does not elect to participate, EOG shall earn a seventy-five percent (75%) of 8/8ths working interest in the well. Operations for drilling Well No. 2 must commence on or before July 15, 2013, and said Phase I Commitment Well must be drilled and completed pursuant to the requirements set forth in Paragraph 3 of the Range-ZaZa JV Agreement, including the requirement that said Commitment Well reach the Earning Point (as defined in the. Range-ZaZa JV Agreement). Notwithstanding the foregoing, if EOG commences Well No. 2 on or before July 15, 2013, but its efforts do not result in said Commitment Well fully satisfying the requirements set forth in Paragraph 3 of the Range-ZaZa JV Agreement, including the requirement that said Commitment Well timely reach the Earning Point, this Commitment Well and associated carry obligation will nevertheless be deemed satisfied by EOG (i) drilling to the Target Interval, and (ii) using reasonable commercial efforts as a reasonable prudent operator to Complete such well; provided that EOG shall reassign to Range a 16.67% of 8/8ths working interest, and ZaZa shall reassign to Range a 8.33% of 8/8ths working interest, respectively, in the "Range Leases" (as defined in, and described on

Exhibit "A-2" to the assignment to be executed pursuant to this Agreement in accordance with Section 3.1.1). Prior to such reassignment, EOG may, at its sole option and discretion, commence drilling operations on a substitute well that meets the requirements set forth in this Section 3.1.2.2 and qualifies as a "Substitute Well" as defined in Paragraph 3 of the Range-ZaZa JV Agreement. Notwithstanding the preceding, if EOG elects to commence such Substitute Well, then EOG will bear 100% of the Costs through Completion for such Substitute Well (as part of EOG's Phase I Well No. 2 obligation).

2.13.2.3. **Well No. 3:** Another Phase I Commitment Well (*i.e.*, Well No. 3) shall be a horizontal well to test the Eagle Ford Interval on ZaZa Leasehold acreage other than Range-ZaZa Leasehold acreage. EOG will bear 100% of the Costs through Completion for a seventy-five percent (75%) working interest in such Commitment Well. EOG must commence operations for drilling Well No. 3 on or before December 31, 2013. This Commitment Well and associated carry obligation will be deemed satisfied by EOG (i) drilling to the Target Interval, (ii) using reasonable commercial efforts as a reasonable prudent operator to drill a lateral or horizontal drainhole a minimum of four thousand feet (4,000') in length in the Target Interval, provided, however, EOG shall have the option to limit horizontal drilling to such shorter length as may be deemed prudent, in EOG's commercially reasonable discretion as a reasonable prudent operator, based on factors including then-existing hole conditions, equipment limitations, geologic factors or other relevant technological or mechanical considerations that would render further drilling impracticable, but in no event shall such lateral be less than one thousand five hundred feet (1,500') in length in the Target Interval, and (iii) using reasonable commercial efforts as a reasonable prudent operator to Complete such well, whether or not a successful lateral drainhole is drilled a minimum of four thousand feet (4,000') and whether or not such Commitment Well is successfully completed as a well capable of producing in paying quantities.

EOG must commence operations for drilling the third Phase I Commitment Well on or before December 31, 2013.

2.13.3. Costs through Completion.

The term "**Costs through Completion**" as used in this Section 3 shall mean all actual costs and expenses of drilling a Commitment Well through Completion, including all of the following costs to the extent and only to the extent the same are incurred on or before Completion: all costs associated with the drilling of a Commitment Well that are chargeable to the joint account under the JOA and any third party title review or examination costs; permitting costs; drilling and completion costs; costs

for any on-lease facilities (including separation equipment and metering equipment) that are required to enable sales of hydrocarbons from the Commitment Well and if any Commitment Well is not capable of producing in paying quantities, then the costs of plugging and abandonment, restoration, and reclamation required by Applicable Law or contract and decommissioning and dismantling costs associated with such unsuccessful Commitment Well. All costs and expenses incurred after Completion shall be borne by the Parties in proportion to each Party's Participation Interest. For avoidance of doubt, "Costs through Completion" shall not include any costs of infrastructure, gathering, flowlines, processing, or other costs related to transportation of natural gas that are incurred after regular sales of oil production have commenced.

2.13.4. Failure to Satisfy Phase I Commitment Well Obligations.

If EOG fails to fully satisfy the specified drilling and completion requirements for all three (3) Phase I Commitment Wells:

(i) this Agreement shall terminate;

(ii) EOG shall forfeit the initial Cash Consideration;

(iii) EOG shall forfeit the right to enter into Phase II or Phase III as described below;

(iv) within thirty (30) days after the occurrence of such Early Termination Event, EOG shall reassign the Phase I Leases to ZaZa insofar and only insofar as they cover all of the lands covered thereby and not included in Earned Acreage; and

(v) within thirty (30) days after the occurrence of such Early Termination Event, EOG shall provide notice to ZaZa identifying (a) all Acquired Interests in which ZaZa participated and which are outside the boundaries of all Earned Acreage, and (b) the aggregate amount of EOG's Participation Interest share of the Acquisition Costs for such Acquired Interests, and ZaZa shall have the option, but not the obligation, to acquire all of EOG's right, title, and interest in such Acquired Interests. Within thirty (30) days after delivery of such notice, ZaZa shall notify EOG whether it elects to exercise its option to acquire all of EOG's right, title, and interest in such Acquired Interests. ZaZa's failure to notify EOG of its election within thirty (30) days after delivery of such notice shall be conclusively deemed an election to acquire all of EOG's right, title, and interest in such Acquired Interests. If ZaZa so elects, ZaZa shall reimburse EOG for the aggregate amount specified in EOG's notice and, further, concurrently with such payment, EOG shall assign all of its right, title, and interest in all such Acquired Interests to ZaZa, without warranty of title, express, implied, or otherwise, except for any warranties made by

the transferor to EOG, and further except as to claims by, through, and under EOG. If such an Acquired Interest lies partially within and partially outside the boundaries of Earned Acreage, then the portion of the total reimbursement amount applicable to such Acquired Interest shall be proportionately reduced on a surface acreage basis, and as to such Acquired Interest, the assignment from EOG to ZaZa shall be limited to that portion of the Acquired Interest lying outside the boundaries of the Earned Acreage. Notwithstanding the foregoing, ZaZa may request to acquire less than all of the Acquired Interests included in EOG's notice, and EOG, in its sole discretion, may agree or decline to assign less than all of such Acquired Interests to ZaZa. If EOG agrees to assign less than all of such Acquired Interests to ZaZa, then the reimbursement amount will be reduced accordingly.

With respect to Phase I, "**Earned Acreage**" shall mean 10,000 Net Acres for each horizontal Phase I Commitment Well, which shall include the ZaZa Leasehold surrounding the applicable horizontal Phase I Commitment Well and, to the greatest extent possible, other ZaZa Leasehold contiguous with same, and may include outlying tracts in the same vicinity of same. Thus, if EOG fully satisfies the specified drilling and completion requirements for both horizontal Phase I Commitment Wells, then the Earned Acreage for Phase I shall consist of all acreage covered by the Phase I Lea ses.

EOG shall designate the Earned Acreage for the first horizontal Phase I Commitment Well as to which EOG has satisfied the specified drilling and completion requirements in a written notice delivered to ZaZa within sixty (60) days after satisfying such requirements for such Commitment Well.

Other than as described in this Section 3.1.4, EOG shall have no liability or penalty to ZaZa under this Agreement for failing to satisfy its Commitment Well requirements with respect to Phase I.

2.14 Phase II.

If EOG satisfies all Commitment Well requirements of Phase I as set forth in Section 3.1, then EOG shall have the option (but not the obligation) at its sole discretion to conduct additional drilling to earn additional interests in ZaZa Leasehold under this Section 3.2 ("**Phase II**"). To elect to enter into Phase II, EOG must notify ZaZa in writing of its election by the later of: (a) sixty (60) days after satisfaction of its obligations under Phase I, but in any event no later than April 1, 2014; or (b) January 31, 2014. Such notice shall designate the Leases selected by EOG for Phase II, which shall comprise such net leasehold acreage as will collectively deliver 20,000 Net Acres to EOG and will consist of ZaZa Leasehold interests in contiguous acreage to the greatest extent possible and may include any outlying tracts that are not contiguous but are in the vicinity of such acreage. Upon delivery to ZaZa of such election, ZaZa shall promptly take such actions as necessary to notify the holders of all Preferential Rights and Required Consents

applicable to the selected Leases, and to seek the appropriate waivers or consents from such holders. If ZaZa is unable to obtain any such waivers of Preferential Rights or any Required Consents within 30 days after EOG's delivery to ZaZa of the notice designating the Leases for Phase II (or, with respect to Preferential Rights, such longer period as is specified in the terms and conditions of the Preferential Right), EOG shall identify other Leases to substitute for the affected Leases, which lands associated with such identified Leases must be contiguous with the originally designated Leases to the greatest extent possible. If any Preferential Right or Required Consent applies to any substitute Lease, then ZaZa shall seek waivers of such Preferential Rights and any Required Consents consistent with the requirements of this Section 3.2. All further obligations of the Parties which follow in this Section 3.2 with respect to such acreage burdened by Preferential Rights or Required Consents shall be conditioned on ZaZa securing the required waivers of Preferential Rights and any Required Consents on the Leases or substitute Leases identified by EOG in its election, which Leases and substitute Leases must comprise such net leasehold acreage as will collectively deliver 20,000 Net Acres to EOG. Following this process, the Leases and such substitute Leases ultimately selected by EOG for Phase II shall constitute the "**Phase II Leases**."

2.14.1. Phase II Cash Consideration, Phase II Assignment .

Within ten (10) calendar days after final selection of the Phase II Leases, (a) EOG shall: (i) remit payment to ZaZa, in cash (U.S. dollars) by federal funds wire transfer to an account designated by ZaZa, an amount equal to $20,000,000.00 (the "**Phase II Cash Consideration**"), (ii) execute and deliver to ZaZa an original of the assignment of Phase II Leases described immediately below, and (iii) execute, acknowledge (if applicable), and deliver to ZaZa all other agreements, instruments, and documents as may be reasonably required by ZaZa to complete the Second Closing; and (b) subject to the reassignment obligations set forth below in Section 3.2.3, ZaZa shall: (i) execute and deliver to EOG, in the form of assignment attached as Exhibit "G-1" (or, if the Phase II Leases include Range-ZaZa Leasehold, in the form of assignment attached as Exhibit "G-2"), in sufficient counterparts for recording in each county in which the Phase II Leases are located, an assignment of an undivided seventy-five percent (75%) of 8/8ths interest in the Phase II Leases (except that, with respect only to Range-ZaZa Leasehold, the assignment shall be such other percentage as is described in Section 2.5.2), and all associated rights therewith, (ii) deliver to EOG a fully executed and recordable original partial release of the U.S. Bank Mortgage as to any interest to be assigned to EOG with respect to the Phase II Leases, in sufficient counterparts for recording in each county in which the Phase II Leases are located, in a form reasonably approved by EOG, and (iii) execute, acknowledge (if applicable), and deliver to EOG all other agreements, instruments, and documents as may be reasonably required by EOG to complete the Second Closing. ZaZa shall deliver (or cause to be delivered) to EOG the same net revenue interest in each Lease as ZaZa held as of the Effective Date,

free of any Encumbrances subsequently created by ZaZa after the Effective Date.

2.14.2. Phase II Commitment Wells and Target Intervals.

In addition to payment of the Phase II Cash Consideration by EOG to ZaZa, EOG further commits to drill three (3) wells at locations selected by EOG (after consultation with ZaZa) (the "**Phase II Commitment Wells**"), to test the Target Intervals; provided, however, that unless the Parties agree otherwise, (a) the wellbores for each Phase II Commitment Well shall be located such that all production therefrom is allocated solely to Phase I: Leases or Phase II Leases, and (b) the wellbore for at least one Phase II Commitment Well shall be located such that all production therefrom is allocated solely to Phase II Leases. Except for (i) one monitoring well in Phase II (other than the Phase II vertical Commitment Well described below), and (ii) wells which are necessary to maintain Phase I Leases and Phase II Leases, the Phase II Commitment Wells shall be the fourth, fifth, and sixth wells drilled and Completed by EOG, respectively, in the Project Area, and EOG shall not commence drilling any additional wells during Phase I prior to electing into Phase II and drilling and Completing the Phase II Commitment Wells.

The three (3) Phase II Commitment Wells shall consist of one vertical Lower Cretaceous Interval test, with respect to which EOG will use reasonable commercial efforts as a reasonable prudent operator to drill to the stratigraphic equivalent of the base of the [*] Formation, which occurs at a measured depth of [*] as shown on the [*] logs dated [*] for the [*] well, API No. 42-471 [*], Walker County, Texas, in the Lower Cretaceous Interval, and two horizontal Eagle Ford Interval tests, the order of drilling to be at EOG's sole discretion. EOG shall bear 100% of the Costs through Completion in each Phase II Commitment Well and shall provide ZaZa up to an additional $1,250,000.00 in work credit to be applied on ZaZa's behalf for non-Commitment Well expenditures. Without limitation, said work credit may be applied by EOG, at ZaZa's election, toward ZaZa's share of: costs and expenses for the drilling of a well (including a monitoring well) other than a Commitment Well during Phase II or, if applicable, Phase III; cost of 3D seismic acquisition; cost of microseismic monitoring of completion operations; and/or such other work activity as may be conducted during Phase II or, if applicable, Phase III.

Subject to Section 3.9, each Phase II Commitment Well and its associated carry obligation shall be deemed satisfied by EOG (A) drilling to the Target Interval and (B) using reasonable commercial efforts as a reasonable prudent operator to Complete the Commitment Well (and in the case of horizontal tests, using reasonable commercial efforts as a reasonable prudent operator to drill a lateral or horizontal drainhole a

minimum of four thousand feet (4,000') in length in the Target Interval), whether or not the Commitment Well (vertical or horizontal) is successfully Completed as a well capable of producing in paying quantities. In drilling horizontal tests, EOG shall use its reasonable commercial efforts as a reasonable prudent operator to drill a lateral or horizontal drainhole a minimum of four thousand feet (4,000') in length in the Target Interval. However, EOG shall have the option to limit horizontal drilling to such shorter length as may be deemed prudent, in EOG's commercially reasonable discretion, as a reasonable prudent operator, based on factors including then-existing hole conditions, equipment limitations; geologic factors or other relevant technological and mechanical considerations that would render further lateral drilling impracticable, provided, however, the Commitment Well obligation for a horizontal well shall not be deemed satisfied unless a lateral has been drilled to at least one thousand five hundred feet (1,500') in length in the Target Interval.

EOG must commence operations for drilling the first Phase II Commitment Well on or before April 1, 2014, the second Phase II Commitment Well on or before August 1, 2014, and the third Phase II Commitment Well on or before December 31, 2014.

2.14.3. Failure to Satisfy Phase II Commitment Well Obligations.
If EOG fails to fully satisfy the specified drilling and completion requirements for all three (3) Phase II Commitment Wells:

(i) this Agreement shall terminate;
(ii) EOG shall forfeit the Phase II Cash Consideration;
(iii) EOG shall forfeit the right to enter into Phase III as described below;
(iv) within thirty (30) days after the occurrence of such Early Termination Event, EOG shall reassign the Phase II Leases to ZaZa insofar and only insofar as they cover all of the lands covered thereby and not included in Earned Acreage; and
(v) within thirty (30) days after the occurrence of such Early Termination Event, EOG shall provide notice to ZaZa identifying (a) all Acquired Interests in which ZaZa participated and which are outside the boundaries of all Earned Acreage, and (b) the aggregate amount of EOG's Participation Interest share of the Acquisition Costs for such Acquired Interests, and ZaZa shall have the option, but not the obligation, to acquire all of EOG's right, title; and interest in such Acquired Interests. Within thirty (30) days after delivery of such notice, ZaZa shall notify EOG whether it elects to exercise its option to acquire all of EOG's right, title,

and interest in such Acquired Interests. ZaZa's failure to notify EOG of its election within thirty (30) days after delivery of such notice shall be conclusively deemed an election to acquire all of EOG's right, title, and interest in such Acquired Interests. If ZaZa so elects, ZaZa shall reimburse EOG for the aggregate amount specified in EOG's notice and, further, concurrently with such payment, EOG shall assign all of its right, title, and interest in all such Acquired Interests to ZaZa, without warranty of title, express, implied, or otherwise, except for any warranties made by the transferor to EOG, and further except as to claims by, through, and under EOG. If such an Acquired Interest lies partially within and partially outside the boundaries of Earned Acreage, then the portion of the total reimbursement amount applicable to such Acquired Interest shall be proportionately reduced on a surface acreage basis, and as to such Acquired Interest, the assignment from EOG to ZaZa shall be limited to that portion of the Acquired Interest lying outside the boundaries of the Earned Acreage. Notwithstanding the foregoing, ZaZa may request to acquire less than all of the Acquired Interests included in EOG's notice, and EOG, in its sole discretion, may agree or decline to assign less than all of such Acquired Interests to ZaZa. If EOG agrees to assign less than all of such Acquired Interests to ZaZa, then the reimbursement amount will be reduced accordingly.

With respect to Phase II, "**Earned Acreage**" shall mean 10,000 Net Acres for each horizontal Phase II Commitment Well, which shall include the ZaZa Leasehold surrounding the applicable horizontal Phase II Commitment Well and, to the greatest extent possible, other ZaZa Leasehold contiguous with same, and may include outlying tracts in the same vicinity of same. Thus, if EOG fully satisfies the specified drilling and completion requirements for both horizontal Phase II Commitment Wells, then the Earned Acreage for Phase II shall consist of all acreage covered by the Phase II Leases.

EOG shall designate the Earned Acreage for the first horizontal Phase II Commitment Well as to which EOG has satisfied the specified drilling and completion requirements in a written notice delivered to ZaZa within sixty (60) days after satisfying such requirements for such Commitment Well.

Other than as described in this Section 3.2.3, EOG shall have no liability or penalty to ZaZa under this Agreement for failing to satisfy its Commitment Well requirements with respect to the Phase II Commitment Wells.

2.15 Phase III.

If EOG satisfies all Commitment Well obligations of Phase II as set forth in Section 3.2, then EOG shall have the option (but not the obligation) at

its sole discretion to conduct additional drilling to earn additional interests in ZaZa Leasehold under this Section 3.3 ("**Phase III**"). To elect to enter into Phase III, EOG must notify ZaZa in writing of its election by the later of: (A) sixty (60) days after satisfaction of its obligations under Phase II but in any event no later than April 1, 2015; or (B) January 31, 2015. Such notice shall designate the Leases selected by EOG for Phase III, which shall comprise such net leasehold acreage as will collectively deliver 15,000 Net Acres to EOG and will consist of ZaZa Leasehold interests in contiguous acreage to the greatest extent possible and may include any outlying tracts that are not contiguous but are in the vicinity of such acreage. Upon delivery to ZaZa of such election, ZaZa shall promptly take such actions as necessary to notify the holders of all Preferential Rights and Required Consents applicable to the selected Leases, and to seek the appropriate waivers or consents from such holders. If ZaZa is unable to obtain any such waivers of Preferential Rights or any Required Consents within 30 days after EOG's delivery to ZaZa of the notice designating the Leases for Phase III (or, with respect to Preferential Rights, such longer period as is specified in the terms and conditions of the Preferential Right), EOG shall identify other Leases to substitute for the affected Leases, which lands associated with such identified Leases must be contiguous with the originally designated Leases to the greatest extent possible . If any Preferential Right or Required Consent applies to any substitute Lease, then ZaZa shall seek waivers of such Preferential Rights and Required Consents consistent with the requirements of this Section 3.3. All further obligations of the Parties which follow in this Section 3.3 with respect to such acreage burdened by Preferential Rights or Required Consents shall be conditioned on ZaZa securing the required waivers of Preferential Rights and any Required Consents on the Leases or substitute Leases identified by EOG in its election, which Leases and substitute Leases must comprise such net leasehold acreage as will collectively deliver 15,000 Net Acres to EOG. Following this process, the Leases and such substitute Leases ultimately selected by EOG for Phase III shall constitute the "**Phase III Leases**".

2.15.1. Phase III Cash Consideration; Phase III Assignment .

Within ten (10) days after final selection of the Phase III Leases, (a) EOG shall: (i) remit payment to ZaZa, in cash (U.S. dollars) by federal funds wire transfer to an account designated by ZaZa, an amount equal to the sum of $20,000,000.00 (the "**Phase III Cash Consideration**"), (ii) execute and deliver to ZaZa an original of the assignment of Phase III Leases described immediately below, and (iii) execute, acknowledge (if applicable), and deliver to ZaZa all other agreements, instruments, and documents as may be reasonably required by ZaZa to complete the Third Closing; and (b) subject to the reassignment obligations set forth below in Section 3.3.3, ZaZa shall: (i) execute and deliver to EOG, in the form of

assignment attached as Exhibit "G-l" (or, if the Phase III Leases include Range-ZaZa Leasehold, in the form of assignment attached as Exhibit "G-2") in sufficient counterparts for recording in each county in which the Phase III Leases are located, an assignment of an undivided seventy-five percent (75%) of 8/8ths interest in the Phase III Leases (except that, with respect only to Range-ZaZa Leasehold, the assignment shall be such other percentage as is described in Section 2.5.2), and all associated rights therewith, (ii) deliver to EOG a fully executed and recordable original partial release of the U.S. Bank Mortgage as to any interest to be assigned to EOG with respect to the Phase III Leases, in sufficient counterparts for recording in each county in which the Phase III Leases are located, in a form reasonably approved by EOG, and (iii) execute, acknowledge (if applicable), and deliver to EOG all other agreements, instruments, and documents as may be reasonably required by EOG to complete the Third Closing. ZaZa shall deliver (or cause to be delivered) to EOG the same net revenue interest in each Lease as ZaZa held as of the Effective Date, free of any Encumbrances subsequently created by ZaZa after the Effective Date.

2.15.2. Phase III Commitment Wells and Target Intervals.

In addition to payment of the Phase III Cash Consideration by EOG to ZaZa, EOG further commits to drill three (3) wells at locations selected by EOG (after consultation with ZaZa) (the "**Phase III Commitment Wells**"), to test the Target Intervals; provided, however, that unless the Parties agree otherwise, (a) the wellbores for each Phase III Commitment Well shall be located such that all production therefrom is allocated solely to Phase I Leases, Phase II Leases, or Phase III Leases, and (b) the wellbore for at least one Phase III Commitment Well shall be located such that all production therefrom is allocated solely to Phase III Leases. Except for (i) one monitoring well during Phase III (other than the Phase III vertical Commitment Well described below), and (ii) wells which are necessary to maintain Phase I Leases, Phase II Leases or Phase III Leases, the Phase III Commitment Wells shall be the seventh, eighth, and ninth wells drilled and Completed by EOG, respectively, in the Project Area, and EOG shall not commence drilling any additional wells during Phase II prior to electing into Phase III and drilling and Completing the Phase III Commitment Wells.

The three (3) Phase III Commitment Wells shall consist of one vertical Lower Cretaceous Interval test, with respect to which EOG will use reasonable commercial efforts as a reasonable prudent operator to drill to the stratigraphic equivalent of the base of the [*] Formation, which occurs at a measured depth of [*] as shown on the [*] logs dated [*] for the [*] well, API No. 42-471 [*], Walker County, Texas, in the Lower Cretaceous Interval, and two horizontal Eagle Ford Interval tests, the order of drilling

to be at EOG's sole discretion. EOG shall bear 100% of the Costs through Completion in each Phase III Commitment Well and shall provide ZaZa up to an additional $1,250,000.00 in work credit to be applied on ZaZa's behalf for non-Phase III Commitment Well expenditures. Without limitation, said work credit may be applied by EOG, at ZaZa's election, toward ZaZa's share of: costs and expenses for a well (including a monitoring well) other than a Commitment Well during Phase III; cost of 3D seismic acquisition; cost of microseismic monitoring of completion operations; and/or such other work activity as may be conducted during Phase III.

Subject to Section 3.9, each Phase III Commitment Well and its associated carry obligation shall be deemed satisfied by EOG (A) drilling to the Target Interval and (B) using reasonable commercial efforts as a reasonable prudent operator to Complete the Commitment Well (and in the case of horizontal tests, using reasonable commercial efforts as a reasonable prudent operator to drill a lateral or horizontal drainhole the minimum of four thousand feet (4,000') in length in the Target Interval), whether or not the Commitment Well (vertical or horizontal) is successfully Completed as a well capable of producing in paying quantities. In drilling horizontal tests, EOG will use its reasonable commercial efforts as a reasonable prudent operator to drill a lateral or horizontal drainhole a minimum of four thousand feet (4,000') in length in the Target Interval. However, EOG shall have the option to limit horizontal drilling to such shorter length as may be deemed prudent, in EOG's commercially reasonable discretion as a reasonable prudent operator, based on factors including then-existing hole conditions, equipment limitations, geologic factors or other relevant technological or mechanical considerations that would render further lateral drilling impracticable, provided, however, the Commitment Well obligation for a horizontal well shall not be deemed satisfied unless a lateral has been drilled to at least one thousand five hundred feet (1,500') in length In the Target Interval.

EOG must commence operations for drilling the third Phase III Commitment Well on or before December 31, 2015.

2.15.3. Failure to Satisfy Phase III Commitment Well Obligations.

If EOG fails to fully satisfy the specified drilling and completion requirements for all three (3) Phase III Commitment Wells:

(i) this Agreement shall terminate;
(ii) EOG shall forfeit the Phase III Cash Consideration; and

(iii) within thirty (30) days after the occurrence of such Early Termination Event, EOG shall reassign the Phase III Leases to ZaZa insofar and only insofar as they cover all of the lands covered thereby and not included in Earned Acreage; and

(iv) within thirty (30) days after the occurrence of such Early Termination Event, EOG shall provide notice to ZaZa identifying (a) all Acquired Interests in which ZaZa participated and which are outside the boundaries of all Earned Acreage, and (b) the aggregate amount of EOG's Participation Interest share of the Acquisition Costs for such Acquired Interests, and ZaZa shall have the option, but not the obligation, to acquire all of EOG's right, title, and interest in such Acquired Interests. Within thirty (30) days after delivery of such notice, ZaZa shall notify EOG whether it elects to exercise its option to acquire all of EOG's right, title, and interest in such Acquired Interests. ZaZa's failure to notify EOG of its election within thirty (30) days after delivery of such notice shall be conclusively deemed an election to acquire all of EOG's right, title, and interest in such Acquired Interests. If ZaZa so elects, ZaZa shall reimburse EOG for the aggregate amount specified in EOG's notice and, further, concurrently with such payment, EOG shall assign all of its right, title, and interest in all such Acquired Interests to ZaZa, without warranty of title, express, implied, or otherwise, except for any warranties made by the transferor to EOG, and further except as to claims by, through, and under EOG. If such an Acquired Interest lies partially within and partially outside the boundaries of Earned Acreage, then the portion of the total reimbursement amount applicable to such Acquired Interest shall be proportionately reduced on a surface acreage basis, and as to such Acquired Interest, the assignment from EOG to ZaZa shall be limited to that portion of the Acquired Interest lying outside the boundaries of the Earned Acreage. Notwithstanding the foregoing, ZaZa may request to acquire less than all of the Acquired Interests included in EOG's notice, and EOG, in its sole discretion, may agree or decline to assign less than all of such Acquired Interests to ZaZa. If EOG agrees to assign less than all of such Acquired Interests to ZaZa, then the reimbursement amount will be reduced accordingly.

With respect to Phase III, "**Earned Acreage**" shall mean 7,500 Net Acres for each horizontal Phase III Commitment Well, which shall include the ZaZa Leasehold surrounding the applicable horizontal Phase III Commitment Well and, to the greatest extent possible, other ZaZa Leasehold contiguous with same, and may include outlying tracts in the same vicinity of same. Thus, if EOG fully satisfies the specified drilling and completion requirements for both horizontal Phase III Commitment Wells, then the Earned Acreage for Phase III shall consist of all acreage covered by the Phase III Leases, EOG shall designate the Earned Acreage for the first horizontal Phase III Commitment Well as to which EOG has

satisfied the specified drilling and completion requirements in a written notice delivered to ZaZa within sixty (60) days after satisfying such requirements for such Commitment Well.

Other than as described in this Section 3.3.3, EOG shall have no liability or penalty to ZaZa under this Agreement for failing to satisfy its Commitment Well requirements with respect to Phase III.

2.16 **Lease Protection Wells.** If EOG elects to drill any well that is necessary to maintain a Lease pursuant to Section 3.2.2(ii) or Section 3.3.2(ii), EOG shall bear 100% of the Costs through Completion for such well as if such well were a Commitment Well, and such well shall be designated as a Commitment Well that satisfies EOG's obligations with respect to one of its Commitment Wells in Phase II or Phase III, as the case may be. If EOG elects not to proceed with Phase II or Phase III, as the case may be, and has satisfied its Commitment Well obligations for the preceding Phase, then upon 20 calendar days' notice, ZaZa will reimburse EOG for ZaZa's Participating Interest share of the Costs through Completion for such additional carried well. Notwithstanding the preceding, ZaZa shall have the right to elect (prior to the spud date) to pay its Participation Interest share of costs for any Lease maintenance well proposed pursuant to Section 3.2.2(ii) or Section 3.3.2(ii), in which case, should ZaZa elect to participate, such well shall not count as a Commitment Well.

2.17 **Treatment of Overrides.**

2.17.1. **Pre-3/11/13 Merger ORRIs.** With respect to each Commitment Well that is Completed and is capable of producing, ZaZa shall bear 100% of any burdens associated with the Pre-3/11/13 Merger ORRIs out of its Participation Interest share until Payout. From and after Payout for a Commitment Well, and at all times for any other well drilled on the Leases, the Pre-3/11/13 Merger ORRIs for such well shall be treated as any other royalty burdening the leasehold estate, with such burden shared according to the Parties' respective Participation Interests.

2.17.2. **Post-3/11/13 Merger ORRIs.** With respect to any well (including any Commitment Well) drilled on the Leases, ZaZa shall bear 100% of any burdens associated with the Post-3/11/13 Merger ORRIs out of its Participation interest share at all times.

2.18 **Substitute Wells.** If EOG is unable to satisfy the specified requirements for any Commitment Well because of mechanical or other operational difficulties or because the well encounters excessive water flow, loss of circulation, excessive pressures, cavities, caprock, salt or salt dome material, heaving shale or other practicably impenetrable conditions which would, in the opinion of a reasonable prudent operator, render further drilling impracticable, then EOG may at its sole discretion (after consultation with ZaZa), commence drilling operations on a substitute Commitment Well at another location selected by EOG, with the

exception of Phase I, Well No. 2, at EOG's sole discretion (after consultation with ZaZa) ("**Substitute Well**"), within the Project Area within ninety (90) days after completion of abandonment obligations for the well being replaced (or shorter time period if required to comply with the ZaZa Leasehold lease obligations) and thereupon the Substitute Well shall be considered and treated for all purposes hereunder as though the same is a Commitment Well.

2.19 **Joint Operating Agreement.** The Parties agree to execute the joint operating agreement attached hereto as Exhibit "D" ("**JOA**") based on the 1989 AAPL Model Form Joint Operating Agreement and naming EOG as Operator (as defined in the JOA). The JOA shall govern operations on the Project Area. The "Contract Area" (as defined in the JOA) covered by the JOA shall be the same as the Project Area less and except any lands covered by the Range-ZaZa JOA. The interests of the Parties in the "Contract Area" of the JOA shall be EOG 75% and ZaZa 25%. On the expiration of the Term (unless EOG has fully satisfied its earning obligations for Phases I, II and III as set forth in Section 3), the Parties shall amend the JOA to modify the "Contract Area" to cover the Project Area insofar and only insofar as to include lands covered by Leases in which EOG retains an undivided interest.

2.20 **Thrice-Yearly Technical and Operational Meetings.** EOG agrees to conduct, at EOG's offices, thrice-yearly meetings with ZaZa on technical and operational aspects of EOG's present and future activities on the Project Area. At least every four (4) calendar months, EOG shall provide to ZaZa the following reports and data to the extent generated from operations conducted on the Project Area: (i) a work report estimating drilling and other activities for the next 12 months, (ii) a land report showing leases under negotiation and an estimate of land acquisitions over the next 12 months, (iii) copies of all logs or surveys, including in digitally recorded format if available, daily drilling and production reports, (iv) copies of all tests and core data, (v) copies of written notices provided to EOG by any third Person regarding violations or potential violations of Applicable Law or Permits, (vi) copies of all regulatory reports filed by EOG with any Governmental Entity, and (vii) copies of all title opinions, including as applicable drill site title opinions and division order title opinions; provided, however, that if any such reports are prepared by a third Person that is not an Affiliate of EOG, then unless the costs of such third Person's services are chargeable to the joint account under the JOA, EOG shall not be required to provide such third Person reports to ZaZa.

2.21 **Well and Technical Data.** EOG shall furnish ZaZa with the notices, reports and other data as provided in Exhibit "F" attached hereto, and to conduct the tests and surveys provided for therein, and ZaZa shall have ongoing access to EOG's online platform for data delivery (currently "box.com"). ZaZa shall have the right to send its employees or representatives to observe such tests and surveys and the results thereof; provided, however, ZaZa and its Representatives shall observe such tests, surveys, and results at the sole risk and expense of ZaZa, which shall be fully liable for all damages, liabilities, and destruction of property or injury or

death of individuals resulting from, or in any way attributable to, the actions of ZaZa or its Representatives while such individuals are on the Project Area.

2.22 **Excess Leases.** Following final selection of the Phase III Leases, EOG shall have the option (but not the obligation) to notify ZaZa that EOG elects to acquire an undivided interest (as described below) in any remaining ZaZa Leasehold within the Project Area for an additional payment of [*] per Net Acre, excluding the areas depicted on Exhibit "A" as "Excluded Areas." Upon delivery to ZaZa of such election, ZaZa shall promptly take such actions as necessary to notify the holders of all Preferential Rights and Required Consents applicable to the selected Leases, and to seek the appropriate waivers or consents from such holders. Any such Leases as to which all necessary waivers of Preferential Rights and Required Consents are obtained shall constitute the "**Assigned Excess Leases**," and the sum of [*] per Net Acre in the Assigned Excess Leases shall constitute the "**Excess Lease Consideration**." Within ten (10) days after ZaZa has provided EOG with all necessary waivers of Preferential Rights and Required Consents with respect to the Assigned Excess Leases, EOG shall remit the Excess Lease Consideration to ZaZa, in cash (U.S. dollars) by federal funds wire transfer to an account designated by ZaZa, and contemporaneously therewith ZaZa shall assign to EOG an undivided seventy-five percent (75%) of 8 /8ths interest in the Assigned Excess Leases (except that, with respect only to Range-ZaZa Leasehold, the assignment shall be such other percentage as is described in Section 2.5.2), and all associated rights therewith. Such assignment shall be on the form of assignment attached as Exhibit "G-1" (or, if the Assigned Excess Leases include Range-ZaZa Leasehold, in the form of assignment attached as Exhibit "G-2"). For avoidance of doubt, EOG shall have no reassignment obligation with respect to the Assigned Excess Leases, regardless whether EOG fully satisfies its Commitment Well requirements with respect to Phase III.

2.23 **REPRESENTATIONS AND WARRANTIES**

2.24 **ZaZa's Representations and Warranties.** ZaZa Corporation and ZaZa LLC each represents and warrants (as to itself and not with respect to the other, and further, as to those representations and warranties described in Sections 4.1(d), (e), (f), (j), (k), (l), and (m) below, only to the extent of its ownership interest in the ZaZa Leasehold), as of the date of this Agreement and as of the date of each Closing, to E OG that:

(a) ZaZa Corporation is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to own properties and conduct oil and gas operations in the State of Texas; and (ii) ZaZa LLC is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Texas and is duly qualified to own properties and conduct oil and gas op erations in the State of Texas;

(b) the execution and delivery of this Agreement have been, and the performance of this Agreement and the Transactions are, duly and validly authorized by all requisite action on the part of it, including due approval by it in accordance with its governing documents;

(c) it is not in breach or default of the obligations under the Range-ZaZa JV Agreement, nor has it received any notice from, and to its Knowledge there is not any assertion by, Range, any Governmental Entity, or any other Person claiming any violation or repudiation of the Range-ZaZa JV Agreement or any violation of any Applicable Law with respect to same;

(d) (i) the ZaZa Leasehold comprises no less than: fifty-five thousand (55,000) Net Acres as of the First Closing, thirty-five thousand (35,000) Net Acres as of the Second Closing, and fifteen thousand (15,000) Net Acres as of the Third Closing; (ii) it owns the ZaZa Leasehold free and clear of the claims of any Person claiming by, through or under it other than Permitted Encumbrances; (iii) no consent, approval, order or authorization of, or declaration, filing or registration with, any Governmental Entity or any other Person (including any consents under the Leases) is required to be obtained or made by it in connection with the Transactions other than those certain consents to assign (the "**Required Consents**") required under the instruments, documents, and agreements set forth on Schedule 4.1(d)(iii); and (iv) no part of the ZaZa Leasehold is subject to any Preferential Right, rights of first refusal, or similar rights;

(e) it has not created, assigned, conveyed, suffered, or permitted to exist any Encumbrance on all or any part of the Project Area or ZaZa Leasehold other than the Permitted Encumbrances;

(f) except as set forth on Schedule 4.1(f), no Proceeding is pending or, to its Knowledge, threatened, on all or any portion of the ZaZa Leasehold, or on its ability to consummate the Transactions, or which could materially and adversely affect EOG's ownership or operations of the ZaZa Leasehold;

(g) there are no bankruptcy, reorganization, or similar arrangement proceedings pending, being contemplated by, or threatened against it or any of its Affiliates;

(h) it has knowledge, skill, and experience in financial, business, and investment matters relating to the Transactions and is capable of evaluating the merits and risks of the Transactions. To the extent deemed necessary by it, it has retained, at its sole expense, and relied upon, appropriate professional advice regarding the investment, tax, and legal merits and consequences of its execution of this Agreement;

(i) neither it nor any of its Affiliates has incurred any obligation or entered into any agreement for any investment banking, brokerage, or finder's fee,

or commission in respect of the Transactions for which EOG or any Affiliate of EOG shall incur any liability;

(j) (i) it has paid all Taxes on or relating to the ZaZa Leasehold, which are currently due and payable as required by Applicable Law prior to delinquency; (ii) there is not currently in effect any extension or waiver by it of any statute of limitations of any jurisdiction regarding the assessment or collection of any such Tax related to the ZaZa Leasehold; (iii) the ZaZa Leasehold is not bound as of the Effective Date by any tax partnership agreement that will be binding upon EOG; (iv) it is not a nonresident alien, foreign person, foreign partnership, foreign trust, foreign estate, or foreign corporation (as those terms are defined in the Code); and (v) it is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and is not otherwise subject to regulation under or the restrictions of such act;

(k) (i) it has not received written notice of any request or demand for payments, adjustments of payments or performance pursuant to the obligations under all or any portion of the ZaZa Leasehold that are still outstanding; (ii) it has not received a written notice of default with respect to the payment or calculation of royalties, overriding royalties, rentals, or bonuses that has not been cured; (iii) all bonus, rental, and other payments provided in the Leases (excluding the Range-ZaZa Leasehold) due and payable have been paid; and (iv) to its Knowledge, all bonus, rental, and other payments with respect to the Range-ZaZa Leasehold due and payable have been paid;

(l) ZaZa Corporation and ZaZa LLC, collectively, have title that is properly filed for record in the appropriate public records in a manner sufficient to give constructive notice to third Persons and which (i) with respect to each Lease, covers the number of Net Acres set forth for such Lease in Exhibit "B-1"; (ii) shall entitle EOG to a net revenue interest ("**NRI**") in each Lease and all oil, gas, and other hydrocarbons and minerals produced therefrom that is not less than the NRI set forth in Exhibit "B-1" for such Lease, proportionately reduced to the assigned working interest; and (iii) is free and clear of Encumbrances other than the. Permitted Encumbrances; and

(m) each Lease has a primary term expiring no sooner than the date set forth for such Lease on Exhibit "B-1".

Any references to the ZaZa Leasehold in Section 4.1 above shall be interpreted to mean (A) with respect to the date of this Agreement and the First Closing, the entire ZaZa Leasehold; (B) with respect to the Second Closing, the ZaZa Leasehold less and except for the Phase I Leases; and (C) with respect to the Third Closing, the ZaZa Leasehold less and except for the Phase I Leases and Phase II Leases and (D) if applicable, with respect to the Fourth Closing, any

remaining ZaZa Leasehold within the Project Area less and except the Phase I Leases, Phase II Leases, and the Phase III Leases.

The representations and warranties of ZaZa contained in this Agreement and in any assignment executed hereunder are exclusive and are in lieu of all other representations and warranties, express, implied, statutory, or otherwise, whether contained in any writing or communicated orally and whether made by ZaZa or its Representatives. Without limitation of the foregoing, and except as provided for in this Agreement and in any assignment executed hereunder, ZaZa expressly disclaims any and all such other representations and warranties, including as to (i) title to any of the ZaZa Leasehold, (ii) the contents, character or nature of any Files or information provided by ZaZa or its Representatives; (iii) the quantity, quality or recoverability of hydrocarbons in or from the ZaZa Leasehold or any estimates of the value or future revenues to be generated from the ZaZa Leasehold.

2.25 **EOG's Representations and Warranties.** EOG represents and warrants to ZaZa, as of the date of this Agreement and as of the date of each Closing, that:

(a) EOG is a corporation duly formed, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to own properties and conduct oil and gas operations in the State of Texas;

(b) the execution and delivery of this Agreement has been, and the performance of this Agreement and the Transactions are, duly and validly authorized by all requisite action on the part of LOG, including due approval by LOG in accordance with its governing documents;

(c) EOG has knowledge, skill, and experience in financial, business, and investment matters relating to the Transactions and is capable of evaluating the merits and risks of such transactions. To the extent deemed necessary by EOG, EOG has retained, at its sole expense, and relied upon, appropriate professional advice regarding the investment, tax, and legal merits and consequences of its execution of this Agreement; and

(d) neither EOG nor its Affiliates has incurred any obligation or entered into any agreement for any investment banking, brokerage, or finder's fee, or commission in respect of the Transactions for which ZaZa or any Affiliate of ZaZa shall incur any liability.

The representations and warranties of EOG contained in this Agreement and in any assignment executed hereunder are exclusive and are in lieu of all other representations and warranties, express, implied, statutory, or otherwise, whether contained in any writing or communicated orally and whether made by EOG or its

Representatives. Without limitation and in any assignment executed hereunder, EOG expressly disclaims any and all such other representations and warranties.

(e) **CONDITIONS PRECEDENT TO FIRST CLOSING; FIRST CLOSING OBLIGATIONS; TERMINATION; ADDITIONAL COVENANTS AND OBLIGATIONS**

2.26 Conditions Precedent to First Closings.

2.26.1. Conditions Precedent to EOG's Obligation to Close. EOG's obligation to take the actions required of EOG at the First Closing is subject to the satisfaction, at or prior to the First Closing, of each of the following conditions (any of which may be waived by EOG, in whole or in part):

(a) All of ZaZa's representations and warranties in this Agreement must have been accurate in all material respects (or, with respect to representations and Warranties qualified by materiality, in all respects) as of the date of this Agreement, and same must be accurate in all material respects (or, with respect to representations and warranties qualified by materiality, in all respects) as of the First Closing Date as if made on the First Closing Date;

(b) All of the covenants, agreements, conditions, and obligations that ZaZa is required to perform or to comply with pursuant to this Agreement at or prior to the First Closing must have been duly performed and complied with in all material respects;

(c) ZaZa must deliver each document, instrument, and agreement required to be delivered by it pursuant to Section 5.2.1; and

(d) EOG must have completed its due diligence review of the ZaZa Leasehold (including title thereto) and the Project Area and be reasonably satisfied that it can identify Leases to select for Phase I comprising twenty thousand (20,000) Net Acres as to which no more than ten percent (10%) of same is affected by Defects. Without limitation, for purposes of this Section 5.1.1(d), only, any of the following shall be reasonably considered a "**Defect**":

(i) a fact, event, condition, or matter that would cause or result in the representations and warranties contained in Sections 4.1(d), (e), (f), (j), (k), (l), or (m) to be untrue or inaccurate, in whole or in part;

(ii) a fact, event, condition, or matter that would materially affect or interfere with the development of a Lease or the operation, use, or ownership thereof, including conditions arising from other operations, surface or subsurface conditions, third-Person objections, or Governmental Entity restrictions;

(iii) a materially adverse restriction or drilling requirement imposed by a Lease (regardless of whether termination of the Lease in whole or in part is the only penalty for noncompliance);

(iv) the absence from a Lease of adequate pooling, unitization or communitization authority or other provisions reasonably necessary for EOG to form a pooled unit;

(v) a condition of default of the lessee's obligations under a Lease (or the written notice thereof by a third-Person); or

(vi) a depth limitation in a Lease that would prevent EOG from drilling to the Target Interval for any Commitment Well.

2.26.2. Conditions Precedent to ZaZa's Obligation to Close. ZaZa's obligation to, take the actions required of ZaZa at the First Closing is subject to the satisfaction, at or prior to the First Closing, of each of the following conditions (any of which may be waived by ZaZa, in whole or in part):

(a) All of EOG's representations and warranties in this Agreement must have been accurate in all material respects (or, with respect to representations and warranties qualified by materiality, in all respects) as of the date of this Agreement, and must be accurate in all material respects (or, with respect to representations and warranties qualified by materiality, in all respects) as of the First Closing Date as if made on the First Closing Date;

(b) All of the covenants, agreements, conditions, and obligations that EOG is required to perform or to comply with pursuant to this Agreement at or prior to the First Closing must have been duly performed and complied with in all material respects; and

(c) EOG must deliver each document, instrument, and agreement required to be delivered by it pursuant Section 5.2.

2.27 First Closing Obligations.

2.27.1. ZaZa's Closing Deliverables. At the First Closing, ZaZa shall deliver to EOG

(a) an executed and acknowledged original assignment of the Phase I Leases in sufficient counterparts for recording in each county in which the Phase I Leases are located, in the form attached hereto as Exhibit "G-2", dated effective as of the Effective Date;

(b) an executed original JOA dated effective as of the Effective Date;

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(c) an executed and acknowledged original Memorandum of JOA, in sufficient counterparts for recording in each county in which the Leases are located, in the form attached hereto as Exhibit "E";

(d) executed original Federal Foreign Investment in Real Property Tax Act of 1980 and 1984 (FIRPTA) certificates for ZaZa Corporation and ZaZa LLC, in the form attached hereto as Exhibit "J";

(e) a written, executed settlement statement regarding the Transactions with respect to the First Closing, in a form reasonably approved by the Parties;

(f) a copy of the Letter Agreement executed by ZaZa and Range, in a form approved by EOG;

(g) fully executed copies of all Required Consents (including signatures of all consenting parties) required under the instruments, documents, and agreements set forth on Schedule 4.1(d)(iii);

(h) a fully executed original Surface Use Agreement by and among ZaZa LLC, Rayonier Forest Resources, L.P., and TerraPointe LLC, in a form approved by EOG;

(i) a fully executed and recordable original partial release of the U.S. Bank Mortgage as to any interest to be assigned to EOG with respect to the Phase I Leases, in sufficient counterparts for recording in each county in which the Phase I Leases are located, in a form reasonably approved by EOG;

(j) an executed and acknowledged original Memorandum of Joint Exploration and Development Agreement, in sufficient counterparts for recording in each county in which the Leases are located, in the form attached hereto as Exhibit "I";

(k) an executed original letter from Range to ZaZa confirming that ZaZa has satisfied all covenants and obligations set forth in the Fifth Amendment to the Range-ZaZa JV Agreement with respect to the Re-entry Well (as defined in the Range-ZaZa JV Agreement), in a form approved by EOG; and

(l) all other executed and acknowledged (if applicable) agreements, instruments, and documents as may be reasonably required by EOG to complete the Transactions.

2.27.2. EOG's Closing Deliverables. At the First Closing, EOG shall deliver to ZaZa:

(a) an executed and acknowledged original assignment of the Phase I Leases in the form attached hereto as Exhibit "G-2" dated effective as of the Effective Date;

(b) an executed original JOA dated effective as of the Effective Date;

(c) an executed and acknowledged original Memorandum of JOA in the form attached hereto as Exhibit "E";

(d) a written, executed settlement statement regarding the Transactions with respect to the First Closing, in a form reasonably approved by the Parties;

(e) a copy of the Letter Agreement executed by EOG;

(f) an executed and acknowledged original Memorandum of Joint Exploration and Development Agreement in the form attached hereto as Exhibit "I";

(g) all other executed and acknowledged (if applicable) agreements, instruments, and documents as may be reasonably required by ZaZa to complete the Transactions; and

(h) payment of the Initial Cash Consideration pursuant to Section 1.

2.28 Termination.

2.28.1. Termination Events. This Agreement may be terminated:

(a) by mutual written consent of the Parties, given prior to or at the First Closing; or

(b) by written notice from either Party if the First Closing has not occurred (other than as a result of a material breach of any covenant, representation, or condition contained in this Agreement by the Party seeking to terminate this Agreement) on or before April 10, 2013.

2.28.2. Effect of Termination. If this Agreement is terminated pursuant to Section 5.3.1, all further right and obligations of the Parties under this Agreement shall terminate.

2.29 ZaZa's Additional Covenants and Obligations.

(a) Unless otherwise previously furnished to EOG, upon the execution of this Agreement, ZaZa shall promptly deliver to EOG copies of (i) all logs, drilling reports, regulatory filings, and samples of all cuttings and cores, and all other well data pertaining or relating to the Commodore and Stingray Wells, and (ii) the Files, to the extent such data and records can be provided to EOG without the consent of or payment to any third Person (provided that ZaZa will use reasonable efforts to obtain any such consent) or without, in ZaZa's reasonable opinion, breaching, or risking a breach of, agreements with other Persons or waiving, or risking waiving, legal privilege.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

(b) Notwithstanding anything to the contrary in this Agreement, between the date of this Agreement and the date of each Closing, ZaZa shall not (and shall not commit to), without EOG's prior written consent:

(i) take any action that would cause its representations or warranties under this Agreement to be materially incorrect (or, with respect to representations and warranties qualified by materiality, incorrect in any respect) as of the date of any Closing;

(ii) commence, propose, or agree to participate in any operations with respect to the Leases other than operations proposed by EOG under the JOA or by Range under the Range-ZaZa JOA;

(iii) go non-consent as to any operations with respect to any Range-ZaZa Leasehold that has not been assigned to EOG under this Agreement;

(iv) terminate, release, cancel, amend, alter, or modify any Lease (in whole or in part);

(v) enter into any Contract that would adversely affect EOG's ability to use, own, or operate the Leases; or

(vi) sell, convey, grant, bargain, set over, deliver, transfer, or assign to any Person, or otherwise encumber, all or any portion of the ZaZa Leasehold, if and to the extent such action would render ZaZa unable to perform its covenants and obligations under this Agreement.

References to the ZaZa Leasehold in Section 5.4(b)(vi) immediately above shall be interpreted to mean (A) with respect to the date of this Agreement and the First Closing, the entire ZaZa Leasehold; (B) with respect to the Second Closing, the ZaZa Leasehold less and except for the Phase I Leases, (C) with respect to the Third Closing, the ZaZa Leasehold less and except for the Phase I Leases and Phase II Leases; and (D) if applicable, with respect to the Fourth Closing, any remaining ZaZa Leasehold within the Project Area less and except the Phase I Leases, Phase II Leases, and the Phase III Leases.

(c) From and after the Effective Date (and except as provided in Section 5.5(a)), ZaZa shall timely and correctly pay, and (subject to Section 5.5(c)) charge to the joint account under the JOA, all option to lease payments, delay rental payments, shut-in well payments, extension payments and/or renewal leases, and all other payments, required to maintain the Leases in full force and effect within the Project Area, whether inside or outside of the currently elected Phase(s).

(d) If Phase 1, Well No. 2 reaches the Earning Point (as defined in the Range-ZaZa JV Agreement), and Range does not timely exercise its option to

participate in such well in accordance with its rights under the Range-ZaZa JV Agreement or goes non-consent, then ZaZa shall instruct Range to execute an assignment to EOG (in a form reasonably acceptable to EOG) of Range's twenty-five percent (25%) working interest in such well and its associated interest in the applicable Range-ZaZa Leasehold.

(e) If ZaZa's title to any portion of the Net Acres to be delivered to EOG fails due to ZaZa Corporation's or ZaZa LLC's breach of any representation or warranty or other provision of this Agreement, or if there exist facts or circumstances giving rise to a breach or deficiency of one or more representations or warranties of ZaZa Corporation or ZaZa LLC insofar as pertains to title to any specific Oil and Gas Interest, or if ZaZa's title to any portion of the Net Acres subject to any Proceedings set forth on Schedule 4.1(f) fails or is deficient as a result of such Proceedings, then ZaZa shall have ninety (90) days from the date EOG delivers notice to ZaZa reasonably identifying such deficiency or breach to cure such deficiency or breach to the reasonable satisfaction of EOG. In the event such deficiency or breach is not cured to the reasonable satisfaction of EOG within such ninety (90) day period, ZaZa shall promptly assign such substitute Net Acres (acceptable to EOG in its reasonable discretion) as are necessary to replace the affecte d Net Acres from: (i) the Phase 11 Leases (in respect of any Phase I shortfall), (ii) the Phase III Leases (in respect of any Phase II shortfall), or (iii) any other acreage within the AMI (in respect of any Phase III shortfall). If ZaZa cures such deficiency or breach within the ninety (90) day period, EOG shall have no further recourse or remedy against ZaZa in connection with such breach or deficiency. If ZaZa is unable to timely cure such breach or deficiency, but assigns substitute Net Acres to EOG, as described above, within one hundred twenty (120) days after EOG's delivery of notice to ZaZa of the breach or deficiency, such assignment of appropriate substitute Net Acres shall be the sole remedy for any such breach or deficiency of a representation or warranty or. other provision of this Agreement. If ZaZa is unable to timely cure such breach or deficiency and assign substitute Net Acres to EOG, as described above, within said one hundred twenty (120) day period, then ZaZa shall pay to EOG, within ten (10) days, a total amount equal to U.S. [*] per Net Acre affected by such deficiency or breach, as liquidated damages ("**Title Defect Liquidated Damages**"), and EOG shall promptly re-assign its interest in such affected Net Acres back to ZaZa without warranty of title, express, implied, or oth erwise, except as to claims by, through, and under EOG. **It is expressly stipulated by the Parties that the actual amount of damages resulting from ZaZa's failure to timely cure such breach or deficiency or to assign substitute Net Acres, as described above, would be difficult if not impossible to determine accurately because of the unique nature of this Agreement and the Transactions, and that the Title Defect Liquidated Damages are a reasonable estimate by the Parties of such damages**.

(f) From the date of this Agreement through the date of each Closing, ZaZa shall promptly notify EOG in writing if ZaZa obtains Knowledge of any

fact, circumstance, or other condition that causes or constitutes a material breach of any of ZaZa's representations and warranties in this Agreement as of the date of this Agreement or as of the date of each Closing, or if ZaZa obtains Knowledge of the occurrence after the date of this Agreement, or after the date of each Closing, of any fact or condition that would cause or constitute a material breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, ZaZa shall promptly notify EOG if ZaZa obtains Knowledge of the occurrence of any material breach of any covenant of ZaZa in this Section 5.4. From the date of this Agreement to the First Closing Date, ZaZa shall promptly notify EOG if ZaZa obtains knowledge of the occurrence of any event that may make the satisfaction of the conditions in Section 5.1.1 impossible or unlikely.

2.30 EOG`s Additional Covenants and Obligations.

(a) Prior to the expiration of the primary term set forth in the Gibbs Brothers Lease, EOG will enter, into good faith negotiations with the lessors of such Lease and use its reasonable commercial efforts as a reasonable prudent operator to obtain an extension of the primary term by not less than twelve (12) months, whether obtained through an amendment, modification, renewal, or extension of same. EOG shall bear 100% of the expenses associated with obtaining such extension. Regardless of whether EOG is successful in obtaining said primary term extension, EOG's right to earn interest in ZaZa Leasehold under this Agreement shall remain unaffected,

(b) From and after the Effective Date and until EOG has satisfied its obligations under Section 3 of this Agreement, EOG shall not sell, convey, grant, bargain, set over, deliver, transfer, or assign to any Person, or otherwise encumber, all or any portion of the ZaZa Leasehold in which EOG acquires an interest, in each case, other than as would result in a Permitted Encumbrance, and then only if and to the extent such action would not render EOG unable to perform its obligations under this Agreement. (For purposes of only this Section 5.5(b) the definition of "Permitted Encumbrances" is deemed to be amended as appropriate to describe the equivalent or reciprocal encumbrances that would not materially adversely affect any interests to be reassigned by EOG to ZaZa under this Agreement, rather than interests to be assigned by ZaZa to EOG.)

(c) From and after the Effective Date to. December 31, 2013 (and except as provided Section 5.5(a)), EOG shall, pursuant to the joint account under the JOA, pay to ZaZa one-third of the cost paid by ZaZa of all delay rental payments, extension payments and/or renewal leases, and all other payments (but excluding. all option to lease payments), that are required to maintain the Phase I Leases in full force and effect and that are due and payable during such time period. For avoidance of doubt, if Range elects to take a work ing interest in Phase 1, Well No. 2, ZaZa shall retain all rights to reimbursement from Range with

respect to the lease extension costs on the Range-ZaZa Leasehold as set forth in Section 3.2(a) of the Range-ZaZa JV Agreement as amended by the Fifth Amendment thereto. Further, if Range declines to take a working interest in Phase 1, Well No. 2, then EOG shall, pursuant to the joint account under the JOA, pay to ZaZa an additional one-fourth of the cost paid by ZaZa. of all delay rental payments, extension payments and/or renewal leases, and all other payments (but excluding all option to lease payments), that are required to maintain the. Phase I Leases in full force and effect and that are due and payable during such time period. From and after January 1, 2014, EOG shall reimburse ZaZa for its Participation. Interest share of all delay rental payments, shut-in well payments, extension payments and/or renewal leases, and all other payments. (but excluding all option to lease payments), that are required to maintain the Leases in full force and effect within the Project Area, whether inside or outside of the currently elected Phase(s); provided, however, that such obligation shall cease (i) for Leases in any unelected Phase(s) upon EOG's election to not proceed with the next Phase(s) and (ii) for any Lease that EOG is required to reassign to ZaZa pursuant to Sections 3.1.4, 3.2.3, 3.3.3 and 5.4(e) upon its reassignment to ZaZa.

(d) EOG shall not propose or drill more than eight (8) wells at any time prior to Completion of all previous wells drilled by EOG in the Project Area.

(e) From the date of this Agreement through the date of each Closing, EOG shall promptly notify ZaZa in writing if EOG obtains Knowledge of any fact, circumstance, or condition that causes or constitutes a m aterial breach of any of EOG's representations and warranties in this Agreement as of the date of this Agreement or as of the date of each Closing, or if EOG obtains Knowledge of the occurrence after the date of this Agreement, or after the date of each Closing, of any fact or condition that would cause or constitute a material breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, EOG shall promptly notify ZaZa if EOG obtains Knowledge of the occurrence of any material breach of any covenant of EOG in this Section 5.5. From the date of this Agreement to the First Closing Date, EOG shall promptly notify ZaZa if EOG obtains knowledge of the occurrence of any event that may make the satisfaction of the conditions in Section 5.12 impossible or unlikely.

(f) MISCELLANEOUS

2.31 Term and Survival of Specific Provisions. Unless terminated pursuant to Section 5 3 1, the term of this Agreement (the "**Term**") (excepting the AMI provisions of Section 2 and EOG's reassignment obligations under Sections 3.1.4, 3.2.3, 3.3.3 and 5.4(e)) shall extend from the Effective Date until EOG has fully performed its earning obligations for Phases I, II, and Ill as provided in Section 3, unless sooner terminated by any of the following events (each, an "**Early Termination Event**"); EOG's failure to timely commence drilling of any Commitment Well (or Substitute Well therefor) in connection with Phase I, Phase

11, or Phase Ill as provided in Section 3, EOG's failure to satisfy the Commitment Well requirements in Phase I, Phase II, or Phase III, or the failure of EOG to timely elect to participate in Phase II or Phase III. Notwithstanding the foregoing, the following provisions of this Agreement will survive and be applicable, but only to the extent of EOG's retention of any interest in the ZaZa Leasehold after termination:

> Sections 5.5(d), 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12 and 6.14.

If any of these surviving provisions expressly conflicts with any term of the applicable JOA, then the terms of the JOA shall govern. However, the absence of a provision in the JOA that addresses the same subject matter as a surviving provision of this Agreement shall not be deemed a conflict between such provision and the JOA.

2.32 **Construction**. The headings of Sections, Appendices, Exhibits, and Schedules in this Agreement are provided for convenience only and shall not affect its construction or interpretation. Unless otherwise indicated, all references to "Section," "Appendix," "Exhibit," or "Schedule" refer to the corresponding Section, Appendix, Exhibit, or Schedule of this Agreement. Unless otherwise expressly provided herein, the word "including" does not limit the preceding words or terms and (in its various forms) means including without limitation. Each Party has had substantial input into the drafting and preparation of this Agreement and has had the opportunity to exercise business discretion in relation to the negotiation of the details of the Transactions. This Agreement is the result of arm's-length negotiations from equal bargaining positions. This Agreement shall not be construed against any Party, and no consideration shall be given or presumption made on the basis of who drafted this Agreement or any particular provision hereof or who supplied the form of Agreement.

2.33 **Entire Agreement**. This Agreement, together with all exhibits and schedules attached hereto, supersedes all prior negotiations, understandings, letters of intent, agreements, and communications (whether written or oral) between the Parties relating to the Project Area and embodies the entire understanding and agreement between the Parties with respect thereto. Any amendments or modifications to this Agreement shall be in writing and executed by all of the Parties.

2.34 **No Third Person Beneficiaries**. This Agreement shall be binding upon and inure to the benefit of EOG and ZaZa, and each of their respective heirs, legal representatives, successors and permitted assigns. Except as specifically set forth herein, nothing in this Agreement is intended to or shall confer upon any Person other than the Parties, and their respective heirs, legal representatives, successors and permitted assigns any rights, benefits, or remedies of any nature whatsoever under or by reason of this Agreement.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

2.35 **Invalid Terms**. If any term or other provision of this Agreement is determined to be invalid, illegal, or incapable of being enforced by Applicable Law or public policy, all other conditions, terms, and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the Transactions are fulfilled to the maximum extent possible.

2.36 **Governing Law**. The laws of the State of Texas, without regard to any conflict of laws principles, shall be applied in the interpretation, construction, application and for all other matters concerning this Agreement.

2.37 **Successors and Assigns**. This Agreement, including any rights, interests, or obligations contained herein, may not be assigned in whole or in part by either Party without the prior written consent of the other Party. Such consent shall not be unreasonably withheld, conditioned, or delayed. Any attempted assignment made in violation of this provision will be, in the sole discretion of the non-assigning Party (and in addition to any other remedy available to such Party at law or in equity), voidable and of no force and effect, The granting of consent to any assignment will be effective only as to the specific assignment that is the express subject of such consent, and any subsequent assignment that may, be proposed or attempted will be void without the non-assigning Party's prior written consent.

2.38 **Force Majeure**. Should either Party be prevented from complying with any obligation or other requirement of this Agreement (in EOG's case, including the timely commencement of drilling operations for any well during Phase 1, Phase II, and/or Phase III as set forth in Section 3) due to scarcity of or inability to procure or to use any necessary equipment, material, transportation, services, or labor, or due to issuance or enactment of any federal, state or local law, order, rule or regulation, or due to any other circumstances beyond the reasonable control of such Party, Including earthquake, flood, acts of God or of the elements or by public enemies, wa r, insurrection, riot, strike, picketing, boycotting, lockouts, acts of any Governmental Entity, failure or delay (other than an account of price) of third Persons or Governmental Entities from whom a Party is obtaining or must obtain rights of way, easements, Permits, consents or approvals, machinery, materials, equipment, transportation, independent contractors, services or suppliers, including gas gathering or transportation services, to grant or deliver same. (ind ividually and collectively, a "**Force Majeure Event**"), then while so prevented, the impaired Party's performance obligations hereunder shall be suspended, and such Party shall not be liable or responsible to the other Party for any delay, damages, losses, liabilities, or failure occasioned by a Force Majeure Event. If there is a time period provided hereunder for such performance, then the time period shall be extended by the duration of the Force Majeure Event. Notwithstanding the foregoing and any provision contained in any applicable JOA to the contrary: (i) the occurrence of any Force Majeure Event shall never excuse

the making of any payment due to any other Party hereunder; (ii) in any event where the terms of this Section 6.8 are in conflict with the force majeure terms of any oil and gas lease, such terms of the oil and gas lease shall prevail in every instance involving the performance by any Party of any of the obligations of the original lessee of such oil and gas lease; and (iii) no Party shall be required against its will to adjust any labor or similar dispute except in accordance with the Applicable Laws of any Governmental Entity maintaining jurisdiction thereover.

2.39 **Notices**. All notices and other communications hereunder shall be in writing and are deemed duly delivered when (a) delivered if delivered personally or by a nationally recognized overnight courier service (costs prepaid), (b) sent by facsimile (fax) or electronic mail with confirmation of receipt (or, the first Business Day following such transmission if the date of transmission is not a Business Day or if the confirmation of receipt is received after 5 p.m. Central time), or (c) received or rejected by the addressee, if sent by United States of America certified or registered mail, return receipt requested; in each case to the following addresses or facsimile numbers and marked to the attention of the individual (by name or title) designed below (or to such other address, facsimile number or individual as a Party may designate by notice to the other Party):

If to ZaZa: **ZaZa Energy Corporation**
ZaZa Energy LLC
Attn: Vice President Land (cc: Chief Compliance Officer), ZaZa Energy Corporation
1301 McKinney, Suite 2850
Houston, Texas 77010
Fax No (713) 595-1919

If to EOG: **EOG Resources, Inc.**
Attn: Land Manager
6101 S. Broadway, Suite 200
Tyler, Texas 75703
Fax No.: (903) 283-9104

2.40 **Further Assurances**. From time to time following the Effective Date, at the request of a Party, without further consideration, the other Party shall perform such other acts and execute and deliver such other documents and instruments as may be necessary in order to effectuate more fully and effectively the terms and provisions of this Agreement.

2.41 **No Partnerships**. The Parties do not intend to create a mining or any other partnership, joint venture or association by entering into, and performing under, this Agreement The Parties agree that for the purposes of United States federal income taxation; they are not to be taxed as a partnership and each Party will elect to be excluded from the application of all of the provisions of Subchapter "K" Chapter 1, Subtitle "a," the Code, as permitted and authorized by Section 761 of

the Code and the regulations promulgated thereunder. Any liability of the Parties hereunder shall be several, not joint or collective.

2.42 **Public Announcements**. Subject to Applicable Law and the requirements of the principal stock exchange in which any securities of a Party are listed, quoted or admitted for trading; at all times during the Term and AMI Term, no Party shall issue, or permit any of its Representatives to issue, any press release or other public announcement with respect to this Agreement, the operations conducted hereunder or the Transactions without prior mutual discussion among the Parties regarding its content and the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned, or delayed. Any such press release or statement required by Applicable Law shall only be made after reasonable notice to the other Party (to the extent permitted by Applicable Law and the requirements of the principal stock exchange in which any securities of a Party are listed, quoted or admitted for trading).

2.43 **Counterpart Originals**. This Agreement may be executed in counterparts, each of which will be considered an original for all purposes. This Agreement may be validly executed and delivered by facsimile or other electronic transmission.

2.44 **Mutual Confidentiality**. The terms, provisions, and conditions of this Agreement and any materials, information, files, and documentation provided by one Party to the other Party in connection herewith are strictly confidential and proprietary, and shall be treated and maintained as such, and except where otherwise expressly provided hereunder, including Section 6.12 above, neither the terms, provisions, and conditions hereof or any materials, information, and documents received from the other Party in connection herewith shall be disclosed by a Party without the prior written consent of the other Party to any Person not a Party to this Agreement, except to a Party's Representatives, lease holders, lessors, or potential lessors within the Project Area to whom a Party has a need or an obligation to disclose certain information, and such disclosures as may be required by Applicable Law and the requirements of the principal stock exchange in which any securities of a Party are listed, quoted or admitted for trading.

2.45 **Time is of the Essence**. The Parties agree that time is of the essence with respect to this Agreement.

2.46 **Waiver**. EOG or ZaZa may (a) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document, instrument, certificate, or writing delivered pursuant to this Agreement, or (b) waive compliance by the other with any of the other's agreements or fulfillment of any conditions to their own obligations contained in this Agreement. Any agreement on the part of a Party to any such waiver shall be valid only if set forth in an instrument in writing signed by or on behalf of such Party. The failure of a Party to insist in any one or more instance upon the strict performance of any one or more of the obligations under this Agreement, or to

exercise any election herein contained, shall not be construed as a waiver or relinquishment for the future of the performance of such one or more obligations of this agreement or of the right to exercise such election, but the same shall continue and remain in full force and effect with respect to any subsequent breach or omission.

2.47 **Cumulative Remedies**. In the event of a default by a Party in the performance of its obligations pursuant to this Agreement, the JOA, and any other valid agreement or instrument between the Parties, the other Party shall be entitled to all remedies available at law or in equity, and all such remedies shall be cumulative. Should any Party initiate a Proceeding against the other Party to enforce this Agreement, the non-prevailing Party shall be liable for the reasonable and necessary attorneys' fees, costs, and expenses of the prevailing Party.

2.48 **Jurisdiction and Venue**. THE PARTIES AGREE THAT ANY STATE OR FEDERAL COURT OF HARRIS COUNTY, TEXAS, SHALL HAVE EXCLUSIVE JURISDICTION AND VENUE OVER ALL PROCEEDINGS, DISPUTES AND OTHER MATTERS RELATING TO (I) THE INTERPRETATION AND ENFORCEMENT OF THIS AGREEMENT OR ANY ANCILLARY DOCUMENT EXECUTED PURSUANT HERETO, (II) THE PROJECT AREA, AND (III) ANY OBLIGATIONS OF A PARTY THAT MAY SURVIVE THE EXECUTION OF THIS AGREEMENT, AND THE PARTIES EXPRESSLY CONSENT TO AND AGREE NOT TO CONTEST SUCH EXCLUSIVE JURISDICTION AND VENUE TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

2.49 **Limitation of Damages**. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY (EXCEPT AS TO SECTION 6.17 AND THE TITLE DEFECT LIQUIDATED DAMAGES AS DESCRIBED IN SECTION 5.4(E)), IN NO EVENT SHALL EITHER PARTY AND/OR ITS REPRESENTATIVES BE LIABLE FOR ANY INCIDENTAL, CONSEQUENTIAL, SPECIAL, INDIRECT, ECONOMIC, EXEMPLARY, OR PUNITIVE DAMAGES CLAIMED BY THE OTHER PARTY ARISING FROM OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS, EXCEPT TO THE EXTENT SUCH CLAIMING PARTY SUFFERS SUCH DAMAGES TO A THIRD PERSON (EXCLUDING ANY REPRESENTATIVE OF SUCH CLAIMING PARTY).

(*Signature Page Follows*)

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

THIS AGREEMENT is signed by the Parties as of the date shown under their respective signatures, and when signed by the Parties shall be deemed effective as of the Effective Date.

ZaZa Energy Corporation	**ZaZa Energy LLC**
By:	By:
Date:_____	Date:_____

By:
Ernest J. LaFlure
Vice President and General Manager

Date:_____

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 1

List of Exhibits and Schedules

Exhibit "A"	Map of Project Area
Exhibit "B-1"	Schedule of ZaZa Leasehold
Exhibit "B-2"	Schedule of Range-ZaZa Leasehold
Exhibit "C"	Form of Assignment for AMI Acquired Interests
Exhibit "D"	Form of JOA
Exhibit "E"	Form of Memorandum of JOA
Exhibit "F"	Oil and Gas Well Data Sheet
Exhibit "G-1"	Form of Assignment from ZaZa to EOG (where no Range -ZaZa Leasehold is included)
Exhibit "G-2"	Form of Assignment from ZaZa to EOG (where Range -ZaZa Leasehold is included)
Exhibit "H-1"	Pre-3/1/13 Merger ORRIs
Exhibit "H-2"	Post-3/1/13 Merger ORRIs
Exhibit "I"	Memorandum of Joint Exploration and Development Agreement
Exhibit "J"	Form of FIRPTA Certificate
Schedule 4.1(d)(iii)	Required Consents
Schedule 4.1(f)	Proceedings

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Appendix 2

Definitions

"Acquired Interest" has the meaning assigned to such term in Section 2.4.

"Acquired Interest Offer Date" has the meaning assigned to such term in Section 2.4.

"Acquiring Party" has the meaning assigned to such term in Section 2.4.

"Affiliate" means any Person directly or indirectly controlling, controlled by or under common control with a Person. For the purposes of this definition, "control" means possession, directly or indirectly, of the power to direct or cause the direction of management, policies, or action of a Person through ownership of fifty percent (50.0%) or more of the Person's voting rights or other equity rights, pursuant to a written agreement or contract, membership in management or in the group appointing or electing management, or otherwise through formal or informal arrangements or business relationships. The terms "controls", "controlling", and "controlled by" and other derivatives shall be construed accordingly.

"Agreement" has the meaning assigned to such term in the introductory paragraph.

"AMI" has the meaning assigned to such term in Section 2.1.

"AMI Term" has the meaning assigned to such term in Section 2.11.

"Applicable Law" means any statute, law, principle of common law, treaties, rule, regulation, judgment, order, ordinance, requirement, code, writ, injunction, decision, or decree of any Governmental Entity, including the common or civil law and all judgments, decrees, injunctions, writs, orders, or like action of any court, arbitrator, or other Governmental Entity of competent jurisdiction.

"Assigned Excess Leases" has the meaning assigned to such term in Section 3.10.

"Business Day" means a day other than a Saturday, Sunday, or day on which commercial banks in the State of Texas are authorized to require to be closed for business.

"Closing" means any of: (i) the First Closing, (ii) the Second Closing, (iii) the Third Closing, and (iv) if applicable, the Fourth Closing.

"Code" means the Internal Revenue Code of 1986, or any comparable successor statute thereto, as amended.

"Commitment Well" means a Phase I Commitment Well, Phase II Commitment Well, or a Phase III Commitment Well, as applicable.

"Commodore Well" means the Commodore A-1H Well, API No. 471-30353, located in the W. Garrett Survey, Abstract No. 208, Walker County, Texas.

"Complete", "Completion" or "Completed" means (a) for a well capable of producing, the point at which drilling operations have been completed, all well production facilities have been installed on the unit to enable such well to be placed on production under normal operations, and sales of petroleum (either oil or gas) have begun to be made through such surface facilities; and (b) for an unsuccessful well (*e.g.*, dry or abandoned and plugged hole or a well incapable of producing in paying quantities), that all operations in respect of the well (including for its plugging and abandonment) have been completed.

"Contract" means any contract, agreement, instrument, lease (separate from the Leases), license, commitment, understanding, options, or other document, by which any of the ZaZa Leasehold is bound, or that affects, concerns, pertains or relates to, or is used in connection with, the ZaZa Leasehold, including operating agreements; unitization, pooling, and communitization agreements, declarations, and orders; joint venture agreements; farmin and farmout agreements; water rights agreements; production handling agreements; exploration agreements; development agreements; participation agreements; exchange agreements; compressor rental agreements; transportation or gathering agreements; and agreements for the sale of oil, gas or other hydrocarbons.

"Defect" has the meaning assigned to such term in Section 5.1.1(d).

"Eagle Ford Interval" means the stratigraphic equivalent of the interval depicted between the depths of **[*]** as shown [*].

"Early Termination Event" has the meaning assigned to such term in Section 6.1.

"Earned Acreage" has the meaning assigned to such term in Section 3.1.4, 3.2.3, or 3.3.3, as applicable.

"Effective Date" has the meaning assigned to such term in the introductory paragraph.

"Encumbrance" means any burden (including any royalty or other interest), claim, lien, lis pendens, mortgage, deed of trust, security interest, pledge, charge, option, right-of-way, easement, right-of-way, encroachment, or encumbrance of any kind whatsoever.

"EOG" has the meaning assigned to such term in the introductory paragraph.

"Excess Lease Consideration" has the meaning assigned to such term in Section 3.10.

"Files" means all files (whether originals, copies, or in digital or electronic format), including the Contracts, the Leases, lease files, title files, abstracts of title, title opinions, title information, title commitments, land surveys, maps, data, correspondence, environmental and regulatory files and reports, engineering and production files, accounting files or other portion thereof relating directly to the Project Area or ZaZa Leasehold, seismic records and surveys, gravity maps, geological or geophysical data and records, analyses, interpretations, and all other files, documents, materials, information, instruments and records of every kind and description that EOG may reasonably request that are in ZaZa's control or possession which affect, concern, pertain or relate to, or are used in connection with, the Project Area or ZaZa Leasehold.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

"First Closing" means the closing of those certain Transactions related to payment of the Initial Cash Consideration and the assignment of the Phase I Leases.

"First Closing Date" has the meaning assigned to such term in Section 1.

"Force Majeure Event" has the meaning assigned to such term in Section 6.8.

"Fourth Closing" means the closing of those certain Transactions related to payment of the Excess Lease Consideration and the assignment of the Assigned Excess Leases.

"Georgetown Formation" means the stratigraphic equivalent of the interval depicted between the [*].

"Gibbs Brothers Lease" means that certain Oil and Gas Lease dated effective August 4, 2010, by and between Gibbs Brothers & Company, L.P., as lessor, and Gulf Sands Energy, LLC, as lessee, as evidenced by that certain Memorandum of Oil and Gas Lease dated effective August 4, 2010, recorded in Volume 983, Page 740, of the Official Public Records of Walker County, Texas.

"Governmental Entity" means any court or tribunal in any jurisdiction (domestic or foreign) or any federal, state, county, provincial, tribal, parish, municipal or other governmental or quasi-governmental body, agency, authority, administration, department, board, commission, instrumentality, bureau, or instrumentality.

"Initial Cash Consideration" has the meaning assigned to such term in Section 1.

"JOA" has the meaning assigned to such term in Section 3.7.

"Knowledge" of a specified Person (or similar references to a Person's knowledge) means (a) in the case of a Person who is an individual, the actual knowledge of such Person, or (b) in the case of a Person which is corporation or other entity, the actual knowledge of an officer or employee who devoted substantive attention to matters of such nature during the ordinary course of his employment by such Person without any independent diligence or verification.

"Leases" means those certain oil and gas (or oil, gas and other mineral) leases and the leasehold estates created thereby, described in Exhibit "B-1" together with the corresponding interests in and to all related property and rights.

"Letter Agreement" means that certain Letter Agreement dated March ___, 2013, between EOG, ZaZa, and Range, regarding the Sixth Amendment to and Consent to Partial Assignment of the Range-ZaZa JV Agreement.

"Lower Cretaceous Interval" means the stratigraphic equivalent of [*].

"Net Acre" means the arithmetic product of: (i) ZaZa's undivided interest in the ZaZa Leasehold created by the applicable Lease, multiplied by (ii) the number of acres of the Project

Area covered by the Lease, multiplied by (iii) the lessor's percentage interest in the oil, gas and mineral fee estate in the land covered by such Lease.

"NRI" has the meaning assigned to such term in Section 4.1(l).

"Non-Acquiring Party" has the meaning assigned to such term in Section 2.4.

"Oil and Gas Interest" means any oil and gas leasehold interest (including any renewal, modification, amendment, or extension of same) or other interest in the oil, gas and mineral estate, including any working interests, operating rights, fee mineral interests, production payments, net profits interests, carried interests, royalty interests, overriding royalty interests, and any other interest in oil and gas and/or oil and gas rights, or rights to earn any such interest under a farmout/farmin contract, farmout option contract, or other right to explore for, develop, or produce oil, gas, or other minerals.

"Participation Interests" has the meaning assigned to such term in Section 2.5.

"Party" and "Parties" have the meanings assigned to such terms in the introductory paragraph.

"Payout" means the date that EOG first recovers 100% of the Costs attributable to a Commitment Well out of EOG's Share of Production attributable to such Commitment Well. For purposes of this definition: (i) "Costs" shall include all unreimbursed Costs through Completion and any other unreimbursed costs incurred by EOG in operating such Commitment Well until such recoupment occurs, together with any applicable gross production, ad valorem, severance, and other similar Taxes measured by production and paid by EOG, and (ii) "Share of Production" shall include all production attributable to the Commitment Well after deducting applicable royalties, overriding royalties, and other similar burdens. Without limiting the foregoing, EOG's Share of Production expressly does not include the share of production payable to ZaZa or any other leasehold interest owner.

"Permits" means licenses, permits, franchises, consents, approvals, variances, exemptions, and other authorizations of or from any Governmental Entity.

"Permitted Encumbrances" means

(a) (i) lessors' royalties, overriding royalties and any other similar payments out of production affecting EOG's NRI if the net cumulative effect of such burdens does not operate to reduce the NRI or Net Acres of EOG in any Lease below the NRI or Net Acres set forth for such Lease on Exhibit "B-1", proportionately reduced to the assigned working interest, (ii) subject to Section 3.5.1, the Pre-3/11/13 Merger ORRIs as reflected on Exhibit "H-1", and (iii) subject to Section 3.5.2, the Post-3/1/13 Merger ORRIs as reflected on Exhibit "H-2";

(b) Preferential Rights with respect to which either (i) waivers or consents with respect to the Transactions are obtained from the holders thereof, or (ii) required notices

of the Transactions have been given to the holders of such rights and the appropriate period for asserting such rights has expired without an exercise of such rights;

(c) required third Person consents to assignment and similar agreements with respect to which (i) waivers or consents are obtained from the appropriate Persons, (ii) proper notice in compliance with the terms of such consent or similar agreement has been given to the appropriate Persons and the appropriate time for asserting such rights has expired without an exercise of such rights, request for further information about the Transactions or either Party, or other objection to the Transactions, (iii) arrangements (acceptable to EOG in its reasonable discretion) have been made by the Parties to allow EOG to receive substantially the same economic benefits as if all such waivers and consents had been obtained, (iv) there is no provision therein that such consent may be withheld in the sole and absolute discretion of the holder, or (v) there is no provision therein expressly stating that an assignment in violation thereof is void or voidable, triggers the payment of damages (liquidated or otherwise), or causes termination of the Leases.

(d) all consents by, required notices to, filings with, or other actions by Governmental Entities in connection with the sale or conveyance of the Leases if the same are customarily obtained subsequent to such sale or conveyance;

(e) easements, rights-of-way, servitudes, permits, surface leases, and other rights in respect of surface operations which do not and will not materially interfere with or detract from the operation, value, or use of the Leases by EOG or the handling, processing, storage, sale, or transportation of production therefrom;

(f) statutory liens for taxes not yet due or not yet delinquent;

(g) all rights reserved to or vested in any Governmental Entity to control or regulate any of the Leases in any manner and all Applicable Laws;

(h) all defects and irregularities of title that would not reasonably be expected to result in claims that would materially and adversely affect EOG's title to, or ownership, operation or value of, the Leases or the handling, processing, storage, sale, or transportation of production therefrom, including without limitation (i) defects in the early chain of title consisting of the failure to recite marital status or the omission of succession or heirship proceedings; (ii) defects or irregularities arising out of the lack of a survey or metes and bounds description; (iii) defects or irregularities arising out of or relating to the lack of powers of attorney from corporations to execute and deliver documents on their behalf; (iv) defects related to the lack of spousal joinder in situations in which the Texas Title Examination Standards (Texas Property Code Title 2, Appendix) indicate that spousal joinder is not necessary; (v) irregularities cured by possession under applicable statutes of limitation and statutes relating to acquisitive (or liberative) prescription; (vi) defects arising from prior expired oil and gas leases that are not surrendered or released of record, provided that evidence satisfactory to EOG in its reasonable discretion is provided to EOG to establish that such leases are not maintained, in whole or in part, by operations, production, or otherwise; and (viii) defects arising out of any change in Applicable Laws after the Effective Date;

(i) any liens or encumbrances created by deeds of trust, mortgage instruments, security instruments, or other documents securing a promissory note granted by any Party or the owner of the surface or minerals, which, individually or in the aggregate, do not (and would not upon foreclosure or other enforcement): (i) interfere materially with the operation, value or use of any of the Leases by EOG or the handling, processing, storage, sale, or transportation of production therefrom; (ii) prevent EOG from receiving the proceeds of production from any of the Leases attributable to its Participating Interest, (iii) reduce the NRI of EOG in any Lease below the NRI set forth for such Lease on Exhibit "B-1", proportionately reduced to the assigned working interest; or (iv) reduce the Net Acres in any Lease below the Net Acres set forth for such Lease on Exhibit "B-1"; and

(j) the U.S. Bank Mortgage to the limited extent that it is released, insofar as it covers any interest to be assigned to EOG under this Agreement, by a fully executed, recordable instrument delivered to EOG prior to or contemporaneously with each Closing.

"Person" means any individual, corporation, body corporate, partnership, limited liability company (or similar entity), joint venture, association, joint-stock company, syndicate, enterprise, company, entity, sole proprietorship, trust, enterprise, unincorporated organization, or Governmental Entity or other entity, in each case whether or not having a separate legal personality.

"Phase" means Phase I, Phase II, or Phase III.

"Phase I" has the meaning assigned to such term in Section 3.1.2.

"Phase I Commitment Wells" has the meaning assigned to such term in Section 3.1.2.

"Phase I Leases" means the Leases to be assigned by ZaZa to EOG in connection with Phase I, as mutually selected and designated by the Parties prior to the First Closing Date and as more particularly described on Exhibits A-1 and A-2 to the original assignment to be delivered by each Party at the First Closing (per Sections 5.2.1(a) and 5.2 2(a)) in the form attached hereto as Exhibit "G-2," pursuant to which ZaZa shall collectively deliver to EOG 20,000 Net Acres.

"Phase II" has the meaning assigned to such term in Section 3.2.

"Phase II Cash Consideration" has the meaning assigned to such term in Section 3.2.1.

"Phase II Commitment Wells" has the meaning assigned to such term in Section 3.2.2.

"Phase II Leases" has the meaning assigned to such term into Section 3.2.

"Phase III" has the meaning assigned to such term in Section 3.3.

"Phase III Cash Consideration" has the meaning assigned to, such term in Section 3.3.1.

"Phase III Commitment Wells" has the meaning assigned to such term in Section 3.3.2.

"Phase III Leases" has the meaning assigned to such term in Section 3.3.

"Post-3/1/13 Merger ORRIs" means the overriding royalty interests and similar burdens described on Exhibit "H-2".

"Pre-3/1/13 Merger ORRIs" means the overriding royalty interests and similar burdens described on Exhibit "H-1".

"Preferential Right" means any right or agreement that enables any Person to purchase or otherwise acquire all or part of any Lease or any right, title, or interest therein or any asset associated therewith, as a result of or in connection with (a) the sale, assignment, or other transfer of any Lease or any interest therein, portion thereof, or associated right therewith, or (b) the execution, delivery, or performance of this Agreement.

"Proceedings" means any proceedings, actions, audits, disputes, claims, suits, investigations, reassessments, and inquiries by or before any arbitrator or Governmental Entity.

"Protect Area" has the meaning assigned to such term in the Recitals to this Agreement.

"Range" means Range Texas Production, LLC, a Delaware limited liability company.

"Range AMI Interest" means any leasehold interest or contractual right to earn a leasehold interest, mineral interest, royalty interest, right under a farmout or farmin agreement, production payment, net profits interest, or any other interest in the oil, gas, condensate, and casinghead gas in, on or under the lands within the Range-ZaZa AMI during the term of such Range-ZaZa AMI; provided, however, that the following shall not be considered "Range AMI Interests": (i) any interest or right to acquire an interest in the Range-ZaZa AMI pursuant to a merger, consolidation, reorganization or share acquisition, (ii) any lease or legal or equitable contractual interest therein, including, without limitation, any unexercised lease options, letters of intent, or other contractual arrangements within the Range-ZaZa AMI which ZaZa had an interest in, either directly or indirectly, or was a party to, on or before the execution date of the Range-ZaZa JV Agreement, or which EOG had an interest in, either directly or indirectly, or was a party to, on or before the execution date of the Letter Agreement, or (iii) any undivided interest acquired by ZaZa after the execution date of the Range-ZaZa JV Agreement in a lease within the Range-ZaZa AMI held by ZaZa, or for the account of ZaZa, prior to the execution date of the Range-ZaZa JV Agreement.

"Range-ZaZa AMI" means the area of mutual interest established between Range and ZaZa, pursuant to Paragraph 5 of the Range-ZaZa JV Agreement.

"Range-ZaZa JOA" means that certain joint operating agreement dated March 1, 2012, between Range and ZaZa, pursuant to Paragraph 6.1 of the Range-ZaZa JV Agreement.

"Range-ZaZa JV Agreement" means that certain Participation Agreement dated March 1, 2012, between Range and ZaZa, as amended.

"Range-ZaZa Leasehold" has the meaning assigned to such term in the Recitals to this Agreement.

"Representatives" means, with respect to a Party or Person, any Affiliate, shareholder, director, officer, member, employee, agent, manager, representative, and third-party consultant and advisor of such Party or Person.

"Required Consents" has the meaning assigned to such term in Section 4.1(d).

"Second Closing" means the closing of those certain Transactions related to payment of the Phase II Cash Consideration and the assignment of the Phase II Leases.

"Stingray Well" means the Stingray A-1H Well, API No. 471-30352, located in the R. Bankhead Survey, Abstract No. 70, Walker County, Texas.

"Substitute Well" has the meaning assigned to such term in Section 3.6.

"Target Interval" means either the Eagle Ford Interval or the Lower Cretaceous Interval; as specified with respect to each Commitment Well.

"Taxes" means any income taxes or similar assessments or any sales, excise, occupation, use, ad valorem, property, production, severance, transportation, employment, payroll, franchise, or other tax imposed by any United States federal, state, or local (or any foreign or provincial) taxing authority, including any interest, penalties, or additions attributable thereto.

"Term" has the meaning assigned to such term in Section 6.1.

"Third Closing" means-the closing of those certain Transactions related to payment of the Phase III Cash Consideration and the assignment of the Phase III Leases.

"Title Defect Liquidated Damages" has the meaning ascribed to such term in Section 5.4(e).

"Transactions" means the transactions contemplated or permitted by this Agreement or the documents and agreements delivered hereunder.

"U.S. Bank Mortgage" means that certain Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Production dated May 25, 2012, from ZaZa Energy Corporation, as Grantor and Debtor, to Mauri J. Cowen, Trustee for the benefit of U.S. Bank National Association, as Beneficiary, recorded in Volume 1026, Page 42, Official Public Records of Walker County, Texas, as amended or assigned (if applicable).

"ZaZa" has the meaning assigned to such term in the introductory paragraph.

"ZaZa Corporation" has the meaning assigned to such term in the introductory paragraph.

"ZaZa Leasehold" has the meaning assigned to such term in the Recitals to this Agreement.

"ZaZa LLC" has the meaning assigned to such term in the introductory paragraph.

[*] Certain information in this document has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

Exhibit 10.5

A.A.P.L. FORM 610 - 1989

MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

DATED

March 1, 2013,

OPERATOR: EOG Resources, Inc.

CONTRACT AREA: See Exhibits A-1 and A-2

COUNTY OR PARISH OF: Walker, Grimes, Madison, Trinity, and Montgomery,
STATE OF TEXAS

COPYRIGHT 1989 - ALL RIGHTS RESERVED
AMERICAN ASSOCIATION OF PETROLEUM
LANDMEN, 4100 FOSSIL CREEK BLVD.
FORT WORTH, TEXAS, 76137, APPROVED FORM.

A.A.P.L. NO. 610 - 1989

A.A.P.L. FORM 610 - MODEL FORM OPERATING AGREEMENT 1989

TABLE OF CONTENTS

Article	Title	Page
ARTICLE I. DEFINITIONS		1
		3
ARTICLE III. INTERESTS OF PARTIES		3
A. Interests of Parties in Costs and Production:		3
B. Subsequently Created Interests:		4
		5
A. Title Examination:		5
B. Loss or Failure of Title:		6
1. Other Losses		6
		6
A. Designation and Responsibilities of Operator:		6
B. Resignation or Removal of Operator and Selection Successor:		6
1. Resignation or Removal of Operator		6
2. Selection of Successor Operator		7
3. Effective of Bankruptcy		7
C. Employees and Contractors:		8
D. Rights and Duties of Operator:		8
1. Competitive Rates and Use of Affiliates		8
2. Discharge of Joint Account Obligations		8
3. Protection from Liens		8
4. Custody of Funds		8
5. Access to Contract Area and Records		8
6. Filing and Furnishing Governmental Reports		9
7. Drilling and Testing Operations		9
8. Cost Estimates		9
9. Insurance		9
ARTICLE VI. DRILLING AND DEVELOPMENT		10
A. Initial Well:		10
B. Subsequent Operations:		10
1. Proposed Operations		10
2. Operations by Less Than All Parties		11
3. Stand-By Costs		15
4. Deepening		15
5. Sidetracking		16
6. Order of Preference of Operations		17
7. Conformity to Spacing Pattern		17
8. Paying Wells		17
C. Completion of Wells; Reworking and Plugging Back:		17

1.Completion 17
2.Rework, Recomplete or Plug Back 18
D.Other Operations: 19
E.Abandonment of Wells: 19
1.Abandonment of Dry Holes 19
2.Abandonment of Wells That Have Produced 20
3.Abandonment of Non-Consent Operations 21
F.Termination of Operations: 21
G.Taking Prod
22
A.Liability of Parties: 22
B.Liens and Security Interests: 23
C.Advances: 25
D.Defaults and Remedies: 25
1.Suspension of Rights 25
2.Suit for Damages 26
3.Deemed Non-Consent 26
4.Advance Payment 26
5.Costs and Attorneys' Fees 26
E.Rentals, Shut-in Well Payments and Minimum Royalties: 27
F.Taxes: 27
28
A.Surrender of Leases: 28
B.Renewal or Extension of Leases: 29
C.Acreage or Cash Contributions: 29
D.Assignment; Maintenance of Uniform Interest: 30
E.Waiver of Rights to Partition: 31
ARTICLE IX. INTERNAL REVENUE
31
ARTICLE X. CLAIMS AND LAWSUITS
31
ARTICLE XI.
32
32
ARTICLE XIII. TERM OF AGREEMENT
33
33
A.Laws, Regulations and Orders: 33
B.Governing Law: 33
C.Regulatory Agencies: 34
ARTICLE XV. MISCELLANEOUS

34

A.Execution: 34
B.Successors and Assigns: 35
C.Counterparts: 35
D.Severability: 35

A R T I C L E X V I . O 35

A.Conflicts: 35
B.Additional Testing: 35
C.Substitute Well: 35
D.Metering Production: 36
E.Agreement Subject to Applicable Laws and Reporting: 36
F.Confidentiality: 36
G.Payment of Royalties and Taxes: 37
H.Liabilities: 37
I.Operations Sequence Priority: 38
J.Subsequent Operations: 38
K.Covenants: 39
L.Information: 39
M.Federal and State Reporting: 39
N.Operator As Disbursing Agent: 39
O.Waiver: 40
P.Horizontal Wells: 40
Q.Information to Operator: 40
R.Marketing of Production: 40
S.Indemnity: 41
T.Amendments: 41
U.Proposed Non-Operator Operations: 41

A.A.P.L. FORM 610 - 1989 - MODEL FORM OPERATING AGREEMENT

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between EOG Resources, Inc., hereinafter designated and referred to as "Operator," and the signatory party or parties other than Operator, sometimes hereinafter referred to individually as "Non-Operator," and collectively as "Non-Operators."

WITNESSETH:

WHEREAS, the parties to this agreement are owners of Oil and Gas Leases and/or Oil and Gas Interests in the land identified in Exhibit "A," and the parties hereto have reached an agreement to explore and develop these Leases and/or Oil and Gas Interests for the production of Oil and Gas to the extent and as hereinafter provided.

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

The term "AFE" shall mean an Authority for Expenditure prepared by a party to this agreement for the purpose of estimating the costs to be incurred in conducting an operation hereunder.

The term "Completion" or "Complete" shall mean a single operation intended to complete a well as a producer of Oil and Gas in one or more Zones, including, but not limited to, the setting of production casing, performing, well stimulation and production testing conducted in such operation.

The term "Contract Area" shall mean all of the lands , Oil and Gas Leases and/or Oil and Gas Interests intended to be developed and operated for Oil and Gas purposes under this agreement. Such lands, Oil and Gas Leases and Oil and Gas Interests are described in Exhibit "A."

The term "Deepen" shall mean a single operation whereby a well is drilled to an objective Zone below the deepest Zone in which the well was previously drilled, or below the Deepest Zone proposed in the associated AFE, whichever is the lesser.

The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

The term "Drilling Unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a Drilling Unit is not fixed by any such rule or order, a Drilling Unit shall be the drilling unit as established by the pattern of drilling in the Contract Area unless fixed by express agreement of the Drilling Parties.

The term "Drillsite" shall mean the Oil and Gas Lease or Oil and Gas Interest on which a proposed well is to be located.

The term "Initial Well" shall mean the well required to be drilled by the parties hereto as provided in Article VI.A.

The term "Non-Consent Well" shall mean a well in which less than all parties have conducted an operation as provided in Article VI.B.2.

The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

The term "Oil and Gas" shall mean oil, gas, casinghead gas, gas condensate, and/or all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

The term "Oil and Gas Interests" or "Interests" shall mean unleased fee and mineral interests in Oil and Gas in tracts of land lying within the Contract Area which are owned by parties to this agreement.

The terms "Oil and Gas Lease," "Lease" and "Leasehold" shall mean the oil and gas leases or interests therein covering tracts of land lying within the Contract A rea which are owned by the parties to this agreement.

The term "Plug Back" shall mean a single operation whereby a deeper Zone is abandoned in order to attempt a Completion in a shallower Zone.

The term "Recompletion" or "Recomplete" shall mean an operation whereby a Completion in one Zone is abandoned in order to attempt a Completion in a different Zone within the existing wellbore.

The term "Rework" shall mean an operation conduc ted in the wellbore of a well after it is Completed in secure, restore, or improve production in a Zone which is currently open to production in the wellbore. Such operations include, but are not limited to well stimulation operations but exclude any routine repair or maintenance work or drilling, Sidetracking, Deepening, Completing, Recompleting, or Plugging Back of a well.

The term "Sidetrack" shall mean the directional control and intentional deviation of a well from vertical so as to change the bottom hole location unless done to straighten the hole or drill around junk in the hole to overcome other mechanical difficulties.

The term "Zone" shall mean a stratum of earth containing or thought to contain a common accumulation of Oil and Gas separately producible from any other common accumulation of Oil and Gas.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the word "person" includes natural and artificial persons, the plural includes the singular, and any gender includes the masculine, feminine, and neuter.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

X A. Exhibit "A," shall include the following information:

(1) Description of lands subject to this agreement,

(2) Restrictions, if any, as to depths, formations, or substances,

(3) Parties to agreement with addresses and telephone numbers for notice purposes,

(4) Percentages or fractional interests of parties to this agreement,

(5) Oil and Gas Leases and/or Oil and Gas Interests subject to this agreement,

(6) Burdens on production.

_____ B. Exhibit "B," Form of Lease

X C. Exhibit "C," Accounting Procedure

X D. Exhibit "D," Insurance

X E. Exhibit "E," Gas Balancing Agreement

X F. Exhibit "F," Non-Discrimination and Certification of Non-Segregated Facilities

_____ G. Exhibit "G," Tax Partnership

X H. Other Model Form Recording Supplement to Operating Agreement and Financing Statement

If any provision of any exhibit, except Exhibits "E," "F" and "G," is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES
A.Interests of Parties in Costs and Production:

Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and materials acquired in operations on the Contract Area shall be owned, by the parties as their interests are set forth in Exhibit "A." In the same manner, the parties shall also own all production of Oil and Gas from the Contract Area subject, however, to the payment of royalties and other burdens on production as described hereafter.

Regardless of which party has contributed any Oil and Gas Lease or Oil and Gas Interest on which royalty or other burdens may be payable and except as otherwise expressly provided in this agreement, each party shall pay or deliver, or cause to be paid or delivered, all burdens on its share of the produc tion from the Contract Area up to, but not in excess of, _____ and shall indemnify, defend and hold the other parties free from any liability therefor. Except as otherwise expressly provided in this agreement, if any party has contributed hereto any Lease or Interest which is burdened with any royalty, overriding royalty, production payment or other burden on production in access or the amounts stipulated above such party so burdened shall assume and alone bear all such excess obligations and shall indemnify, defend and hold the other parties hereto harmless from any and all claims attributable to such excess burden. However, so long as the Drilling Unit for the productive Zone(s) is identical with the Contract Area, each party shall pay or deliver, or cause to be paid or delivered, all burdens on production from the Contract Area due under the terms of the Oil and Gas Lease(s) which such party has contributed to this agreement, and shall indemnify, defend and hold the other parties free from any liability therefor.

No party shall ever be responsible, on a price basis higher than the price received by such party, to any other party's lessor or royalty owner, and if such other party's lessor or royalty owner should demand and receive settlement on a higher price basis, the party contributing the affected Lease shall bear the additional royalty burden attributable to such higher price.

Nothing contained in this Article III.B. shall be deemed as assignment or cross-assignment of interests covered hereby, and in the event two or more parties contribute to this agreement jointly owned Leases, the parties' undivided interests in said Leaseholds shall be deemed separate leasehold interests for the purposes of this agreement.

B.Subsequently Created Interests:

If any party has contributed hereto a Lease or Interest that is burdened with an assignment of production given as security for the payment of money, or if, after the date of this agreement, any party creates an overriding royalty, production payment, net profits interest, assignment of production or other burden payable out of production attributable to its working interest hereunder, such burden shall be deemed a "Subsequently Created Interest." Further, if any party has contributed hereto a Lease or Interest burdened with an overriding royalty, production payment, net profits interests, or other burden payable out of production created prior to the date of this agreement, and such burden is not shown on Exhibit "A," such burden also shall be deemed a Subsequently Created Interest to the extent such burden causes the burdens on such party's Lease or Interest to exceed the amount stipulated in Article III.B. above.

The party whose interest is burdened with the Subsequently Created Interest (the "Burdened Party") shall assume and alone bear, pay and discharge the Subsequently Created Interest and shall indemnify, defend and hold harmless the other parties from and against any liability therefor. Further, if the Burdened Party fails to pay, when due, its share of expenses chargeable hereunder, all provisions of Article VII.B. shall be enforceable against the Subsequently Created Interest in the same manner as they are enforceable against the working interest of the Burdened Party. If the Burdened Party is required under this agreement to assign

or relinquish to any other party, or parties, all or a portion of its working interest and/or the production attributable thereto, said other party, or arties, shall receive said assignment and/or production free and clear of said Subsequently Created Interest, and the Burdened Party shall indemnify, defend and hold harmless said other party, or parties, from any and all claims and demands for payment asserted by owners of the Subsequently Created Interest.

C.
TITLES
D.Title Examination:

Title examination shall be made on the Drillsite of any proposed well prior to commencement of drilling operations and, if a majority in interest of the Drilling Parties so request or Operator so elects, title examination shall be made on the entire Drilling Unit, or maximum anticipated Drilling Unit, of the well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable Leases. Each party contributing Leases and/or Oil and Gas Interests to be included in the Drillsite or Drilling Unit, if appropriate, shall furnish to Operator all abstracts (including federal lease status reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of the title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinion is shall be furnished to each Drilling Party. Costs incurred by Operator in procuring abstracts, fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in royalty opinions and division order title opinions) and other direct charges as provided in Exhibit "C" shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with Leases or Oil and Gas Interests contributed by such party. Operator shall be responsible for the preparation and recording of pooling designations or declarations and communication agreements as well as the conduct of hearings before governmental agencies for the securing of spacing or pooling orders or any other orders necessary or appropriate to the conduct of operations hereunder. This shall not prevent any party from appearing on its own behalf at such hearings. Costs incurred by Operator, including fees paid to outside attorneys, which are associated with hearings before governmental agencies, and which costs are necessary and proper for the activities contemplated under this agreement, shall be direct charges to the joint account and shall not be covered by the administrative overhead charges as provided in Exhibit "C." Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

No well shall be drilled on the Contract Area until after (1) the title to the Drillsite or Drilling Unit, if appropriate, has been examined as above provided, and (2) the title has been

approved by the examining attorney or title has been accepted by all of the Drilling Parties in such well.

E.Loss or Failure of Title:

Other Losses

. All losses of Leases or Interests committed to this agreement, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall be joint losses and shall be borne by all parties in proportion to their interests shown on Exhibit "A." This shall include but not be limited to the loss of any Lease or Interest through failure to develop or because express or implied covenants have not been performed (other than performance which requires only the payment of money), and the loss of any Lease by expiration at the end of its primary term if it is not renewed or extended. There shall be no readjustment of interests in the remaining portion of the Contract Area on account of any joint loss.

F. OPERATOR

G.Designation and Responsibilities of Operator:

EOG Resources, Inc. shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of this agreement. In its performance of services hereunder for the Non-Operators. Operator shall be an independent contractor not subject to the control or direction of the Non-Operators except as to the type of operation to be undertaken in accordance with the election procedures contained in this agreement. Operator shall not be deemed, or hold itself out as, the agent of the Non-Operators with authority to bind them to any obligation or liability assumed or incurred by Operator as to any third party. Operator shall conduct its activities under this agreement as a reasonable prudent operator, in a good and workmanlike manner, with due diligence and dispatch, in accordance with good oilfield practice, and in compliance with applicable law and regulation, but in no event shall it have any liability as Operator to the other parties for losses sustained or liabilities incurred except such as may result from gross negligence or willful misconduct.

H.Resignation or Removal of Operator and Selection Successor:

Resignation or Removal of Operator

. Operator may resign at any time by giving written notice thereof to Non -Operators. If Operator terminates its legal existence, no longer owns an interest hereunder in the Contract Area, or is no longer capable of serving as Operator. Operator shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. Operator may be removed only for good cause by the affirmative vote of Non-Operators owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of Operator, such vote shall not be deemed effective until a written notice has been delivered to the Operator by a Non-Operator detailing the alleged default and Operator has failed to cure the default within thirty (30) days from its receipt of the notice or, if the default concerns an operation then being conducted, within forty-eight (48) hours of its receipt of the notice. For purposes hereof, "good cause" shall mean not only gross negligence or willful misconduct but also the material breach of or inability to

meet the standards of operation contained in Article V.A. or material failure or inability to perform in its obligations under this agreement.

Subject to Article VII.D.1., such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator , unless a successor Operator has been selected and assumes the duties of Operator at an earlier date . Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

Selection of Successor Operator

. Upon the resignation or removal of Operator under any provision of this agreement, a successor Operator shall be selected by the parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. The successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A"; provided, however, if an Operator which has been removed or is deemed to have resigned fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of the party or parties owning a majority interest based on ownership as shown on Exhibit "A" remaining after excluding the voting interest of the Operator that was removed or resigned. The former Operator shall promptly deliver to the successor Operator all records and data relating to the operations conducted by the former Operator to the extent such records and data are not already in the possession of the successor operator. Any cost of obtaining or copying the former Operator's records and data shall be charged to the joint account.

Effective of Bankruptcy

. If Operator becomes insolvent, bankrupt or is placed in receivership, it shall be deemed to have resigned without any action by Non-Operators, except the selection of a successor. If a petition for relief under the federal bankruptcy laws is filed by or against Operator, and the removal of Operator is prevented by the federal bankruptcy court, all Non-Operators and Operator shall comprise an interim operating committee to serve until Operator has elected to reject or assume this agreement pursuant to the Bankruptcy Code, and an election to reject this agreement by Operator as a debtor in possession, or by a trustee in bankruptcy, shall be deemed a resignation as Operator without any action by Non-Operators, except the selection of a successor. During the period of time the operating committee controls operations, all actions shall require the approval of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A." In the event there are only two (2) parties to this agreement, during the period of time the operating committee controls operations, a third party acceptable to Operator. Non-Operator and the federal bankruptcy court shall be selected as a member of the operating committee, and all actions shall require the approval of two (2) members of the operating committee without regard for their interest in the Contract Area based on Exhibit "A."

I.Employees and Contractors:

The number of employees or contractors used by Operator in conducting operations hereunder, their selection, and the hours of labor and the compensation for services performed shall be determined by Operator, and all such employees or contractors shall be the employees or contractors of Operator.

J.Rights and Duties of Operator:

Competitive Rates and Use of Affiliates

. All wells drilled on the Contract Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. If it so desires, Operator may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the area, and such work shall be performed by Operator under the same terms and conditions as are customary and usual in the area in contracts of independent contractors who are doing work of a similar nature. All work performed or materials supplied by affiliates or related parties of Operator shall be performed or supplied at competitive rates, pursuant to written agreement, and in accordance with customs and standards prevailing in the industry.

Discharge of Joint Account Obligations

. Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to the agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in Exhibit "C." Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

Protection from Liens

. Operator shall pay, or cause to be paid as and when they become due and payable, all accounts of contractors and suppliers and wages and salaries for services rendered or performed, and for materials supplied on, to or in respect of the Contract Area or any operations for the joint account thereof, and shall keep the Contract Area free from liens and encumbrances resulting therefrom except for those resulting from a bona fide dispute as to services rendered or materials supplied.

Custody of Funds

. Operator shall hold for the account of the Non-Operators any funds of the Non-Operators advanced or paid to the Operator, either for the conduct of operations hereunder or as a result of the sale of production from the Contract Area, and such funds shall remain the funds of the Non-Operators on whose account they are advanced or paid until used for their intended purpose or otherwise delivered to the Non-Operators or applied toward the payment of debts as provided in Article VII.B. Nothing in this paragraph shall be construed to establish a fiduciary relationship between Operator and Non-Operators for any purpose other than to account for Non-Operator funds as herein specifically provided. Nothing in this paragraph shall require the maintenance by Operator of separate accounts for the funds of Non-Operators unless the parties otherwise specifically agree.

Access to Contract Area and Records

. Operator shall, except as otherwise provided herein, permit each Consenting Party or its duly authorized representative, at the Consenting Party's sole risk and cost, full and free access at all reasonable times to all operations

of every kind and character being conducted for the joint account on the Contract Area and to the records of operations conducted thereon or production therefrom, including Operator's books and records relating thereto. Such access rights shall not be exercised in a manner interfering with Operator's conduct of an operation hereunder and shall not obligate Operator to furnish any geologic or geophysical data of an interpretive nature unless the cost of preparation of such interpretive data was charged to the joint account and such Consenting Party has paid for its proportionate share thereof. Operator will furnish to each Consenting Party upon request copies of any and all reports and information obtained by Operator in connection with production and related items, including, without limitation, meter and chart reports, production purchaser statements, run tickets and monthly gauge reports, but excluding purchase contracts and pricing information to the extent not applicable to the production of the Consenting Party seeking the information. Any audit of Operator's records relating to amounts expended and the appropriateness of such expenditures shall be conducted in accordance with the audit protocol specified in Exhibit "C."

Filing and Furnishing Governmental Reports

. Operator will file, and upon written request promptly furnish copies to each requesting Non-Operator not in default of its payment obligations, all operational notices, reports or applications required to be filed by local, State, Federal or Indian agencies or authorities having jurisdiction over operations hereunder. Each Non- Operator shall provide to Operator on a timely basis all information necessary to Operator to make such filings.

Drilling and Testing Operations

. The following provisions shall apply to each well drilled hereunder, including but not limited to the Initial Well.

(a) Operator will promptly advise Non-Operators of the date on which the well is spudded, or the date on which drilling operations are commenced.

(b) Operator will send to Non-Operators such reports, te st results and notices regarding the progress of operations on the well as the Non-Operators shall reasonably request, including, but not limited to, daily drilling reports, completion reports, and well logs.

(c) Operator shall adequately test all Zones encountered which may reasonably be expected to be capable of producing Oil and Gas in paying quantities as a result of examination of the electric log or any other logs or cores or tests conducted hereunder.

Cost Estimates

. Upon request of any Consenting Party, Operator shall furnish estimates of current and cumulative costs incurred for the joint account at reasonable intervals during the conduct of any operation pursuant to this agreement. Operator shall not be held liable for errors in such estimates so long as the estimates are made in good faith.

Insurance

. At all times while operations are conducted hereunder, Operator shall comply with the workers compensation law of the state where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be as provided in Exhibit "C." Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D" attached hereto and made a part hereof.

Operator shall require all contractors engaged in work on or for the Contract Area to comply with the workers compensation law of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event automobile liability is specified in said Exhibit "D," or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's automotive equipment.

(d)

DRILLING AND DEVELOPMENT

K.Initial Well:

On or before the _____ day of _____, _____, Operator shall commence the drilling of the Initial Well at the following location:

TO BE DETERMINED

and shall thereafter continue the drilling of the well with due diligence to

The drilling of the Initial Well and the participation therein by all parties is obligatory, subject to Article VI.C.1. as to participation in Completion operations and Article VI.F. as to termination of operations and Article XI as to occurrence of force majeure.

L.Subsequent Operations:

Proposed Operations

. If any party hereto should desire to drill any well on the Contract Area other than the Initial Well, or if any party should desire to Rework, Sidetrack, Deepen, Recomplete or Plug Back a dry hole or a well no longer capable of producing in paying quantities in which such party has not otherwise relinquished its interest in the proposed objective Zone under this agreement, the party desiring to drill , Rework, Sidetrack, Deepen, Recomplete or Plug Back such a well shall give written notice of the proposed operation to the parties who have not otherwise relinquished their interest in such objective Zone under this agreement to all other parties in the case of a proposal for Sidetracking or Deepening, specifying the work to be performed, the location, proposed depth, objective Zone and the estimated cost of the operation. The parties to whom such a notice is delivered shall have thirty (30) days after receipt of the notice within which to notify the party proposing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of a proposal to Rework, Sidetrack, Recomplete, Plug Back or Deepen may be given by telephone

and the response period shall be limited to forty-eight (48) hours, exclusive of Saturda y, Sunday and legal holidays. Failure of a party to whom such notice is delivered to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any proposal by a party to conduct an operation conflicting with the operation initially proposed shall be delivered to all parties within the time and in the manner provided in Article VI.B.6.

If all parties to whom such notice is delivered elect to participate in such a proposed operation, the prices shall be contractually committed to participate therein provided such operations are commenced within the time period hereafter set forth, and Operator shall, no later than ninety (90) days after expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be), actually commence the propose d operation and thereafter complete it with due diligence at the risk and expense of the parties participating therein ; provided, however, said commencement date may be extended upon written notice of same by Operator to the other parties, for a period of up to thirty (30) additional days if, in the sole opinion of Operator, such additional time is reasonably necessary to obtain permits from governmental authorities, surface rights (including rights-of-way) or appropriate drilling equipment, or to complete title examination or curative matter required for title approval or acceptance. If the actual operation has not been commenced within the time provided (including any extension thereof as specifically permitted herein or in the force majeure provisions of Article XI) and if any party hereto still desires to conduct said operation, written notice proposing same must be resubmitted to the other parties in accordance herewith as if no prior proposal had been made. Those parties that did not participate in the drilling of a well for which a proposal to Deepen or Sidetrack is made hereunder shall, if such parties desire to participate in the proposed Deepening or Sidetracking operation reimburse the Drilling Parties in accordance with Article VI.B.4. in the event of a Deepening operation and in accordance with Article VI.B.5. in the event of a Sidetracking operation.

Operations by Less Than All Parties

.

(a) Determination of Participation. If any party to whom such notice is delivered as provided in Article VI.B.1. or VI.C.1. (Option No. 2) elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, no later than ninety (90) days after the expiration of the notice period of thirty (30) days (or as promptly as practicable after the expiration of the forty-eight (48) hour period when a drilling rig is on location, as the case may be) actually commence the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either (i) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (ii) designated one of the Consenting Parties as Operator to perform such work. The rights and duties granted to and imposed upon the Operator under this agreement are granted to and imposed upon the party designated as Operator for an operation in which the original Operator is a Non-Consenting Party. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise all Parties of the total interest of the parties approving such operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday, and legal holidays) after delivery of such notice, shall advise the proposing party of its desire to (i) limit participation to such party's interest as shown on Exhibit "A" or (ii) any carry only its proportionate part (determined by dividing such party's interest in the Contract Area by the interests of all Consenting Parties in the Contract Area) of Non-Consenting Parties' interests, or (iii) carry its proportionate part (determined as provided in (ii)) of Non-Consenting Parties' interests together with all or a portion of its proportionate part of any Non-Consenting Parties' interests that any Consenting Pa rty did not elect to take. Any interest of Non-Consenting Parties that is not carried by a Consenting Party shall be deemed to be carried by the party proposing the operation if such party does not withdraw its proposal. Failure to advise the proposing party within the time required shall be deemed an election under (i) in the event a drilling rig is on location, notice may be given by telephone, and the time permitted for such a response shall not exceed a total of forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays). The proposing party, at its election, may withdraw such proposal if there is less than 100% participation and shall notify all parties of such decision within ten (10) days, or within twenty-four (24) hours if a drilling rig is on location, following expiration of the applicable response period. If 100% subscription to the proposed operation is obtained, the proposing party shall promptly notify the Consenting Parties of their proportionate interests in the operation and the party serving as Operator shall commence such operation within the period provided in Article VI.B.1., subject to the same extension right as provided therein.

(b) Relinquishment of Interest for Non-Participation. The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind crated by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, then subject to Article VI.B.6. and VI.E.3., the Consenting Parties shall plug and abandon the well and restore the surface location at their sole cost, risk and expense, provided, however, that those Non-Consenting Parties that participated in the drilling. Deepening or Sidetracking of the well shall remain liable for, and shall pay, their proportionate shares of the cost of plugging and abandoning the well and restoring the surface location insofar only as those costs were not increased by the subsequent operations of the Consenting Parties. If any well drilled, Reworked, Sidetracked, Deepened, Recompleted or Plugged Back under the provisions of this Article results in a well capable of producing Oil and/or Gas in paying quantities, the Consenting Parties shall Complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator (if the Operator did not conduct the operation) and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, Reworking, Sidetracking, Recompleting, Deepening or Plugging Back of any such well by Consenting Parties in accordance with the provisions for this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom o r in the case of a Reworking,

Sidetracking, Deepening, Recompleting or Plugging Back, or a Completion, pursuant to Article VI.C.1. Option No. 2 all of such Non-Consenting Party's interest in the production obtained from the operation in which the Non-Consenting Party did not elect to participate. Such relinquishment shall be effective until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting applicable ad valorem, production, severance, and excise taxes, royalty, overriding royalty and other interests not excepted by Article III.C. payable out of or measured by the production from such well accruing with respect to such interest until it reverts), shall equal the total of the following:

(i) 400% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including but not limited to stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(ii) 400% of (a) that portion of the costs and expenses of drilling, Reworking, Sidetracking, Deepening, Plugging Back, testing, Completing, and Recompleting, after deducting any cash contributions received under Article VIII.C. and of (b) that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Notwithstanding anything to the contrary in this Article VI.B. if the well does not reach the deepest objective Zone described in the notice proposing the well for reasons other than the encountering of granite or practically impenetrable substance or other condition in the hole rendering further operations impracticable. Operator shall give notice thereof to each Non-Consulting Party who submitted or voted for an alternative proposal under Article VI.B.6 to drill the well to a shallower Zone that the deepest objective Zone proposed in the notice under which the well was drilled, and each such Non-Consenting Party shall have the option to participate in the initial proposed Completion of the well by paying its share of the cost of drilling the well to its actual depth, calculated in the manner provided in Article VI.B.4.(a). If any such Non-Consenting Party does not elect to participate in the first Completion proposed for such well, the relinquishment provisions of this Article VI.B.2.(b) shall apply to such party's interest.

(c) Reworking, Recompleting or Plugging Back. As election not to participate in the drilling, Sidetracking or Deepening of a well shall be deemed an election not to participate in any Reworking or Plugging Back operation proposed in such a well, or portion thereof, in which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment income. Similarly, an election not to participate in the Completing or Recompleting of a well shall be deemed an election not to participate in any Reworking operation proposed in such a well, or portion thereof, to which the initial non-consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment amount. Any such Reworking, Recompleting or Plugging Back operation conducted during the

recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties 400% of that portion of the costs of the Reworking, Recompleting or Plugging Back operations which would have been chargeable to such Non-Consenting Party had it participated therein. If such a Reworking, Recompleting or Plugging Back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

(d) Recoupment Matters. During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all ad valorem, production, severance, excise, gathering an d other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.C.

In the case of any Reworking, Sidetracking, Plugging Back, Recompletion or Deepening operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged, and upon abandonment of a well after such Reworking, Sidetracking, Plugging Back, Recompleting or Deepening, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within ninety (90) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party which an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, Sidetracking, Deepening, Plugging Back, testing, Completing, Recompleting, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of Oil and Gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of Oil and Gas produced during any month, Consenting Parties shall use industry accepted methods such as but not limited to metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided, and if there is a credit balance, it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it as of 7:00 a.m. on the day following the day on which such recoupment occurs, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material an d equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it

participated in the drilling, Sidetracking, Reworking, Deepening, Recompleting or Plugging Back of said well. Thereafter, such Non-Consenting Party shall be charged with an shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and Exhibit "C" attached hereto.

Stand-By Costs

. When a well which has been drilled or Deepened has reached its authorized depth and all tests have been completion and the results thereof furnished to the parties or when operations on the well have been otherwise terminated pursuant to Article VI.F., stand-by costs incurred pending response to a party's notice proposing a Reworking, Sidetracking, Deepening, Recompleting, Plugging Back or Completing operation in such a well (including the period required under Article VI.B.6. to resolve competing proposals) shall be charged and borne as part of the drilling or Deepening operation just completed. Standby costs subsequent to all parties responding, or expiration of the response time permitted, whichever first occurs, and prior to agreement as to the participating interests of all Consenting Parties in the proportion of each Consenting Party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all Consenting Parties.

In the event that notice for a Sidetracking operation is given while the drilling rig to be utilized is on location, any party may request and receive up to five (5) additional days af ter expiration of the forty-eight hour response period specified in Article VI.B.1. within which to respond by paying for all stand-by costs and other costs incurred during such extended response period; Operator may require such party to pay the estimated stand-by time in advance as a condition to extending the response period. If more than one party elects to take such additional time to respond to the notice, standby costs shall be allocated between the parties taking additional time to respond on a day-to-day basis in the proportion each electing party's interest as shown on Exhibit "A" bears to the total interest as shown on Exhibit "A" of all the electing parties.

Deepening

. If less than all parties elect to participate in a drilling, Sidetracking, or Deepening operation proposed pursuant to Article VI.B.1., the interest relinquished by the Non- Consenting Parties to the Consenting Parties under Article VI.B.2. shall relate only and be limited to the lesser of (i) the total depth actually drilled or (ii) the objective depth or Zone of which the parties were given notice under Article VI.B.1.("Initial Objective"). Such well shall not be Deepened beyond the Initial Objective without first complying with this Article to afford the Non- Consenting Parties the opportunity to participate in the Deepening operation.

In the event any Consenting Party desires to drill or Deepen a Non-Consent Well to a depth below the Initial Objective, such party shall give notice thereof, complying with the requirements of Article VI.B.1., to all parties (including Non-Consenting Parties). Thereupon, Articles VI.B.1. and 2. Shall apply and all parties receiving such notice shall have the right to participate or not participate in the Deepening of such well pursuant to said Articles VI.B.1. and 2. If a Deepening operation is approved pursuant to such provisions , and if any Non-Consenting Party elects to participate in the Deepening operation, such Non- Consenting Party shall pay or make reimbursement (as the case may be) of the following costs and expenses.

(e) If the proposal to Deepen is made prior to the Completion of such well as a well capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) that share of costs and expenses incurred in connection with the drilling of said well from the surface to the Initial Objective which Non-Consenting Party would have paid had such Non-Consenting Party agreed to participate therein, plus the Non-Consenting Party's share of the cost of Deepening and of participating in any further operations on the well in accordance with the other provisions of this Agreement, provided, however, all costs for testing and Completion or attempted Completion of the well incurred by Consenting Parties prior to the point of actual operations to Deepen beyond the Initial Objective shall be for the sole account of Consenting Parties.

(f) If the proposal is made for a Non-Consent Well that has been previously Completed as a well capable of producing in paying quantities, but is no longer capable of producing in paying quantities, such Non-Consenting Party shall pay (or reimburse Consenting Parties for, as the case may be) its proportionate share of all costs of drilling, Completing, and equipping said well from the surface to the Initial Objective calculated in the manner provided in paragraph (a) above, less those costs recouped by the Consenting Parties from the sale of production from the well. The Non-Consenting Party shall also pay its proportionate share of all costs of re-entering said well. The Consenting Parties' proportionate part (based on the percentage of such well Non-Consenting Party would have owned had it previously participated in such Non-Consent Well) of the costs of salvable materials and equipment remaining in the hole and salvable surface equipment used in connection with such well shall be determined in accordance with Exhibit "C". If the Consenting Parties have recouped the cost of drilling, Completing, and equipping the well at the time such Deepening operation is conducted, then a Non-Consenting Party may participate in the Deepening of the well with no payment for costs incurred prior to re-entering the well for Deepening.

The foregoing shall not imply a right of any Consenting Party to propose any Deepening for a Non-Consent Well prior to the drilling of such well to its Initial Objective without the consent of the other Consenting Parties as provided in Article VI.F.

Sidetracking

. Any party having the right to participate in a proposed Sidetracking operation that does not own an interest in the affected wellbore at the time of the notice shall, upon electing to participate, tender to the wellbore owners as proportionate share (equal to its interest in the Sidetracking operation) of the value of that portion of the existing wellbore to be utilized as follows:

(g) If the proposal is for Sidetracking an existing dry hole, reimbursement shall be on the basis of the actual costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is initiated.

(h) If the proposal is for Sidetracking a well which has previously produced, reimbursement shall be on the basis of such party's proportionate share of drilling and equipping costs incurred in the initial drilling of the well down to the depth at which the Sidetracking operation is conducted, calculated in the manner described in Article VI.B.4.(b) above. Such party's proportionate share of the cost of the well's salvable materials and equipment down to

the depth at which the Sidetracking operation is initiated shall be determined in accordance with the provisions of Exhibit “C”.

Order of Preference of Operations

. Except as otherwise specifically provided in this agreement, if any party desires to propose the conduct of an operation that conflicts with a proposal that has been made by a par ty under this Article VI, such party shall have fifteen (15) days from delivery of the initial proposal, in the case of a proposal to drill a well or to perform an operation on a well where no drilling rig is on location, or twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, from delivery of the initial proposal, if a drilling rig is on location for the well on which such operation is to be conducted, to deliver to all parties entitled to participate in the proposed operation such party’s alternative proposal, such alternate proposal to contain the same information required to be included in the initial proposal. Each party receiving such proposals shall elect by delivery of notice to Operator within five (5) days after expiration of the proposal period, or within twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) if a drilling rig is on location for the well that is the subject of the proposals, to participate in one of the competing proposals. Any party not electing within the time required shall be deemed not to have voted. The proposal receiving the vote of parties owning the largest aggregate percentage interest of the parties voting shall have priority over all other competing proposals, in the case of a tie vote, the initial proposal shall prevail. Operator shall deliver notice of such result to all parties entitled to participate in the operation within five (5) days after expiration of the election period (or within twenty-four (24) hours, exclusive of Saturday, Sunday and legal holidays, if a drilling rig is on location). Each party shall then have two (2) days (or twenty-four (24) hours if a rig is on location) from receipt of such notice to elect by delivery of notice to Operator to participate in such operation or to relinquish interest in the affected well pursuant to the provisions of Article VI.B.2. failure by a party to deliver notice within such period shall be deemed an election not to participate in the prevailing proposal.

Conformity to Spacing Pattern

. Notwithstanding the provisions of this Article VI.B.2., it is agreed that no wells shall be proposed to be drilled to or Completed in or produced from a Zone from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such Zone or the party proposing such well has obtained an exception or permit for same from the regulatory agency having jurisdiction herein.

Paying Wells

. No party shall conduct any Reworking, Deepening, Plugging Back, Completion, Recompletion or Sidetracking operation under this agreement with respect to any well then capable of producing in paying quantities, except with the consent of all parties that have not relinquished interests in the well at the time of such operation.

M.Completion of Wells; Reworking and Plugging Back:

Completion

. Without the consent of all parties no well shall be drilled, Deepened or Sidetracked, except any well drilled, Deepened or Sidetracked pursuant to the provisions of Article VI.B.2. of this agreement. Consent to the drilling, Deepening or Sidetracking shall include:

√ Option No. 1: All necessary expenditures for the drilling, Deepening or Sidetracking, testing, Completing and equipping of the well, including necessary tankage and/or surface facilities for which horizontal wells for which no pilot hole has been proposed prior to drilling.

√ Option No. 2: All necessary expenditures for the drilling, Deepening or Sidetracking and testing of the well. When such well has reached its authorized depth, and all logs, cores and other tests have been completed, and results thereof furnished to the parties, Operator shall give immediate notice to the Non-Operators having the right to participate in a Completion attempt whether or not Operator recommends attempting to Complete the well, together with Operator's AFE for Completion costs if not previously provided. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect by delivery of notice to Operator to participate in a recommended Completion attempt or to make a Completion proposal with an accompanying AFE. Operator shall deliver any such Completion proposal or any Completion proposed conflicting with Operator's proposal, to the other parties entitled to participate in such Completion in accordance with the procedures specified in Article VI.B.6. Election to participate in a Completion attempt shall include consent to all necessary expenditures for the Completing and equipping of such well, including necessary tankage and/or surface facilities but excluding any stimulation operator not contained on the Completion AFE. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the Completion attempt; provided, that Article VI.B.6. shall control in the case of conflicting Completion proposals. If one or more, but less than all of the parties, elect to attempt a Completion, the provision of Article VI.B.2. hereof (the phrase "Reworking, Sidetracking, Deepening, Recompleting or Plugging Back" as contained in Article VI.B.2. shall be deemed to include "Completing") shall apply to the operations thereafter conducted by less than all parties; provided, however, that Article VI.B.2. shall apply separately to each separate Completion or Recompletion attempt undertaken hereunder, and an election to become a Non-Consenting Party as to one Completion or Recompletion attempt shall not prevent a party from becoming a Consenting Party in subsequent Completion or Recompletion attempts regardless whether the Consenting Parties as to earlier Completions or Recompletion have recouped their costs pursuant to Article VI.B.2.; provided further that any recoupment of costs by a Consenting Party shall be made solely from the production attributable to the Zone in which the Completion attempt is made. Election by a previous Non-Consenting Party to participate in a subsequent Completion or Recompletion attempt shall require such party to pay its proportionate share of the cost of salvab le materials and equipment installed in the well pursuant to the previous Completion or Recompletion attempt, insofar and only insofar as such materials and equipment benefit the Zone in which such party participates in a Completion attempt.

Rework, Recomplete or Plug Back

. No well shall be Reworked, Recompleted or Plugged Back except a well Reworked, Recompleted, or Plugged Back pursuant to the

provisions of Article VI.B.2. of this agreement. Consent to the Reworking, Recompleting or Plugging Back of a well shall include all necessary expenditures in conducting such operations and Completing and equipping of said well, including necessary tankage and/or surface facilities.

N.Other Operations:

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Fifty Thousand Dollars ($50,000.00) except in connection with the drilling, Sidetracking, Reworking, Deepening, Completing, Recompleting or Plugging Back of a well that has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency whether of the same or different nature. Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares an AFE for its own uses, Operator sha ll furnish any Non-Operator so requesting an information copy thereof for any single project costing in excess of Ten Thousand Dollars ($10,000.00). Any party who has not relinquished its interest in a well shall have the right to propose that Operator perform repair work or undertake the installation of artificial lift equipment or ancillary production facilities such as salt water disposal wells or to conduct additional work with respect to a well drilled hereunder or other similar project (but not including the installation of gathering lines or other transportation or marketing facilities, the installation of which shall be governed by separate agreement between the parties) reasonably estimated to require an expenditure in excess of the amount first set forth above in this Article VI.D. (except in connection with an operation required to be proposed under Articles VI.B.1. or VI.C.1. Option No. 2 which shall be governed exclusively by those Articles). Operator shall deliver such proposal to all parties entitled to participate therein. If within thirty (30) days hereof Operator secures the written consent of any party or parties owning at least51% of the interests of the parties entitled to participate in such operation, each party having the right to participate in such project shall be bound by the terms of such proposal and shall be obligated to pay its proportionate share of the costs of the proposed project as if it had consented to such project pursuant to the terms of the proposal.

O.Abandonment of Wells:

Abandonment of Dry Holes

. Except for any well drilled or Deepened pursuant to Article VI.B.2., any well which has been drilled or Deepened under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling or Deepening such well. Any party who objects to plugging and abandoning such well by notice delivered to Operator within forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) after delivery of notice of the proposed plugging shall take over the well as of the end of such forty-eight (48) hour notice period and conduct further operations in search of Oil and/or Gas subject to the provisions of Article VI.B.; failure of such party to provide proof reasonably satisfactory to Operator of its

financial capability to conduct such operations or to take over the well within such period or thereafter to conduct operations on such well or plug and abandon such well shall entitle Operator to retain or take possession of the well and plug and abandon the well. The party taking over the well shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning parties against liability for any further operations conducted on such well except for the costs of plugging and abandoning the well and restoring the surface for which the abandoning parties shall remain proportionately liable.

Abandonment of Wells That Have Produced

. Except for any well in which a Non-Consent operation has been conducted hereunder for which the Consenting Parties have not been fully reimbursed as herein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such aba ndonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. Failure of a party to reply within sixty (60) days after delivery of notice of proposed abandonment shall be deemed an election to consent to the proposal. If within sixty (50) days after delivery of notice of the proposed abandonment of any well, all parties do not agree to the abandonment of such well, those wishing to continue its operation from the Zone then open to produc tion shall be obligated to take over the well as of the expiration of the applicable notice period and shall indemnify Operator (if Operator is an abandoning party) and the other abandoning parties against liability for any further operations on the well conducted by such parties. Failure of such party or parties to provide proof reasonably satisfactory to Operator of their financial capability to conduct such operations or to take over the well within the required period or thereafter to conduct operations on such well shall entitle operator to retain or take possession of such well and plug and abandon the well.

Parties taking over a well as provided herein shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface; provided, however, that in the event the estimated plugging and abandoning and surface restoration costs and the estimated cost of salvaging are higher than the value of the well's salvable material and equipment, each of the abandoning parties shall tender to the parties continuing operations their proportionate shares of the estimated excess cost. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, or fitness for use of the equipment and material, all of its interest in the wellbore of the well and related equipment, together with its interest in the Leasehold insofar and only insofar as such Leasehold covers the right to obtain production from that wellbore in the Zone then open to production. If the interest of the abandoning party is or includes and Oil and Gas Interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the wellbore and the Zone then open to production, for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the Zone covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the Drilling Unit upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area to the

aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interests in the remaining portions of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility liability or interest in the operation of or production from the well in the Zone then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well. Upon proposed abandonment of the producing Zone assigned or leased, the assignor or lessor shall then have the option to repurchase its prior interest in the well (using the same valuation formula) and participate in further operations therein subject to the provisions hereof.

Abandonment of Non-Consent Operations

. The provisions of Article VI.E.1. or VI.E.2. above shall be applicable as between Consenting Parties in the event of the proposed abandonment of any well excepted from said Articles; provided, however, no well shall be permanently plugged and abandoned unless and until all parties having the right to conduct further operations therein have been notified of the proposed abandonment and afforded the opportunity to elect to take over the well in accordance with the provisions of this Article VI.E.; and provided further, that Non- Consenting Parties who own an interest in a portion of the well shall pay their proportionate shares of abandonment and surface restoration cost for such well as provided in Article VI.B.2.(b).

P.Termination of Operations:

Upon the commencement of an operation for the drilling, Reworking, Sidetracking, Plugging Back, Deepening, testing Completion or plugging of a well, including but not limited to the Initial Well, such operation shall not be terminated without consent of parties bearing 65% of the costs of such operation; provided, however, that in the event granite or other practically impenetrable substance or condition in the hole is encountered which renders further operations impractical, Operator may discontinue operations and give notice of such condition in the manner provided in Article VI.B.1., and the provisions of Article VI.B. or VI.E. shall thereafter apply to such operation, as appropriate.

Q.Taking Production in Kind:

√ **Option No. 1: Gas Balancing Agreement Attached**

Each party shall take in kind or separately dispose of its proportionate share of all Oil and Gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating Oil and Gas for marketing purposes and production unavoidably test. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in

Article VII.B., shall be entitled to receive payment directly from the purchaser thereof for its share of all production.

If any party fails to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the Oil or Gas produced from the Contract Area, Operator shall have the right, subject to the revocation it will by the party owning it, but not the obligation, to purchase such Oil or Gas or sell it to others at any time and from time to time, for the account of the non-taking party. Any such purchase or sale by Operator may be terminated by Operator upon at least ten (10) days written notice to the owner of said production and shall be subject always to the right of the owner of the production upon at least ten (10) days written notice to Operator to exercise at any time its right to take in kind, or separately dispose of, its share of all Oil or Gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of Oil or Gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year.

Any such sale by Operator shall be in a manner commercially reasonable under the circumstances but Operator shall have no duty to share any existing market or to obtain a price equal to that received under any existing market. The sale or delivery by Operator of a non-taking party's share of Oil or Gas under the terms of any existing contract of Operator shall not give the non-taking party any interest in or make the non-taking party a party to said contract. No purchase shall be made by Operator without first giving the non-taking party at least ten (10) days written notice of such intended purchase and the price to be paid or the pricing basis to be used.

All parties shall give timely written notice to Operator of their Gas marketing arrangements for the following month, excluding price, and shall notify Operator immediately in the event of a change in such arrangements, Operator shall maintain records of all marketing arrangements, and of volumes actually sold or transported, which records shall be made available to Non-Operators upon reasonable request.

In the event one or more parties' separate disposition of its share of the Gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total Gas sales to be allocated to it, the balancing or accounting between the parties shall be in accordance with any Gas balancing agreement between the parties hereto, whether such an agreement is attached as Exhibit "E" or is a separate agreement. Operator shall give notice to all parties of the first sales of Gas from any well under this agreement.

R. EXPENDITURES AND LIABILITY OF PARTIES

S. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among

the parties in Article VII.B. are given to secure only the debts of each severally, and no party shall have any liability to third parties hereunder to satisfy the default of any other party in the payment of any expense or obligation hereunder. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership, joint venture, agency relationship or association, or to render the parties liable as partners, co-venturers, or principals. In their relations with each other under this agreement, the parties shall not be considered fiduciaries or to have established a confidential relationship but rather shall be free to act on an arm's length basis in accordance with their own respective self-interest, subject, however, to the obligation of the parties to act in good faith in their dealings with each other with respect to activities hereunder.

T. Liens and Security Interests:

Each party grants to the other parties hereto a lien upon any interest it now owns or hereafter acquires in Oil and Gas Leases and Oil and Gas Interests in the Contract Area, and a security interest and/or purchase money security interest in any interest it now owns or hereafter acquires in the personal property and fixtures on or used or obtained for use in connection therewith, to secure performance of all of its obligations under this agreement including not limited to payment of expense, interest and fees, the proper disbursement of all monies paid hereunder, the assignment or relinquishment of interest in Oil and Gas Leases as required hereunder, and the proper performance of operations hereunder. Such lien and security interest granted by each party hereto shall include such party's leasehold interests, working interests, operating rights, and royalty and overriding royalty interests in the Contract Area now owned or hereafter acquired and in lands pooled or unitized therewith or otherwise becoming subject to this agreement, the Oil and Gas when extracted therefrom and equipment situated thereon or used or obtained for use in connection therewith (including, without limitation, all wells, tools, and tubular goods), and accounts (including, without limitation, accounts arising from gas imbalances or from the sale of Oil and Gas at the wellhead), contract rights, inventory and general intangibles relating thereto or arising therefrom, and all proceeds and products of the foregoing.

To perfect the lien and security agreement provided herein, each party hereto shall execute and acknowledge the recording supplement and/or any financing statement prepared and submitted by any party hereto in connection herewith or at any time following execution hereof, and Operator is authorized to file this agreement or the recording supplement executed herewith as a lien or mortgage in the applicable real estate records as a financing statement with the proper officer under the Uniform Commercial Code in the state in which the Contract Area is situated and such other states as Operator shall deem appropriate to perfect the security interest granted hereunder. Any party may file this agreement, the recording supplement executed herewith, or such other documents as it deems necessary as a lien or mortgage in the applicable real estate records and/or a financing statement with the proper officer under the Uniform Commercial Code.

Each party represents and warrants to the other parties hereto that the lien and security interest granted by such party to the other parties shall be a first and prior lien, and each party hereby agrees to maintain the priority of said lien and security interest against all persons acquiring an interest in Oil and Gas Leases and Interests covered by this agreement by, through

or under such party. All parties acquiring an interest in Oil and Gas Leases and Oil and Gas Interests covered by this agreement, whether by assignment, merger, mortgage, operation of law, or otherwise, shall be deemed to have taken subject to the lien and security interest granted by this Article VII.B. as to all obligations attributable to such interest hereunder whether or not such obligations arise or after such interest is acquired.

To the extent that parties have a security interest under the Uniform Commercial Code of the state in which the Contract Area is situated, they shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by a party for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any party in the payment of its share of expenses, interests or fees, or upon the improper use of funds by the Operator, the other parties shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such defaulting party's share of Oil and Gas until the amount owed by such party, plus interest as provided in "Exhibit C," has been received, and shall have the right to offset the amount owed against the proceeds from the sale of such defaulting party's share of Oil and Gas. All purchasers of production may rely on a notification of default from the non-defaulting party or parties stating the amount due as a result of the default, and all parties waive any recourse available against purchasers for releasing production proceeds as provided in this paragraph.

If any party fails to pay its share of cost within one hundred twenty (120) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. The amount paid by each party so paying its share of the unpaid amount shall be secured by the liens and security rights described in Article VII.B., and each paying party may independently pursue any remedy available hereunder or otherwise.

If any party does not perform all of its obligations hereunder, and the failure to perform subjects such party in foreclosure or executed proceedings pursuant to the provisions of this agreement, to the extent allowed by governing law, the defaulting party waives any available right of redemption from and after the date of judgment, any required valuation or appraisement of the mortgaged or secured party prior to sale, any available right to stay execution or to require a marshaling of assets and any required bond in the event a receiver is appointed. In addition, to the extent permitted by applicable law, each party hereby grants to the other parties a power of sale as to any property that is subject to the lien and security rights granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice.

Each party agrees that the other parties shall be entitled to utilize the provisions of Oil and Gas lien law or other lien law of any state in which the Contract Area is situated to enforce the obligations of each party hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law, Non-Operators agrees that Operator may invoke or utilize the mechanics' or materialmen's lien law of the state in which the Contract Area is situated in order to secure the payment to Operator of any sum due hereunder for services performed or materials supplied by Operator.

U.Advances:

Operator, at its election, shall have the right from time to time to demand and receive from one or more of the other parties payment in advance of their respective shares of the estimated amount of the expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

V.Defaults and Remedies:

If any party fails to discharge any financial obligation under this agreement, including without limitation the failure to make any advance under the preceding Article VII.C. or any other provision of this agreement, within the period required for such payment hereunder, then in addition to the remedies provided in Article VII.B. or elsewhere in this agreement, the remedies specified below shall be applicable. For purposes of this Article VII.D., all notices and elections shall be delivered only by Operator, except that Operator shall deliver any such notice and election requested by a non-defaulting Non-Operator, and when Operator is the party in default, the applicable notices and elections can be delivered by any Non-Operator Election of any one or more of the following remedies shall not preclude the subsequent use of any other remedy specified below or otherwise available to a non-defaulting party.

Suspension of Rights

. Any party may deliver to the party in default a Notice of Default, which shall specify the default, specify the action to be taken to cure the default, and specify that failure to take such action will result in the exercise of one or more of the remedies provided in this Article. If the default is not cured within thirty (30) days of the delivery of such Notice of Default, all of the rights of the defaulting party granted by this agreement may upon notice be suspended until the default is cured, without prejudice to the right of the non-defaulting party or parties to continue to enforce the obligations of the defaulting party previously accrued or thereafter accruing under this agreement. If Operator is the party in default, the Non-Operators shall have in addition the right, by vote of Non-Operators owning a majority in interest in the Contract Area after excluding the voting interest of Operator, to appoint a new Operator effective immediately. The rights of a defaulting party that may be suspended hereunder at the election of the non-defaulting parties shall include, without limitation, the right to receive information as to any operation conducted hereunder during the period of such default, the right to elect to participate in an operation proposed under Article VI.B. of this agreement, the right to participate in an operation being conducted under this agreement even if the party has previously elected to participate in such operation, and the right to receive proceeds of production from any well subject to this agreement.

Suit for Damages

. Non-defaulting parties or Operator for the benefit of non-defaulting parties may sue (at joint account expense) to collect the amounts in default, plus interest accruing on the amounts recovered from the date of default until the date of collection at the rate specified in Exhibit "C" attached hereto. Nothing herein shall prevent any party from suing any defaulting party to collect consequential damages accruing to such party as a result of the default.

Deemed Non-Consent

. The non-defaulting party may deliver a written Notice of Non-Consent Election to the defaulting party at any time after the expiration of the thirty-day cure period following delivery of the Notice of Default, in which event if the billing is for the drilling a new well or the Plugging Back, Sidetracking, Reworking or Deepening of a well which is to be or has been plugged as a dry hole, or for the Completion or Recompletion of any well, the defaulting party will be conclusively deemed to have elected not to participate in the operation and to be a Non-Consenting Party with respect thereto under Article VI.B. or VI.C., as the case may be, to the extent of the costs unpaid by such party, notwithstanding any election to participate theretofore made. If the election is made to proceed under this provision, then the non-defaulting parties may not elect to sue for the unpaid amount pursuant to Article VII.D.2.

Until the delivery of such Notice of Non-Consent Election to the defaulting party, such party shall have the right to cure its default by paying its unpaid share of costs plus interest at the rate set forth in Exhibit "C," provided, however, such payment shall not prejudice the rights of the non-defaulting parties to pursue remedies for damages incurred the non-defaulting parties as a result of the default. Any interest relinquished pursuant to this Article VII.D.3. shall be offered to the non-defaulting parties in proportion to their interests, and the non-defaulting parties electing to participate in the ownership of such interest shall be required to contribute their shares of the defaulted amount upon their election to participate therein.

Advance Payment

. If a default is not cured within thirty (30) days of the delivery of a Notice of Default, Operator, or Non-Operators if Operator is the defaulting party, may thereafter require advance payment from the defaulting party of such defaulting party's anticipated share of any item of expense for which Operator, or Non- Operators, as the case may be, would be entitled to reimbursement under any provision of this agreement, whether or not such expense was the subject of the previous default. Such right includes, but is not limited to, the right to require advance payment for the estimated costs of drilling a well or Completion of a well as to which an election to participate in drilling or Completion has been made. If the defaulting party fails to pay the required advance payment, the non-defaulting parties may pursue any of the remedies provided in the Article VII.D. or any other default remedy provided elsewhere in this agreement. Any excess of funds advanced remaining when the operation is completed and all costs have been paid shall be promptly returned to the advancing party.

Costs and Attorneys' Fees

. In the event any party is required to bring legal proceedings to enforce any financial obligation of a party hereunder, the prevailing party in such action shall be entitled to recover all court costs, costs of collection, and a reasonable attorney's fee, which the lien provided for herein shall also secure.

W.Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operators of the anticipated completion of a shut-in well, or the shutting in or return to production of a producing well, at least five (5) days (excluding Saturday, Sunday, and legal holidays) prior to taking such action, or at the earliest opportunity permitted by circumstances, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operators, the loss of any lease contributed hereto by Non-Operators for failure to make timely payments of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

X.Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay off such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on Leases and Oil and Gas Interests contributed by such Non-Operator. If the assessed valuation of any Lease is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such Lease and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the tax value generated by each party's working interest. Operator shall bill the other parties for their proportionate shares of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, excise, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of Oil and Gas produced under the terms of this agreement.

Y. ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

Z. Surrender of Leases:

The Leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any Lease or in any portion thereof, such party shall give written notice of the proposed surrender to all parties, and the parties to whom such notice is delivered shall have thirty (30) days after delivery of the notice within which to notify the party proposing the surrender whether they elect to consent thereto. Failure of a party to whom such notice is delivered to reply within said 30-day period shall constitute a consent to the surrender of the Leases described in the notice. If all parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such Lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not consenting to such surrender. If the interest of the assigning party is or includes an Oil and Gas Interest, the assigning party shall execute and deliver to the party or parties not consenting to such surrender an oil and gas lease covering such Oil and Gas Interest for a term of one (1) year and so long thereafter as Oil and/or Gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B." Upon such assignment or lease, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the interest assigned or leased and the operation of any well attributable thereto, and the assigning party shall have no further interest in the assigned or leased premises and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The party assignee or lessee shall pay to the party assignor or lessor the reasonable salvage value of the latter's interest in any well's salvable materials and equipment attributable to the assigned or leased acreage. The value of all salvable materials and equipment shall be determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning and restoring the surface. If such value is less than such costs, then the party assignor or lessor shall pay to the party assignee or lessee the amount of such deficit. If the assignment or lease is in favor of more than one party, the interest shall be shared by such parties in the proportions that the interest of each bears to the total interest of all such parties. If the interest of the parties to whom the assignment is to be made varies according to depth, then the interest assigned shall similarly reflect such variances.

Any assignment, lease or surrender made under this provision shall not reduce or change the assignor's, lessor's or surrendering party's interest as it was immediately before the assignment, lease or surrender in the balance of the Contract Area; and the acreage assigned, leased or surrendered, and subsequent operations thereon, shall not thereafter be subject to the

terms and provisions of this agreement but shall be deemed subject to an Operating Agreement in the form of this agreement.

AA.Renewal or Extension of Leases:

If any party secures a renewal or replacement of an Oil and Gas Lease or Interest subject to this agreement, then all other parties shall be notified promptly upon such acquisition or, in the case of a replacement Lease taken before expiration of an existing Lease, promptly upon expiration of the existing Lease. The parties notified shall have the right for a period of thirty (30) days following delivery of such notice in which to elect to participate in the ownership of the renewal or replacement Lease, insofar as such Lease affects lands within the Contract Area, by paying to the party who acquired it their proportionate shares of the acquisition cost allocated to that part of such Lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area. Each party who participates in the purchase of a renewal or replacement Lease shall be given an assignment of its proportionate interest therein by the acquiring party.

If some, but less than all, of the parties elect to participate in the purchase of a renewal or replacement Lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal or replacement Lease. The acquisition of a renewal or replacement Lease by any or all of the parties hereto shall not cause a readjustment of the interests of the parties stated in Exhibit “A,” but any renewal or replacement Lease in which less than all parties elect to participate shall not be subject to this agreement but shall be deemed subject to a separate Operating Agreement in the form of this agreement.

If the interests of the parties in the Contract Area vary according to depth, then their right to participate proportionately in renewal or replacement Leases and their right to receive an assignment of interest shall also reflect such depth variances.

The provisions of this Article shall apply to renewal or replacement Leases whether they are for the entire interest covered by the expiring Lease or cover only a portion of its area or an interest therein. Any renewal or replacement Lease taken before the expiration of its predecessor Lease, or taken or contracted for or becoming effective within six (6) months after the expiration of the existing Lease, shall be subject to this provision so long as this agreement is in effect at the time of such acquisition or at the time the renewal or replacement Lease becomes effective; but any Lease taken or contracted for more than six (6) months after the expiration of an existing Lease shall not be deemed a renewal or replacement Lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall also be applicable to extensions of Oil and Gas Leases.

BB.Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash towards the drilling of a well or, any other operation on the Contract Area, such contribution

shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party for whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. Such acreage shall become a separate Contract Area and, to the extent possible, be governed by provisions identical to this agreement. Each party shall promptly notify all other parties of any acreage or cash contributions it may obtain in support of any well or any other operation on the Contract Area. The above provisions shall also be applicable to optional rights to earn acreage outside the Contract Area which are in support of well drilled inside the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

CC.Assignment; Maintenance of Uniform Interest:

For the purpose of maintaining uniformity of ownership in the Contract Area in the Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production covered by this agreement no party shall sell, encumber, transfer or make other disposition of its interest in the Oil and Gas Leases and Oil and Gas Interests embraced within the Contract Area or in wells, equipment and production unless such disposition covers either:

1. the entire interest of the party in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production; or

2. an equal undivided percent of the party's present interest in all Oil and Gas Leases, Oil and Gas Interests, wells, equipment and production in the Contract Area.

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the right of the other parties, and any transferee of an ownership interest in any Oil and Gas Lease or Interest shall be deemed a party to this agreement as to the interest conveyed from and after the effective date of the transfer of ownership; provided, however, that the other parties shall not be required to recognize any such sale, encumbrance, transfer or other disposition for any purpose hereunder until thirty (30) days after they have received a copy of the instrument of transfer or other satisfactory evidence thereof in writing from the transferor or transferee. No assignment or other disposition of interest by a party shall relieve such party of obligations previously incurred by such party hereunder with respect to the interest transferred, including without limitation the obligation of a party to pay all costs attributable to an operation conducted hereunder in which such party has agreed to participate prior to making such assignment, and the lien and security interest granted by Article VII.B. shall continue to burden the interest transferred to secure payment of any such obligations.

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for

and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

DD.Waiver of Rights to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

EE. INTERNAL REVENUE CODE ELECTION

If, for federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, and if the parties have not otherwise agreed to form a tax partnership pursuant to Exhibit "G" or other agreement between them, each party thereby affected elects to be excluded from the application of all of the provisions of Subchapter "K," Chapter 1, Subtitle "A," of the Internal Revenue Code of 1986, as amended ("Code"), as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Treasury Regulations §1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No such party shall give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K," Chapter 1, Subtitle "A," of the Code, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from operations hereunder can be adequately determined without the computation of partnership taxable income.

FF. CLAIMS AND LAWSUITS

Operator may settle any single uninsured third party damage claim or suit arising from operations hereunder if the expenditure does not exceed _____ Dollars ($_____) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator.

All costs and expenses of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties participating in the operation from which the claim or suit arises. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, such party shall immediately notify all other parties, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

GG. FORCE MAJEURE

If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to indemnify or make money payments or furnish security, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The term “force majeure,” as here employed, shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood or other act of nature, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

The affected party shall use all reasonable diligence to remove the force majeure situation as quickly as practicable. The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

HH. NOTICES

All notices authorized or required between the parties by any of the provisions of this agreement, unless otherwise specifically provided, shall be in writing and delivered in person or by United States mail, courier service, telegram, telex, telecopier or any other form of facsimile, postage or charges prepaid, and addressed to such parties at the addresses listed on Exhibit “A.” All telephone or oral notices permitted by this agreement shall be confirmed immediately thereafter by written notice. The originating notice given under any provision hereof shall be deemed delivered only when received by the party to whom such notice is directed, and the time for such party to deliver any notice in response thereto shall run from the date the originating notice is received. “Receipt” for purposes of this agreement with respect to written notice delivered hereunder shall be actual delivery of the notice to the address of the party to be notified specified in accordance with this agreement, or to the telecopy, facsimile or telex machine of such party. The second or any responsive notice shall be deemed delivered when deposited in the United States mail or at the office of the courier or telegraph service, or upon transmittal by telex, telecopy or facsimile, or when personally delivered to the party to be notified, provided, that when response is required within 24 or 48 hours, such response shall be given orally or by telephone, telex, telecopy or other facsimile within such period. Each party

shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties. If a party is not available to receive notice orally or by telephone when a party attempts to deliver a notice required to be delivered within 24 or 48 hours, the notice may be delivered in writing by any other method specified herein and shall be deemed delivered in the same manner provided above for any responsive notice.

II.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the Oil and Gas Leases and/or Oil and Gas Interests subject hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any Lease or Oil and Gas Interest contributed by any other party beyond the term of this agreement.

√ Option No. 1: So long as any of the Oil and Gas Leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise.

The termination of this agreement shall not relieve any party hereto from any expense, liability or other obligation or any remedy therefor which has accrued or attached prior to the date of such termination.

Upon termination of this agreement and the satisfaction of all obligations hereunder, in the event a memorandum of this Operating Agreement has been filed of record, Operator is authorized to file of record in all necessary recording offices a notice of termination, and each party hereto agrees to execute such a notice of termination as to Operator's interest, upon request of Operator, if Operator has satisfied all its financial obligations.

JJ.
COMPLIANCE WITH LAWS AND REGULATIONS
KK.Laws, Regulations and Orders:

This agreement shall be subject to the applicable laws of the state in which the Contract Area is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations and orders.

LL.Governing Law:

This agreement and all matters pertaining hereto, including but not limited to matters of performance, non-performance, breach, remedies, procedures, rights, duties, and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state of Texas shall govern.

MM.Regulatory Agencies:

Nothing herein contained shall grant, or be construed to grant, Operator the right or authority to waive or release any rights, privileges, or obligations which Non-Operators may have under federal or state laws or under rules, regulations or orders promulgated under such laws in reference to oil, gas and mineral operations, including the location, operation, or production of wells, on tracts offering or adjacent to the Contract Area.

With respect to the operations hereunder, Non-Operators agree to release Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to or resulting directly or indirectly from Operator's interpretation or application of rules, rulings, regulations or orders of the Department of Energy or Federal Energy Regulatory Commission or predecessor or successor agencies to the extent such interpretation or application was made in good faith and does not constitute gross negligence. Each Non-Operator further agrees to reimburse Operator for such Non-Operator's share of production or any refund, fine, levy or other governmental sanction that Operator may be required to pay as a result of such an incorrect interpretation or application, together with interest and penalties thereon owing by Operator as a result of such incorrect interpretation or application.

NN. MISCELLANEOUS

OO.Execution:

This agreement shall be binding upon each Non-Operator when this agreement or a counterpart thereof has been executed by such Non-Operator and Operator notwithstanding that this agreement is not then or thereafter executed by all of the parties to which it is tendered or which are listed on Exhibit "A" as owning an interest in the Contract Area or which own, in fact, an interest in the Contract Area. Operator may, however, by written notice to all Non-Operators who have become bound by this agreement as aforesaid, given at any time prior to the actual spud date of the Initial Well but in no event later than five days prior to the date specified in Article VI.A. for commencement of the Initial Well, terminate this agreement if Operator in its sole discretion determines that there is insufficient participation to justify commencement of drilling operations. In the event of such a termination by Operator, all further obligations of the parties hereunder shall cease as of such termination. In the event any Non-Operator has advanced or prepaid any share of drilling or other costs hereunder, all sums so advanced shall be returned to such Non-Operator without interest. In the event Operator proceeds with drilling operations for the Initial Well without the execution hereof by all persons listed on Exhibit "A" as having a current working interest in such well, Operator shall indemnify Non-Operators with respect to all costs incurred for the Initial Well which would have been charged to such person under this agreement if such person had executed the same and Operator shall receive all revenues which would have been received by such person under this agreement if such person had executed the same.

PP. Successors and Assigns:

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, devisees, legal representatives, successors and assigns, and the terms hereof shall be deemed to run with the Leases or Interests included within the Contract Area.

QQ. Counterparts:

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

RR. Severability:

For the purposes of assuming or rejecting this agreement as an executory contract pursuant to federal bankruptcy laws, this agreement shall not be severable, but rather must be assumed or rejected in its entirety, and the failure of any party to this agreement to comply with all of its financial obligations provided herein shall be a material default.

SS. OTHER PROVISIONS

TT. Conflicts:

In the event of a conflict between the provisions of this Article XVI, and other provisions of the Operating Agreement, the provisions of this Article XVI shall govern and control. Further, this Operating Agreement (including this Article XVI) is subject to the terms and provisions of that certain Joint Exploration and Development Agreement dated effective March 1, 2013, by and among EOG Resources, Inc., ZaZa Energy Corporation and ZaZa Energy, LLC ("JEDA"), and in the event of a conflict between the provisions of this Operating Agreement (including this Article XVI) and the JEDA, to which this Operating Agreement is attached as an exhibit, the JEDA shall govern and control.

UU. Additional Testing:

Any party desiring to perform additional logging, coring, or other testing (other than logging, coring or testing that has been approved previously) may do so at its sole cost, risk and expense. In such event the party or parties undertaking such additional testing shall be responsible for any damage to the hole or reservoir resulting from such testing. The parties not participating in such additional testing shall not be entitled to the logs and other data resulting from such tests, but shall not suffer any other penalty.

VV. Substitute Well:

Should there be a completion attempt of any Test Well and should the Consenting Parties agree to abandon the completion attempt due to, but not limited to, the inability to set production casing and successfully secure same, mechanical problems that may arise, such as collapsed pipe or tubing, unrecoverable junk in the hole that would prohibit the well being

successfully completed for production, and should the well thereafter be plugged and abandoned, then in that event, only those Consenting Parties to the completion attempt of the Test Well shall have the right and election to consent to drilling of a substitute well at a legal location as near as practical to the location of the Test Well. If said substitute well is AFE'd for a depth that is greater than 200 feet below the stratigraphic equivalent of the geological formation of the Test Well for which the substitute well is proposed, or if said substitute well is AFE'd as a horizontal well (if the Test Well was a vertical well) or as a vertical well (if the Test Well was a horizontal well) or if the azimuth of the horizontal well bore of the Test Well is changed more than twenty degrees in the substitute well proposal and AFE, then all parties have the right to participate in the substitute well in accordance with the appropriate well proposal provisions of this Operating Agreement or the Agreement to which this Operating Agreement is attached.

WW.Metering Production:

If a diversity of the working interest ownership in production from a lease subject to this Operating Agreement occurs as a result of operations by less than all parties pursuant to any provision(s) of this Operating Agreement, it is agreed that the oil and/or gas, and other liquid hydrocarbons produced from the well or wells completed by the consenting party or parties shall be separately measured by standard metering equipment to be properly testing periodically for accuracy. The setting of a separate tank battery will not be required unless the purchaser of the production or governmental regulatory body having jurisdiction will not approve metering for separately measuring the production. Subject to the provision of Article VI.G., in the event any party hereto enters into a gas sales contract for the sale of their share of gas produced from the Contract Area ("Contracting Party"), any of the other parties hereto may, at its option, accept and ratify such gas sales contract as additional Contracting Party.

XX.Agreement Subject to Applicable Laws and Reporting:

This Operating Agreement and the respective rights and obligations of the parties hereunder shall be subject to all applicable federal, state, local or governmental laws, rules, regulations and orders, and in the event this Agreement or any provision(s) hereof is, or the operations contemplated hereby are found to be inconsistent with or contrary to any such law, rule, regulation or order, the latter shall be deemed to control and this Operating Agreement shall be regarded as modified accordingly and, as so modified, to continue in full force and effect.

Operator shall act as the representative of all parties hereto in all hearings and proceedings before administration bodies concerning the Contract Area and all reasonable costs and expenses incurred by Operator (excluding its staff attorneys) directly or by retention of outside personnel in participation in such hearings or proceedings shall be proper direct charges against the joint account; provided, however, that nothing herein contained shall prohibit any of the parties other than Operator from participating in any such hearing or proceedings in his or its behalf and at his or its own cost and expense.

YY.Confidentiality:

Except as otherwise specifically provided herein, during the term of this Operating Agreement, all geophysical, geological and engineering information acquired

hereunder shall be the property of the parties hereto as herein provided, and the parties agree, and do hereby bind themselves, their successors and assigns, to accept and keep such information confidential and for the exclusive use of the parties concerned for the term hereof. Except as otherwise specifically provided herein, well information shall be the sole and confidential property of the parties participating in the cost of the well, but such information may be disclosed to a non-drilling party to this Operating Agreement if a drilling party is so obligated. Notwithstanding any other provision of this Operating Agreement, any party may disclose information, without the consent of the other parties, (1) to governmental agencies when required by such agency, (2) to reputable financial institutions in connection with a bona fide financial transaction, (3) to bona fide consultants and accredited engineering firms for the purpose of evaluation on a confidential basis, (4) to reputable financially responsible third parties with whom a party is engaged in a bona fide effort to sell all or part of its interest in the Contract Area or this Operating Agreement, and (5) third parties with whom a party is engaged in a bona fide effort to effect a merger or consolidation or which third party proposes to acquire all of the controlling part of the stock in a party hereto or to purchase substantially all of the assets of a party hereto or affiliates of parties hereto; provided that any third party who is permitted access to confidential data pursuant to this Paragraph shall agree in writing not to communicate such information to anyone and to make no use of such information adverse to the parties hereto within the area covered by such information during the period of time such information remains confidential hereunder; and, provided further that the party disclosing the confidential data shall indemnify and hold the other parties hereto harmless against losses resulting from its disclosure to non-governmental third parties.

ZZ.Payment of Royalties and Taxes:

If Operator purchases a Non-Operator's share of production or if Operator sells production for the account of a non-taking party under Article VI.G. or a marketing agreement, all royalties, overriding royalties, other production burdens, and tax assessments (including severance taxes) shall be paid by Operator from the sale proceeds due to the Non- Operator; provided, however, that if a party exercises its right to take production in kind under the provisions of this Operating Agreement, such party shall pay or deliver or cause to be paid or delivered all royalties, overriding royalties, or other payments due on its share of production so taken, and shall hold the other parties free from any liability therefore. Payment by Operator of any such royalties, overriding royalties, other production burdens, and tax assessments (including severance taxes), or other amounts on behalf of such Non-Operator, is intended as an administrative convenience only and each party shall remain responsible for its proportionate part of such payment made by the Operator. Operator shall have no liability to third parties for improper calculation or untimely payments of such amounts provided Operator acts in good faith. Operator and Non-Operator agree that the making of such payments by Operator does not constitute an assignment to or assumption by Operator of any of Non-Operator's obligations to third parties, is not intended for the benefit of such third parties, and shall not create any rights in such third parties.

AAA.Liabilities:

Operator shall use reasonable efforts to comply with all rules and governmental regulations but, notwithstanding any rule or regulation making the Operator responsible for

compliance with said rules and regulations, the liability therefore shall be borne by the parties hereto in proportion to their interests including, without limitation, any repayments required by any such governmental agency. In the event Operator (1) agrees in writing to hold division orders and to disburse proceeds from oil or gas sales including the payment of royalty interests and/or (2) accepts, holds, disburses or otherwise handles any funds on behalf of Non-Operators then each Non-Operator, as to its interest, indemnifies Operator without limitation in connection therewith provided that there is an absence of fraud, intentional misrepresentation, gross negligence or acts of willful misconduct by Operator. NO PARTY SHALL BE LIABLE TO ANY OTHER PARTY TO THIS OPERATING AGREEMENT FOR LOST PROFITS OR ANY OTHER INCIDENTAL, CONSEQUENTIAL, SPECIAL, EXEMPLARY OR PUNITIVE LOSSES OR DAMAGES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS OPERATING AGREEMENT REGARDLESS OF THE NEGLIGENCE (SOLE OR CONCURRENT) OR OTHER FAULT OF A PARTY.

BBB.Operations Sequence Priority:

It is agreed that where a well, which has been authorized under the terms of this Operating Agreement, has been drilled to the objective depth or the objective formation, whichever is deepest, and the parties participating in the well cannot mutually agreed upon the sequence and timing of further operations regarding said well, the following elections shall control in the order enumerated hereafter: (1) an election to do additional logging, coring or testing, (2) an election to attempt to complete the well at either the objective depth or objective Zone or formation, (3) an election to plug back and attempt completions in ascending order, (4) an election to sidetrack the well, (5) an election to deepen said well in descending order and (6) plugging and abandoning the well. Any election required pursuant to this provision may be requested by confirmed e-mail and/or facsimile and any response may be given by a confirmed e-mail and/or facsimile.

It is provided, however, that if at the time said Consenting Parties are considering any of the above elections as set forth in the previous paragraph, the hole is in such a condition that the Operator would not conduct the operations contemplated for fear of placing the hole in jeopardy or losing the same prior to completing the well in the objective depth or objective formation, such election shall not be given the priority hereinabove set forth.

CCC.Subsequent Operations:

Subsequent Operations shall, in all respects, be subject to the terms and provisions of Article VI.B. of this Operating Agreement. Other than drilling, an election to non-consent a proposed operation shall not serve to preclude participation by the non-consenting party in a subsequent operation to deepen the well, or to test and complete the well in a formation in which no previous testing and completion attempt has been made (except in the deepened portion of the well, if a deepening operation, and in which the non-consenting party did not participate). Election to participate in any subsequent operation will carry with it the obligation for costs as set out in Article VII.A. Non-Operators expressly recognize that Operator shall determine, in accordance with this Operating Agreement, the costs of all Subsequent Operations which are proposed or performed in accordance with the provisions hereof, and the costs so determined

shall be reflected on an Authority for Expenditure prepared and submitted by Operator to Non-Operators in connection with each such Subsequent Operation.

DDD.Covenants:

The terms, covenants and conditions of this Operating Agreement shall be covenants running with the Contract Area and shall inure to and be binding upon the parties hereto and their respective legal representatives, successors and assigns. Each party making an assignment or transfer of any lands or leasehold estates covered hereby shall provide that such assignment or transfer is subject to all of the terms, covenants and conditions hereof, and shall promptly give written notice to Operator of such assignment or transfer.

EEE.Information:

Operator shall at all times consult freely with the other parties concerning the operations being or to be conducted within the Contract Area.

FFF.Federal and State Reporting:

Operator hereby agrees to use reasonable efforts to comply with the rules and regulations of all State or Federal agencies, boards, commissions or other regulatory authorities ("Regulatory Authorities") having jurisdiction of the Contract Area. To this end, it will file all documentation, reports, affidavits and exhibits required to be filed by the Operator with any such Federal or State regulatory authority. The Operator shall not be liable in damages to Non-Operators for its failure to timely or properly file any such instruments where such failure is the result of mere nonfeasance or misfeasance or the result of in incorrect or improper interpretation of the statutes, rules and regulations of any regulatory authority. As consideration for its undertaking the acts set forth above, Operator shall be compensated for its costs in doing such acts.

Non-Operators hereby covenant and agree to use reasonable efforts to timely provide the Operator with all documentation, affidavits, reports or other materials and information in their possession, or to which they are entitled, which the Operator must have in order to perform those tasks and make the necessary reports to the regulatory authorities.

GGG.Operator As Disbursing Agent:

Subject to the right of each party to take in kind its share of production from the Contract Area, any Non-Operator to this Operating Agreement may designate the Operator to act as its/their agent to receive and disburse the proceeds received from the sale of any oil, gas or other minerals produced from the Contract Area. If so requested, Operator shall remit to each Non-Operator its proportionate share of the net proceeds within sixty days after receipt thereof. Operator will use reasonable efforts to make such disbursements correctly, but will be liable for incorrect disbursement only in the event of gross negligence or willful misconduct. Operator shall have the right, at its election, to cease acting as the agent of Non-Operator by providing such party and its relevant purchaser of production with 30 days written notice of such cessation. Likewise, Non-Operator may terminate the authority of Operator to act on its behalf by

providing Operator and the relevant purchaser of production from the Contract Area with 30 days written notice of such termination of authority.

HHH.Waiver:

Waiver by any party hereto of any breach by any other party hereto of any provision of this Operating Agreement shall not be deemed a waiver of future compliance therewith or with any other provision hereof, and each and every provision of this Operating Agreement shall remain in full force and effect regardless of any previous waiver.

III.Horizontal Wells:

Notwithstanding anything contained herein to the contrary, (i) the provisions of Article VI.C.1. Option No. 1 shall apply to any "horizontal well" (hereinafter defined) proposed hereunder, and (ii) the provisions of Article VI.C.1. Option No. 2 shall apply to all other wells proposed hereunder that are not expressly proposed as "horizontal wells". To be effective as a "horizontal well proposal", such proposal must include an AFE and other accompanying documents that clearly stipulate that the well being proposed is a horizontal well. For purposes of this agreement, a "horizontal well" is defined a well drilled, completed or recompleted in a manner in which the lateral or horizontal component exceeds a minimum of one hundred feet (100') in the objective formation(s). As to any possible conflicts that may arise during the completion phase of a horizontal well, priority shall be given first to a lateral drain hole of the authorized depth, and then to objective formations in ascending order above the authorized depth, and then to objective formations in descending order below the authorized depth.

JJJ.Information to Operator:

Non-Operators hereby covenant and agree that they shall provide Operator with all documentation, affidavits or reports within their possession as required by Operator to perform those tasks agreed to be undertaken by Operator hereunder, and as may be required by regulations and laws of the governmental authority having jurisdiction over operations on the Contract Area.

KKK.Marketing of Production:

At the written request of Non-Operator, Operator has the option, but not the obligation, to market Non-Operator's proportionate share of production. In the event Operator elects such option, Operator will market Non-Operator's proportionate share of production on the same price and terms that Operator markets its own production from the Contract Area. Such marketing will be free of any postproduction costs except for those costs incurred on a bona-fide arms-length transaction between Operator and a third party that is not related to Operator or in which Operator does not own a controlling interest. Operator may cease marketing Non-Operator's share of production at any time (or from time-to-time) for any reason or no reason; provided, however, that Operator must provide at least thirty (30) days written notice to Non-Operator. In the event Operator elects to market Non-Operator's share of production, Operator will pay Non-Operator's royalty burdens; provided, however, that Non-Operator shall furnish to Operator any information relevant to the payout of such royalty burdens.

LLL.Indemnity:

THE PARTIES ACKNOWLEDGE AND UNDERSTAND THAT THE PROVISIONS OF ARTICLE V. ARE INTENDED AS AN INDEMNITY AGREEMENT THAT INDEMNIFIES THE OPERATOR FROM THE RESULTS OF THE OPERATOR'S OWN NEGLIGENCE (WHETHER SOLE, JOINT, COMPARATIVE, OR CONCURRENT). THE PARTIES AGREE THAT ARTICLE V., AS SUPPLEMENTED BY THIS ADDITIONAL PROVISION, SATISFIES THE EXPRESS NEGLIGENCE DOCTRINE AND CONSPICUOUS REQUIREMENT UNDER TEXAS LAW.

MMM.Amendments:

Except as otherwise expressly provide, this Agreement shall not be amended except by written instrument expressly referring to this Agreement and executed by the parties to such amendment.

NNN.Proposed Non-Operator Operations:

Notwithstanding anything contrary contained in this Operating Agreement (including without limitation Article VI) and except as to (x) an operation which is necessary to maintain an Oil and Gas Lease within six months of its expiry or (y) an operation to Rework, Deepen, Recomplete or Plug Back any well that Operator has failed to Complete or found to be non-productive, or upon which Operator has otherwise ceased continuing operations (except to the extent that such well is reasonably required as a monitoring well), from and after the date of this Operating Agreement, a Non-Operator shall not propose any operation under this Operating Agreement until the earlier of: (i) Operator's completion and satisfaction of its Commitment Well (as defined in the JEDA) obligations for Phases I, II and III (as each is defined in the JEDA) as provided in Section 3 to the JEDA, (ii) the expiration of the Term (as defined in the JEDA). For purposes of the preceding sentence, only as applied to a Commitment Well, the term "Complete" shall have the definition given to such term in the JEDA.

END OF ARTICLE XVI

IN WITNESS WHEREOF, this agreement shall be effective as of the 1st day of March, 2013, EOG Recourses, Inc., who has prepared and circulated this form for execution, represents and warrants that the form was printed from and, with the exception(s) listed below, is identical to the AAPL Form 610-1989 Model Form Operating Agreement, as published in computerized form by Forms On-A-Disk, Inc. No changes, alterations or modifications, other than those made by strikethrough and/or insertion and that are clearly recognizable as changes in Articles _____, have been made to the form.

ATTEST OR WITNESS:

OPERATOR
EOG RESOURCES, INC.

By: /s/ Randall L. Davis
Randall L. Davis
Type or print name

Title: Division Land Manager
Date: April 2, 2013
Tax ID or S.S. No. 47-0684736

NON-OPERATORS
ZAZA ENERGY LLC

By: /s/ Todd A. Brooks
Todd A. Brooks
Type or print name

Title: Manager
Date: April 2, 2013
Tax ID or S.S. No. 27-0248842

By:
Type or print name

Title:
Date:
Tax ID or S.S. No.

By:
Type or print name

Title:
Date:
Tax ID or S.S. No.

EXECUTION VERSION

Exhibit 10.6

AMENDMENT NO. 5 TO SECURITIES PURCHASE AGREEMENT AND AMENDMENT NO. 1 TO SANCHEZ CONSENT

This **AMENDMENT NO. 5 TO SECURITIES PURCHASE AGREEMENT AND AMENDMENT NO. 1 TO SANCHEZ CONSENT** (this "**Amendment**"), is made and entered into this 28th day of March, 2013, by and among **ZAZA ENERGY CORPORATION**, a Delaware corporation (the "**Company**"), and each of the holders of Securities (as defined in the Securities Purchase Agreement, as defined below) that is a signatory to this Amendment.

RECITALS

1. The Company and the holders of the Securities are parties to that certain Securities Purchase Agreement dated February 21, 2012, as amended by (a) a letter agreement dated as of March 1, 2012, (b) a letter agreement dated as of March 22, 2012, (c) that certain Waiver and Amendment No. 1 to Securities Purchase Agreement dated as of June 8, 2012, as amended by that certain letter agreement dated as of June 28, 2012, (d) that certain Waiver and Amendment No. 2 to Securities Purchase Agreement dated as of July 25, 2012, (e) that certain Waiver and Amendment No. 3 to Securities Purchase Agreement dated as of October 16, 2012 and (f) that certain Amendment No. 4 to Securities Purchase Agreement dated as of December 17, 2012 (as amended, the "**Existing Securities Purchase Agreement**"; and as amended by this Amendment and as may be further amended, restated, supplemented or otherwise modified from time to time, the "**Securities Purchase Agreement**").

2. Pursuant to the Existing Securities Purchase Agreement, the Company issued, and the holders of Notes purchased, (a) the Company's 8.00% Senior Secured Notes due February 21, 2017, in the aggregate principal amount of $100,000,000 (collectively, the "**Notes**") and (b) the Company's warrants to purchase 26,315,789 shares of the Company's Common Stock (as adjusted pursuant to the terms thereof, the "**Warrants**").

3. Pursuant to a letter agreement dated February 20, 2013 (the "**Sanchez Consent**"), the holders of the Securities (as defined in the Securities Purchase Agreement) consented to (a) the sale of ZaZa LLC's right, title and interest in approximately 2,879 acres of Eagle Ford Assets to Sanchez Energy Corporation (the "**Sanchez Sale**"), (b) the release of Collateral Agent's Lien on the Eagle Ford Acreage (as defined in the Sanchez Consent), and (c) notwithstanding the requirements of paragraph 7B(13) of the Securities Purchase Agreement, the Company's receipt and retention of the Net Available Cash from such sale and the deferral of the offer to prepay the Notes with the proceeds from the Sanchez Sale (the "**Sanchez Deferral**").

4. The Company desires to (a) amend the Sanchez Consent to remove the Sanchez Deferral, (b) amend certain provisions of the Existing Securities Purchase Agreement and (c) amend certain provisions of the Warrants.

5. The holders of the Securities have agreed to make such amendments, in each case subject to the terms and conditions set forth in this Amendment.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby covenant and agree to be bound as follows:

Section 1. **Capitalized Terms**. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Securities Purchase Agreement (including, for the avoidance of doubt, any terms defined herein as set forth on Exhibit A hereto), unless the context otherwise requires.

Section 2. **Amendments to Existing Securities Purchase Agreement**. Subject to the satisfaction of the conditions precedent set forth in Section 3, the Existing Securities Purchase Agreement is hereby amended in the manner specified in Exhibit A hereto. Such amendments are referred to herein collectively as the "**Amendments**".

Section 3. **Effectiveness of Amendment to Sanchez Consent and Amendments**. The amendment to the Sanchez Consent set forth in Section 5 and the Amendments shall become effective, and shall be deemed to be in effect (the "**Effective Time**"), subject to the last sentence of Section 8, upon satisfaction (or waiver by the holders of the Securities) of all of the following conditions on or before April 1, 2013:

Amendment. Execution and delivery of this Amendment by the Company and each of the holders of the Securities, and execution and delivery of the Guarantor Acknowledgement attached hereto by the Guarantors.

Representations and Warranties. The representations and warranties in Section 4 shall be true and correct in all respects on the date hereof.

Issuance of Amended and Restated Warrant Certificates. Execution and delivery of a copy of an amended and restated Warrant certificate, in the form attached hereto as Exhibit B, by the Company to each Warrant Holder, which is exercisable for the number of Warrant Shares set forth next to such Warrant Holder's name on Schedule A hereto. Upon such issuance, the Warrant certificate shall be deemed to amend and restate and supersede any Warrant certificate issued to such Warrant Holder pursuant to the Securities Purchase Agreement prior to the date hereof. The Company shall promptly deliver an original Warrant Certificate to each Warrant Holder upon receipt of the prior Warrant (or a reasonably acceptable lost warrant certificate and indemnity) from such Warrant Holder.

Expenses. The Company shall have paid the reasonable fees and disbursements of the holders of the Securities' special counsel in accordance with Section 10 below.

Section 4. **Representations and Warranties**. To induce the holders of the Securities to enter into this Amendment, consent to the Amendments and to consent to the amendment to the Sanchez Consent set forth in Section 5, the Company hereby represents and warrants to each of the holders of Securities that:

the execution, delivery and performance of this Amendment (including the Guarantor Acknowledgement attached hereto) have been duly authorized by all requisite corporate or limited liability company authority or other action on the part of the Credit Parties, this Amendment has been duly executed and delivered by the Credit Parties, and this Amendment constitutes the legal, valid and binding obligations of the Credit Parties, enforceable against the Credit Parties in accordance with its terms;

each of the representations and warranties set forth in the Securities Purchase Agreement and the other Transaction Documents are true and correct in all material respects as of the date hereof, except (i) to the extent that such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date), (ii) that the financial statements referred to in Paragraph 9C shall be deemed to refer to the financial statements most recently delivered by the Company pursuant to Paragraph 6A(i) or 6A(ii), and (iii) as disclosed in the First Amendment or the Third Amendment;

no Default or Event of Default has occurred and is continuing as of the date hereof; and

no events have taken place and no circumstances exist at the date hereof which would give any Credit Party a basis to assert a defense, offset or counterclaim to any claim of any holder of a Security with respect to the obligations of the Credit Parties.

Section 5. **Amendment to Sanchez Consent**. Subject to the satisfaction of the conditions specified in Section 3, each of the holders of Securities hereby agrees that the Sanchez Consent shall be amended by deleting in its entirety the first sentence contained in the third paragraph thereof .

Section 6. **Transaction Document**. This Amendment shall be deemed to constitute a Transaction Document for all purposes under the Securities Purchase Agreement.

Section 7. **Amended and Restated Lock-Up Agreement**. Concurrently herewith, the holders of the Securities, the Restricted Stockholders (as defined in the Amended Lock-Up Agreement) and the Company shall execute and deliver an Amended and Restated Lock-Up Agreement in the form attached hereto as Exhibit C (the "**Amended Lock-Up Agreement**"), which Amended Lock-Up Agreement shall become effective at the Effective Time.

Section 8. **Effect of Amendment**. Except as set forth expressly herein, all terms of the Securities Purchase Agreement shall be and remain in full force and effect. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the holders of Notes under the Securities Purchase Agreement or otherwise, nor constitute a waiver of any provision of the Securities Purchase Agreement. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Amendment may refer to the Securities Purchase Agreement without making specific reference to this Amendment, but nevertheless all such references shall include this Amendment unless the context otherwise requires. Notwithstanding the foregoing, the Amendments to paragraphs 5B, 5C, 6A(ii), 7B(7) and 7B(13) of the Securities Purchase

Agreement shall cease to be effective and shall be deemed to have not been made to the Securities Purchase Agreement if the Company fails to provide to the holders of the Notes the prepayment amount described in paragraph 5J of the Securities Purchase Agreement on or before April 10, 2013, it being understood that upon such Amendments ceasing to be effective, a Default under paragraph 8A(vi) of the Securities Purchase Agreement shall have occurred as a result of the Company's failure to deliver in a timely manner the financial statements required pursuant to paragraph 6A(ii) of the Securities Purchase Agreement for the fiscal year of the Company ended December 31, 2012 not subject to a "going concern" qualification .

Section 9. Release.

In consideration of the agreements of the holders of Securities contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Credit Party, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges each holder of Securities, and its successors and assigns, and its present and former shareholders, partners, members, managers, consultants, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives, and all persons acting by, through, under or in concert with any of them (each holder of Securities and all such other Persons being hereinafter referred to collectively as the "**Releasees**" and individually as a "**Releasee**") of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, recoupment, rights of setoff, demands and liabilities whatsoever (individually, a "**Claim**" and collectively, "**Claims**") of every name and nature, known or unknown, contingent or mature, suspected or unsuspected, both at law and in equity, which any Credit Party or any of its respective successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, including, without limitation, for or on account of, or in relation to, or in any way in connection with the Securities Purchase Agreement, or any of the other Transaction Documents or transactions thereunder or related thereto.

Each Credit Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

Each Credit Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

In entering into this Amendment, each Credit Party has consulted with, and has been represented by, legal counsel and expressly disclaims any reliance on any representations, acts or omissions by any of the Releasees and hereby agrees and acknowledges that the validity and effectiveness of the release set forth above does not depend in any way on any such representations, acts and/or omissions or the accuracy, completeness or validity hereof. The

provisions of this Section shall survive the termination of this Amendment and the other Transaction Documents and the payment in full of the Notes.

Each Credit Party acknowledges and agrees that the release set forth above may not be changed, amended, waived, discharged or terminated orally.

Section 10. **Fees and Expenses; Indemnification**. Whether or not the amendment to the Sanchez Consent in Section 5 or the Amendments become effective, the Company agrees to pay on demand all reasonable costs and expenses of the holders of the Securities (including the reasonable fees and expenses of the holders of the Securities' special counsel) in connection with the preparation, negotiation, execution and delivery of this Amendment as provided in paragraph 13B(1) of the Securities Purchase Agreement. Nothing in this Section shall limit the Company's obligations pursuant to paragraphs 13B(1) and 13B(2) of the Securities Purchase Agreement.

Section 11. **Governing Law**. THIS AMENDMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE INTERNAL LAW OF THE STATE OFNEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD PERMIT THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

Section 12. **Severability**. Whenever possible, each provision of this Amendment and any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be interpreted in such manner as to be effective, valid and enforceable under the applicable law of any jurisdiction, but, if any provision of this Amendment or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto shall be held to be prohibited, invalid or unenforceable under the applicable law, such provision shall be ineffective in such jurisdiction only to the extent of such prohibition, invalidity or unenforceability, without invalidating or rendering unenforceable the remainder of such provision or the remaining provisions of this Amendment or any other statement, instrument or transaction contemplated hereby or thereby or relating hereto or thereto in such jurisdiction, or affecting the effectiveness, validity or enforceability of such provision in any other jurisdiction.

Section 13. **Counterparts**. This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

Section 14. **Binding Nature**. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 15. **Entire Understanding**. The Existing Securities Purchase Agreement, together with this Amendment, set forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

Section 16. Headings. The headings of the sections of this Amendment are inserted for convenience only and shall not be deemed to constitute a part of this Amendment.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date and year first above written.

ZAZA ENERGY CORPORATION

By: _____
Name:
Title:

[Signature Page to Amendment No. 5]

MSDC ZEC INVESTMENTS, LLC

By: _____
Name: Marcello Liguori
Title: Vice President

[Signature Page to Amendment No. 5]

SENATOR SIDECAR MASTER FUND LP

By: Senator Investment Group LP, its investment manager

By: _____
Name: Evan Gartenlaub
Title: General Counsel & Chief Compliance Officer

[Signature Page to Amendment No. 5]

O-CAP OFFSHORE MASTER FUND, L.P.

By: _____
Name:
Title:

-
-

O-CAP PARTNERS, L.P.

By: _____
Name:
Title:

-
-

CAPITAL VENTURES INTERNATIONAL

By: _____
Name:
Title:

-

TALARA MASTER FUND, LTD.

By: _____
Name:
Title:

-
-

BLACKWELL PARTNERS, LLC

By: _____
Name:
Title:

-
-

PERMAL TALARA LTD.

By: _____
Name:
Title:

WINMILL INVESTMENTS LLC

By: _____
Name:
Title:

-

[Signature Page to Amendment No. 5]

GUARANTOR ACKNOWLEDGEMENT

Each of the undersigned hereby acknowledges and agrees to the terms of the Amendment No. 5 to Securities Purchase Agreement and Amendment No. 1 to Sanchez Consent, dated March 28, 2013 (the "**Amendment**"), including, without limitation, Section 9 of the Amendment, amending that certain Securities Purchase Agreement, dated February 21, 2012, as amended (as amended, the "**Securities Purchase Agreement**"), among ZaZa Energy Corporation, a Delaware corporation, and the holders of Securities party thereto. Each of the undersigned hereby confirms that the Guaranty Agreement to which the undersigned are a party remains in full force and effect after giving effect to the Amendment and continues to be the valid and binding obligation of each of the undersigned, enforceable against each of the undersigned in accordance with its terms.

Capitalized terms used herein but not defined are used as defined in the Securities Purchase Agreement.

Dated as of March 28, 2013.

ZAZA HOLDINGS, INC.,
a Delaware corporation

By: _____
Name:
Title:

ZAZA ENERGY, LLC,
a Texas limited liability company

By: _____
Name:
Title:

TOREADOR RESOURCES CORPORATION,
a Delaware corporation

By: _____
Name:
Title:

ZAZA ENERGY DEVELOPMENT, LLC, a Texas limited liability company

By: _____
Name:
Title:

ZAZA PETROLEUM MANAGEMENT, LLC, a Texas limited liability company

By: _____
Name:
Title:

Schedule A

Warrant Holder	WR-#	Adjusted Warrant Shares
MSDC ZEC INVESTMENTS, LLC	19	10,890,490
SENATOR SIDECAR MASTER FUND LP	20	12,251,800
O-CAP OFFSHORE MASTER FUND, L.P.	21	285,876
O-CAP PARTNERS, L.P.	22	394,780
CAPITAL VENTURES INTERNATIONAL	23	1,633,573
TALARA MASTER FUND, LTD.	24	340,327
BLACKWELL PARTNERS, LLC	25	585,363
PERMAL TALARA LTD.	26	435,620
WINMILL INVESTMENTS LLC	27	408,394

Exhibit A

Paragraph 2C - Interest on the Notes. Paragraph 2C of the Existing Securities Purchase Agreement is hereby amended by amending and restating the last sentence of clause (i) thereof to read as follows:

"Notwithstanding the foregoing, if the Notes have not been indefeasibly paid in full in cash by February 28, 2014, commencing on such date and at all times thereafter, the Notes shall bear interest at the rate of 10.00% per annum."

Paragraph 5B - Optional Prepayments. Paragraph 5B of the Existing Securities Purchase Agreement is hereby amended and restated in its entirety as follows:

"**5B Optional Prepayments.** The Company may prepay the Notes in whole or in part at any time, in a minimum amount of $500,000 (and in multiples of $100,000 in excess thereof) or, if less, the aggregate principal amount outstanding in respect of the Notes, at 100% of the principal amount of the Notes so prepaid, plus all accrued and unpaid interest thereon to, but not including, the prepayment date, with respect to each Note, plus any Applicable Premium."

Paragraph 5C - Notice of Optional Prepayment. Paragraph 5C of the Existing Securities Purchase Agreement is hereby amended and restated in its entirety as follows:

"**5C Notice of Optional Prepayment.** The Company shall give the holder of each Note written notice of any optional prepayment pursuant to paragraph 5B not fewer than five Business Days prior to the prepayment date, specifying (i) such prepayment date, (ii) the aggregate principal amount of the Notes to be prepaid on such date (solely in the case of an optional prepayment under paragraph 5B), (iii) the principal amount of the Notes of each holder thereof to be prepaid on that date, (iv) that such optional prepayment is to be made pursuant to paragraph 5B and (v) a calculation of the estimated Applicable Premium, if any, due in connection with any prepayment pursuant to paragraph 5B setting forth the details of such computation. Notice of optional prepayment having been given as aforesaid, the prepayment price with respect to the principal amount of the Notes to be prepaid, together with accrued and unpaid interest thereon to, but not including, the prepayment date, and any Applicable Premium shall become due and payable on such prepayment date, unless revoked by the Company in writing. Five Business Days prior to any prepayment pursuant to paragraph 5B, the Company shall deliver to each holder of Notes a certificate of a Responsible Officer specifying the calculation of such Applicable Premium, if any, as of the specified prepayment date."

Paragraph 5 - Payment of Notes. Paragraph 5 of the Existing Securities Purchase Agreement is hereby further amended by adding the following new paragraphs 5H, 5I and 5J at the end thereof:

--

"**5H Offer to Prepay Notes Upon Certain Other Events.**

5H(1) Offer to Prepay Notes. Not more than thirty (30) Business Days, and at least five (5) Business Days, prior to the Company's or any of its Subsidiaries' receipt of (i) any amounts released from the escrow account established pursuant to the Escrow Agreement as further described in Section 3 of Exhibit K to the Paris Basin Agreement (the "**Escrow Proceeds**") or (ii) any proceeds of any Sale Transaction with respect to the Sweet Home Properties, the Company shall have made an irrevocable written offer, contingent upon the receipt of such Escrow Proceeds or consummation of such Sale Transaction, as the case may be (the "**Escrow/Sweet Home Offer**"), to each holder of the Notes to prepay within two (2) Business Days of receipt of such Escrow Proceeds or the consummation of such Sale Transaction, as the case may be, at the election of each holder, in an amount equal to the lesser of (A) such holder's pro rata share of such Escrow Proceeds or the Net Available Cash in respect of such Sale Transaction, as the case may be, and (B) such holder's pro rata share of the amount required to reduce the aggregate outstanding principal balance of the Notes to $15,000,000 (after giving effect to such prepayment) (the "**Escrow/Sweet Home Prepayment Amount**"), on a date specified in such offer in compliance with the terms set forth above (the "**Escrow/Sweet Home Prepayment Date**").

5H(2) Escrow/Sweet Home Offer Period. The Escrow/Sweet Home Offer shall remain open for a period of at least four (4) Business Days following receipt of such Escrow/Sweet Home Offer (the "**Escrow/Sweet Home Offer Period**").

5H(3) Notice of Escrow/Sweet Home Offer. The notice in respect of such Escrow/Sweet Home Offer will contain all instructions and materials necessary to enable such holders to receive a prepayment of the Notes pursuant to the Escrow/Sweet Home Offer. The notice, which will govern the terms of the Escrow/Sweet Home Offer, will state:

(A) that the Escrow/Sweet Home Offer is being made pursuant to this paragraph 5H and constitutes an irrevocable offer to prepay the Notes pursuant to this paragraph 5H at the election of each holder of the Notes;

(B) the Escrow/Sweet Home Prepayment Amount with respect to each holder, a brief description of the release of funds from escrow or Sale Transaction, as the case may be, giving rise to the Escrow/Sweet Home Offer, a computation of the aggregate amount of cash payments to be received in connection with such release of funds from escrow or Sale Transaction, as the case may be, and the anticipated Escrow/Sweet Home Prepayment Date, which shall be no more than the lesser of (i) five (5) Business Days after the Escrow/Sweet Home Offer Period terminates and (ii) two (2) Business Days after the Company's or such Subsidiary's receipt of such Escrow Proceeds or the consummation of such Sale Transaction; and

(C) that upon acceptance by such holder, the Company will prepay the Escrow/Sweet Home Prepayment Amount to which such holder is entitled as specified in such notice (together with accrued interest and any Applicable Premium as provided in paragraph 5H(5) of this Agreement) on the Escrow/Sweet Home Prepayment Date.

5H(4) Acceptance of Escrow/Sweet Home Offer. To accept such Escrow/Sweet Home Offer, a holder of Notes shall cause a notice of such acceptance to be delivered to the Company not later than the expiration of the Escrow/Sweet Home Offer Period, provided, that failure to accept such offer in writing by such date shall be deemed to constitute an acceptance of the Escrow/Sweet Home Offer. If so accepted by any holder of a Note, the Escrow/Sweet Home Prepayment Amount with respect to such holder (together with accrued interest and any Applicable Premium as provided in paragraph 5H(5) below) shall be due and payable on the Escrow/Sweet Home Prepayment Date.

5H(5) Amount of Escrow/Sweet Home Prepayment. Prepayment of the Notes to be prepaid pursuant to this paragraph 5H shall be at an amount equal to 100% of the outstanding principal amount of such Notes being prepaid, together with accrued and unpaid interest on the principal amount being prepaid to, but not including, the date of prepayment, plus any Applicable Premium.

5H(6) Ratable Offer. All principal prepayments contemplated herein will be offered on a pro rata basis to all holders of the Notes, and if any holder(s) declines such prepayments, its pro rata share of such prepayments shall be reallocated on a pro rata basis to those holders accepting such prepayments.

5I Offer to Prepay Notes on February 28, 2014.

5I(1) Offer to Prepay Notes. If, at least ten (10) Business Days before February 28, 2014, the Company expects that the aggregate outstanding principal amount of the Notes will exceed $15,000,000 on February 28, 2014 (or, in the event the Company does not have such expectation but the aggregate outstanding principal amount of the Notes in fact exceeds $15,000,000 on February 28, 2014), the Company shall immediately (and on such date) make an irrevocable written offer (the "**2014 Offer**"), to each holder of the Notes to prepay, at the election of each holder, a principal amount of the Notes of such holder equal to such holder's pro rata share of the amount by which the aggregate outstanding principal amount of the Notes on such date exceeds $15,000,000 (the "**2014 Prepayment Amount**"), on February 28, 2014 (or, in the event the Company does not have such expectation but the aggregate outstanding principal amount of the Notes in fact exceeds $15,000,000 on February 28, 2014, a date specified in such offer which date shall be not more than ten (10) Business Days after such date) (the "**2014 Prepayment Date**").

5I(2) 2014 Offer Period. The 2014 Offer shall remain open for a period of at least eight (8) Business Days following receipt by the holders of the notice referred to in paragraph 5I(3) below (the "**2014 Offer Period**").

5I(3) Notice of 2014 Offer. The notice in respect of such 2014 Offer will contain all instructions and materials necessary to enable such holders to receive a prepayment of the Notes pursuant to the 2014 Offer. The notice, which will govern the terms of the 2014 Offer, will state:

(A) that the 2014 Offer is being made pursuant to this paragraph 5I and constitutes an irrevocable offer to prepay the Notes pursuant to this paragraph 5I at the election of each holder of the Notes;

(B) the 2014 Prepayment Amount of each holder and the anticipated 2014 Prepayment Date, which shall be February 28, 2014 (or, to the extent applicable, no more than two (2) Business Days after the 2014 Offer Period terminates); and

(C) that upon acceptance by such holder, the Company will prepay the 2014 Prepayment Amount to which such holder is entitled (together with accrued interest and any Applicable Premium as provided in paragraph 5I(5) of this Agreement) as specified in such notice.

5I(4) Acceptance of 2014 Offer. To accept such 2014 Offer, a holder of Notes shall cause a notice of such acceptance to be delivered to the Company not later than the expiration of the 2014 Offer Period, provided, that failure to accept such offer in writing by such date shall be deemed to constitute an acceptance of the 2014 Offer. If so accepted by any holder of a Note, the 2014 Prepayment Amount of such holder (together with accrued interest and any Applicable Premium as provided in paragraph 5I(5) below) shall be due and payable on the 2014 Prepayment Date.

5I(5) Amount of 2014 Prepayment. Prepayment of the Notes to be prepaid pursuant to this paragraph 5I shall be at an amount equal to 100% of the outstanding principal amount of such Notes being prepaid, together with accrued and unpaid interest on the principal amount being prepaid to, but not including, the date of prepayment, plus any Applicable Premium.

5I(6) Ratable Offer. All principal prepayments contemplated herein will be offered on a pro rata basis to all holders of the Notes, and if any holder(s) declines such prepayments, its pro rata share of such prepayments shall be reallocated on a pro rata basis to those holders accepting such prepayments.

5J Prepayment of Notes by April 10, 2013. The Company shall prepay the Notes in an amount equal to $4,585,828.80 ($4,815,120.24 inclusive of the Applicable Premium) plus accrued and unpaid interest on such amount to (but not including) the date of such prepayment on or before the earlier to occur of (1) one Business Day after the

consummation of the Sanchez Sale and (2) April 10, 2013; it being agreed that the Company shall be deemed to have offered to make such prepayment, and the holders of the Notes shall be deemed to have accepted such offer, by the Company's and such holders' execution and delivery of the Fifth Amendment."

Paragraph 6A(ii) - Financial Statements; Reserve Reports. Paragraph 6A of the Existing Securities Purchase Agreement is hereby amended by amending and restating clause (ii) to read as follows:

"(ii) as soon as practicable and in any event within ninety (90) days after the end of each fiscal year of the Company, consolidated statements of income, cash flows and members' equity of the Company and its Subsidiaries for such year, and a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail and satisfactory in form to the Required Holder(s) and reported on by a firm of independent public accountants of recognized national standing, whose report shall be without exception as to the scope of the audit and shall not be subject to any "going concern" or like qualification or exception (other than with respect to the fiscal year ended December 31, 2012) and shall state that such consolidated financial statements present fairly, in all material respects, the financial position of the Company and its Subsidiaries in conformity with GAAP; provided that the delivery within the time period specified above of the Company's Form 10 K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a 3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the SEC, together with the accountant's report described above, shall be deemed to satisfy the requirements of this paragraph 6A(ii); provided, further, that the Company shall be deemed to have made such delivery of such Form 10 K if it shall have timely made Electronic Delivery thereof, in which event the Company shall separately deliver, concurrently with such Electronic Delivery;"

Paragraph 7B(6) - Merger and Consolidation. Paragraph 7B(6) of the Existing Securities Purchase Agreement is hereby amended by amending and restating clause (iii) to read as follows:

"(iii) [reserved;]"

Paragraph 7B(7) - Sale of Assets. Paragraph 7B(7) of the Existing Securities Purchase Agreement is hereby amended and restated in its entirety as follows:

"**7B(7) Sale of Assets.**

Subject to paragraph 7B(13), consummate any Asset Disposition unless:

(a) the Company or such Subsidiary, as the case may be, receives consideration at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(b) at least 75% of the consideration received in respect of such Asset Disposition by the Company or such Subsidiary is in the form of cash or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(1) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any of its Subsidiaries (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee of the Notes) that are assumed by the transferee of any such assets or Equity Interests pursuant to (A) a customary novation agreement that releases the Company or such Subsidiary from further liability therefor or (B) an assignment agreement that includes, in lieu of such a release, the agreement of the transferee or its parent company to indemnify and hold harmless the Company or such Subsidiary from and against any loss, liability or other cost in respect of such assumed liability; and

(2) any securities, notes or other obligations received by the Company or any such Subsidiary from such transferee that are converted by the Company or such Subsidiary into cash within 180 days after the date of the Asset Disposition, to the extent of the cash received in that conversion; and

provided that the 75% limitation referred to above shall be deemed satisfied with respect to any Asset Disposition in which the cash or Cash Equivalents portion of the consideration received therefrom, determined in accordance with the foregoing provisions on an after-tax basis, is equal to or greater than what the after-tax proceeds would have been had such Asset Disposition complied with the aforementioned 75% limitation.

[Reserved.]

Within 365 days after the receipt of any Net Available Cash from an Asset Disposition permitted by clause (i) above or any Casualty or Condemnation Event, the Company (or the applicable Subsidiary of the Company, as the case may be) may apply such Net Available Cash:

(a) to prepay the Notes in a manner consistent with clauses (iv)-(x), inclusive, below; or

(b) so long as no Default or Event of Default exists or would exist immediately before or immediately after giving effect to such Asset Disposition, to invest in Additional Assets, which Additional Assets are added to the Collateral securing the Notes.

An amount equal to any Net Available Cash from Asset Dispositions that are not applied or invested as provided in clauses (a) and (b) above will constitute "**Excess Proceeds**."

--

Within ten Business Days after the aggregate amount of Excess Proceeds exceeds $1,000,000, the Company will make an irrevocable offer (an "**Asset Disposition Offer**") to each holder of the Notes to prepay, at the election of each holder, a portion of the Notes held by each such holder equal to such holder's Ratable Portion of the Excess Proceeds held by the Company and its Subsidiaries as of the date of such offer (the " **Offer Amount**") at 101% of the outstanding principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the date of such prepayment. If any Excess Proceeds remain after consummation of an Asset Disposition Offer, the Company or any Subsidiary of the Company may use those Excess Proceeds for any purpose not otherwise prohibited by this Agreement. If the aggregate principal amount of Notes accepting such Asset Disposition Offer exceeds the amount of Excess Proceeds, the Company will use the Excess Proceeds to prepay the Notes on a pro rata basis based on the outstanding principal amount of the Notes at the time of such prepayment. Upon completion of each Asset Disposition Offer, the amount of Excess Proceeds will be reset at zero.

Notwithstanding the foregoing, the sale, conveyance or other disposition of all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, will be governed by paragraph 7B(6) of this Agreement and not by the provisions of this paragraph 7B(7).

In the event that, pursuant to the foregoing provisions of this paragraph 7B(7), the Company is required to commence an Asset Disposition Offer, it will follow the procedures specified below. The Asset Disposition Offer shall be made to all holders of Notes. The Asset Disposition Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "**Offer Period**").

If the Asset Disposition Prepayment Date is on or after a record date and on or before the related interest payment date, any accrued and unpaid interest to (but not including) the Asset Disposition Prepayment Date will be paid to the Person in whose name a Note is registered at the close of business on such record date.

Upon the commencement of an Asset Disposition Offer, the Company will send a notice thereof to each of the holders of the Notes. The notice will contain all instructions and materials necessary to enable such holders to receive a prepayment of the Notes pursuant to the Asset Disposition Offer. The notice, which will govern the terms of the Asset Disposition Offer, will state:

(a) that the Asset Disposition Offer is being made pursuant to this paragraph 7B(7) and constitutes an irrevocable offer to prepay the Notes pursuant to this paragraph 7B(7) at the election of each holder of the Notes;

(b) the Offer Amount, a brief description of the Asset Dispositions giving rise to the Asset Disposition Offer, a computation of the Excess Proceeds that are the subject of such Asset Disposition Offer, the length of time the Asset Disposition

Offer will remain open, each holder's Ratable Portion of the Asset Disposition Offer which it is entitled to receive and the date on which such prepayment shall be made (which date shall be not more than 3 Business Days after termination of the Offer Period) (the "**Asset Disposition Prepayment Date**");

(c) that upon acceptance by such holder, the Company will prepay the portion of the Offer Amount to which such holder is entitled as specified in such notice;

(d) that holders of Notes will be entitled to withdraw their election if the Company, the depositary or the paying agent, as the case may be, receives, not later than the expiration of the Offer Period, a facsimile transmission or letter setting forth the name of the holder, the principal amount of the Note held by such holder and a statement that such holder is withdrawing his election to have such Note prepaid in connection with such Asset Disposition Offer.

To accept such Asset Disposition Offer, a holder of Notes shall cause a notice of such acceptance to be delivered to the Company not later than 5 days prior to the Asset Disposition Prepayment Date, provided, that failure to accept such offer in writing by such date shall be deemed to constitute an acceptance of the Asset Disposition Offer. If so accepted by any holder of a Note, such offered prepayment (equal to not less than such holder's pro rata share of the Excess Proceeds) shall be due and payable on the Asset Disposition Prepayment Date.

Prepayment of the Notes to be prepaid pursuant to this paragraph 7B(7) shall be at an amount equal to 101% of the outstanding principal amount of such Notes, together with accrued and unpaid interest on such Notes to, but not including, the date of prepayment. The prepayment shall be made on the Asset Disposition Prepayment Date. "

Paragraph 7B(13) - Sale of Assets. Paragraph 7B(13) of the Existing Securities Purchase Agreement is hereby amended and restated in its entirety as follows:

"**7B(13) Restrictions on Designated Transactions.**

(i) Without the prior written consent of the Required Holders, but subject to clause (ii) below, (a) sell, lease, dispose of or otherwise transfer (including, without limitation, by way of any farm-out, joint venture or similar transaction that, in each case, does not constitute a JV Transaction) any Oil and Gas Properties, whether foreign or domestic, or any Equity Interests in any Subsidiary of the Company to the extent that all or substantially all of the assets of such Subsidiary are Oil and Gas Properties, in either case other than the transactions contemplated by the Hess Settlement Documents (each, a "**Sale Transaction**"), or (b) enter into any joint development and/or exploration arrangements or other joint venture arrangements or any Farm-Out Agreements, any Farm-In Agreements or similar transactions (each, a "**JV Transaction**" and together with any Sale Transaction, each a "**Designated Transaction**"); provided, however, that the consent of the Required Holders shall not be required so long as (x) no Default or Event of Default has occurred and is continuing, (y) the Company or such Subsidiary, as the

case may be, receives cash or, in the case of a JV Transaction, Carry Consideration, at least equal to the Fair Market Value of the asset or interest therein sold, disposed of, or transferred pursuant to such arrangement, and:

(1) not more than thirty (30) Business Days, and at least five (5) Business Days, prior to the consummation of such Designated Transaction, the Company shall have made an irrevocable written offer, contingent upon consummation of such Designated Transaction (a "**Designated Transaction Offer**"), to each holder of the Notes to prepay upon consummation of such Designated Transaction, at the election of each holder, a portion of the Notes held by each such holder equal to such holder's pro rata share of 10% of the aggregate Gross Consideration to be received by the Company and its Subsidiaries upon consummation of the Designated Transaction (the "**Designated Transaction Prepayment Amount**") at 100% of the outstanding principal amount of the Notes being prepaid, plus accrued and unpaid interest on such amount to (but not including) the date of such prepayment, plus any Applicable Premium;

(2) the Designated Transaction Offer remains open for a period of at least four (4) Business Days following receipt of such Designated Transaction Offer (the "**Designated Transaction Offer Period**");

(3) any accrued and unpaid interest to (but not including) the date of such prepayment (the "**Designated Transaction Prepayment Date**") will be paid to the Person in whose name a Note is registered;

(4) the notice in respect of such Designated Transaction Offer will contain all instructions and materials necessary to enable such holders to receive a prepayment of the Notes pursuant to the Designated Transaction Offer. The notice, which will govern the terms of the Designated Transaction Offer, will state:

(A) that the Designated Transaction Offer is being made pursuant to this paragraph 7B(13) and constitutes an irrevocable offer to prepay the Notes pursuant to this paragraph 7B(13) at the election of each holder of the Notes;

(B) the Designated Transaction Prepayment Amount, a brief description of the Designated Transaction giving rise to the Designated Transaction Offer, a computation of the aggregate Gross Consideration to be received in connection with such Designated Transaction, each holder's pro rata share of the Designated Transaction Prepayment Amount and the anticipated Designated Transaction Prepayment Date, which shall be no more than the lesser of (i) five (5) Business Days after the Designated Transaction Offer Period terminates and (ii) two (2) Business Days after the Company's or such Subsidiary's receipt of such Gross Consideration; and

(C) that upon acceptance by such holder, the Company will prepay the portion of the Designated Transaction Amount to which such holder is entitled as specified in such notice on the Designated Transaction Prepayment Date;

(5) to accept such Designated Transaction Offer, a holder of Notes shall cause a notice of such acceptance to be delivered to the Company not later than the expiration of the Designated Transaction Offer Period, provided, that failure to accept such offer in writing by such date shall be deemed to constitute an acceptance of the Designated Transaction Offer. If so accepted by any holder of a Note, such offered prepayment (equal to not less than such holder's pro rata share of 10% of the aggregate Gross Consideration actually received by the Company and its Subsidiaries upon consummation of such Designated Transaction) shall be due and payable on the Designated Transaction Prepayment Date;

(6) prepayment of the Notes to be prepaid pursuant to this paragraph 7B(13) shall be at an amount equal to 100% of the outstanding principal amount of the Notes being prepaid, together with accrued and unpaid interest on such amount to, but not including, the date of prepayment, plus any Applicable Premium; and

(7) all principal prepayments contemplated herein will be offered on a pro rata basis to all holders of the Notes, and if any holder(s) declines such prepayments, its pro rata share of such prepayments shall be reallocated on a pro rata basis to those holders accepting such prepayments.

(ii) Notwithstanding anything contained in clause (i) above to the contrary:

(1) if the applicable Designated Transaction is a Sale Transaction that relates solely the Moulton Properties, the amount of the offered prepayment described in subclause (i)(1) above shall equal each applicable holder's pro rata share of 10% of the Net Available Cash (rather than 10% of the aggregate Gross Consideration) to be received by the Company and its Subsidiaries upon consummation of such Sale Transaction;

(2) if the applicable Designated Transaction is a JV Transaction that includes the Sweet Home Properties or Hackberry Properties, the first $10,000,000 in the aggregate of cash proceeds the Company or any of its Subsidiaries receives in connection with all such JV Transactions shall not be subject to the prepayment requirements set forth in clause (i) above;

(3) except with respect to the Specified Designated Transactions, this paragraph 7B(13) shall not apply to any Designated Transaction relating solely to Eagle Ford Assets that occurs after the date on which the principal amount of the Notes is reduced to an amount less than or equal to

$15,000,000 (it being understood that (x) at such time and at all times thereafter, paragraph 7B(7) shall govern all Designated Transactions with respect to the Eagle Ford Assets other than Specified Designated Transactions and (y) for the avoidance of doubt, this paragraph 7B(13) shall apply to any Specified Designated Transaction that occurs after the principal amount of the Notes is reduced to an amount less than or equal to $15,000,000);

(4) the EOG JV Transaction shall be excluded as a Designated Transaction; and

(5) this paragraph 7B(13) shall not apply to that portion of the proceeds of any Sale Transaction relating solely to the Sweet Home Properties to the extent such portion of proceeds from such Sale Transaction is governed by paragraph 5H.

(iii) The Gross Consideration (or, to the extent applicable, Net Available Cash) received by the Company and its Subsidiaries upon consummation of any Designated Transaction not applied to a prepayment of the Notes under clause (i) or (ii) of this paragraph 7B(13) above shall be applied (1) within 365 days after receipt thereof to an investment in Eagle Ford Assets or Eaglebine Assets or (2) to prepay the Notes pursuant to a Designated Transaction Offer in a manner consistent with subclauses (i)(1)-(7), inclusive, above; provided that up to 15% of such Gross Consideration (or, to the extent applicable, Net Available Cash) may be invested in Additional Assets (provided that promptly upon making such investment (x) the Company shall give written notice thereof to the holders of Notes, and (y) such Additional Assets shall be added to the Collateral securing the Notes pursuant to documentation in form and substance satisfactory to the Required Holders) within such 365-day period. Any such Gross Consideration or Net Available Cash not so applied within such 365 day period shall be offered to prepay the Notes pursuant to paragraph 7B(13)(i) above as if constituting amounts to be offered in prepayment of the Notes pursuant thereto, and such 365th day shall be deemed the new date of the consummation of such Designated Transaction in respect of the Gross Consideration or Net Available Cash, as applicable, for purposes of the Designated Transaction Offer in respect thereof, and without giving effect to paragraph 7B(13)(ii)."

Paragraph 12B - Other Terms. Paragraph 12B of the Existing Securities Purchase Agreement is hereby amended by amending and restating the following definitions as follows:

""**Default Rate**" shall mean, with respect to any Note, that rate of interest that is the greater of (i) 3.00% over the otherwise applicable rate of interest on the Notes at the time any Default or Event of Default occurs, and (ii) 8.00% (or, to the extent the Notes have not been indefeasibly paid in full in cash by February 28, 2014, commencing on such date and at all times thereafter, 10.00% per annum) over the yield to maturity reported as of 10:00 a.m. (New York City local time) on the Business Day next preceding the date of any applicable Default or Event of Default for actively traded on-the-run 10-Year U.S. Treasury securities on the display designated as "Page PX1" on Bloomberg

Financial Markets (or, if Bloomberg Financial Markets shall cease to report such yields in Page PX1 or if such yields shall not be reported as of such time or the yields reported as of such time shall not be ascertainable, then such source as is then designated by the Required Noteholders)."

""**Eagle Ford Assets**" shall mean (i) the Oil and Gas Properties acquired or retained by ZaZa LLC pursuant to the Hess Agreement (excluding the working interest transferred by ZaZa LLC to Hess Corporation pursuant to the Hess Settlement Documents), (ii) the Oil and Gas Properties acquired or retained by ZaZa Energy pursuant to the Hess Settlement Documents, and (iii) Oil and Gas Properties located in the counties in which any property described in clause (i) or (ii) is located that are acquired with the proceeds of any sale of any Eagle Ford Assets including, without limitation, any assets acquired under any Permitted Asset Swap. "

""**Eaglebine Assets**" shall mean the Oil and Gas Properties whether now owned or hereafter acquired by the Company or any of its Subsidiaries located in Walker, Grimes and Madison Counties, Texas and as indicated on Exhibit I as "Eaglebine"."

""**Premium**" shall mean any amount, howsoever denominated, payable to a lender as consideration or compensation for the prepayment of Debt, including any Applicable Premium."

Paragraph 12B - Other Terms. Paragraph 12B of the Existing Securities Purchase Agreement is hereby further amended by amending and restating clause (k) in the definition of "Asset Disposition" as follows:

"(k) the EOG JV Transaction;"

Paragraph 12B - Other Terms. Paragraph 12B of the Existing Securities Purchase Agreement is hereby further amended by deleting the definitions for "**Designated Transaction Proceeds**" and "**Reduction Date**" in their entirety.

Paragraph 12B - Other Terms. Paragraph 12B of the Existing Securities Purchase Agreement is hereby further amended by adding the following new definitions in their proper alphabetical order to read as follows:

""**2014 Offer**" shall have the meaning specified in paragraph 5I(1)."

""**2014 Offer Period**" shall have the meaning specified in paragraph 5I(2)."

""**2014 Prepayment Amount**" shall have the meaning specified in paragraph 5I(1)."

""**2014 Prepayment Date**" shall have the meaning specified in paragraph 5I(1)."

""**Applicable Premium**" means, with respect to any prepayment of a Note made (a) at any time that the aggregate outstanding principal amount of the Notes exceeds

$25,000,000 (prior to giving effect to such prepayment), a premium equal to 5% of the principal amount of such Note being prepaid, and (b) at any time that the aggregate outstanding principal amount of the Notes exceeds $15,000,000 but is less than or equal to $25,000,000 (prior to giving effect to such prepayment), a premium equal to 3% of the principal amount of such Note being prepaid ; provided that if any such prepayment results in the reduction of the outstanding principal amount of the Notes to $25,000,000 or less or $15,000,000 or less, as the case may be, such 5% or 3% premium , as the case may be, shall apply only to such portion in excess of $25,000,000 or $15,000,000, as the case may be, and the remaining portion of such prepayment shall be subject to a 3% premium or no premium, as the case may be. "

""**Carry Consideration**" means a contractual obligation arising under any JV Transaction, pursuant to which a counterparty to the Company or a Subsidiary agrees to pay on behalf of the Company or such Subsidiary certain costs ("**Carried Costs**") associated with the development of the assets that were the subject of such JV Transaction and an interest in which the Company or such Subsidiary retained after the consummation of such JV Transaction. For purposes of this Agreement, the value of "Carry Consideration" shall be the Fair Market Value of Carried Costs, as determined in good faith by the board of directors or managers, as applicable, of the Company or the applicable Subsidiary, that the applicable counterparty is obligated to pay on behalf of the Company or the applicable Subsidiary under the terms of the applicable JV Transaction."

""**EOG JV Transaction**" means the JV Transaction contemplated between the Company and EOG Resources, Inc. with respect to certain Eaglebine Assets as described in that certain Joint Exploration and Development Agreement effective as of March 1, 2013, by and among EOG Resources, Inc., the Company and ZaZa LLC."

""**Escrow Proceeds**" shall have the meaning specified in paragraph 5H(1)."

""**Escrow/Sweet Home Offer**" shall have the meaning specified in paragraph 5H(1)."

""**Escrow/Sweet Home Offer Period**" shall have the meaning specified in paragraph 5H(2)."

""**Escrow/Sweet Home Prepayment Amount**" shall have the meaning specified in paragraph 5H(1)."

""**Escrow/Sweet Home Prepayment Date**" shall have the meaning specified in paragraph 5H(1)."

""**Gross Consideration**" means cash consideration actually or constructively received, including payments made to third parties on the Company's or any of its Subsidiaries' behalf, in connection with any Designated Transaction or otherwise but not, for the avoidance of doubt, any Carry Consideration ."

""**Fifth**
of March 28, 2013, by and among the Company and each of the holders of Securities that is a party thereto."

""**Hackberry Properties**" means Oil and Gas Properties owned by the Company or any of its Subsidiaries located in Lavaca and Colorado Counties, Texas and as indicated on Exhibit I as "Hackberry Creek Prospect"."

""**Moulton Properties**" means Oil and Gas Properties owned by the Company or any of its Subsidiaries located in Fayette, Lavaca and Gonzalez Counties, Texas, and as indicated on Exhibit I as "Moulton Prospect", including the Sable Hunter, Ring and Crabb Ranch wells, that will be sold to BEP Moulton, LLC or a parent, affiliate or subsidiary thereof pursuant to that certain Purchase and Sale Agreement dated March 22, 2013 (as amended pursuant to a letter agreement dated March 24, 2013), between ZaZa LLC and BEP Moulton, LLC, it being understood that the properties subject to the Sanchez Sale shall not be considered part of the Moulton Properties."

""**Sanchez Sale**" shall have the meaning specified in the recitals to the Fifth Amendment."

""**Specified Designated Transactions**" means any Designated Transaction described in paragraph 7B(13)(ii)(1) or paragraph 7B(13)(ii)(2)."

""**Sweet Home Properties**" means Oil and Gas Properties owned by the Company or any of its Subsidiaries located in DeWitt and Lavaca Counties, Texas and as indicated on Exhibit I as "Sweet Home Prospect"."

Paragraph 13C - Consent to Amendments. Paragraph 13C of the Existing Securities Purchase Agreement is hereby amended by deleting subclause (b) in clause (ii) thereof in its entirety and substituting in lieu thereof the following:

"(b) increase the exercise price of the Warrants, change the manner in which the exercise price may be tendered, reduce the exercise period of the Warrants or change the percentage of shares of Common Stock for which the Warrants are exercisable,"

Paragraph 13T - Entire Agreement. Paragraph 13T of the Existing Securities Purchase Agreement is hereby amended by deleting it in its entirety and substituting in lieu thereof the following:

"**13T**
AGREEMENT AND THE TRANSACTION DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES."

--

Exhibit I - Map of Oil and Gas Properties. The Existing Securities Purchase Agreement is hereby amended by adding Exhibit D hereto as a new Exhibit I thereto.

Exhibit B

[Form of Warrant]

Exhibit C

[Amended and Restated Lock-Up Agreement]

Exhibit D

Map of Oil and Gas Properties

[see attached]

Exhibit A-2

Exhibit 10.7

THIS WARRANT AND ANY SHARES ACQUIRED UPON THE EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SUCH ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

THE HOLDER OF THIS WARRANT IS ENTITLED TO THE BENEFITS OF THE AMENDED AND RESTATED LOCK-UP AGREEMENT DATED AS OF MARCH [25], 2013 AMONG THE COMPANY AND THE RESTRICTED STOCKHOLDERS (AS DEFINED THEREIN).
This Warrant is issued in replacement of the original Warrant certificate issued on February 21, 2012, pursuant to the Securities Purchase Agreement dated as of February 21, 2012 , as amended from time to time (the "Purchase Agreement"), and any replacement certificate issued with respect thereto prior to the date hereof. If any provision of this Warrant is found to conflict with the Purchase Agreement, the provisions of such Purchase Agreement shall prevail.

No. WR-[ ]CUSIP: 98919T 118

ZAZA ENERGY CORPORATION

COMMON STOCK PURCHASE WARRANT

ZaZa Energy Corporation, a Delaware corporation (together with any corporation which shall succeed to or assume the obligations of ZaZa Energy Corporation hereunder, the "Company"), hereby certifies that, for value received, [____] (the "Investor"), or its assigns, is entitled, subject to the terms set forth below, to purchase from the Company at any time during the Exercise Period (as defined in Section 12 hereof) up to [ ] fully paid and non-assessable shares of Common Stock (as defined in Section 12 hereof), at a purchase price per share equal to the Exercise Price (as defined in Section 12 hereof). The number of shares of Common Stock for which this Warrant is exercisable and the Exercise Price are subject to adjustment as provided herein.

This Warrant is issued pursuant to the Securities Purchase Agreement (as amended and in effect from time to time, the "Purchase Agreement"), dated as of February 21, 2012, between the Company and the purchasers named therein, a copy of which is on file at the principal office of the Company. The holder of this Warrant shall be entitled to all of the benefits and shall be subject to all of the obligations of the Purchase Agreement.

1.DEFINITIONS. Terms defined in the Purchase Agreement and not otherwise defined herein are used herein with the meanings so defined. Certain terms are used in this Warrant as specifically defined in Section 12 hereof.

--

2.EXERCISE OF WARRANT.

2.1. Exercise. This Warrant may be exercised prior to its expiration pursuant to Section 2.5 hereof by the holder hereof at any time or from time to time during the Exercise Period, by submitting the form of subscription attached hereto ("the Exercise Notice") duly executed by such holder, to the Company at its principal office, indicating whether the holder is electing to purchase a specified number of shares by paying the Aggregate Exercise Price as provided in Section 2.2 or is electing to exercise this Warrant as to a specified number of shares pursuant to the net exercise provisions of Section 2.3. On or before the first Trading Day following the date on which the Company has received the Exercise Notice, the Company shall transmit by facsimile an acknowledgement of confirmation of receipt of the Exercise Notice. This Warrant shall be deemed exercised for all purposes as of the close of business on the day on which the holder has delivered the Exercise Notice to the Company. The Aggregate Purchase Price, if any, shall be paid by wire transfer to the Company within two business days of the date of exercise and prior to the time the Company issues the certificates evidencing the shares issuable upon such exercise. In the event the Warrant is not exercised in full, the Company may, at its expense, require the Holder, after such partial exercise, to promptly return this Warrant to the Company and the Company will forthwith issue and deliver to or upon the order of the holder hereof a new Warrant or Warrants of like tenor, in the name of the holder hereof or as such holder (upon payment by such holder of any applicable transfer taxes) may request, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of such shares (without giving effect to any adjustment therein) for which this Warrant shall have been exercised.

2.2.Payment of Exercise Price by Wire Transfer. If the holder elects to purchase a specified number of shares by paying the Aggregate Exercise Price, the holder shall pay such amount by wire transfer of immediately available funds to an account designated in advance by the Company.

2.3.Net Exercise. The holder may also elect to exercise this Warrant at any time or from time to time, by receiving shares of Common Stock equal to the number of shares determined pursuant to the following formula:

$$X = \frac{Y (A - B)}{A}$$

where,

X = the number of shares of Common Stock to be issued to Holder;

Y = the number of shares of Common Stock as to which this Warrant is to be exercised (as indicated on the subscription form);

A = the volume weighted average price of the Common Stock quoted on the Nasdaq Capital Market or any other U.S. exchange on which the Common Stock is listed, whichever is applicable, as posted by Bloomberg L.P. (or such other reference reasonably relied upon by the Company if not so published) for the five (5) Trading Days ending on the Trading Day immediately preceding the date of exercise; and

B =the Exercise Price.

2.4.Antitrust Notification. If the holder of this Warrant determines, in its sole judgment upon the advice of counsel, that an exercise of this Warrant pursuant to the terms hereof would be

subject to the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the Company shall file, within seven (7) business days after receiving notice from such holder of the applicability of the HSR Act and a request to so file, with the United States Federal Trade Commission (the "FTC") and the United States Department of Justice (the " DOJ") the notification and report form and any supplemental information required to be filed by it pursuant to the HSR Act in connection with the exercise of this Warrant. Any such notification and report form and supplemental information will be in full compliance with the requirements of the HSR Act. The Company will furnish to such holder promptly (but in no event more than five (5) business days) such information and assistance as such holder may reasonably request in connection with the preparation of any filing or submission required to be filed by such holder under the HSR Act. The Company shall respond promptly after receiving any inquiries or requests for additional information from the FTC or the DOJ (and in no event more than three (3) business days after receipt of such inquiry or request). The Company shall keep such holder apprised periodically and at such holder's request of the status of any communications with, and any inquiries or requests for additional information from, the FTC or the DOJ. The Company shall bear all filing or other fees required to be paid by the Company and such holder (or the "ultimate parent entity" of such holder, if any) under the HSR Act or any other applicable law in connection with such filings and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by the Company and such holder in connection with the preparation of such filings and responses to inquiries or requests. In the event that this Section 2.4 is applicable to any exercise of this Warrant, the purchase by such holder of the Exercise Shares subject to such exercise, and the payment by such holder of the Exercise Price therefor, shall be subject to the expiration or earlier termination of the waiting period under the HSR Act (with the exercise date of this Warrant being deemed to be the date immediately following the date of such expiration or early termination).

2.5.Termination. This Warrant shall terminate upon the earlier to occur of (i) exercise in full or (ii) the expiration of the Exercise Period.

2.6Required Conversion. If (a) for a forty-five (45) consecutive Trading Day period from and after the date that is forty-five (45) Trading Days prior to the third anniversary of the Closing but prior to the expiration of this Warrant, the daily volume weighted average price of the Common Stock quoted on the Nasdaq Capital Market or any other U.S. exchange on which the Common Stock is listed, whichever is applicable, as posted by Bloomberg L.P. (or such other reference reasonably relied upon by the Company if not so published) is greater than or equal to $10.00 per share and (b) for each of those forty-five (45) consecutive trading days at least an average of Fifty Thousand (50,000) shares of the Common Stock are traded per day during such period (in each case, as appropriately adjusted for stock splits, combinations, reorganizations, reclassifications and the like) (the “Early Termination Event”), then the Company shall have the right, by giving written notice in accordance with Section 18 of the Early Termination Event to the Holder within thirty (30) calendar days of the occurrence of the Early Termination Event, to require such Holder to exercise this Warrant in full pursuant to this Section 2; provided, however, that if on any day during such forty-five consecutive Trading Day period when the condition set forth in the preceding clause (a) is satisfied, the condition set forth in the preceding clause (b) is not satisfied, the Company shall be entitled to treat such day as if it was not a Trading Day for the purposes of determining whether an Early Termination Event has occurred. If, on the 10th business day following written notice from the Company notifying the Holder of the occurrence of the Early Termination Event, the Holder has not elected to exercise this Warrant in full for all the then unexercised Warrant Shares, this Warrant shall be deemed automatically exercised on such 10th business day pursuant to the net exercise provisions in Section 2.3 above; provided, however, that until the Holder has complied with the Warrant delivery

and any other obligations under Section 2.1, the Company shall have no obligation to deliver share certificates.

3. REGISTRATION RIGHTS. The holder of this Warrant has certain rights to require the Company to register its resale of the Warrant Shares under the Securities Act and any blue sky or securities laws of any jurisdictions within the United States at the time and in the manner specified in the Purchase Agreement.

4. DELIVERY OF STOCK CERTIFICATES ON EXERCISE. As soon as practicable after any exercise of this Warrant and in any event within three (3) Trading Days thereafter, the Company shall, at its expense (including the payment by it of any applicable issue or stamp taxes), cause to be issued in the name of and delivered to the holder, or as the holder may direct, a certificate or certificates evidencing the number of fully paid and nonassessable shares of Common Stock (or Other Securities, as applicable) (which number shall be rounded up to the nearest whole share in the event any fractional share may otherwise be issuable upon such exercise) to which the holder shall be entitled on such exercise, in such denominations as may be requested by the holder, which certificate or certificates shall be free of restrictive and trading legends (except for any such legends as may be required under the Securities Act). In lieu of delivering physical certificates for the shares of Common Stock (or Other Securities) issuable upon any exercise of this Warrant, provided the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program or a similar program, upon request of the holder, the Company shall use commercially reasonable efforts to cause its transfer agent to electronically transmit such shares of Common Stock (or Other Securities) issuable upon exercise of this Warrant to the holder (or its designee), by crediting the account of the holder's (or such designee's) broker with DTC through its Deposit Withdrawal Agent Commission system (provided that the same time periods herein as for stock certificates shall apply) as instructed by the holder (or its designee).

5. ADJUSTMENT FOR DIVIDENDS, DISTRIBUTIONS AND RECLASSIFICATIONS.

5.1. Distribution of Assets; Spin-Off. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a Spin-Off, dividend, reclassification, corporate rearrangement or other similar transaction, but excluding cash dividends which are prohibited by Section 5.2 hereof and excluding stock dividends or stock splits adjustments in respect of which are provided for in Section 7 hereof) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case:

(a) (i) the Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which:

(A) the numerator shall be the Market Price of the Common Stock on the Trading Day immediately preceding such record date minus the Fair Market Value of the Distribution applicable to one share of Common Stock, and

(B) the denominator shall be the Market Price of the Common Stock on the Trading Day immediately preceding such record date;

and (ii) the number of Warrant Shares obtainable upon exercise of this Warrant shall be increased to a number of shares equal to the number of shares of Common Stock obtainable immediately prior to the close of business on the record date fixed for the determination of holders of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding clause (i) of this Section 5.1(a); and

(b)Notwithstanding the provisions of the foregoing clause (a), in the event of a Spin-Off in which the Distribution is of common stock of a subsidiary of the Company, then (i) the Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of Common Stock entitled to receive such Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which:

(A) the numerator shall be the Market Price of the Common Stock on the Trading Day immediately preceding such record date minus the Fair Market Value of the Distribution applicable to one share of Common Stock, and

(B) the denominator shall be the Market Price of the Common Stock on the Trading Day immediately preceding such record date;

and (ii) the holder of this Warrant shall receive an additional warrant to purchase common stock of such company, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the number of shares of common stock of such company that would have been issuable or distributed to the holder of this Warrant pursuant to the Distribution had the holder exercised this Warrant for cash for the full number of shares of Common Stock on the face of this Warrant (notwithstanding the requirement that this Warrant be exercised pursuant to the net exercise provisions of Section 2.3) immediately prior to such record date and with an exercise price equal to the amount by which the Exercise Price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the preceding clause (i) of this Section 5.1(b).

5.2. Cash Dividends. For so long as any Warrants are outstanding, no cash dividend shall be declared or paid or set aside for payment on any shares of the Company's Common Stock or any parity or junior stock thereto.

5.3. Other Events. If any event occurs of the type contemplated by the provisions of this Section 5 but not expressly provided for by such provisions, then the Company's Board of Directors, acting in good faith and consistent with their fiduciary duties, shall make an appropriate adjustment in the Exercise Price and the number of shares of Common Stock obtainable upon exercise of this Warrant so as to protect the rights of the holders of the Warrant.

6.ADJUSTMENT FOR REORGANIZATION, CONSOLIDATION, MERGER, ETC.

6.1. Certain Adjustments. In case at any time or from time to time, the Company shall (i) effect a capital reorganization, reclassification or recapitalization, (ii) consolidate with or merge into any other person, or (iii) transfer all or substantially all of its properties or assets to any other person under any plan or arrangement contemplating the dissolution of the Company, then in each such case, this Warrant shall thereafter be exercisable for the same kind and amounts of securities (including shares of stock) or other assets, or both, which were issuable or distributable to the holders of

outstanding Common Stock upon such reorganization, reclassification, recapitalization, consolidation, merger or transfer, in respect of that number of shares of Common Stock for which this Warrant could have been exercised immediately prior to such reorganization, reclassification, recapitalization, consolidation, merger or transfer; and, in any such case, appropriate adjustments (as determined in good faith by the Board of Directors of the Company) shall be made to assure that the provisions set forth herein shall thereafter be applicable, as nearly as reasonably may be practicable, in relation to any securities or other assets thereafter deliverable upon the exercise of this Warrant.

6.2. Continuation of Terms. Upon any reorganization, consolidation, merger or transfer (and any dissolution following any transfer) referred to in this Section 6, this Warrant shall continue in full force and effect and the terms hereof shall be applicable to the shares of stock and other securities and property receivable on the exercise of this Warrant after the consummation of such reorganization, consolidation or merger or the effective date of dissolution following any such transfer, as the case may be, and shall be binding upon the issuer of any such stock or other securities, including, in the case of any such transfer, the person acquiring all or substantially all of the properties or assets of the Company, whether or not such person shall have expressly assumed the terms of this Warrant as provided in Section 8 hereof.

7. ADJUSTMENTS FOR ISSUANCE OF COMMON STOCK AND AMOUNT OF OUTSTANDING COMMON STOCK.

7.1. General. If at any time there shall occur any stock split, stock dividend, reverse stock split or other subdivision of the Company's Common Stock ("Stock Event"), then the number of shares of Common Stock to be received by the holder of this Warrant shall be appropriately adjusted such that the proportion of the number of shares issuable hereunder to the total number of shares of the Company (on a fully diluted basis) prior to such Stock Event is equal to the proportion of the number of shares issuable hereunder after such Stock Event to the total number of shares of the Company (on a fully-diluted basis) after such Stock Event. The Exercise Price shall be proportionately decreased or increased upon the occurrence of any Stock Event; provided that in no event will the Exercise Price be less than the par value of the Common Stock.

7.2. Other Securities. In case any Other Securities shall have been issued, or shall then be subject to issue upon the conversion or exchange of any stock (or Other Securities) of the Company (or any other issuer of Other Securities or any other entity referred to in Section 6 hereof) or to subscription, purchase or other acquisition pursuant to any rights or options granted by the Company (or such other issuer or entity), the holder hereof shall be entitled to receive upon exercise hereof such amount of Other Securities (in lieu of or in addition to Common Stock) as is determined in accordance with the terms hereof, treating all references to Common Stock herein as references to Other Securities to the extent applicable, and the computations, adjustments and readjustments provided for in this Section 7 with respect to the number of shares of Common Stock issuable upon exercise of this Warrant shall be made as nearly as possible in the manner so provided and applied to determine the amount of Other Securities from time to time receivable on the exercise of the Warrant, so as to provide the holder of the Warrant with the benefits intended by this Section 7 and the other provisions of this Warrant.

7.3. Adjustments for Dilutive and Other Events.

(a) Issuance of Additional Shares of Common Stock. If at any time on or after the Closing Day, the Company shall issue any Additional Shares of Common Stock (including Additional

Shares of Common Stock deemed to be issued pursuant to Section 7.3(b) below), at a price per share (the "Offering Price") which is lower than the greater of (x) the Exercise Price or (y) 90% of the Market Price on the date of entry into the definitive agreement providing for such issuance, then the number of shares of Common Stock to be received by the holder of this Warrant upon the exercise hereof shall be adjusted to that number determined by multiplying (a) the number of shares of Common Stock purchasable hereunder immediately prior thereto by (b) a fraction (i) the numerator of which shall be the sum of (A) the number of shares of Common Stock Deemed Outstanding immediately prior to the issuance of such shares of Common Stock plus (B) the number of shares of Common Stock issued in the subject transaction and (ii) the denominator of which shall be an amount equal to the sum of (x) the number of shares of Common Stock Deemed Outstanding immediately prior to the issuance of such shares of Common Stock plus (y) the quotient of (1) the Offering Price multiplied by the number of shares of Common Stock so issued by the Company, divided by (2) the Reference Price in effect immediately prior to the issuance of such shares. The provisions of this Section 7.3 shall not apply to (i) any issuance of additional Common Stock for which an adjustment is provided under Section 7.1 hereof, and (ii) the issuance of up to 7,000,000 shares of Common Stock, whether upon the grant of restricted stock, the grant or exercise of options, or otherwise, pursuant to equity compensation plans for officers, directors, employee and consultants that are approved (or subject to approval) by the shareholders of the Company; provided that grants of options, restricted stock grants, or other awards for not more than 2,000,000 shares of Common Stock (as appropriately adjusted for stock splits, combinations, reorganizations, reclassifications and the like) shall be scheduled to vest under such equity compensation plans in any calendar year (collectively, the "Excluded Compensation Issuances"). When any adjustment is required to be made to the number of shares hereunder pursuant to this Section 7.3(a), the Exercise Price shall be reduced to a price (calculated to the nearest cent) as is equal to the quotient obtained by dividing (x) the product of the Exercise Price multiplied by the number of shares of Common Stock issuable upon exercise of this Warrant, in each case as in effect immediately before such adjustment, by (y) the number of shares of Common Stock issuable upon exercise of this Warrant immediately after giving effect to such adjustment.

(b) Issue of Options and Convertible Securities Deemed Issue of Additional Shares of Common Stock. If the Company at any time or from time to time on or after the Closing Day shall issue any Options (other than Excluded Compensation Issuances) or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue, or, in case a record date shall have been fixed for such issuance, as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to Section 7.3(c) below) of such Additional Shares of Common Stock would be less than the Reference Price in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued (i) no further adjustment in the number of shares of Common Stock for which this Warrant is exerciseable shall be made upon the subsequent issue of Convertible Securities or shares of Common Stock upon the exercise of such Options or conversion or exchange of such Convertible Securities, and (ii) upon the expiration or termination of any unexercised Option, the number of shares of Common Stock for which this Warrant is then exerciseable shall be readjusted, and the Additional Shares of Common Stock deemed issued as the result of the original issue of such Option shall not be deemed issued for the purpose of such

readjustment; provided, however, that with respect to any Options or Convertible Securities issued by the Company for which there is a subsequent adjustment which increases the number of shares of Common Stock issuable upon conversion or exercise of such Options or Convertible Securities or an adjustment which decreases the exercise price or conversion price of such Options or Convertible Securities, then an adjustment to the number of shares of Common Stock for which this Warrant is exerciseable shall be made under this Section 7.3 upon any such adjustment to such Options or Convertible Securities as if such Options or Convertible Securities were deemed to have been cancelled and reissued.

(c) Determination of Consideration. For purposes of this Section 7.3, the consideration received by the Company for the issue of any Additional Shares of Common Stock shall be computed as follows:

(i) Cash and Property: Such consideration shall:

(A) insofar as it consists of cash, be equal to the total cash received by the Company, excluding amounts paid or payable for accrued interest or accrued dividends;

(B) insofar as it consists of property other than cash, be computed at the Fair Market Value thereof at the time of entry into the definitive agreement providing for such issue determined as provided below; and

(C) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Company for consideration which covers both, be the proportion of such consideration so received that is allocated to such Additional Shares of Common Stock, computed as provided in or pursuant to clauses (A) and (B) above.

If the Company shall issue (or shall be deemed to issue) Additional Shares of Common Stock for no consideration (other than Excluded Compensation Issuances), such Additional Shares of Common Stock shall be deemed to have been issued for consideration equal to $.01 per share.

(ii) Options and Convertible Securities. The consideration per share received by the Company for Additional Shares of Common Stock deemed to have been issued pursuant to Section 7.3(b), relating to Options and Convertible Securities, shall be determined by dividing

(A) the total amount, if any, received or receivable by the Company as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(B) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

8.NO DILUTION OR IMPAIRMENT. The Company will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrant, but will at all times in good faith assist in the carrying out of all such terms and in taking all such action as may be necessary or appropriate in order to protect the rights of the holder of the Warrant against dilution. Without limiting the generality of the foregoing, the Company (i) will not increase the par value of any shares of stock receivable on the exercise of the Warrant above the amount payable therefor on such exercise, (ii) will take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of stock on the exercise of the Warrant from time to time outstanding, including by (A) preparing an Information Statement on Schedule 14C (the "Information Statement") relating to the approval by written consent of the issuance of the Warrant Shares under this Warrant, and all other shares issuable by the Company pursuant to other instruments dated as of February 21, 2012, as required by Nasdaq Listing Rule 5635, (B) filing the Information Statement with the Securities and Exchange Commission (the "SEC"), (C) using its best efforts to cause the Information Statement to be cleared by the SEC as promptly as practicable and (D) disseminating the Information Statement to the shareholders of the Company, and (iii) subject to Section 15, will not transfer all or substantially all of its properties and assets to any other entity (corporate or otherwise), or consolidate with or merge into any other entity or permit any such entity to consolidate with or merge with the Company (if the Company is not the surviving entity), unless such other entity shall expressly assume in writing and will be bound by all the terms of this Warrant and the Purchase Agreement.

9.CERTIFICATE AS TO ADJUSTMENTS. In each case of any event that may require any adjustment or readjustment in the shares of Common Stock issuable on the exercise of this Warrant, the Company at its expense will promptly prepare a certificate setting forth such adjustment or readjustment, or stating the reasons why no adjustment or readjustment is being made, and showing, in detail, the facts upon which any such adjustment or readjustment is based, including a statement of (i) the number of shares of Common Stock Deemed Outstanding, and (ii) the number of shares of Common Stock to be received upon exercise of this Warrant, in effect immediately prior to such adjustment or readjustment and as adjusted and readjusted (if required by Section 7) on account thereof. The Company will forthwith mail a copy of each such certificate to each holder of a Warrant, and will, on the written request at any time of any holder of a Warrant, furnish to such holder a like certificate setting forth the calculations used to determine such adjustment or readjustment.

10.NOTICES OF RECORD DATE. In the event of:

(a)any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right; or

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any transfer of all or substantially all the assets of the Company to or any consolidation or merger of the Company with or into any other Person or any other Fundamental Change; or

(c) any voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, and in each such event, the Company will mail or cause to be mailed to the holder of this Warrant a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, or (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up is anticipated to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or Other Securities) shall be entitled to exchange their shares of Common Stock (or Other Securities) for securities or other property deliverable on such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up. Such notice shall be mailed at least thirty (30) days prior to the date specified in such notice on which any such action is to be taken.

11. RESERVATION OF STOCK ISSUABLE ON EXERCISE OF WARRANT. The Company will at all times reserve and keep available, solely for issuance and delivery on the exercise of this Warrant, a number of shares of Common Stock equal to the total number of shares of Common Stock from time to time issuable upon exercise of this Warrant, and, from time to time, will take all steps necessary to amend its Certificate of Incorporation to provide sufficient reserves of shares of Common Stock issuable upon exercise of this Warrant.

12. DEFINITIONS. As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

Additional Shares of Common Stock means all shares of Common Stock issued (or, pursuant to Section 7.3(b) hereof, deemed to be issued) by the Company after the Closing Day, including without limitation any treasury shares sold or otherwise transferred by the Company, but excluding shares of Common Stock issued or issuable by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock for which an adjustment is made pursuant to Section 7.1 hereof, but excluding shares of Common Stock issued or issuable as Excluded Compensation Issuances.

Aggregate Exercise Price means, in connection with the exercise of this Warrant at any time, an amount equal to the product obtained by multiplying (i) the Exercise Price times (ii) the number of shares of Common Stock for which this Warrant is being exercised at such time.

Common Stock means (i) the Company's Common Stock, $.01 par value per share, (ii) any other capital stock of any class or classes (however designated) of the Company, the holders of which shall have the right, without limitation as to amount, either to all or to a share of the balance of current dividends and liquidating dividends after the payment of dividends and distributions on any shares entitled to preference, and (iii) any other securities into which or for which any of the securities described in clauses (i), or (ii) above have been converted or exchanged pursuant to a plan of recapitalization, reorganization, merger, sale of assets or otherwise.

Common Stock Deemed Outstanding means, at any given time, the number of shares of Common Stock actually outstanding at such time, plus the number of shares of Common Stock issuable at such time upon conversion of any Convertible Securities and Options (other than this Warrant and any other warrants issued under the Purchase Agreement) then outstanding to the extent such Convertible Security or Option is (i) convertible, exercisable or exchangeable at such time and (ii) convertible, exercisable or exchangeable at a price that is less than the Fair Market Value of a share of Common Stock issuable upon such conversion, exercise or exchange at such time.

Convertible Securities means any evidences of Indebtedness, shares (other than Common Stock) or other securities directly or indirectly convertible into or exchangeable for Common Stock.

Exercise Period means the period commencing on August 21, 2012 and ending on the eighth anniversary of such date.

Exercise Price means $2.00 per share.

Exercise Shares means the shares of Common Stock for which this Warrant is then being exercised.

Fair Market Value means, with respect to any security or other property, the fair market value of such security or other property as determined unanimously by the Board of Directors, acting in good faith. If the Board of Directors is unable to unanimously agree to the fair market value, it will have an independent third-party appraisal conducted by a nationally-recognized valuation company and the determination of such company shall be final.

Fundamental Change means an event or series of events by which any of the following occurs:

(i) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act (other than a "person" or "group" comprised solely of Permitted Holders) files a Schedule TO or any schedule, form or report under the Exchange Act disclosing that such person or group has become the direct or indirect ultimate beneficial owner of common equity of the Company representing more than 50% of the voting power of the outstanding Common Stock; provided, however, that notwithstanding anything herein to the contrary, a Fundamental Change shall be deemed to have occurred if the Permitted Holders, as a group, acquire beneficial ownership in excess of 75,976,851 shares of Common Stock (as appropriately adjusted for stock splits and similar transactions); provided, however, that Transfers, under the Company's long term incentive plan, to Messrs. Brooks, Kearby or Hearn, as part of the compensation earned by such person as a director or officer of the Company shall not be counted towards determining whether a Fundamental Change under this clause (i) has occurred, so long as such Transfers do not exceed 1,000,000 shares in the aggregate to such Persons per calendar year; provided further, however, that if at any time the Permitted Holders, taken as a group, own less than 50% of the then outstanding Common Stock, a Fundamental Change will be deemed to have occurred if the Permitted Holders thereafter become the direct or indirect ultimate beneficial owners of common equity of the Company representing more than 50% of the voting power of the outstanding Common Stock;

(ii) the consummation of: (A) any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of the consolidated assets of the Company and

the Subsidiaries, taken as a whole, to any Person or Persons (other than, so long as any amounts remain outstanding with respect to the Notes, one of the Guarantors to the extent permitted pursuant to Purchase Agreement, and after all amounts with respect to the Notes have been discharged, one of the Subsidiaries); or (B) any transaction or series of related transactions in connection with which (whether by means of exchange, liquidation, consolidation, merger, combination, reclassification, recapitalization, acquisition or otherwise) all of the Common Stock is exchanged for, converted into, acquired for, or constitutes solely the right to receive, other securities, other property, assets or cash, but excluding any merger, consolidation, share exchange or acquisition of the Company with or by another person pursuant to which the persons that beneficially owned, directly or indirectly, the Company's voting shares immediately prior to such transaction beneficially own, directly or indirectly, immediately after such transaction, shares of the surviving, continuing or acquiring corporation's stock representing more than 50% of the total outstanding voting power of all outstanding classes of stock of the surviving, continuing or acquiring corporation in substantially the same proportions (relative to each other) as immediately prior to such transaction; or

(iii) the Company's stockholders approve and adopt a plan of liquidation or dissolution of the Company or a sale of all or substantially all of the Company's assets.

Market Price means, with respect to the Common Stock, on any given day, the closing sale price or, if no closing sale price is reported, the last reported sale price of the shares of the Common Stock on the Nasdaq Capital Market on such date. If the Common Stock is not traded on the Nasdaq Capital Market on any date of determination, the Market Price of the Common Stock on such date of determination means the closing sale price as reported in the composite transactions for the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal U.S. national or regional securities exchange on which the Common Stock is so listed or quoted, or if the Common Stock is not so listed or quoted on a U.S. national or regional securities exchange, the last quoted bid price for the Common Stock in the over-the-counter market as reported by Pink Sheets LLC or similar organization, or, if that bid price is not available, the market price of the Common Stock on that date as determined by a nationally recognized independent investment banking firm retained by the Company for this purpose.

Option means any rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

Other Securities refers to any stock (other than Common Stock) and other securities of the Company or any other entity (corporate or otherwise) (i) which the holder of this Warrant at any time shall be entitled to receive, or shall have received, on the exercise of this Warrant, in lieu of or in addition to Common Stock, or (ii) which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities, in each case pursuant to Section 5 or 6 hereof.

Permitted Holders means Todd Brooks, John Hearn, Gaston Kearby, their respective heirs and any Permitted Transferees (as defined in the Amended and Restated Lock-Up Agreement, dated as of March [25], 2013, by and between the Company and the Restricted Stockholders (defined therein) of the foregoing.

Preliminary Fundamental Change means, with respect to the Company, (A) the execution of a definitive agreement for a transaction or (B) the recommendation that stockholders tender in response

to a tender or exchange offer, in the case of both (A) and (B), that would reasonably be expected to result in a Fundamental Change.

Principal Market means, at any time, the securities exchange, quotation system or over-the-counter trading facility on which the Common Stock is then principally traded or quoted at such time.

Reference Price means, on any date of determination, the greater of (i) the Market Price per share as of such date and (ii) the Exercise Price.

Spin-Off means a transaction in which the Company spins off or otherwise divests itself of a part of its business or operations or disposes all or a part of its assets in a transaction in which the Company does not receive compensation for such business, operations or assets, but causes securities of a subsidiary of the Company or another entity to be distributed or otherwise issued to security holders of the Company,

Trading Day means, at any time, a day on which the Principal Market is open for the general trading or quotation of securities and the Common Stock is traded or quoted thereon without suspension or interruption.

13. LIMITATION ON BENEFICIAL OWNERSHIP. Notwithstanding the foregoing, the holder shall not be entitled to receive shares of Common Stock upon exercise of this Warrant to the extent (but only to the extent) that such receipt would cause the holder to become, directly or indirectly, a "beneficial owner" (within the meaning of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) of a number of shares of Common Stock which exceeds the Maximum Percentage of the shares of Common Stock outstanding at such time. This limitation on beneficial ownership shall be terminated (i) upon 61 days' notice to the Company by the holder or (ii) immediately on the date that is 30 days prior to the expiration of the Exercise Period. Any purported delivery of shares of Common Stock upon exercise of this Warrant shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the holder becoming the beneficial owner of more than the Maximum Percentage of the shares of Common Stock outstanding at such time. If any delivery of shares of Common Stock owed to the holder upon exercise of this Warrant is not made, in whole or in part, as a result of this limitation, the Company's obligation to make such delivery shall not be extinguished and the Company shall deliver such shares of Common Stock as promptly as practicable after the holder gives notice to the Company that such delivery would not result in such limitation being triggered. For purposes of this Section 13, (a) the term " Maximum Percentage" shall mean initially 5%; provided, that if at any time after the Closing Day the Holder Group beneficially owns in excess of 5% of the outstanding shares of Common Stock (excluding any shares issuable under this Warrant and any other convertible security including a similar limitation), then the Maximum Percentage shall automatically increase to 10% so long as the Holder Group owns in excess of 5% of the outstanding shares of Common Stock (excluding any shares issuable under this Warrant and any other convertible security including a similar limitation), and (b) the term " Holder Group" shall mean the holder of this Warrant plus any other person with which such holder is considered to be part of a group under Section 13 of the Exchange Act or with which such holder otherwise files reports under Sections 13 and/or 16 of the Exchange Act. The limitations in this Section 13 shall not have an effect on any calculation or payment due to the Holder of this Warrant pursuant to Section 15 hereof.

14. LIMITATION ON CONVERSION. Notwithstanding anything herein to the contrary, the number of Warrant Shares issuable upon exercise of this Warrant at any given time, when combined

with the aggregate number of Warrant Shares previously issued upon conversion of this Warrant and any other warrant issued by the Company on the Closing Day, pursuant to the Purchase Agreement, may not, in the absence of approval by the Company's shareholders in accordance with applicable law and the rules and regulations of the Principal Market, exceed 19.9% of the number of shares of Common Stock issued and outstanding immediately prior to the issuance of such warrants. Upon receipt of such requisite approval, the Company shall deliver to the Holder a certificate, in form reasonably satisfactory to the Holder, certifying that the limitation contained in this Section 14 has been duly removed by the Company and is no longer applicable to this Warrant.

15. FUNDAMENTAL CHANGE. Upon the occurrence of a Fundamental Change, the Company shall, upon the consummation of such Fundamental Change, make an offer to repurchase all of this Warrant at the option value of the Warrant using Black-Scholes calculation methods and making the assumptions described in the Black-Scholes methodology described in Exhibit A. Such offer shall be made within ten (10) business days following the consummation of such Fundamental Change, and shall remain open for a period of not less than twenty (20) business days nor more than thirty (30) business days. Payment of such purchase price by the Company to the holder of this Warrant, if tendered pursuant to such offer to purchase, shall be due in cash promptly upon termination of such offer period. The Company will comply with all the applicable provisions of Rule 13e-4 and any other tender offer rules under the Exchange Act, if required, in connection with any offer by the Company to repurchase this Warrant and to the extent necessary to comply therewith, the time periods specified herein shall be extended accordingly. The fact that this Warrant may be exercised on a cashless net exercise basis as provided in Section 2.3 shall not have any effect on any calculation or payment due to the Holder of this Warrant pursuant to this Section 15. The Company agrees that it will not take any action resulting in a Preliminary Fundamental Change or a Fundamental Change in the absence of definitive documentation providing for such repurchase of the Warrant pursuant to this Section 15.

16.WARRANT AGENT. The Company may, by written notice to the holder of this Warrant, appoint an agent for the purpose of issuing Common Stock on the exercise of this Warrant pursuant to Section 2 hereof, and exchanging or replacing this Warrant pursuant to the Purchase Agreement, or any of the foregoing, and thereafter any such issuance, exchange or replacement, as the case may be, shall be made at such office by such agent.

17.REMEDIES. The Company stipulates that the remedies at law of the holder of this Warrant in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant are not and will not be adequate, and that such terms may be specifically enforced by a decree for the specific performance of any agreement contained herein or by an injunction against a violation of any of the terms hereof or otherwise.

18.NOTICES. All notices and other communications from the Company to the holder of this Warrant shall be mailed by first class registered or certified mail, postage prepaid, or sent by overnight courier (or sent in the form of a telex or telecopy) at such address as may have been furnished to the Company in writing by such holder or, until any such holder furnishes to the Company an address, then to, and at the address of, the last holder of this Warrant who has so furnished an address to the Company.

19.MISCELLANEOUS. In case any provision of this Warrant shall be invalid, illegal or unenforceable, or partially invalid, illegal or unenforceable, the provision shall be enforced to the extent, if any, that it may legally be enforced and the validity, legality and enforceability of the

remaining provisions shall not in any way be affected or impaired thereby. This Warrant and any term hereof may be changed, waived, discharged or terminated only by a statement in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant shall be governed by and construed in accordance with the domestic substantive laws (and not the conflict of law rules) of the State of New York. The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

--

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officer.

Dated as of March __, 2013

ZAZA ENERGY CORPORATION

By:

Title:

--

FORM OF SUBSCRIPTION

(To be signed only on exercise
of Common Stock Purchase Warrant)

TO:ZaZa Energy Corporation

1. The undersigned Holder of the attached Warrant hereby elects to exercise its purchase right under such Warrant to purchase shares of Common Stock of ZaZa Energy Corporation, a Delaware corporation (the "Company"), as follows (check one or more, as applicable):

☐ to exercise the Warrant to purchase _____ shares of Common Stock and to pay the Aggregate Exercise Price therefor by wire transfer of United States funds to the account of the Company, which transfer has been made prior to or as of the date of delivery of this Form of Subscription pursuant to the instructions of the Company;

and/or

☐ to exercise the Warrant with respect to _____ shares of Common Stock pursuant to the net exercise provisions specified in Section 2.3 of the Warrant.

2. Please issue a stock certificate or certificates representing the appropriate number of shares of Common Stock in the name of the undersigned or in such other name(s) as is specified below:

Name:

Address:

TIN:

-

(Signature must conform exactly to name of Holder
as specified on the face of the Warrant)

Dated: _____

--

FORM OF ASSIGNMENT
(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the right represented by the within Warrant to purchase ____ shares of Common Stock of ZaZa Energy Corporation, a Delaware corporation, to which the within Warrant relates, and appoints _____ attorney to transfer such right on the books of ZaZa Energy Corporation, with full power of substitution in the premises.

[insert name of Holder]

Dated:_____By:
Title:

[insert address of Holder]

Signed in the presence of:

EXHIBIT A

Black-Scholes Assumptions

For the purpose of this Exhibit A:

"*Acquiror*" means (A) the third party that has entered into definitive document for a transaction, or (B) the offeror in the event of a tender or exchange offer, which could reasonably result in a Fundamental Change upon consummation.

Underlying Security Price:	• In the event of a merger or acquisition, (A) in the event of an "all cash" deal, the cash per share offered to the Company's stockholders by the Acquiror; (B) in the event of an "all stock" deal, (1) in the event of a fixed exchange ratio transaction, the product of (i) the average of the Market Price of the Acquiror's common stock for the ten trading day period ending on the day preceding the date of the Preliminary Fundamental Change and (ii) the number of Acquiror's shares being offered for one share of Common Stock and (2) in the event of a fixed value transaction, the value offered by the Acquiror for one share of Common Stock; (C) in the event of a transaction contemplating various forms of consideration for each share of Common Stock, the cash portion, if any, shall be valued as clause (A) above and the stock portion shall be valued as clause (B) above and any other forms of consideration shall be valued by the Board of Directors of the Company in good faith, without applying any discounts to such consideration. • In the event of all other Fundamental Change events, the average of the Market Price of the Common Stock for the ten trading day period beginning on the date of the Preliminary Fundamental Change.
Exercise Price:	The Exercise Price as adjusted and then in effect for the Warrant.
Dividend Rate:	The Company's annualized dividend yield as of the date of the Preliminary Fundamental Change in the event of a Fundamental Change (the "*Reference Date*").
Interest Rate:	The applicable U.S. 5 year treasury note risk free rate as of the Reference Date.
Model Type:	Black-Scholes
Exercise Type:	American
Put or Call:	Call
Trade Date:	The Reference Date
Expiration Date:	The expiration of the Exercise Period
Settle Date:	The Reference Date plus one business day
Exercise Delay:	0
Volatility:	The average daily volatility over the previous six months for the Common Stock as listed by Bloomberg L.P., as of the Reference Date; provided, however, that if the Underlying Security Price on the Reference Date is at least $10 per share, then the Volatility shall be no more than 40%.

Such valuation of the Warrant based on the Black-Scholes methodology shall not be discounted in any way. If the holder disputes such Black-Scholes valuation pursuant to this *Exhibit A* as calculated by the Company, the Company and the holder will choose a mutually-agreeable firm to compute the valuation of the Warrant using the guidelines above, and such valuation shall be final. The fees and expenses of such firm shall be borne equally by the Company and the holder. In the event that a new warrant is issued by a company in a Spin-Off from the Company pursuant to Section 5.1(b) of the Warrant, references in this *Exhibit A* to such spun-off company's "Dividend Rate" and "Volatility" shall refer those of the Company unless at the time of such measurement, such spun-off company has been trading in the public markets for at least 6 months.

--

Exhibit 10.8

AMENDED AND RESTATED LOCK-UP AGREEMENT

This AMENDED AND RESTATED LOCK-UP AGREEMENT (this "**Agreement**"), is made and entered into as of March 28, 2013, by and among MSDC ZEC INVESTMENTS, LLC, a Delaware limited liability company, SENATOR SIDECAR MASTER FUND LP, a Cayman Islands exempted limited partnership, O-CAP OFFSHORE MASTER FUND, L.P., a Cayman Islands exempted limited partnership, O-CAP PARTNERS, L.P., a Delaware limited partnership, CAPITAL VENTURES INTERNATIONAL, a Cayman Islands corporation, TALARA MASTER FUND, LTD., a Cayman Islands partnership, BLACKWELL PARTNERS, LLC, a Georgia limited liability company, PERMAL TALARA LTD., a British Virgin Islands corporation, WINMILL INVESTMENTS LLC, a Delaware limited liability company (together with their respective successors and assigns, including any future holder of the Warrants (collectively, the "**Warrant Holders**")), BLACKSTONE OIL & GAS, LLC, a Texas limited liability company, OMEGA ENERGY, LLC, a Texas limited liability company, LARA ENERGY, INC., a Texas corporation, TODD ALAN BROOKS, GASTON L. KEARBY, JOHN E. HEARN, JR., and HEARN FAMILY HOLDINGS, LTD. (each, a "**Restricted Stockholder**" and together, the "**Restricted Stockholders**") and ZAZA ENERGY CORPORATION, a Delaware corporation (the "**Company**") but shall not be effective until the Effective Time (as defined in the Amendment No. 5 to the Securities Purchase Agreement and Amendment No. 1 to the Sanchez Consent).

WHEREAS, in connection with that certain Securities Purchase Agreement, dated as of February 21, 2012 (as the same from time to time hereafter may be amended, restated, supplemented or otherwise modified, the "**Securities Purchase Agreement**"), the Warrant Holders, the Restricted Stockholders (other than Hearn Family Holdings, Ltd.) and the Company entered into that certain Lock Up Agreement, dated as of February 21, 2012 (the "**Prior Agreement**");

WHEREAS, on December 26, 2012, Hearn Family Holdings, Ltd. became a party to the Prior Agreement by executing a Joinder Agreement as required by Section 5 of the Prior Agreement;

WHEREAS, pursuant to Section 15 of the Prior Agreement, any provision of the Prior Agreement may be waived, by the written consent of the Warrant Holders who collectively hold Warrants that represent more than 50% of the Warrant Shares issuable upon conversion of the then outstanding Warrants (the "**Required Warrant Holders**");

WHEREAS, pursuant to Section 13C of the Securities Purchase Agreement, the Prior Agreement may be amended by the written consent of the Required Holders (as defined therein and together with the Required Warrant Holders, the "**Requisite Holders**") of each class of Securities entitled to the benefits of such term; and

WHEREAS, the Requisite Holders previously waived certain provisions of the Prior Agreement on June 8, 2012 and agreed to amend certain provisions of the Prior Agreement pursuant to Amendment No. 4 to the Securities Purchase Agreement, dated as of December 17, 2012;

WHEREAS, the Restricted Stockholders have requested that the Requisite Holders consent to certain amendments to Section 3 of the Prior Agreement and that the Prior Agreement be amended and restated in order to reflect the previously granted waivers and amendments;

WHEREAS, the undersigned collectively hold Warrants that represent more than 50% of the Warrant Shares issuable upon conversion of the Warrants outstanding as of the date hereof and also constitute the Required Holders of each class of Securities issued under the Securities Purchase Agreement.

NOW, THEREFORE, in consideration of the foregoing, the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree to amend and restate the terms and conditions of the Prior Agreement as follows:

1. **Definitions.** Terms not otherwise defined herein have the same respective meanings given to them in the Securities Purchase Agreement. In addition, the following terms shall have the following meanings:

"**Transfer**" means to (a) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, (including, without limitation, by Transferring any equity interests in an entity that beneficially owns Common Stock) in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act with respect to, any Common Stock of the Company or any securities convertible into or exercisable or exchangeable for Common Stock, or warrants or other rights to purchase Common Stock or any such securities, or any securities substantially similar to the Common Stock, (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or any such securities, or warrants or other rights to purchase Common Stock, whether any such transaction is to be settled by delivery of Common Stock or such other securities, in cash or otherwise, or (c) publicly announce an intention to effect any transaction specified in clause (a) or (b).

"**Resale Percentage**" shall mean (i) 10% of the then outstanding shares of the Common Stock if the VWAP of the Common Stock is less than $9.45 per share, (ii) 15% of the then outstanding shares of the Common Stock if the VWAP is equal to or greater than $9.45 but less than $12.60 per share, and (iii) 40% of the then outstanding shares of the Common Stock if the VWAP is equal to or greater than $12.60 per share, in each case, as appropriately adjusted for stock splits, combinations, reorganizations, reclassifications and the like.

"**VWAP**" means the daily volume weighted average price of the Common Stock for the 10 trading days prior to any determination as quoted on the Nasdaq Capital Market or any other U.S. exchange on which the Common Stock is listed, whichever is applicable, as posted by Bloomberg L.P.

2. **Lock-Up Period.** Each Restricted Stockholder hereby agrees that from February 21, 2012 until August 19, 2012 (the "**Lock-Up Period**"), it will not, and will cause its Affiliates not to, Transfer any shares of Common Stock.

3. **Continuing Sale Restrictions**. Each Restricted Stockholder hereby further agrees that for the period commencing upon the expiration of the Lock-Up Period and continuing until February 21, 2017, it shall not, and will cause its Affiliates not to, Transfer any Common Stock, if such Transfer, when aggregated with all Transfers executed by each other Restricted Party in the 12-consecutive month period commencing on the date of the expiration of the Lock-Up Period, or the nearest preceding anniversary thereof, would exceed the Resale Percentage in effect at the time of such proposed Transfer. Notwithstanding the foregoing, nothing contained in this Agreement shall restrict any Restricted Stockholder from Transferring any Common Stock acquired after February 21, 2012 (the "**Unrestricted Shares**"), other than any shares of Common Stock received on account of a stock split or distribution upon or otherwise in connection with the shares acquired on February 21, 2012, and any Transfers of Unrestricted Shares shall not be counted towards the Resale Percentage under this Agreement. All covenants (other than the covenant to provide notification to the Warrant Holders set forth in the last sentence of Section 5) regarding shares of Common Stock under this Agreement shall not apply to the Unrestricted Shares.

4. **Void Transfers**. Any purported transfer by a Restricted Stockholder of any shares of Common Stock in violation of the provisions of this Agreement shall be null and void.

5. **Permitted Transfers**. Notwithstanding anything herein to the contrary, the Restricted Stockholders shall, collectively, be entitled to Transfer (i) at any time until December 31, 2012, up to 6,000,000 shares of Common Stock, in the aggregate, to any employee or consultant who provided services to ZaZa Energy, LLC on or prior to February 21, 2012 , so long as such employees have agreed to be bound by an 180-day restriction on Transfers substantially on the terms provided in Section 2 hereof, it being understood that executing a joinder agreement to the Existing Stockholders' Agreement (as defined in the Securities Purchase Agreement) as an "Other Stockholder" will constitute satisfaction of such requirement, and (ii) at any time within 10 business days of February 21, 2012, up to 9,000,000 shares of Common Stock, in the aggregate, to third-party investors. In addition, after the expiration of the Lock-Up Period, the Restricted Stockholders shall, collectively, be entitled to (i) pledge, in connection with any bona fide lending transaction or series of transactions, any of the shares of Common Stock held by the Restricted Stockholders in order to secure the payment obligations pursuant to such lending transaction, and (ii) make bona fide gifts of up to 2,000,000 shares of Common Stock annually to any charity or other non-profit organization with 501(c)(3) status. Each Restricted Stockholder hereby agrees not to waive the provisions of Article V of the Existing Stockholders' Agreement in order to permit any "Other Stockholder" thereunder to Transfer shares of Common Stock during the Lock-Up Period. None of the limitations contained in this Section 5 shall limit the ability of a pledgee to foreclose upon any shares of Common Stock that have been pledged in compliance herewith.

Notwithstanding the foregoing, and subject to the conditions below, the Restricted Stockholders may Transfer any of the shares of Common Stock (i) to any trust only for the direct

or indirect benefit of such Restricted Stockholder or the immediate family of the Restricted Stockholder (for purposes of this Agreement, "immediate family" means any (1) relative, by consanguinity or marriage, of a Restricted Stockholder living in the Restricted Stockholder's household and (2) any natural, foster or adopted children); (ii) to any corporation or other organization (including a limited liability company or a partnership), whether incorporated or unincorporated that is wholly-owned and controlled by such Restricted Stockholder and/or other persons satisfying the requirements of a Permitted Transferee hereunder; or (iii) as a distribution to limited partners, stockholders or members of the Restricted Stockholder, so long as such limited partner, stockholder or member is also a Restricted Stockholder (a "**Permitted Transferee**"); provided in each case that (i) the Warrant Holders receive a signed lock-up agreement in the form of this Agreement from each trustee, distributee, or transferee, as the case may be, and in which such trustee, distributee, or transferee agrees to be subject to all of the provisions set forth in this Agreement, including both the Lock-Up Period contained in Section 2 and the Continuing Sale Restrictions contained in Section 3; (ii) any such Transfer shall not involve a disposition for value; (iii) such transfers are not required to be reported with the Securities and Exchange Commission on Form 4 in accordance with Section 16 of the Exchange Act; and (iv) the Restricted Stockholder does not otherwise voluntarily effect any public filing or report regarding such Transfers.

Each Restricted Stockholder shall provide to the Warrant Holders, in accordance with the notice provisions set forth in Section 11 below, within 30 days of any Transfer of Common Stock (including any Transfer of any Unrestricted Shares), a statement confirming that such Transfer was made in compliance with the terms of this Agreement.

6. Company Covenants.

The Company shall not record on its books any Transfers of Common Stock which are subject to this Agreement unless such Transfer is permitted hereunder.

The Company shall cause appropriate legends to be conspicuously placed on the Common Stock certificates, and, in the case of uncertificated shares, shall cause to be properly sent to the Company's stockholders any notices required by law, in each case as may be necessary to ensure that the Company's stockholders have due notice of the existence of this Agreement and the restrictions contained herein.

The Company shall, at its own expense, take such action as may be necessary to enforce this Agreement upon the Restricted Stockholders for the benefit of the Warrant Holders.

The Company shall pay to any Warrant Holder, upon written demand, the amount of any and all expenses, including the fees and expenses of its counsel and of any experts or agents, which such Warrant Holder incurs in connection with the exercise or enforcement of any of the rights hereunder, if the Company, after receipt of notice from such Warrant Holder, indicating that such Warrant Holder has a reasonable basis for believing a breach of this Agreement is occurring or has occurred, fails or declines to take prompt action to enforce this Agreement on behalf of the Warrant Holders.

7. **Future Warrant Holders as Third-Party Beneficiaries.** The Company and each Restricted Stockholder acknowledge that the foregoing agreement is for the express benefit of and enforceable by, any and all Warrant Holders, including, for the avoidance of doubt, any Person who acquires a Warrant after the date hereof. As such, any Warrant Holder shall be entitled to take any action or assert any claim with respect to the enforcement of this Agreement and the Company and each Restricted Stockholder irrevocably waives the right to oppose an action brought hereunder on the basis of lack of privity of contract with such Warrant Holder.

8. **Specific Performance**. The Company and each Restricted Stockholder acknowledge that it would be impossible to measure in money the damage to the Warrant Holders if a party hereto were to fail to comply with any of the obligations imposed by this Agreement, that every such obligation is material and that, in the event of any such failure, the Warrant Holders will not have an adequate remedy at law or damages. Accordingly, each Restricted Stockholder agrees that injunctive relief or other equitable remedy, in addition to remedies at law or damages, is the appropriate remedy for any such failure and will not oppose the seeking of such relief on the basis that a Warrant Holder has an adequate remedy at law. Each Restricted Stockholder agrees that it will not seek, and agrees to waive any requirement for, the securing or posting of a bond in connection with a Warrant Holder seeking or obtaining such equitable relief.

9. **Representations and Warranties**.

The Company hereby represents and warrants that this Agreement has been duly authorized, executed and delivered and constitutes a valid and binding obligation of the Company, enforceable in accordance with its terms.

Each Restricted Stockholder hereby represents and warrants as follows that (i) this Agreement has been duly authorized, executed and delivered by such Restricted Stockholder and constitutes the valid and binding obligation of such Restricted Stockholder, enforceable in accordance with its terms, (ii) such Restricted Stockholder owns, beneficially and of record, the number of shares of Common Stock set forth opposite its name on Schedule 2, not including any Unrestricted Shares, and (iii) such Restricted Stockholder has not granted any right and is not a party to any agreement which is inconsistent with or conflicts with the provisions of this Agreement.

10. **Warrant Legend.** The Warrant shall contain an appropriate legend conspicuously placed thereon indicating that the Warrant Holders are entitled to the benefit of this Agreement.

11. **Notices.** All notices and other communications which are required and may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient and effective in all respects if given in writing and emailed, telecopied, delivered or mailed by certified mail, postage prepaid, as follows:

if to a Warrant Holder, at the address set forth below such Warrant Holder's name on Schedule 1; and

if to a Restricted Stockholder, at the address set forth below such Restricted Stockholder's name on Schedule 2; and

if to the Company, at:

1301 McKinney Street, Suite 2850
Houston, TX 77010
Tel: 713-595-1900
Fax: 713-595-1919
Email: scott.gaille@zazaenergy.com

or such other address or addresses as any party hereto shall have designated by written notice to the other parties hereto. Notices shall be deemed given and effective upon the earlier to occur of (x) the third day following deposit thereof in the U.S. mail or (y) receipt by the party to whom such notice is directed.

12. **Governing Law.** THIS AGREEMENT SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE INTERNAL LAW OF THE STATE OF NEW YORK, EXCLUDING CHOICE-OF-LAW PRINCIPLES OF THE LAW OF SUCH STATE THAT WOULD PERMIT THE APPLICATION OF THE LAWS OF A JURISDICTION OTHER THAN SUCH STATE.

13. **Waiver of Jury Trial.** EACH OF THE RESTRICTED STOCKHOLDERS IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ANY OTHER AGREEMENT, DOCUMENT OR INSTRUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH.

14. **Personal Jurisdiction**. Each of the parties irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or any of the agreements, documents or instruments delivered in connection herewith or therewith. To the fullest extent permitted by applicable law, each of the parties irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

15. **Miscellaneous.** This Agreement may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, and all of which together shall constitute one instrument. A signature page forwarded as a facsimile or electronic image for attachment to an assembled document shall be deemed

delivery of an original signature page. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart signed by the party against which enforcement is sought. Any waiver of any provision of this Agreement shall be effective only if in writing and signed by Warrant Holders who collectively hold Warrants that represent more than 50% of the Warrant Shares issuable upon conversion of the then outstanding Warrants. This Agreement shall be binding upon and shall inure to the benefit of each party and their respective heirs, executors, legal representatives, successors and permitted transferees.

[*Remainder of Page Intentionally Left Blank*]

MSDC ZEC INVESTMENTS, LLC

By: _____
Name:
Title:

SENATOR SIDECAR MASTER FUND LP
By: Senator Investment Group LP, its investment manager

By: _____
Name:
Title:

BLACKSTONE OIL & GAS, LLC

By: _____
Name:
Title:

_____
Todd Alan Brooks

OMEGA ENERGY, LLC

By: _____
Name:
Title:

_____
Gaston L. Kearby

LARA ENERGY, INC.

By: _____
Name:
Title:

_____
John E. Hearn Jr.

HEARN FAMILY HOLDINGS, LTD.

By: _____
Name:
Title:

O-CAP OFFSHORE MASTER FUND, L.P.

By: _____
Name:
Title:

-

O-CAP PARTNERS, L.P.

By: _____
Name:
Title:

CAPITAL VENTURES INTERNATIONAL

By: _____
Name:
Title:

TALARA MASTER FUND, LTD.

By: _____
Name:
Title:

BLACKWELL PARTNERS, LLC

By: _____
Name:
Title:

PERMAL TALARA LTD.

By: _____
Name:
Title:

WINMILL INVESTMENTS LLC

By: _____
Name:
Title:

Schedule 1
Warrant Holders:

Name and Notice Details
MSDC ZEC Investments, LLC c/o MSDC Management, L.P. 645 Fifth Avenue, 21st Floor New York, NY 10022 Attn: Marcello Liguori Tel: 212-303-1650 Fax: 212-303-1772 Email: legal@msdcapital.com
Senator Sidecar Master Fund LP c/o Senator Investment Group LP 510 Madison Avenue, 28th Floor New York, NY 10022 Attn: Evan Gartenlaub, Esq. Tel: 212-376-4319 Fax: 855-212-4466 Email: egartenlaub@senatorlpl.com
O-CAP Offshore Master Fund, L.P. 600 Madison Avenue, 14th Floor New York, NY 10022 Attn: Lloyd Jagai Tel: 212-554-4622 Fax: 646-225-5208 Email: Lloyd@o-corp.com
O-CAP Partners, L.P. 600 Madison Avenue, 14th Floor New York, NY 10022 Attn: Lloyd Jagai Tel: 212-554-4622 Fax: 646-225-5208 Email: Lloyd@o-corp.com
Capital Ventures International c/o Heights Capital Management 101 California Street, Suite 350 San Francisco, CA 94111 Attn: Martin Kobinger Tel: 415-403-6500 Fax: 415-403-6501 Email: martin.kobinger@sig.com

Talara Master Fund, Ltd. 805 Third Avenue, 20th Floor New York, NY 10022 Attn: Binish Bulsara Tel: 646-396-6041 Fax: 646-396-6060 Email: bbulsara@talaracapital.com
Blackwell Partners, LLC 280 S. Mangum Street, Suite 210 Duke Box #104330 Durham, NC 27701-3675 Attn: Bart Brunk / Justin Nixon Tel: 919-668-9962 Fax: 919-668-9954 Email: bbulsara@talaracapital.com
Permal Talara Ltd. 900 Third Avenue New York, NY 10022 Attn: Jessica Gerstein Tel: 212-418-6647 Fax: 212-407-2837 Email: bbulsara@talaracapital.com
Winmill Investments LLC 9 West 57th Street, 30th Floor New York, NY 10019 Attn: Lawrence Palmero Tel: 212-821-1600 Fax: 212-821-1625 Email: lpalermo@40north.com

Schedule 2
Restricted Stockholders

Name and Notice Details	Number of Shares of Common Stock
Name and Notice Details	Number of Shares of Common Stock
Blackstone Oil & Gas, LLC c/o ZaZa Energy Corporation 1301 McKinney Street, Suite 2850 Houston, TX 77010 Tel: 713-595-1900 Fax: 713-595-1919	20,820,200
Omega Energy, LLC c/o ZaZa Energy Corporation 1301 McKinney Street, Suite 2850 Houston, TX 77010 Tel: 713-595-1900 Fax: 713-595-1919	20,820,200
Hearn Family Holdings, Ltd. c/o ZaZa Energy Corporation 1301 McKinney Street, Suite 2850 Houston, TX 77010 Tel: 713-595-1900 Fax: 713-595-1919	20,670,201
Todd Alan Brooks c/o ZaZa Energy Corporation 1301 McKinney Street, Suite 2850 Houston, TX 77010 Tel: 713-595-1900 Fax: 713-595-1919	20,820,200
Gaston L. Kearby c/o ZaZa Energy Corporation 1301 McKinney Street, Suite 2850 Houston, TX 77010 Tel: 713-595-1900 Fax: 713-595-1919	20,820,200
John E. Hearn Jr. c/o ZaZa Energy Corporation 1301 McKinney Street, Suite 2850 Houston, TX 77010 Tel: 713-595-1900 Fax: 713-595-1919	20,670,201

*Beneficially, but not of record.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd A. Brooks, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of ZaZa Energy Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [reserved];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2013

/s/ Todd A. Brooks
Todd A. Brooks
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ian H. Fay, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of ZaZa Energy Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) [reserved];

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 14, 2013

/s/ Ian H. Fay
Ian H. Fay
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of ZaZa Energy Corporation (the "Company"), does hereby certify, to such officer's knowledge, that: the Quarterly Report on Form 10-Q for the period ended March 31, 2013 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: May 14, 2013

/s/ Todd A. Brooks
Todd A. Brooks
Chief Executive Officer
(Principal Executive Officer)

Dated: May 14, 2013

/s/ Ian H. Fay
Ian H. Fay
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished as an exhibit to the Form 10-Q pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Form 10-Q for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.