

IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

JUN -4 2013

TIM RHODES
COURT CLERK

30

Oklahoma Department of Securities,)
ex rel. Irving L. Faught, Administrator,)
))
Plaintiff,)
))
v.))
))
2001 Trinity Fund, L.L.C. and)
Robert Arrowood,)
))
Defendants.)

Case No. CJ-2012-6164

**DEFENDANT ROBERT ARROWOOD'S MOTION FOR SUMMARY JUDGMENT
AND BRIEF IN SUPPORT**

Defendant Robert Arrowood hereby submits his Motion for Summary Judgment against Plaintiff Oklahoma Department of Securities, *ex rel.* Irving L. Faught, Administrator ("ODS") on the issue of whether Defendant Arrowood was offering and selling unregistered securities as claimed by ODS. Defendant Arrowood asserts that the undisputed facts of this case establish that the promissory notes issued by Mr. Arrowood and his company are not securities as a matter of law, and thus not subject to the jurisdiction of Plaintiff ODS. In support of this Motion, Defendant Arrowood shows the Court as follows:

Introduction

On October 2, 2012, a local Oklahoma City television station ran a story about Defendant Robert Arrowood under the headline "Ponzi Scheme." The station reported that ODS had accused Mr. Arrowood and his company, Defendant 2001 Trinity Fund, L.L.C., of stealing millions of dollars from dozens of Oklahoma investors through the sale of oil and gas leases, and compared his activities to those of Bernie Madoff. ODS claimed in the report that Mr. Arrowood

accepted money from the investors and then used it to fund what the report termed his “lavish lifestyle.” Irving L. Faught, the Administrator of ODS, personally appeared in the report to condemn Mr. Arrowood. While the Petition filed by ODS against Mr. Arrowood was pictured in the report, Mr. Arrowood was not served and otherwise had no knowledge of ODS’s claims against him until he was served with the Petition after the report aired. This case has obviously had a devastating effect on Mr. Arrowoods reputation, both personally and professionally, and may have done irreparable harm to his business.

However, the action should never have been filed in the first instance, as the promissory notes issued by Defendant Arrowood do not meet the definition of a security so as to fall within the purview of Plaintiff ODS. The notes were nothing more than very short-term loans to Mr. Arrowood and his company. The notes carried a fixed rate of interest, and the repayment thereof was never conditioned upon the success of Defendant Arrowood’s oil and gas ventures. Both Defendant Arrowood and the holders of the notes will affirm that Mr. Arrowood never represented the notes to be investments in his oil and gas business, and they were never considered as such by any of the participants. As a result, the promissory notes at issue in this case do not fall within the definition of a security so as to be subject to the regulation and authority of Plaintiff ODS.

Statement of Undisputed Material Facts

1. On September 28, 2012, ODS filed its Petition for Permanent Injunction And/Or Other Equitable Relief against Defendants Robert Arrowood and 2001 Trinity Fund, L.L.C.

2. The Petition claimed in part as follows:

Beginning in at least 2008, Arrowood, through the Fund, began to offer and sell securities in the form of promissory notes to investors for the stated purpose of financing the purchase of leases. Despite receiving little net revenue from the purchase and resale of leases during the relevant time period, Arrowood continued

to accept money from investors and continued to spend investor money for cars, vacations, clothing, motorcycles, landscaping, jewelry, sporting event tickets, and other personal expenses.

[Petition at ¶ 4].

3. The Petition asserts causes of action against Mr. Arrowood and the Fund for the offering and selling of unregistered securities and failure to register as an agent for the sale of securities in violation of the Oklahoma Uniform Securities Act of 2004 (the "Act").

4. The promissory notes issued by Defendant Arrowood and 2001 Trinity Fund, L.L.C. were all short-term notes, generally having terms of sixty days or less. [Promissory Note, attached hereto as Exhibit 1; Affidavits of Robert Arrowood and Earl Ingram, attached hereto as Exhibits 2 and 3, respectively].

5. The promissory notes all bore fixed rates of interest. [Exhibits 1-3].

6. Repayment of the promissory notes was not contingent on the success of 2001 Trinity Fund, LLC's oil and gas operations. [Exhibits 1-3].

7. Defendant Arrowood never represented that the promissory notes constituted an investment in his oil and gas operations. Rather, the promissory notes were only routine business loans offering a more favorable rate of interest, and the holders of the loans considered them as such. [Exhibits 2, 3].

8. The holders of the promissory notes never considered the loans to be securities. [Exhibit 3].

9. One of the promissory notes was secured by oil and gas property owned by 2001 Trinity Fund, LLC. [Exhibit 2; Financing Statement and Mortgage, attached hereto as Exhibit 4].

Argument and Authorities

Standard of Review

Under Oklahoma law, summary judgment is mandatory when “there is no substantial controversy as to any material facts.” Rule 13, Rules for the District Courts of Oklahoma. *See also Graham v. Travelers Ins. Co.*, 2002 OK 95, 61 P.3d 225, 228. Material facts are not disputed if reasonable people would reach the same conclusions from the facts presented. *Oliver v. Farmers Insurance Group of Companies*, 1997 OK 71, 941 P.2d 985, 987. A court should consult discovery, affidavits, and evidentiary materials in determining whether disputed facts genuinely exist. Every motion for summary judgment “must be decided on the record actually presented, not on a record which is potentially possible; *a party opposing summary judgment therefore must present evidence, not mere contentions, justifying a trial on the merits.*” *Adams v. Moriarty*, 2005 OK CIV APP 105, 127 P.3d 621, 624 (emphasis added). When this standard is applied to the undisputed facts of this case, it is clear that judgment as a matter of law should be granted to Defendant Arrowood.

I.

The Promissory Notes Issued by Defendant Arrowood Should Not Be Considered Securities.

The United States Supreme Court has made it very clear that, while the definition of a security is to be broadly construed, the intent of Congress was only to regulate instruments that could properly be considered investments.

Congress did not, however, intend to provide a broad federal remedy for all fraud. Accordingly, the task has fallen to the Securities and Exchange Commission (SEC), the body charged with administering the Securities Acts, and ultimately to the federal courts to decide which of the myriad financial transactions in our society come within the coverage of these statutes. In discharging our duty, we are not bound by legal formalisms, but instead take into account the economics of the transaction under investigation. Congress’ purpose in enacting the securities

laws was to regulate *investments*, in whatever form they are made and by whatever name they are called.

Reves v. Ernst & Young, 494 U.S. 56, 61, 110 S.Ct. 945, 108 L.Ed.2d 47 (1990) (internal citations and quotations omitted) (emphasis in original).¹ See also, *Tcherepnin v. Knight*, 389 U.S. 332, 336, 88 S.Ct. 548, 19 L.Ed.2d 564 (1967) (stating that, in interpreting the term security, “form should be disregarded for substance and the emphasis should be on economic reality”).

In so holding, the Supreme Court emphasized that some instruments are “obviously within the class Congress intended to regulate because they are by their nature investments.” *Reves*, 494 U.S. at 62. The Court found that stock clearly falls within that category because it is negotiable, offers the possibility of capital appreciation and carries the right to dividends contingent on the profits of a business enterprise. *Id.* However, the Court found that notes could not be so easily classified.

The test begins with the language of the statute; because the Securities Acts define “security” to include “any note,” we begin with a presumption that every note is a security. We nonetheless recognize that this presumption cannot be irrebuttable.

While common stock is the quintessence of a security, and investors therefore justifiably assume that a sale of stock is covered by the Securities Acts, the same cannot be said of notes, which are used in a variety of settings, not all of which involve investments. Thus, the phrase “any note” should not be interpreted to mean literally “any note,” but must be understood against the backdrop of what Congress was attempting to accomplish.

Id. at 63-64.

The Court then adopted a two step test to be used in the analysis of whether a note should be considered a security. Under the first step, the note is compared with regard to its “family

¹ Oklahoma law defines the term “security” in the same general terms as does federal law. See, 71 O.S. § 102(32).

resemblance” to a list of notes that fall outside of the definition of a security. Those enumerated notes include: (1) notes delivered in consumer financing; (2) notes secured by a mortgage on a home; (3) short-term loans secured by a lien on a small business or some of its assets; (4) short-term loans secured by an assignment of accounts receivable; and (5) notes which formalize an open-account debt incurred in the ordinary course of business. *Id.* at 65 (citing *Exchange National Bank of Chicago v. Touche Ross & Co.*, 544 F.2d 1126, 1137 (2d Cir. 1976)).

If that initial inquiry is in the negative, the note in question is analyzed pursuant to the following factors in order to determine whether it should be considered a non-security: (1) an examination of the transaction to assess the motivations which would prompt a reasonable seller and buyer to enter into it; (2) the plan of distribution of the instrument; (3) the reasonable expectations of the investing public; and (4) whether some factor such as the existence of another regulatory scheme significantly reduces the risk of the instrument, thereby rendering the protection of the federal securities laws unnecessary. *Id.* at 66.

The promissory notes issued by Defendant Arrowood and his company should be considered as falling outside of the definition of a security, and thus not subject to the jurisdiction of ODS, under either test. Using the family resemblance comparison, the promissory notes are akin to short-term loans secured by a lien on the assets of a small business or its accounts receivable. The short-term aspect of the analysis is particularly important as it negates the position that the note was intended as an investment.² As stated above. All of the promissory notes issued by Defendant Arrowood were very short-term, usually sixty days or less. As such, the promissory notes should not be considered as investments under the securities laws. In

² Defendant Arrowood is aware that the federal exception for short-term loans with a maturity date not exceeding nine months, as set forth in 15 U.S.C. § 78c(a)(10), is limited to “prime quality negotiable paper of a type not ordinarily purchased by the general public.” *Holloway v. Peat, Marwick, Mitchell & Co.*, 900

addition, at least one of the notes was in fact secured by oil and gas property belonging to 2001 Trinity Fund, L.L.C., which renders the protections afforded by the securities laws unnecessary. Moreover, Defendant Arrowood submits that the use of the type of promissory notes at issue in this case is commonplace and ordinary in the oil and gas business, and acknowledged as such by the holders of the notes. [Exhibit 2, 3]. As a result, the promissory notes issued by Defendant Arrowood bear a strong family resemblance to notes that have been excluded by the courts from the definition of a security, and should be so excluded by this Court as well.

However, even if the promissory notes issued by Defendant Arrowood are not deemed to meet the family resemblance standard, they easily satisfy the four criteria enunciated by the Second Circuit in *Exchange Bank* and adopted by the Supreme Court in *Reves*. The initial analysis involves the motivations of the buyer and seller in entering into the transaction. As indicated in the affidavits, both Arrowood and the lenders considered the transactions memorialized by the promissory notes to be routine commercial lending ventures, and not investments of any kind. The Tenth Circuit has also indicated that the question of whether repayment of the note is out of the production of the enterprise or otherwise contingent on profit is relevant to the analysis of this factor. *Holloway v. Peat, Marwick, Mitchell & Co.*, 900 F.2d 1485, 1488, n. 1 (10th Cir. 1990) (citing *Zabriskie v. Lewis*, 507 F.2d 546, 551, n. 9 (10th Cir. 1974)). Defendant Arrowood and the holders of the notes have all consistently testified that the repayment thereof was in no way contingent on the success of Mr. Arrowood's oil and gas ventures, and repayment was expected to be timely made regardless. In fact, the promissory notes contained penalty provisions in the event repayment was not timely made. The promissory notes at issue in this case thus satisfy the first *Reves* factor.

F.2d 1485, 1498 (10th Cir. 1990). However, the short-term aspect of the promissory notes in this case is nonetheless very relevant to the overall analysis.

The second *Reves* factor, the plan of distribution of the instrument, was described by the Supreme Court as an analysis “to determine whether it is an instrument in which there is common trading for speculation or investment.” *Reves*, 494 U.S. at 66. This factor is particularly important in this case, as there was no plan of distribution or common trading *whatsoever* for the promissory notes. Rather than advertising or otherwise communicating with the loan participants, Mr. Arrowood was approached by the holders of the notes in the first instance. [Exhibit 2]. Communication between Mr. Arrowood and the loan holders was always on a personal and individual basis, and there was never any type of general or mass email or other solicitation. [Exhibits 2, 3]. See, *Hunssinger v. Rockford Business Credits, Inc.*, 745 F.2d 484, 492 (7th Cir. 1984) (holding that the solicitation of members of the general public and the sale to them of units of a larger offering are the hallmarks of an investment transaction). Moreover, there were only a select few note holders at any one time, which negates the argument that the promissory notes were securities. The fact that a plan of distribution or other common trading indicia is completely absent from this case weighs heavily in favor of Mr. Arrowood’s argument on this issue, and indicates that the promissory notes are not securities.

The third *Reves* factor, the reasonable expectations of the investing public, is also very significant in this case, and was also considered to be particularly significant by the Supreme Court in *Reves*. “The Court will consider instruments to be “securities” on the basis of such public expectations, even where an economic analysis of the circumstances of the particular transaction might suggest that the instruments are not “securities” as used in that transaction.” *Reves*, 494 U.S. at 66. First of all, as stated above, there is no “investing public.” The holders of the loans are, almost without exception, business and personal acquaintances of Defendant Arrowood who offered to make the loans. Again, there was no solicitation or advertisement on

the part of Mr. Arrowood for any of the promissory notes. In addition, the holders of the promissory notes have testified unequivocally that they did not consider the notes to be investments in any sense, but rather routine commercial or business loans through which they would receive more favorable rates of interest. Accordingly, because the expectations of the loan holders do not support the argument that the promissory notes were securities, that expectation should be given particular deference by this Court, even if other circumstances surrounding the transaction could be construed otherwise. The dictates of the United States Supreme Court in *Reves* require no less.

The final *Reves* factor involves whether there is some other risk reducing factor that lessens or removes the need for regulation of the instrument as a security. In this case, at least one of the promissory notes was in fact secured by property owned by 2001 Trinity Fund, L.L.C., and thus the loan made by the holder of that note does not require the protection of the securities laws. [Exhibit 4].

The facts of the *Reves* case, in which the loans in question were found to be securities, are particularly illustrative as a point of comparison. The instruments at issue in *Reves* were demand notes issued by the Farmers Cooperative of Arkansas and Oklahoma (the "Co-op"). The notes paid a variable interest rate that was adjusted on a monthly basis to keep the rate higher than what was then being paid by local financial institutions. At the time of the issuance of the notes, the Co-op had approximately 23,000 members, but the Co-op offered the notes to both members and non-members. The notes were specifically marketed by the Co-op as an "Investment Program." Advertisements for the notes appeared in the Co-op newsletter, and assured potential purchasers that while the notes were not federally insured, the Co-op had more than \$11 million in assets with which to back the investments. Nonetheless, the Co-op

ultimately declared bankruptcy. At the time of the bankruptcy filing, over 1,600 people held \$10 million worth of notes.

The differences between *Reves* and the factual scenario presented in this case could not be more stark. Mr. Arrowood's promissory notes were held by a mere handful of individuals that sought Mr. Arrowood out. The notes were never marketed or advertised in any manner whatsoever, much less as an investment program, and the holders of the notes never believed them to be such. As a result, the opposite conclusion should be reached and the promissory notes issued by Mr. Arrowood should not be deemed to be securities.

Conclusion

Under Oklahoma law, a determination that an instrument "is not a security under the federal Acts precludes an action under the Oklahoma Act as well." *Citizens State Bank v. Federal Deposit Insurance Corporation*, 639 F.Supp. 758, 761 (W.D. Okla. 1986). Accordingly, in light of the foregoing, Defendant Robert Arrowood respectfully requests that this Court determine that the promissory notes at issue in this case are not securities, and thus do not fall under the jurisdiction of Plaintiff Oklahoma Department of Securities.

Respectfully Submitted,

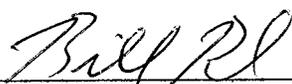


William H. Bock, OBA# 13888
Michelle L. Greene, OBA# 17507
WILLIAM H. BOCK, INC.
6402 N. Santa Fe Ave., Suite A
Oklahoma City, OK 73116
Telephone: (405) 848-5400
Facsimile: (405) 848-5479

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on June 5, 2013, a true and correct copy of the foregoing Defendant Robert Arrowood's Motion for Summary Judgment and Brief in Support was mailed by first-class mail, postage prepaid, to:

Shaun Mullins
Gerri Kavanaugh
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, OK 73102



William H. Bock

Document 1

PROMISSORY NOTE

Date: July 3rd, 2009

Principle Amount: \$168,000.00

FOR VALUE RECEIVED, the undersigned hereby jointly and severally promises to pay to the order of the Larry Michael Sessions the sum of One Hundred Sixty Eight Thousand Dollars and 00/100 (\$165,000.00), plus interest as set out herein. The loaned amount shall draw interest, from the date set out above, at the rate of 5% (see schedule below) which, along with the principle amount hereof, shall be paid in accordance with such schedule.

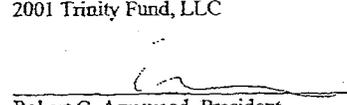
On or before August 18th, 2009, principal and interest shall be paid in full in the amount of One Hundred Seventy Six Thousand Four Hundred Dollars and 00/100 (\$173,250.00).

This note, at the option of the holder thereof, immediately shall be due and payable upon the occurrence of any of the following: 1) Failure to make any payment due hereunder on or before its due date.

In the event this note shall be in default and placed for collection, then the undersigned agrees to pay all reasonable attorney fees and costs of collection. Payments not made within ten (10) days of due date shall be subject to a late charge of 5% of said payment.

This note shall take effect as a sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State of Oklahoma.

2001 Trinity Fund, LLC


Robert C. Arrowood, President

Acknowledgement

STATE OF OKLAHOMA

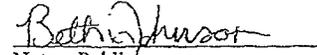
COUNTY OF CLEVELAND

Before me, the undersigned, a Notary Public in and for said County and State on this 10th day of July, 2009, personally appeared Robert C. Arrowood, as President of 2001 Trinity Fund, LLC to me know to be the identical person who executed the same as his free and voluntary act and deed for said corporation for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission Expires

Beth Johnson
Notary Public


Beth Johnson
Notary Public



IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

Oklahoma Department of Securities,)	
<i>ex rel.</i> Irving L. Faught, Administrator ,)	
)	
Plaintiff,)	
)	
v.)	Case No. CJ-2012-6164
)	
)	
2001 Trinity Fund, L.L.C. and)	
Robert Arrowood,)	
)	
Defendants.)	

AFFIDAVIT OF ROBERT ARROWOOD

I, Robert Arrowood, being of age and duly sworn, alleges and states as follows:

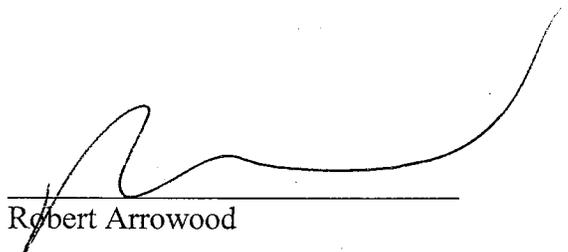
1. I am a resident of Norman, Oklahoma and one of the Defendants in the above-captioned case.
2. I am the principal and manager of Defendant 2001 Trinity Fund, L.L.C.
3. Over the last 10 years, 2001 Trinity Fund, L.L.C. has issued promissory notes to raise cash for its business operations.
 3. All of the promissory notes were very short term, with maturity dates of sixty (60) days or less. The notes also provided for specified penalty amounts if repayment was not timely made.
4. The notes were never advertised to the general public in any manner. Rather, the notes were offered to a select group of individuals, the majority of whom were my long-time friends and business associates, and there were never more than a few notes outstanding at any given time.

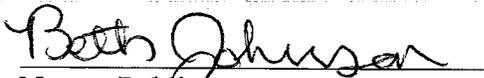
5. I never represented to the lenders that the promissory notes constituted an investment of any kind in my oil and gas operations. To the contrary, the loans were contemplated to be, and treated as, routine commercial loans with more favorable rates of interest.

6. Repayment of the loans by me and/or 2001 Trinity Fund, L.L.C. was never conditioned on the success of 2001 Trinity, L.L.C.'s oil and gas exploration, or any other aspect of 2001 Trinity, L.L.C.'s business.

7. At least one of the promissory notes was secured by real property owned by 2001 Trinity Fund, L.L.C.

FURTHER AFFIANT SAYETH NOT.


Robert Arrowood


Notary Public

My Commission Expires: 9-7-16



IN THE DISTRICT COURT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

Oklahoma Department of Securities,)
ex rel. Irving L. Faught, Administrator,)
)
Plaintiff,)
)
v.)
)
2001 Trinity Fund, L.L.C. and)
Robert Arrowood,)
)
Defendants.)

P1 1-2
607 2226

Case No. CJ-2012-6164

AFFIDAVIT OF EARL INGRAM

I, Earl Ingram, being of age and duly sworn, alleges and states as follows:

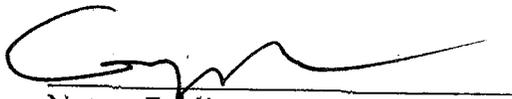
1. I am a resident of Oklahoma City, Oklahoma, and am personally acquainted with Defendant Robert Arrowood.
2. I have loaned money to Defendant Robert Arrowood and his company, 2001 Trinity Fund, L.L.C., on ~~approximately~~ ^{several} occasions over a period of 6 years.
3. The loans were memorialized by promissory notes with fixed interest rates. All of the promissory notes had maturity dates of sixty (60) days or less and provided for specified penalty amounts if repayment was not timely made.
4. Mr. Arrowood never represented that such loans were an investment in his company, and I never considered them as such. To the contrary, the loans were contemplated to be, and treated as, routine commercial loans with more favorable rates of interest.

EXHIBIT 3

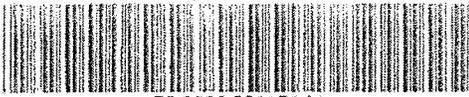
5. Repayment of the loans by Mr. Arrowood and/or 2001 Trinity Fund, L.L.C. was never conditioned on the success of 2001 Trinity, L.L.C.'s oil and gas exploration, or any other aspect of 2001 Trinity, L.L.C.'s business.

FURTHER AFFIANT SAYETH NOT.


Earl Ingram


Notary Public

My Commission Expires: 8/4/2013



70 2009 00117144

County Clerk
Denton, Tx 76202

Instrument Number: 2009-117144

As

Recorded On: October 02, 2009

UCC - 1 or 2 pages

Parties: 2001 TRINITY FUND LLC

To

Number of Pages: 2

Comment:

(Parties listed above are for Clerks reference only)

**** Examined and Charged as Follows: ****

UCC - 1 or 2 pages	25.00
Total Recording:	25.00

***** DO NOT REMOVE. THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2009-117144

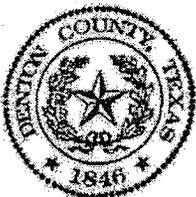
Receipt Number: 626078

Recorded Date/Time: October 02, 2009 09:12:35A

User / Station: H Dunn - Cash Station 4

Record and Return To:

BARLOW GARSEK & SIMON LLP
3815 LISBON ST
FT WORTH TX 76107



THE STATE OF TEXAS }
COUNTY OF DENTON }

I hereby certify that this instrument was FILED in the File Number sequence on the date/time printed hereon, and was duly RECORDED in the Official Records of Denton County, Texas.

C. Mitchell

County Clerk
Denton County, Texas



Date: September 28, 2009

Principle Amount: \$600,000.00

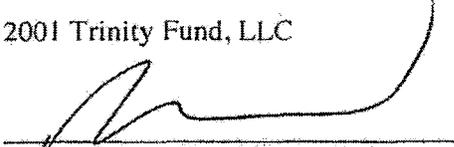
FOR VALUE RECEIVED, the undersigned hereby jointly and severally promises to pay to the order of David D. Rapp, as Agent for Bill Byrd, David Rapp, Gary Hennesdorf, C & P Properties, Richard Machina, and Ed & Barbara Finstad, the sum of Six Hundred Thousand Dollars and 00/100 (\$600,000.00), plus interest as set out herein. The loaned amount shall draw interest, from the date set out above, at the rate of 8.65% (see schedule below) which, along with the principal amount hereof, shall be paid in accordance with such schedule.

On or before December 31st, 2009, principal and interest shall be paid in full in the amount of Six Hundred Fifty Thousand Dollars and 00/100 (\$650,000.00). This total amount due shall be immediately due and payable on December 31, 2009, at the option of the holders of this note.

In the event this note shall be in default, then it shall be governed by the terms and conditions of that certain DEED OF TRUST, MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING, AND FINANCING STATEMENT dated September 28, 2009, by and between the parties thereto.

This note shall take effect as a sealed instrument and shall be construed, governed and enforced in accordance with the laws of the State of Texas.

2001 Trinity Fund, LLC


Robert C. Arrowood, President

Acknowledgement

STATE OF OKLAHOMA

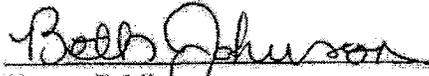
COUNTY OF CLEVELAND

Before me, the undersigned, a Notary Public in and for said County and State on this 28th day of September, 2009, personally appeared Robert C. Arrowood, as President of 2001 Trinity Fund, LLC to me know to be the identical person who executed the same as his free and voluntary act and deed for said corporation for the uses and purposes therein set forth.

Given under my hand and seal the day and year last above written.

My Commission Expires:

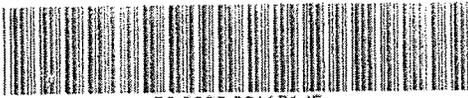
September 4, 2012


Notary Public



After recording, return to:

DAVID D. RAPP
BARLOW GARSEK & SIMON, LLP
3815 LISBON STREET
FORT WORTH, TX 76107-5601



70 2009 00117145

County Clerk
Denton, Tx 76202

Instrument Number: 2009-117145

Recorded On: October 02, 2009

As
Deed of Trust

Parties: 2001 TRINITY FUND LLC

To

Billable Pages: 38

Number of Pages: 38

Comment:

(Parties listed above are for Clerks reference only)

**** Examined and Charged as Follows: ****

Deed of Trust	159.00
Total Recording:	159.00

***** DO NOT REMOVE. THIS PAGE IS PART OF THE INSTRUMENT *****

Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY because of color or race is invalid and unenforceable under federal law.

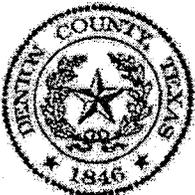
File Information:

Document Number: 2009-117145
Receipt Number: 626078
Recorded Date/Time: October 02, 2009 09:12:35A

Record and Return To:

BARLOW GARSEK & SIMON LLP
3815 LISBON ST
FT WORTH TX 76107

User / Station: H Dunn - Cash Station 4



THE STATE OF TEXAS }
COUNTY OF DENTON }

I hereby certify that this instrument was FILED in the File Number sequence on the date/time printed hereon, and was duly RECORDED in the Official Records of Denton County, Texas.

Chiswell

County Clerk
Denton County, Texas

DEED OF TRUST, MORTGAGE,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT

FROM

2001 TRINITY FUND, LLC
an Oklahoma corporation,
(Taxpayer I.D. No. 73-1606174) and

AS MORTGAGOR

TO

David D. Rapp
(Taxpayer I.D. No. 450-23-8535)

AS TRUSTEE and AGENT
FOR THE RATABLE BENEFIT OF THE LENDERS

Dated: September 28, 2009

A CARBON, PHOTOGRAPHIC, FACSIMILE, OR OTHER REPRODUCTION OF THIS INSTRUMENT IS SUFFICIENT AS A FINANCING STATEMENT.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS, SECURES PAYMENT OF FUTURE ADVANCES, AND COVERS PROCEEDS OF COLLATERAL.

THIS INSTRUMENT COVERS MINERALS AND OTHER SUBSTANCES OF VALUE WHICH MAY BE EXTRACTED FROM THE EARTH (INCLUDING WITHOUT LIMITATION OIL AND GAS AND AS-EXTRACTED COLLATERAL), AND THE ACCOUNTS RELATED THERETO, WHICH WILL BE FINANCED AT THE WELLHEADS OR MINEHEADS OF THE WELLS OR MINES LOCATED ON THE LANDS DESCRIBED IN EXHIBIT A ATTACHED TO THIS INSTRUMENT. THIS INSTRUMENT COVERS GOODS WHICH ARE OR ARE TO BECOME FIXTURES ON THE REAL PROPERTY DESCRIBED HEREIN. THIS INSTRUMENT IS TO BE FILED FOR RECORD, AMONG OTHER PLACES, IN THE REAL ESTATE OR COMPARABLE RECORDS OF THE COUNTIES REFERENCED IN EXHIBIT A HERETO AND SUCH FILING SHALL SERVE, AMONG OTHER PURPOSES, AS A FIXTURE FILING. THE MORTGAGOR HAS AN INTEREST OF RECORD IN THE REAL ESTATE CONCERNED, WHICH INTEREST IS DESCRIBED IN SECTION 1.1 OF THIS INSTRUMENT.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW THE LENDERS (AS HEREINAFTER DEFINED) OR TRUSTEE (AS HEREINAFTER DEFINED) TO TAKE THE MORTGAGED PROPERTIES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY THE MORTGAGOR (AS HEREINAFTER DEFINED) UNDER THIS MORTGAGE.

DEED OF TRUST, MORTGAGE,
ASSIGNMENT, SECURITY AGREEMENT, FIXTURE FILING
AND FINANCING STATEMENT
(this "Mortgage")

ARTICLE I.

Definitions

For all purposes of this Mortgage, unless the context otherwise requires, the following terms shall have the meanings set forth below:

- A. "Agent" shall mean David D. Rapp.
- B. "Collateral" shall have the meaning set forth in Section 2.2 hereof.
- C. "Hydrocarbons" shall mean oil, crude oil and petroleum products, gas and other liquid or gaseous hydrocarbons.
- D. "Indebtedness" shall have the meaning set forth in Section 2.4 hereof.
- E. "Introduction to Description of Mineral Properties" shall mean the Introduction to Exhibit A that precedes Exhibit A and Exhibit A, both which are attached hereto and incorporated herein.
- F. "Lands described in Exhibit A" shall include any lands or mineral interests, the description of which is contained in Exhibit A or incorporated in Exhibit A by reference to another instrument or document, or which are otherwise affected by the property interests described in Exhibit A, and shall also include any lands or mineral interests now or hereafter unitized or pooled with lands or mineral interests which are either described in Exhibit A or the description of which is incorporated in Exhibit A by reference.
- G. "the Lenders" shall mean collectively David D. Rapp, William Byrd, Karen Barlow, Gary A. Hennersdorf, Ed Finstad, Richard Machina, and C & P Properties, together with their respective successors and assigns, and any subsequent holder or holders of the Indebtedness or any part thereof.
- H. "Mortgage" shall mean this instrument as originally executed or as it may from time to time be supplemented or amended by one or more instruments supplemental hereto.
- I. "Mortgaged Property" shall mean the properties, rights and interests hereinafter described and defined as the Mortgaged Property.
- J. "Mortgagor" shall mean 2001 Trinity Fund, LLC, an Oklahoma corporation, together with its successors and assigns.
- K. "Oil and Gas Leases" shall include oil, gas and mineral leases and shall also include subleases and assignments of operating rights.
- L. "Operating Equipment" shall mean all surface or subsurface machinery, equipment, fixtures, facilities or other property of whatsoever kind of nature (excluding drilling rigs, trucks, automotive equipment or other property taken to the premises to drill a well or for other similar temporary uses) now

or hereafter located on any of the Lands described in Exhibit A which are used or useful for the production, treatment, storage or transportation of Hydrocarbons, including, but not by way of limitation, all oil wells, gas wells, water wells, injection wells, casing, tubing, rods, pumping units and engines, Christmas trees, derricks, separators, heater treaters, valves, gun barrels, flow lines, tanks, gas systems and compressors (for gathering, treating and compression), water systems (for treating disposal and injection), pipelines (including gathering lines, laterals and trunklines, if any), power plants, poles, lines, transformers, starters and controllers, machine shops, tools, storage yards and equipment stored therein, buildings and camps, telegraph, telephone and other communication systems, roads, loading racks and shipping facilities.

M. "Permitted Encumbrances" shall have the meaning set forth in Section 2.1 hereof.

N. "Production Sale Contracts" shall mean contracts now in effect, or hereafter entered into by the Mortgagor, or the Mortgagor's predecessors in interest, to the extent and only to the extent that the same covers the sale, purchase, exchange or processing of Hydrocarbons produced from the Lands described in Exhibit A attached hereto and made a part hereof.

O. "Trustee" shall mean David D Rapp.

P. "Uniform Commercial Code" shall mean the Uniform Commercial Code as the same may, from time to time, be in effect in the State of Texas; provided, however, in the event that, by reasons of mandatory provisions of law, any or all of the attachment, perfection or priority of the security interest created hereunder is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of Texas, the term "Uniform Commercial Code" shall mean the Uniform Commercial Code as the same may, from time to time, be in effect in such other jurisdiction for purposes of the provisions hereof related to such attachment, perfection or priority and for purposes of definitions related to such provisions.

ARTICLE II.

Granting Clauses: Secured Indebtedness

Section 2.1 Grant and Mortgage

Mortgagor, for and in consideration of the sum of Ten Dollars (\$10.00) to Mortgagor in hand paid, and in order to secure the payment of the Indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Mortgagor hereinafter described, does hereby GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN AND SET OVER to Trustee, for the benefit of the Lenders, and grant to Trustee a POWER OF SALE (pursuant to this Mortgage and applicable law), for the benefit of Lenders, with respect to all of the Mortgagor's right, title and interest, whether now owned or hereafter acquired, in and to, the following described properties, rights and interests (the "Mortgaged Property"):

(a) the Lands described in Exhibit A, oil and gas interests described in Exhibit A;

(b) all unitization, communitization, operating agreements, pooling agreements and declarations of pooled units and the properties covered and the units created thereby (including all units formed under order, regulations, rules or other official acts of any federal, state or other governmental agency providing for pooling or unitization, spacing order or other well permits and other instruments) which relate to or

affect all or any portion of the properties and interests described in Exhibit A, including, without limitation, those units which may be specifically described or referred to in Exhibit A;

(c) the Hydrocarbons which are in, under, upon, attributable to, produced or to be produced from the mineral interests and the Lands described in Exhibit A, and all inventory there of upon extraction from the wellhead or minehead;

(d) the Production Sale Contracts, all accounts resulting from the sale of Hydrocarbons at the wellhead or minehead, and other accounts, contract rights, operating rights, general intangibles, chattel paper, documents and instruments arising under the Production Sale Contracts, and all "as-extracted collateral," as such term is defined in the Uniform Commercial Code;

(e) the Operating Equipment;

(f) all general intangibles, accounts and other rights to payment under any and all contracts under which the Mortgagor is entitled to share in the production from or the proceeds of production from any oil and/or gas wells described in Exhibit A hereto, operated by others and producing from oil and gas leases the record title of which is not in the Mortgagor, including, without limitation, operating agreements, revenue sharing agreements and other similar or dissimilar agreements;

(g) all improvements and other constructions now or hereafter located on the Lands described in Exhibit A, including without limitation the Operating Equipment;

(h) any liens and security interests in favor of Mortgagor in any of the foregoing properties securing payment of proceeds from the sale of the Hydrocarbons;

(i) all other rights, titles and interests of Mortgagor in, to and under or derived from the Lands described in Exhibit A, the Oil and Gas Leases and other properties described in Exhibit A, even though the Mortgagor's interest therein may be incorrectly or insufficiently described or referred to in Exhibit A, and under the Production Sales Contracts;

(j) any property that may from time to time hereafter, by writing of any kind signed by Mortgagor, be subjected to the lien and security interest hereof by Mortgagor, and Agent is hereby authorized to receive the same as additional security for the Indebtedness;

(k) all balances, credits, deposits, accounts and monies of the Mortgagor with or in the possession of Lenders (with the exception of funds deposited in the Mortgagor's accounts in trust for third parties or funds deposited in pension accounts, IRA's, Keough accounts and All Saver Certificates); and

(l) the proceeds and products of the foregoing, together with any and all corrections or amendments to, or renewals, extensions or ratifications of, any of the same, or of any instrument relating thereto, and all rights-of-way, franchises, licenses, permits, certificates of public conveniences and necessity, easements, contractual rights, tenements, hereditaments and appurtenances now existing or in the future obtained in connection with any of the aforesaid, and all other things of value and incident thereto which the Mortgagor might at any time have or be entitled to.

TO HAVE AND TO HOLD the Mortgaged Property unto Trustee, for the benefit of Lenders, and his successors or substitutes in this trust, and to his or their successors and assigns, in trust, however, upon the terms, provisions and conditions herein set forth. As used throughout this Mortgage, the term "Trustee" shall mean with respect to all of the Mortgaged Property which is located in (or which cover properties located in) the State of Texas or which are located within (or cover properties located within) the offshore area over which the United States of America asserts jurisdiction and to which the laws of the State of Texas are applicable with respect to this Mortgage and/or the liens or security interests created hereby.

The Mortgaged Property, however, is subject to (i) the restrictions, exceptions, reservations, conditions, limitations, interests and other matters, if any, set forth or referred to in the specific descriptions of such properties and interests in Exhibit A or in any title opinion given to Agent and/or Lender s in connection herewith, or disclosed to the Agent and/or Lenders or constituting a Designated Title Exception (including all presently existing royalties, payments out of production and other burdens which are referred to in Exhibit A and which are taken into consideration in computing the decimal fractional net revenue interest as set forth in Exhibit A) (collectively, the "Permitted Encumbrances"); and (ii) the condition that Agent and/or Lenders shall not be liable in any respect for the performance of any covenant or obligation of Mortgagor in respect of the Mortgaged Property. The listing of any Permitted Encumbrances in Exhibit A is made for the purpose of giving effect to the warranties of Mortgagor contained herein, and is not intended to limit or restrict the description of the Mortgaged Property or the Agent's Mortgage lien and security interest therein, unless the Permitted Encumbrances have that effect under applicable law.

Section 2.2 Grant of Security Interest

In order to further secure the payment of the Indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties, and undertakings of Mortgagor hereinafter described, Mortgagor hereby grants to Agent for the ratable benefit of the Lenders, subject to the Permitted Encumbrances, a first lien upon and a continuing security interest in all the Mortgaged Property that constitutes equipment, as-extracted collateral, accounts, contract rights, goods, instruments, general intangibles, inventory, Hydrocarbons, fixtures or other personal property of any kind or character (including both those now and those hereafter existing to the full extent that such Mortgaged Property may be subject to the Uniform Commercial Code), including all products and proceeds of such Mortgaged Property, (said Mortgaged Property that constitutes fixtures, as-extracted collateral, contract rights, instruments, general intangibles, accounts, goods, inventory, Hydrocarbons, equipment, products and proceeds, but excluding the Excluded Property, being hereinafter collectively referred to as the "Collateral"). The lien and security interest created by this Mortgage attaches upon the delivery hereof.

Section 2.3 Indebtedness Secured

This Mortgage is made to secure and enforce the payment and performance of the following promissory notes, obligations, indebtedness and liabilities:

(a) all obligations, liabilities and indebtedness of any kind or nature whatsoever, now existing or hereafter arising, of Mortgagor to Agent and/or any of the Lenders, including but not limited to: (i) those arising under the Financing Statement (collectively, the "Loans"); (ii) any and all renewals, extensions, and/or refinancings of any of the promissory notes previously issued but not paid to any and/or all of the Lenders; (iii) any and all Interest accruing after the maturity of the Loans and Interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, related to Mortgagor, whether or not a claim for post-filing or post-petition interest is allowed

in such proceeding); and (iv) the obligations of Mortgagor under the Financing Statement in respect of fees, indemnities, costs, expenses and all other amounts payable by Mortgagor to Agent and/or any of the Lenders, or otherwise payable under any other instrument evidencing such indebtedness executed by Mortgagor in connection therewith, in each case whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred;

(b) any sums advanced or expenses or costs incurred by Agent or any of the Lenders, plus Interest thereon at the rate herein specified or otherwise agreed upon, from the date of the advances or the incurring of such expenses or costs until reimbursed;

(c) any extensions or renewals of all such indebtedness described in subparagraphs (a) through (b) above, together with all other and future indebtedness now or hereafter owing by Mortgagor to Agent and/or the Lenders, whether or not Mortgagor executes any extension agreement or renewal instrument; and

(d) Notwithstanding the foregoing, it is not the intention of the parties here to extend the lien, security interest and assignment of this Mortgage so as to violate, or give rise to an allegation of violation of, any provision of TEX. FIN. CODE ANN. §§342.503 (Vernon 1998), as amended from time to time, or any other statute, regulation, rule, ordinance or order of the State of Texas, any other applicable jurisdiction or any agency or subdivision of any of such jurisdictions. In this connection, this Mortgage shall not, solely as to the relevant indebtedness, serve as security for any indebtedness when for it to do so would violate any provision of TEX. FIN. CODE ANN. §§342.503 (Vernon 1998), as amended from time to time, or any other statute, regulation, rule, ordinance or order of the State of Texas, any other applicable jurisdiction, or any agency or subdivision of any of such jurisdictions.

Section 2.4 Secured Indebtedness

The indebtedness referred to in Section 2.3, and all renewals, extensions and modifications thereof, and all substitutions therefor, in whole or in part, are herein sometimes referred to as the "Indebtedness."

ARTICLE III.

Representations, Warranties and Covenants

The Mortgagor represents, warrants, and covenants as follows:

Section 3.1 Payment of the Indebtedness

The Mortgagor will duly and punctually pay the Indebtedness as the same may become due.

Section 3.2 Warranties

The Mortgagor represents and warrants to Agent for the ratable benefit of the Lenders that except for the Permitted Encumbrances:

(a) to the best of Mortgagor's knowledge, the Oil and Gas Leases described in Exhibit A hereto are valid, subsisting leases, superior and paramount to all other Oil and Gas Leases, if any, respecting the properties to which they pertain;

(b) Mortgagor, to the extent of the interest specified in Exhibit A, has Defensible Title to each property right or interest constituting the Mortgaged Property and has a good and legal right to grant and convey the same to Agent for the ratable benefit of the Lenders; (c) the Mortgaged Property is free from all encumbrances whatsoever, except for the Permitted Encumbrances; (d) Mortgagor is not obligated, by virtue of any prepayment under any contract providing for the sale by Mortgagor of Hydrocarbons which contains a "take or pay" clause or under any similar arrangement, to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefore; (e) none of the Mortgaged Property is subject to an arrangement or agreement under which any purchaser or other person is entitled to "make-up" or otherwise receive deliveries of Hydrocarbons at anytime after the date hereof without paying at such time the full contract price therefore; (f) none of the Mortgaged Property is subject to any contractual or other arrangement whereby payment for production is to be deferred for a substantial period after the month in which such production is delivered (i.e., in the case of oil not in excess of sixty (60) days, and in the case of gas not in excess of ninety (90) days); (g) none of the Mortgaged Property is subject to any contractual, or other, arrangement for the sale of crude oil which cannot be cancelled on ninety (90) days (or less) notice, and none of the Mortgaged Property is subject to a gas sales contract which contains terms which are not customary in the industry; (h) no person is entitled to receive any portion of the interest of Mortgagor in any Hydrocarbons or to receive cash or other payments from Mortgagor to "balance" any disproportionate allocation of Hydrocarbons under any operating agreement, gas balancing and storage agreement, gas processing or dehydration agreement, or other similar agreement; (i) the prices being received for the production of Hydrocarbons do not violate any contract, law or regulation applicable to Mortgagor or the Mortgaged Property) to the extent applicable, all wells located on the Mortgaged Property and the production of Hydrocarbons therefrom have been properly classified under appropriate governmental regulations; (k) other than Permitted Encumbrances, there are no preferential rights held by third parties affecting any part of the Mortgaged Property or rights of third parties to prohibit the pledge or mortgage to Lenders of any part of the Mortgaged Property without the consent of such third parties, (l) all Production Sale Contracts and obligations of Mortgagor that relate to the Mortgaged Property are in full force and effect, with no default existing thereunder to the best of the knowledge of the Mortgagor which could reasonably be expected to have a Material Adverse Effect; and (m) as of the date hereof, the Mortgagor's Net Revenue Interest (as defined in Exhibit A) in the respective oil and gas interests described in Exhibit A is not less than, and Mortgagor's Working Interest (as defined in Exhibit A) in the respective oil and gas interests described in Exhibit A is not greater than, the respective decimal shares as set forth in Exhibit A (except where an increase in the Mortgagor's working interest is associated with a proportionate or greater increase in the Mortgagor's net revenue interest). Mortgagor will warrant and forever defend the Mortgaged Property set forth in Exhibit A unto Agent for the ratable benefit of the Lenders against every Person whomsoever lawfully claiming or seeking to claim the same or any part thereof except for Permitted Encumbrances and will maintain and preserve the lien hereby created so long as any of the Indebtedness remains unpaid. Should an adverse claim be made against or a cloud develop upon the title to any part of the Mortgaged Property, except for the Permitted Encumbrances, Mortgagor agrees it will with all reasonable due diligence defend against such adverse claim or take appropriate action to remove such cloud at Mortgagor's cost and expense, and Mortgagor further agrees that Agent may take such other action as it deems reasonably advisable to protect and preserve the interests of the Lenders in the Mortgaged Property, and in such event Mortgagor will indemnify Agent and the Lenders against any and all reasonable costs, attorney's fees and other expenses which they may incur in defending against any such adverse claim or taking action to remove any such cloud. Any fractions or percentages specified in attached Exhibit A in referring to the Mortgagor's interest are made solely for the purposes of the warranties made by Mortgagor contained herein, and shall in no manner limit the quantum of interest affected by this Mortgage or with respect to any unit or well identified in Exhibit A. It is intended that this Mortgage shall cover and affect Mortgagor's entire present in the Mortgaged Property and the Hydrocarbons attributable thereto.

Section 3.3 Further Assurances

Mortgagor will execute and deliver such other and further instruments and will do such other and further acts as in the reasoned judgment of Agent may be necessary or desirable to carry out more effectually the purposes of this instrument, including, without limiting the generality of the foregoing: (a) correction of any material defect except for the Permitted Encumbrances, with all reasonable due diligence which may hereafter be discovered in the title to the Mortgaged Property (to the extent that Agent reasonably determines that such defect may have an adverse effect on its collateral position), or in the execution and acknowledgment of this instrument or any other document used in connection herewith; and (b) prompt execution and delivery of all division or transfer orders which in the reasoned opinion of Agent are needed to transfer effectually the assigned proceeds of production from the Mortgaged Property to Agent for the ratable benefit of the Lenders.

Section 3.4 Taxes

Subject to Mortgagor's right to contest the same in good faith and by appropriate proceedings, and to the extent allowed by applicable law, Mortgagor will promptly pay all taxes (other than taxes on a Lenders' income or franchise taxes), assessments and governmental charges legally imposed upon this instrument or upon the Mortgaged Property or upon the interest of Agent or Lenders therein, or upon the income and profits thereof; provided, that Mortgagor shall not be liable for taxes accruing after a transfer of the Mortgaged Property following foreclosure.

Section 3.5 Operation of the Mortgaged Property

So long as the Indebtedness or any part thereof remains unpaid, and whether or not Mortgagor is the operator of the Mortgaged Property, Mortgagor shall, at Mortgagor's own expense:

(a) Do all things necessary to keep unimpaired Mortgagor's rights in the Mortgaged Property and not agree to the abandonment of any well or forfeit, surrender or release any Oil and Gas Lease or any rights in the Mortgaged Property, without the prior written consent of Agent, or enter into any operating agreement, without the prior written consent of Agent (except that, without the prior written consent of Agent, the Mortgagor may enter into any farmout agreement with respect to acreage or sands not productive at the time such farmout agreement is entered into);

(b) Cause the Lands described in Exhibit A to be maintained, developed, protected against drainage, and continuously operated for the production of Hydrocarbons in a good and workmanlike manner as would a prudent operator, and in accordance with generally accepted industry practices, excepting those being contested in good faith and by appropriate proceedings;

(c) Cause to be paid, promptly as and when due and payable, all rentals and royalties payable in respect of the Mortgaged Property, and all expenses incurred in or arising from the operation or development of the Mortgaged Property (except as contested in good faith and by appropriate judicial or other proceedings);

(d) Cause the Operating Equipment to be kept in good and effective operating condition (ordinary wear and tear excepted), and all repairs, renewals, replacements, additions and improvements thereof or thereto, needful to the production of Hydrocarbons from the Lands described in Exhibit A, to be promptly made;

(e) Cause the Mortgaged Property to be kept free and clear of all Encumbrances, other than the Permitted Encumbrances;

(f) All or portions of the Mortgaged Property may be operated by a party or parties other than Mortgagor, and with respect to all or any such Mortgaged Property which may be operated by parties other than Mortgagor, Mortgagor's agreements and covenants as expressed in this Section 3.5(b) through (f) are modified to require that Mortgagor take all such action and exercise all rights and remedies as are available to Mortgagor (including but not limited to, all rights under any operating agreement) to cause the party who is the operator of such property to comply with such covenants and agreements contained herein.

Section 3.6 Recording, Etc.

Mortgagor will promptly and at Mortgagor's expense, record, register, deposit and file this and every other instrument in addition or supplemental hereto in such offices and places and at such times and as often as may be necessary to preserve, protect, and renew the lien hereof as a first lien on real or personal property (except as set forth herein), as the case may be, and the rights and remedies of Agent, and otherwise will do and perform all matters or things necessary or expedient to be done or observed by reason of any law or regulation of any State or of the United States or of any other competent authority, for the purpose of effectively creating, maintaining and preserving the lien here on as a first lien on the Mortgaged Property subject to the Permitted Encumbrances.

Section 3.7 Sale, Mortgage of the Mortgaged Property

(a) Mortgagor covenants and agrees that the Lenders may, at their sole option, elect to treat (i) any sale, transfer, lease, or conveyance (including, without limitation, pooling and unitization or any granting of an option, right of first refusal or other right to purchase, lease or acquire) of the Mortgaged Property or any part thereof or interest therein (other than in favor of the Lenders), or (ii) any assignment as security, pledge, hypothecation or encumbrance of any stock or other equity interest in Mortgagor by Mortgagor (other than in favor of the Lenders) (herein collectively referred to as a "Transfer"), as an Event of Default thereunder and thereupon may invoke any remedies permitted by this instrument. Without limiting the foregoing option, which option may be exercised by the Lenders at their sole discretion, Lenders may (if they so elect) consent to any proposed Transfer and may require as a condition to their consent incident to any such Transfer, evidence satisfactory to the Lenders of the credit worthiness and management ability of any proposed transferee and further that such transferee execute incident to any such Transfer a written assumption agreement in the form and containing such terms as the Lenders may require, including, without limitation, an increase in the rate of interest payable upon the Indebtedness. The consent to any proposed Transfer shall not be deemed a consent or waiver of any of the terms of this Section 3.7 with regard to any other future Transfer or encumbrance (including a Transfer incident to foreclosure of a consented to encumbrance), and no consent shall be binding unless set forth in writing and signed by the Lenders.

(b) Mortgagor covenants and agrees that the Lenders may at their sole option, elect to treat Mortgagor's Mortgage, pledge, hypothecation or encumbrance here in collectively referred to as a "Pledge" (other than in favor of Agent for the ratable benefit of the Lenders), whether or not expressly subordinate to the lien of this instrument, of the Mortgaged Property or any part thereof or interest therein, as an Event of Default there under and there upon may invoke any remedies permitted by this instrument. Without limiting the foregoing option, which option may be exercised by the Lenders at their sole discretion, the Lenders may (if they so elect) consent to any proposed Pledge and may require, as a condition to their consent, detailed information with respect to such Pledge and further that the holder of

such Pledge shall have executed a written subordination agreement in form and containing such terms as the Lenders may require, including, without limitation, an express subordination of such Pledge and any indebtedness secured thereby to the liens, assignments, and security interests of this instrument and to the payment of the Indebtedness. The consent to any proposed Pledge shall not be deemed a consent or waiver of any of the terms of this Section 3.7 with regard to any other or future Pledge; and no consent shall be binding unless set forth in writing and signed by the Lenders.

(c) Notwithstanding anything contained in subsections (a) or (b) of this Section 3.7 to the contrary, Agent shall not elect to treat as an Event of Default there under any Transfer or Pledge with respect to the Mortgaged Property or any Interest therein: (i) resulting from a farm out, joint operating, pooling, unitization or area of mutual interest agreement with a third party or parties which Mortgagor enters into in the ordinary course of business in good faith and which Mortgagor determines in good faith to be necessary for or advantageous to the economic development or operation of the Mortgaged Property and which would be deemed customary by a reasonably prudent operator under circumstances prevailing in the oil and gas industry in the general area of such portion of the Mortgaged Property; (ii) which Transfer or Pledge has been consented to prior and in writing by the Lenders; (iii) which Transfer or Pledge results from the sales of Hydrocarbons or sales or disposition of obsolete equipment, in the ordinary course of business in accordance with customary industry practices; or (iv) resulting from a statutory pooling or unitization of the Mortgaged Property with Property of others.

(d) Mortgagor will not after the date here of enter into any arrangement with any gas pipeline company or other purchaser of Hydrocarbons regarding the Mortgaged Property whereby Mortgagor agrees that said gas pipeline company or purchaser may setoff any claim against Mortgagor by withholding payment for any Hydrocarbons actually delivered.

Section 3.8 Corporate Matters

Mortgagor will not change its corporate name without first giving Agent at least thirty (30) days prior written notice and executing such supplements and amendments to this instrument and any other related Loan Documents as Agent may reasonably request.

Section 3.9 Principal Place of Business

As of the date hereof, the principal place of business and chief executive office of Mortgagor and the place where Mortgagor's books and records of account are kept is located at 1130 Rambling Oaks Drive, Suite 220, Norman, Oklahoma 73072. The tax identification number of Mortgagor is 73-1606174. Mortgagor shall not change its tax identification number, or relocate its principal place of business or chief executive office unless prior to such relocation, Mortgagor: (a) gives 30 days' prior written notice to Agent, which notice shall include, without limitation, the change of its tax identification number or the name of the county and state into which such relocation is to be made; and (b) executes and delivers all such additional documents and performs all additional acts as Agent or its counsel shall reasonably determine is necessary or advisable in order to continue and maintain the existence and priority of the security Interest of Agent in all personal Property comprising part of the Mortgaged Property.

ARTICLE IV.

Events of Default

Section 4.1 Events of Default

For purposes hereof, an "Event of Default" shall exist under this Mortgage if Mortgagor fails to timely pay to the Lenders the full amount due and owing under the terms of the Financing Statement or if any Event of Default otherwise defined herein shall occur. Upon the occurrence of any such Event of Default, Agent, at its option, may declare the entire unpaid principal of and the interest accrued on the Loans and all other Indebtedness secured hereby to be forthwith due and payable, without demand, presentment, notice of intent to accelerate, notice of acceleration, or notice or demand of any kind, all of which are hereby expressly waived by Mortgagor.

ARTICLE V.

Enforcement

Section 5.1 Acceleration of Secured Indebtedness

Upon the occurrence and during the continuance of an Event of Default, Agent at any time and from time to time may without notice to Mortgagor or any other person declare any or all of the secured indebtedness immediately due and payable and all such secured indebtedness shall there upon be immediately due and payable, without presentment, demand, protest, notice of protest, notice of default, declaration or notice of acceleration or intention to accelerate, putting Mortgagor in default, dishonor, notice of dishonor, or any other notice or declaration of any kind, all of which are hereby expressly waived by Mortgagor, and the liens evidenced hereby shall be subject to foreclosure in any manner provided for herein or provided for by law as Agent may elect.

Section 5.2 Pre-Foreclosure Remedies

Upon the occurrence and during the continuance of an Event of Default, or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default hereunder, Agent is authorized, prior or subsequent to the institution of any foreclosure proceedings, to enter upon the Mortgaged Property and the Collateral, or any part thereof, and to take possession of the Mortgaged Property, the Collateral, and all books and records relating thereto, and to exercise without interference from Mortgagor any and all rights which Mortgagor has with respect to the management, possession, operation, protection, or preservation of the Mortgaged Property and the Collateral. If necessary to obtain the possession provided for above, Agent may invoke any and all remedies to dispossess Mortgagor. All reasonable costs, expenses and liabilities of every character incurred by Agent in managing, operating, maintaining, protecting, or preserving the Mortgaged Property and the Collateral shall constitute a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and shall bear interest from date of expenditure until paid at the rate set forth in the Financing Statement (provided that, should applicable law provide for a maximum permissible rate of interest on such amounts, such rate shall not be greater than such maximum permissible rate), all of which shall constitute a portion of the Indebtedness and shall be secured by this Mortgage and by any other instrument securing the Indebtedness. In connection with any action taken by Agent pursuant to this Section 5.2, **AGENT AND THE LENDERS SHALL NOT BE LIABLE FOR ANY LOSS SUSTAINED BY MORTGAGOR RESULTING FROM ANY ACT OR OMISSION OF AGENT AND/OR THE LENDERS (INCLUDING AGENT'S AND/OR THE LENDERS' OWN**

NEGLIGENCE) IN MANAGING THE PROPERTY UNLESS SUCH LOSS IS CAUSED BY THE WILLFUL MISCONDUCT AND BAD FAITH OF AGENT AND/OR THE LENDERS, nor shall Agent and the Lenders be obligated to perform or discharge any obligation, duty or liability of Mortgagor arising, except insofar as required by law upon possession or foreclosure of the Mortgaged Property, under any agreement forming a part of the Mortgaged Property and the Collateral or arising under any Permitted Encumbrance. Mortgagor hereby assents to, ratifies and confirms any and all actions of the Lenders with respect to the Mortgaged Property and the Collateral taken under this Section 5.2.

Section 5.3 Foreclosure

(a) Upon the occurrence and during the continuance of an Event of Default, Trustee is authorized and empowered and it shall be Trustee's special duty at the request of the Lenders to sell the Mortgaged Property, or any part thereof, as an entirety or in parcels as the Lenders may elect, at such place or places and otherwise in the manner and upon such notice as may be required by law or, in the absence of any such requirement, as Trustee may deem appropriate. If Trustee shall have given notice of sale here under, any successor or substitute Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute Trustee conducting the sale. Cumulative of the foregoing and the other provisions of this Section 5.3, as to any portion of the Mortgaged Property located in the State of Texas (or within the offshore area over which the United States of America asserts jurisdiction and to which the laws of such state are applicable with respect to this Mortgage and/or the liens or security interests created hereby), such sales of all or any part of such Mortgaged Property shall be conducted at the courthouse of any county (whether or not the counties in which such Mortgaged Property are located are contiguous) in the State of Texas in which any part of such Mortgaged Property is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a particular Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundary), at public venue to the highest bidder for cash between the hours of ten o'clock a.m. and four o'clock p.m. on the first Tuesday in any month or at such other place, time and date as provided by the statutes of the State of Texas then in force governing sales of real estate under powers conferred by deed of trust, after having given notice of such sale in accordance with such statutes.

A POWER OF SALE HAS BEEN GRANTED IN THIS MORTGAGE. A POWER OF SALE MAY ALLOW THE LENDERS OR TRUSTEE TO TAKE THE MORTGAGED PROPERTY AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY MORTGAGOR UNDER THIS MORTGAGE.

(b) Upon the occurrence and during the continuance of an Event of Default, Agent may exercise its rights of enforcement with respect to the Collateral under the Texas Business and Commerce Code, as amended. Cumulative of the foregoing and the other provisions of this Section 6.3: (i) Agent may enter upon the Mortgaged Property or otherwise upon Mortgagor's premises to take possession of, assemble and collect the Collateral or to render it unusable; (ii) Agent may require Mortgagor to assemble the Collateral and make it available at a place Agent designates which is mutually convenient to allow the Lenders to take possession or dispose of the Collateral; (iii) written notice mailed to Mortgagor as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; (iv) in the event of a foreclosure of the liens and/or security interests evidenced hereby, the Collateral, or any part thereof, and the Mortgaged Property, or any part thereof, may, at the option of Agent, be sold, as a whole or in parts, together or separately (including, without limitation, where a portion of the Mortgaged Property is sold, the Collateral related thereto may be sold in connection therewith); (v) the expenses of sale provided for in clause FIRST of Section 5.6 shall include the reasonable expenses of retaking the Collateral, or any

part thereof, holding the same and preparing the same for sale or other disposition; and (vi) should, under this subsection, the Collateral be disposed of other than by sale, any proceeds of such disposition shall be treated under Section 5.6 as if the same were sales proceeds.

(c) To the extent permitted by applicable law, the sale hereunder of less than the whole of the Mortgaged Property and the Collateral shall not exhaust the powers of sale herein granted or the right to judicial foreclosure, and successive sale or sales may be made until the whole of the Mortgaged Property and the Collateral shall be sold, and, if the proceeds of such sale of less than the whole of the Mortgaged Property and the Collateral shall be less than the aggregate of the indebtedness secured hereby and the expense of conducting such sale, this Mortgage and the liens and security interests hereof shall remain in full force and effect as to the unsold portion of the Mortgaged Property and the Collateral just as though no sale had been made; provided, however, that Mortgagor shall never have any right to require the sale of less than the whole of the Mortgaged Property and the Collateral. In the event any sale hereunder is not completed or is defective in the opinion of Agent, such sale shall not exhaust the powers of sale hereunder or the right to judicial foreclosure, and Agent shall have the right to cause a subsequent sale or sales to be made. Any sale may be adjourned by announcement at the time and place appointed for such sale without further notice except as may be required by law. Trustee and Agent, or his successor or substitute, acting under power of sale, may appoint or delegate anyone or more persons as agent to perform any act or acts necessary or incident to any sale held by it (including, without limitation, the posting of notices and the conduct of sale), and such appointment need not be in writing or recorded to the extent permitted by applicable law. Any and all statements of fact or other recitals made in any deed or deeds, or other instruments of transfer, given in connection with a sale as to nonpayment of the Indebtedness or as to the occurrence of any default, or as to all of the Indebtedness having been declared to be due and payable, or as to the request to sell, or as to notice of time, place and terms of sale and the properties to be sold having been duly given, or, with respect to any sale by Trustee, or any successor or substitute trustee, as to the refusal, failure or inability to act of Trustee or any substitute or successor trustee or the appointment of any substitute or successor trustee, or as to any other actor thing having been duly done, shall be taken as prima facie evidence of the truth of the facts so stated and recited. With respect to any sale held in foreclosure of the liens and/or security interests covered hereby, it shall not be necessary for Trustee, Agent, the Lenders, any public officer acting under execution or order of the court or any other party to have physically present or constructively in his or her or its possession, either at the time of or prior to such sale, the Mortgaged Property and the Collateral or any part thereof.

Section 5.4 Effective as Mortgage

This instrument shall be effective as a mortgage as well as a deed of trust and upon the occurrence and during the continuance of an Event of Default may be foreclosed as to the Mortgaged Property, or any portion thereof, in any manner permitted by applicable law, and any foreclosure suit may be brought by Trustee or by Agent to the extent permitted by applicable law. It is agreed that if Agent should institute a suit for the foreclosure of this Mortgage, Agent may at any time before the entry of a final judgment in said suit dismiss the same and sell the Mortgaged Property, or any part thereof, in accordance with the provisions of this Mortgage.

Section 5.5 Receiver

In addition to all other remedies herein provided for, Mortgagor agrees that, upon the occurrence and during the continuance of an Event of Default or any event or circumstance which, with the lapse of time or the giving of notice, or both, would constitute an Event of Default thereunder, Agent shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Mortgaged Property and the Collateral, whether such receivership be incident to a proposed sale (or sales) of such

property or otherwise, and without regard to the value of the Mortgaged Property and the Collateral or the solvency of any person or persons liable for the payment of the indebtedness secured hereby, and Mortgagor does hereby consent to the appointment of such receiver or receivers, waives any and all defenses to such appointment, and agrees not to oppose any application therefore by Agent, and agrees that such appointment shall in no manner impair, prejudice, or otherwise affect the rights of the Lenders under Article IV hereof. Mortgagor expressly waives notice of a hearing for appointment of a receiver and the necessity for bond or an accounting by the receiver. Nothing herein is to be construed to deprive Agent of any other right, remedy, or privilege he may now or hereafter have under the law to have a receiver appointed. Any money advanced by Lenders in connection with any such receivership shall be a demand obligation (which obligation Mortgagor hereby expressly promises to pay) owing by Mortgagor to Agent and/or the Lenders and shall bear interest, from the date of making such advancement by Agent and/or the Lenders until paid, at the rate described in Section 6.2 hereof.

Section 5.6 Proceeds of Foreclosure

The proceeds of any sale held in foreclosure of the liens and/or security interests evidenced hereby shall be applied:

FIRST, to the payment of all necessary costs and expenses incident to such foreclosure sale, including but not limited to all court costs and charges of every character in the event foreclosed by suit and including but not limited to a reasonable fee to Trustee if such sale was made by Trustee acting under the provisions of Section 5.3(a);

SECOND, to the payment of the Indebtedness (including specifically without limitation the principal, interest and attorneys' fees due and unpaid under the Financing Statement and the amounts due and unpaid and owed under this Mortgage) in such manner and order as the Lenders may elect; and

THIRD, the remainder, if any there shall be, shall be shared equally by and between Mortgagor and the Lenders.

Section 5.7 Lenders as Purchaser

Any of the Lenders shall have the right to become the purchaser at any sale held in foreclosure of the liens and/or security interests evidenced hereby, and any party consulting the Lenders which is purchasing at any such sale shall have the right to credit upon the amount of the bid made therefore, to the extent necessary to satisfy such bid, the Indebtedness owing to such party, or if such party holds less than all of such indebtedness, the pro rata part there offering to such party, accounting to all other parties constituting the Lenders who are not joining in such bid in cash for the portion of such bid or bids apportion on able to such non-bidding parties.

Section 5.8 Foreclosure as to Matured Debt

Upon the occurrence and during the continuance of an Event of Default, Agent shall have the right to proceed with foreclosure of the liens and/or security interests evidenced hereby without declaring the entire secured indebtedness due, and in such event, any such foreclosure sale may be made subject to the unmatured part of the secured indebtedness and shall not in any manner affect the unmatured part of the secured indebtedness, but as to such unmatured part, this Mortgage shall remain in full force and effect just as though no sale had been made.

Section 5.9 Remedies Cumulative

All remedies herein provided for are cumulative of each other and of all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other Loan Document, and, in addition to the remedies herein provided, there shall continue to be available all such other remedies as may now or hereafter exist at law or inequity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and/or security interests evidenced hereby, and the resort to any remedy provided for hereunder or under any such other Loan Document or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

Section 5.10 Discretion as to Security

Agent may resort to any security given by this Mortgage or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to the Lenders in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens, or security interests evidenced by this Mortgage.

Section 5.11 Mortgagor's Waiver of Certain Rights

To the full extent Mortgagor may do so, Mortgagor agrees that Mortgagor will not at any time insist upon, plead, claim, or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and Mortgagor, for Mortgagor, Mortgagor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Mortgaged Property, to the extent permitted by applicable law, hereby waives and releases all rights of appraisal, valuation, stay of execution, redemption, notice of intention to mature or declare due the whole of the Indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Mortgagor, including the Mortgaged Property and the Collateral, or to a sale in inverse order of alienation in the event of foreclosure of the liens and security interests hereby created. Mortgagor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right under the terms of this Mortgage to a sale of the Mortgaged Property and the Collateral for the collection of the Indebtedness without any prior or different resort for collection, or the right under the terms of this Mortgage to the payment of the secured indebtedness out of the proceeds of sale of the Mortgaged Property and the Collateral in preference to every other claimant whatever. If any law referred to in this section and now in force, of which Mortgagor or Mortgagor's heirs, devisees, representatives, successors, or assigns or any other persons claiming any interest in the Mortgaged Property or the Collateral might take advantage despite this section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this section.

Section 5.12 Mortgagor as Tenant Post-Foreclosure

In the event there is a foreclosure sale hereunder and at the time of such sale Mortgagor or Mortgagor's heirs, devisees, representatives, successors, or assigns or any other persons claiming any interest in the Property by, through or under Mortgagor reoccupying or using the Mortgaged Property and the Collateral, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due

daily to the purchaser. To the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible entry and detainer) in any court having jurisdiction.

ARTICLE VI.

Miscellaneous

Section 6.1 Scope of Mortgage

This Mortgage is a deed of trust and Mortgage of both real and personal property, a security agreement, a financing statement, and an assignment, and also covers proceeds and fixtures.

Section 6.2 Effective as a Financing Statement

This Mortgage covers goods which are or are to become fixtures on the real property described herein, and this Mortgage shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Mortgaged Property. This Mortgage shall also be effective as a financing statement, filed as a fixture filing, covering minerals and other substances of value which may be extracted from the earth (including without limitation oil and gas), and accounts related thereto, which will be financed at the wellhead or minehead of the wells or mines located on the Mortgaged Property. This Mortgage is to be filed for record in the real property records of each county where any part of the Mortgaged Property is situated or which lies shoreward of any Mortgaged Property (i.e., to the extent a Mortgaged Property lies offshore within the reasonable projected seaward extension of the relevant county boundaries), and may also be filed in the offices of the Bureau of Land Management or the Minerals Management Service or any relevant state agency (or any successor agencies). This Mortgage shall also be effective as a financing statement covering any other Collateral and may be filed in any other appropriate filing or recording office. The mailing address of Mortgagor is the address of Mortgagor set forth at the end of this Mortgage and the address of Agent, from which information concerning the security interest hereunder may be obtained and to which all notices hereunder shall be sent, is the address of Agent set forth at the end of this Mortgage. Further, Mortgagor hereby authorizes Agent to file any and all financing statements covering the Mortgaged Property (or any portion thereof) as may be necessary under the Uniform Commercial Code, in Agent's sole discretion, to perfect Agent's security interest in the Collateral, and Mortgagor expressly acknowledges that its signature on any such financing statement is not necessary.

Section 6.3 Reproduction of Mortgage as Financing Statement

A carbon, photographic, facsimile or other reproduction of this Mortgage or of any financing statement relating to this Mortgage shall be sufficient as financing statement for any of the purposes referred to in Section 7.2.

Section 6.4 Notice to Account Debtors

In addition to, but without limitation of, the rights granted in Article IV hereof, Agent may at any time after an Event of Default has occurred and is continuing, notify the account debtors or obligors of

any accounts, chattel paper, negotiable instruments, or other evidences of indebtedness included in the Collateral to pay Agent directly.

Section 6.5 Advances by Agent

Each and every covenant herein contained shall be performed and kept by Mortgagor solely at the expense of Mortgagor. Should Mortgagor shall fail to perform or keep any of the covenants of whatsoever kind or nature contained in this instrument, Agent or any receiver appointed hereunder, may, but shall not be obligated to, make advances to perform the same on behalf of Mortgagor, and Mortgagor hereby agrees to repay such sums upon demand plus Interest at the rate of interest the borne by the Financing Statement (but not to exceed the maximum permissible rate). No such advance shall be deemed to relieve Mortgagor from any default hereunder.

Section 6.6 Defense of Claims

Mortgagor will notify Agent, in writing, promptly of the commencement of any legal proceedings affecting or challenging the enforceability of the lien hereof or Mortgagor's right, title, and interest to the Mortgaged Property and Collateral or to any material part thereof, and will take such action, employing attorneys agreeable to Agent, as may be necessary to preserve Mortgagor's, Trustee's, and Agent's rights affected thereby; and should Mortgagor fail or refuse to take any such action, Agent may, upon giving prior written notice thereof to Mortgagor, take such action in behalf and in the name of Mortgagor and at the expense of Mortgagor. Moreover, Agent may take such independent action in connection therewith as it may in his discretion deem proper, Mortgagor hereby agreeing that all sums advanced or all expenses incurred in such actions plus interest at the rate of interest then borne by the Financing Statement (up to the maximum permissible rate) will, on demand, be reimbursed to Agent or any receiver appointed hereunder.

Section 6.7 Renewals, Amendments, and Other Security

Renewals and extensions of the Indebtedness may be given at any time and amendments may be made to agreements relating to any part of such Indebtedness or the Mortgaged Property and Collateral, and Agent may take or may now hold other security for the Indebtedness from parties other than Mortgagor without notice to or consent of Mortgagor. Agent may resort first to such other security or any part thereof or first to the security herein given or any part thereof, or from time to time to either or both, even to the partial or complete abandonment of either security, and such action shall not be a waiver of any rights conferred by this instrument, which shall continue as a first lien upon the Mortgaged Property (subject to the Permitted Encumbrances) until the Notes and all other Indebtedness secured hereby are fully paid.

Section 6.8 Unenforceable or Inapplicable Provisions

If any provision hereof is invalid or unenforceable in any jurisdiction, the other provisions hereof shall remain in full force and effect in such jurisdiction, and the remaining provisions hereof shall be liberally construed in favor of Agent in order to effectuate the provisions hereof, and the invalidity of any provision here of in any jurisdiction shall not affect the validity or enforceability of any such provision in any other jurisdiction. Any reference herein contained to a statute or law of a state in which no part of the Mortgaged Property and/or Collateral is situated shall be deemed inapplicable to, and not used in, the interpretation hereof.

Section 6.9 Rights Cumulative

Each and every right, power, and remedy herein given to Agent shall be cumulative and not exclusive; and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and so often and in such order as may be deemed expedient by Agent, as the case may be, and the exercise, or the beginning of the exercise, of any such right, power or remedy shall not be deemed a waiver of the right to exercise, at the same time or thereafter, any other right, power or remedy. No delay or omission by Agent in the exercise of any right, power, or remedy shall impair any such right, power, or remedy or operate as a waiver thereof or of any other right, power, or remedy then or thereafter existing.

Section 6.10 Waiver by Agent

Any and all covenants in this instrument may from time to time by instrument in writing signed by Agent be waived to such extent and in such manner as Agent may desire, but no such waiver shall ever affect or impair Agent's rights or liens hereunder, except to the extent specifically stated in such written instrument.

Section 6.11 Successors and Assigns

This instrument is binding upon Mortgagor and its successors and assigns and shall inure to the benefit of Agent and the Lenders and their successors and assigns.

Section 6.12 Article and Section Headings

The article and section headings in this instrument are inserted for convenience and shall not be considered a part of this instrument or used in its interpretation.

Section 6.13 Counterparts

This instrument may be executed in any number of counterparts, each of which shall for all purposes be deemed an original, and all of which are identical except that, to facilitate recordation, in any particular counterpart portions of Exhibit A hereto which describe properties situated in counties or parishes other than the county or parish in which such counterpart is to be recorded may have been omitted.

Section 6.14 Notices

Except as otherwise provided herein, any notice, request, demand or other communication which may be required or permitted to be given or served upon Mortgagor shall be deemed to have been sufficiently given three (3) business days after the date when sent by registered or certified mail, postage prepaid, and addressed to its address shown on the first page of this Mortgage or to such different address as Mortgagor shall have designated by written notice received by Agent.

Section 6.15 Subrogation

It is expressly agreed that the holders of the Indebtedness shall be fully subrogated to all liens, assignments, security interests, and other rights hereto of or held by any party whose Indebtedness is paid, in whole or in part, out of the Indebtedness secured hereby.

Section 6.16 Remedies, Etc.

Each right, power, and remedy of Trustee and/or Agent provided for in this Mortgage or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Mortgage or now or hereafter existing at law or in equity or by statute or otherwise and the exercise or beginning of the exercise by Trustee and/or Agent of anyone or more of the rights, powers or remedies provided for in this Mortgage or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise of any such right, power, or remedy with respect to apart only of the Mortgaged Property and/or Collateral, shall not preclude the simultaneous or later exercise by Agent of any or all such other rights, power, or remedies, or the simultaneous or later exercise by Trustee or Agent of any such right, power, or remedy with respect to any other party of the Mortgaged Property and Collateral, and without in any respect limiting any of the foregoing, Agent may exercise any or all of the rights and powers and pursue any and all of the remedies available to a secured party under the Uniform Commercial Code as in effect.

Section 6.17 Joint Operations Equipment

Agent acknowledges that undivided interests in the Operating Equipment covered hereunder may be owned by parties other than Mortgagor and may be subject to an operating agreement covering joint operations on the property where such equipment is located. Agent agrees that in any such instance, his rights to take possession of such property and Mortgagor's obligations (if any) to assemble and deliver any such property to Mortgagor may be subject to the rights of the other owners of an undivided Interest in such property.

Section 6.18 Excepted Matters

Notwithstanding any references herein that this Mortgage is subject to Permitted Encumbrances (the "Excepted Matters"), Mortgagor and Agent agree and understand that in the event Agent exercises his rights under this Mortgage upon the occurrence and continuance of an Event of Default, Agent is not acknowledging the validity, enforceability, and/or ranking of any Excepted Matter, or otherwise making this Mortgage subordinate or subject to the Excepted Matters.

Section 6.19 Compliance with Usury Laws

It is the intent of Mortgagor, Agent, the Lenders, and all other parties to the Loan Documents to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof, it is stipulated and agreed that none of the terms and provisions contained herein shall ever be construed to create a contract to pay, for the use, forbearance, or detention of money, interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect.

Section 6.20 No Liability for Trustee

TRUSTEE SHALL NOT BE LIABLE FOR ANY ERROR OF JUDGMENT OR ANY OTHER ACTION TAKEN BY TRUSTEE IN GOOD FAITH, OR BE OTHERWISE RESPONSIBLE OR ACCOUNTABLE UNDER ANY CIRCUMSTANCES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, TRUSTEE'S NEGLIGENCE AND/OR GROSS NEGLIGENCE), EXCEPT FOR TRUSTEE'S WILLFUL MISCONDUCT. Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by Trustee hereunder, believed by Trustee in good faith to be genuine. All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need

not be segregated in any manner from any other moneys and Trustee shall be under no liability for interest on any moneys received by him hereunder. Mortgagor hereby ratifies and confirms any and all acts which the herein named Trustee or his successor or successors, substitute or substitutes, shall do lawfully by virtue hereof. Mortgagor will reimburse Trustee for, and indemnify and save Trustee harmless against, any and all liability and expenses (including attorney's fees) which may be incurred by Trustee in the performance of his duties, except for losses and expenses caused by any willful misconduct of Trustee. The foregoing indemnities shall not terminate upon the release, foreclosure, or other termination of this Mortgage as to actions of Trustee occurring prior thereto but will survive such release, termination, and/or foreclosure of this Mortgage, or conveyance in lieu of foreclosure, and the repayment of the secured indebtedness and the discharge and release of this Mortgage and the other documents evidencing and/or securing the secured indebtedness as to actions of Trustee occurring prior thereto. Any amount to be paid hereunder by Mortgagor to Trustee shall be a demand obligation owing by Mortgagor to Trustee and shall be subject to and covered by the provisions of Section 6.5 hereof.

Section 6.21 Partial Releases

With respect to any sale of a portion or all of the Mortgaged Property by Mortgagor (which can only occur by the express permission by Agent, pursuant to a separate written agreement), Agent agrees to release any such Mortgaged Property from this Mortgage by execution of a partial release of lien or discharge instrument in recordable form covering such Mortgage Property and by delivery thereof to the Mortgagor simultaneously with any such sale (provided, with respect to the foregoing requirement of simultaneous delivery, reasonable notice of the permitted sale has been delivered to Agent).

Section 6.22 Choice of Law

WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW, THIS MORTGAGE SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE AND THE LAWS OF THE UNITED STATES OF AMERICA, EXCEPT THAT TO THE EXTENT THAT THE LAW OF A STATE IN WHICH A PORTION OF THE PROPERTY IS LOCATED (OR WHICH IS OTHERWISE APPLICABLE TO A PORTION OF THE PROPERTY) NECESSARILY OR, IN THE SOLE DISCRETION OF AGENT, APPROPRIATELY GOVERNS WITH RESPECT TO PROCEDURAL AND SUBSTANTIVE MATTERS RELATING TO THE CREATION, PERFECTION, AND ENFORCEMENT OF THE LIENS, SECURITY INTERESTS, AND OTHER RIGHTS AND REMEDIES OF TRUSTEE OR AGENT GRANTED HEREIN, THE LAW OF SUCH STATE SHALL APPLY AS TO THAT PORTION OF THE PROPERTY LOCATED IN (OR WHICH IS OTHERWISE SUBJECT TO THE LAWS OF) SUCH STATE.

Section 6.23 Final Agreement of the Parties

THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENTIAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, this instrument is executed by Mortgagor this 28th day of September, 2009

EXHIBIT "A"

TO

DEED OF TRUST, MORTGAGE, ASSIGNMENT, SECURITY AGREEMENT, FIXTURE
FILING AND FINANCING STATEMENT

LEASES

A ONE PERCENT (1%) OVERRIDING ROYALTY INTEREST IN AND TO THE FOLLOWING
LEASES LOCATED IN DENTON COUNTY, TEXAS:

DATE: April 21, 2004
LESSOR: Foy Franklin Taylor & Lula M. Taylor
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-0103460
DESCRIPTION: 75.616 acres of land, more or less, out of the William Wilson Survey, A-1383, et al, Denton County, Texas.

DATE: April 21, 2004
LESSOR: Baum Family Partnership, a TX general partnership,
% John F. Baum
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-0103456
DESCRIPTION: 40.4900 acres of land, more or less, out of the Brooks Beall Survey, A-58, Denton County, Texas.

DATE: April 21, 2004
LESSOR: John F. Baum, et ux Sallie Baum
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-0103457
DESCRIPTION: 17.0755 acres of land, more or less, out of the Brooks Beall Survey, A-58, Denton County, Texas.

DATE: April 21, 2004
LESSOR: Donald Cadenhead, II, et ux Karen Cadenhead
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-010458
DESCRIPTION: 3.0000 acres of land, more or less, out of the Brooks Beall Survey, A-58, Denton County, Texas.

DATE: April 21, 2004
LESSOR: Darlene S. Blount & Elmo M. Blount
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-0103460
DESCRIPTION: 21.0000 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: September 6, 2005
LESSOR: Charles I. Fletcher
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-0116111
DESCRIPTION: 17.0000 acres of land, more or less, out of the W. C. Garrison Survey, A-508, Denton County, Texas.

DATE: March 22, 2004
LESSOR: Norbert J. Roessner, et ux Elizabeth G. Roessner
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-22736
DESCRIPTION: 15.2260 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: May 11, 2004
LESSOR: G.W. Robinson, et ux Claudine Robinson
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-0018624
DESCRIPTION: 18.9070 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: February 21, 2006
LESSOR: Ralph Townsend Barnes, III, et ux Margaret E. Barnes
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-0022737
DESCRIPTION: 9,8080 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: February 24, 2006
LESSOR: Gary Don Bird, et ux Cynthia Ann Bird
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-0022017
DESCRIPTION: 2.4984 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: February 20, 2006
LESSOR: Diane Lyn Hagler
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-0022018
DESCRIPTION: 4.1470 acres of land, more or less, out of the William Wilson Survey, A-1383, and the Brooks Beall Survey, A-58, Denton County, Texas.

DATE: May 20, 2006
LESSOR: Alan Charles Hess, et ux Debra Ann Hess
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-89838
DESCRIPTION: 1.9120 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: November 14, 2006
LESSOR: Donald D. Glockel
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2007-105020
DESCRIPTION: 3.0100 acres of land, more or less, out of the Brooks Beall Survey, A-58, Denton County, Texas.

DATE: July 8, 2006
LESSOR: Robert C. Hutchison, Jr., et ux Ruth Hutchison
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-123907
DESCRIPTION: 2.0020 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: November 6, 2006
LESSOR: Joseph V. Bednar & Louise M. Bednar
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2007-58710
DESCRIPTION: 3.7910 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: November 14, 2006
LESSOR: Johnny Crabtree, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2007-105021
DESCRIPTION: 2.7670 acres of land, more or less, out of the William Wilson Survey, A-1383, and the Brooks Beall Survey, A-58, Denton County, Texas.

DATE: December 2, 2005
LESSOR: Richard L. Green, et ux Mary Ellen Green
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-158016
DESCRIPTION: 15.6550 acres of land, more or less, out of the W. C. Garrison Survey, A-508, Denton County, Texas.

DATE: April 13, 2007
LESSOR: J. B. James; Stephen Decatur James; & Sallye Sue Shyer
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2007-113363
DESCRIPTION: 26.2900 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: January 23, 2007
LESSOR: Karen Dale Lefevre
LESSEE: Derrick Resources Corporation
RECORDING DATA:
DESCRIPTION: 26.2900 acres of land, more or less, out of the William Wilson Survey, A-1383, Denton County, Texas.

DATE: July 7, 2006
LESSOR: Denton Independent School District
LESSEE: Derrick Resources Corporation
RECORDING DATA:
DESCRIPTION: 34.9350 acres of land, more or less, out of the A. Serren Survey, A-1198, Denton County, Texas.

Copper Bluff Unit

DATE: October 20, 2005
LESSOR: Michael Martin Henley, a single person
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-141655
DESCRIPTION: 7.149 acres of land, more or less, out of the Lewis Cohen Survey, A-246, and the J. B. Teague Survey, A-1258, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Jim E. Hendry and wife, Dixie L. Hendry
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-141656
DESCRIPTION: 4.2061 acres of land, more or less, out of the Lewis Cohen Survey, A-246, Denton County, Texas.

DATE: October 20, 2005
LESSOR: George T. Herbison and Bobbi Herbison
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-136298 & 2007-102977
DESCRIPTION: 7.046 acres of land, more or less, out of the Lewis Cohen Survey, A-246, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Myrna Kay Sandefur
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-136299
DESCRIPTION: 9.231 acres of land, more or less, out of the J. B. Teague Survey, A-1258, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Randy M. Ellis and wife, Gretchen K. Ellis
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-136297
DESCRIPTION: 4.108 acres of land, more or less, out of the Lewis Cohen Survey, A-246, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Marvin E. Ellis and wife, Joella Dee Ellis
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-133147
DESCRIPTION: 14.67 acres of land, more or less, out of the Lewis Cohen Survey, A-246, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Bridle Path Partners, LTD
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-144835
DESCRIPTION: 1.0663 acres of land, more or less, out of the J. B. Teague Survey, A-1258, Denton County.

DATE: September 27, 2005
LESSOR: James W. Roberts and Amy J. Roberts
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-31006
DESCRIPTION: 4.851 acres of land, more or less, out of the J. B. Teague Survey, A-1258, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Gary M. Beavers and Janice Wilson Beavers Revocable Trust
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-144836
DESCRIPTION: 5.887 acres of land, more or less, out of the J. Lockhart Survey, A-758, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Richard Hall
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-147046
DESCRIPTION: 288.56 acres of land, more or less, out of the J. W. Baker Survey, A-50, the John Lockhart Survey, A-758, and the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: October 20, 2005
LESSOR: James Brooks Hall
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-151287
DESCRIPTION: 288.56 acres of land, more or less, out of the J. W. Baker Survey, A-50, the John Lockhart Survey, A-758, and the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: October 30, 2005
LESSOR: John Patrick Hall
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-9154
DESCRIPTION: 288.56 acres of land, more or less, out of the J. W. Baker Survey, A-50, the John Lockhart Survey, A-758, and the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: July 18, 2008
LESSOR: Barbara Jean Brooks Ross
LESSEE: Mid-Continent Geological, Inc.
RECORDING DATA: 2006-98501
DESCRIPTION: 288.56 acres of land, more or less, out of the J. W. Baker Survey, A-50, the John Lockhart Survey, A-758, and the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Daniel Christy and Susan Christy
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-136296
DESCRIPTION: 5.001 acres of land, more or less, out of the John Lockhart Survey, A-758, Denton County, Texas.

DATE: October 20, 2005
LESSOR: William John Ferris and Mary Ruth Ferris
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-141656
DESCRIPTION: 3.912 acres of land, more or less, out of the John Lockhart Survey, A-758, Denton County, Texas.

DATE: October 20, 2005
LESSOR: Michael L. Ramsey and Kimberly R. Ramsey
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-141656
DESCRIPTION: 3.1955 acres of land, more or less, out of the J. B. Teague Survey, A-1258, Denton County, Texas and being Lot 3 of Winter Oaks Addition according to Plat recorded in Cabinet L, Page 88 of the Plat Records of Denton County, Texas.

DATE: May 5, 2006
LESSOR: Amy K. Bock and Nancy C. Bock
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-66437
DESCRIPTION: 11.268 acres of land, more or less, out of the J. B. Teague Survey, A-1258, Denton County, Texas and being Lot 4 of Winter Oaks Addition according to Plat recorded in Cabinet L, Page 88 of the Plat Records of Denton County, Texas.

DATE: October 20, 2005
LESSOR: George I. Hartley and wife, Jimmie Nell Hartley
LESSEE: Derrick Energy LLC
RECORDING DATA: 2005-133146
DESCRIPTION: 18.27 acres of land, more or less, out of the Lewis Cohen Survey, A-246, Denton County, Texas.

DATE: March 18, 2006
LESSOR: Frank E. Schulz
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-113391
DESCRIPTION: 2.135 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas & being Lot 1 of the Lakes of Copper Canyon Addition according to Plat recorded in Cabinet K, Page 314 of the Plat Records of Denton County, Texas.

DATE: March 19, 2006
LESSOR: Larry A. Chiles and wife, Lynette M. Chiles
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-38617
DESCRIPTION: 3.135 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: March 18, 2006
LESSOR: Eric L. Kain and wife, Erin Kain
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-73806
DESCRIPTION: 2.0 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: March 18, 2006
LESSOR: Ira R. Witkin and wife, Kelli S. Witkin
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-47518
DESCRIPTION: 7.303 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: March 18, 2006
LESSOR: Joe Alan Chiles and wife, Sharon Marie Chiles
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-38615
DESCRIPTION: 10.961 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: March 18, 2006
LESSOR: Tom Chiles, Individually, as Independent Executor of the Estate of Ruby H. Chiles, Deceased, and Trustee of the Ruby H. Chiles Living Trust
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-47521
DESCRIPTION: 3.108 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas.

DATE: March 18, 2006
LESSOR: Fran Grove
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-130160
DESCRIPTION: 2.257 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas & being Lot 1 of the Lakes of Copper Canyon Addition according to Plat recorded in Cabinet K, Page 314 of the Plat Records of Denton County, Texas.

DATE: March 19, 2006
LESSOR: James Keith Owens and wife, Jeana Lynn Owens
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-47519
DESCRIPTION: 2.184 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas, being Lot 6R, & being all of Lot 6 and a portion of Lot 7 of the Lakes of Copper Canyon Addition according to Plat recorded in Cabinet K, Page 314 of the Plat Records of Denton County, Texas.

DATE: March 19, 2006
LESSOR: Michael J. Rocke and wife, Susan C. Rocke
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-47520
DESCRIPTION: 4.08 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas & being Lot 8 of the Lakes of Copper Canyon Addition according to Plat recorded in Cabinet K, Page 314 of the Plat Records of Denton County, Texas.

DATE: March 19, 2006
LESSOR: Michael J. Chiles and wife, Mary Katherine Chiles
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-38618
DESCRIPTION: 2.623 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas & being Lot 5 of the Lakes of Copper Canyon Addition according to Plat recorded in Cabinet K, Page 314 of the Plat Records of Denton County, Texas.

DATE: March 18, 2006
LESSOR: Dean B. Williams
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-47522
DESCRIPTION: 2.64 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County, Texas & being Lot 3 of the Lakes of Copper Canyon Addition according to Plat recorded in Cabinet K, Page 314 of the Plat Records of Denton County, Texas.

DATE: March 18, 2006
LESSOR: Richard Dean Hill and Natalie Nichols Hill, Individually, and as Trustees of Richard Dean Hill, Sr. and Natalie Nichols Hill Revocable Living Trust
LESSEE: Derrick Energy LLC
RECORDING DATA: 2006-47522
DESCRIPTION: 2.715 acres of land, more or less, out of the B. F. Pinckley Survey, A-1023, Denton County.

A TEN PERCENT (10%) WORKING INTEREST IN AND TO THE FOLLOWING LEASES LOCATED IN DENTON COUNTY, TEXAS:

Point Vista Unit

DATE: 03/29/2004
LESSOR: Johnny R. Foster, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0155502
DESCRIPTION: 5.00 acres of land, more or less, being Lot 6, Hickory Park Estates, out of the S. Linthecum Survey, A-1600, Denton County, Texas.

DATE: 03/29/2004
LESSOR: Don E. Whitlock, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0121247
DESCRIPTION: 5.00 acres of land, more or less, being Lot 8, Hickory Park Estates, out of the S. Linthecum Survey, A-1600, Denton County, Texas.

DATE: 03/29/2004
LESSOR: Ronald L. Anderson, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0080669
DESCRIPTION: 2.9171 acres of land, more or less, being part of Lot 10, Hickory Park Estates, out of the S. Linthecum Survey, A-1600, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Bonnie Brown Garcia, et al
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0080670
DESCRIPTION: 4.3100 acres of land, more or less, out of the S. O. McCarroll Survey, A-958, Denton County, Texas.

DATE: 03/31/2004
LESSOR: Penn Brothers Realty, et al
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0106455
DESCRIPTION: 13.9675 acres of land, more or less, out of the S. O. McCarroll Survey, A-958, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Ruben Preston Nix Jr.
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0157006
DESCRIPTION: 11.7850 acres of land, more or less, out of the S. O. McCarroll Survey, A-958, Denton County, Texas.

DATE: 03/29/2004
LESSOR: I-35 Investors Ltd.
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0138765
DESCRIPTION: 6.8950 acres of land, more or less, out of the S. O. McCarroll Survey, A-958, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Lorene Smith
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0157007
DESCRIPTION: 10.2500 acres of land, more or less, out of the S. O. McCarroll Survey, A-958, Denton County, Texas.

DATE: 11/17/2005
LESSOR: Lyons American Securities, Inc., Trustee
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-R0151286
DESCRIPTION: 5.8230 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 01/19/2006
LESSOR: RRC (TX), LP
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-R0008643
DESCRIPTION: 11.0020 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 03/31/2004
LESSOR: Johnny L. Casey, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0093121
DESCRIPTION: 14.0020 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Ronald Reginald Furtick, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0018622
DESCRIPTION: 13.0170 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 03/23/2004
LESSOR: Ann Ellard Nix
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R0157009
DESCRIPTION: 10.0000 acres of land, more or less, out of the S. O. McCarroll Survey, A-958, Denton County, Texas.

DATE: 04/01/2006
LESSOR: Glenview Homeowners Association
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-R0016028
DESCRIPTION: 22.6510 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 06/07/2005
LESSOR: Claire Elizabeth Skiles Trust, et al
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-R0091816
DESCRIPTION: 6.9700 acres of land, more or less, being Lots 3,4,5,7 and 8 of Ventana Addition Phase II, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 10/07/2005
LESSOR: Community Bank of Raymore, Agent
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-R0143197
DESCRIPTION: 1.5700 acres of land, more or less, being Lot 6 of Ventana Addition Phase II, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 07/21/2005
LESSOR: Ronald R. Furtick, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-R0111160
DESCRIPTION: 1.3210 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 07/21/2005
LESSOR: Edward E. Lane, Jr.
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-R0098839
DESCRIPTION: 2.6940 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 01/09/2006
LESSOR: The Barkoff Family Trust
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2006-R0008644
DESCRIPTION: 0.8370 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

Hickory Park Unit

DATE: 03/27/2004
LESSOR: Wahl Group Investments, Inc.
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69624
DESCRIPTION: 7.9216 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 1 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 03/30/2004
LESSOR: Kimberly Sue Gross
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69625
DESCRIPTION: 5.00 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 2 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 03/27/2004
LESSOR: Christopher H. Morgan, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69626
DESCRIPTION: 5.00 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 3 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 03/27/2004
LESSOR: Jack A Sprague, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69627
DESCRIPTION: 5.00 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 4 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 03/17/2004
LESSOR: John P. Fiala, Jr., et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69628
DESCRIPTION: 5.00 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 5 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 03/27/2004
LESSOR: Virginia A Whaley
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69629
DESCRIPTION: 5.00 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 9 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 03/27/2004
LESSOR: Susan Renee McGee
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69630
DESCRIPTION: 5.9157 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Robert R. Cole
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69631
DESCRIPTION: 22.6900 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas.

DATE: 03/30/2004
LESSOR: Alfred L. Lynch, Jr., et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69632
DESCRIPTION: 2.31231 acres of land, more or less, out of the M. E. P. & P. RR. Survey, A-915, Denton County, Texas.

DATE: 03/24/2004
LESSOR: Patricia S Fisher, Trustee
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69633
DESCRIPTION: 10.00 acres of land, more or less, out of the M. E. P. & P. RR. Survey, A-915, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Shawn M. Grisham, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69634
DESCRIPTION: 48.616 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 5 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 04/01/2004
LESSOR: Howard M Gibson, Jr.
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69635
DESCRIPTION: 5.00 acres of land, more or less, out of the M. E. P. & P. RR. Survey, A-915, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Virgil C. Fisher, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69636
DESCRIPTION: 15.00 acres of land, more or less, out of the M. E. P. & P. RR. Survey, A-915, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Gerald Fentress Peach, Jr.
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69637
DESCRIPTION: 3.51859 acres of land, more or less, out of the H. H. Swisher Survey, A-1220, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Carl D. Howell, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69638
DESCRIPTION: 2.2240 acres of land, more or less, out of the H. H. Swisher Survey, A-1220, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Joe Cash Collins
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-R69639
DESCRIPTION: 5.00 acres of land, more or less, out of the M. E. P. & P. RR. Survey, A-915, Denton County, Texas.

DATE: 03/27/2004
LESSOR: Nancy O. Crutcher
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2004-90514
DESCRIPTION: 5.00 acres of land, more or less, out of the M. E. P. & P. RR. Survey, A-915, Denton County, Texas.

DATE: 03/29/2004
LESSOR: Samuel R. Kerr, III, et ux
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-64347
DESCRIPTION: 48.616 acres of land, more or less, out of the S. Linthicum Survey, A-600, Denton County, Texas, and being Lot 8 of Hickory Park Estates Subdivision according to Plat recorded in Cabinet 5, Page 35 of the Plat Records of Denton County, Texas.

DATE: 03/27/2004
LESSOR: Ronald Reginald Furtick, et ux, dba Yasi Land Co.
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-18622
DESCRIPTION: 10.00 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 05/26/2005
LESSOR: The Town of Hickory Creek
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-103730
DESCRIPTION: 7.9810 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 09/12/2005
LESSOR: Cornelius Center Investors
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-136301
DESCRIPTION: 6.2100 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas.

DATE: 08/31/2005
LESSOR: Wal-Mart Real Estate Business Trust
LESSEE: Derrick Resources Corporation
RECORDING DATA: 2005-143198
DESCRIPTION: 23.2400 acres of land, more or less, out of the J. W. Simmons Survey, A-1163, Denton County, Texas, and being Lot 1R and Lot 4 of Block A, Wal-Mart Addition, an Addition to the town of Hickory Creek.

Goldfield Gas Unit

DATE: 01/23/2003
LESSOR: Alan H. Goldfield, et ux
LESSEE: Multibrands, Ltd. Co.
RECORDING DATA: V5259/P499
DESCRIPTION: 256.1880 acres of land, more or less, out of the Swisher Survey, A-1220 & MEP & PRR Co Survey, A-915., Denton County, Texas.

DATE: 12/14/2002
LESSOR: Ronald Edwin Brown, et al
LESSEE: Multibrands, Ltd. Co.
RECORDING DATA: V5233/P3455
DESCRIPTION: 24.7320 acres of land, more or less, out of the Swisher Survey, A-1220, Denton County, Texas.

DATE: 12/26/2002
LESSOR: John F. Talbot
LESSEE: Multibrands, Ltd. Co.
RECORDING DATA: V5256/P2552
DESCRIPTION: 14.8906 acres of land, more or less, out of the Swisher Survey, A-1220, Denton County, Texas.

DATE: 04/03/2003
LESSOR: Stephen L. Martin, et al
LESSEE: Multibrands, Ltd. Co.
RECORDING DATA: V5310/P1565
DESCRIPTION: 2.0100 acres of land, more or less, out of the Swisher Survey, A-1220, Denton County, Texas.

DATE: 12/14/2002
LESSOR: Teddy Brown
LESSEE: Multibrands, Ltd. Co.
RECORDING DATA: V5233/P3463
DESCRIPTION: 24.7320 acres of land, more or less, out of the Swisher Survey, A-1220, Denton County, Texas.

DATE: 12/14/2002
LESSOR: Rudy Brown
LESSEE: Multibrands, Ltd. Co.
RECORDING DATA: V5234/P2576
DESCRIPTION: 24.7320 acres of land, more or less, out of the Swisher Survey, A-1220, Denton County, Texas.

DATE: 12/19/2002
LESSOR: Sherry Headrick
LESSEE: Multibrands, Ltd. Co.
RECORDING DATA: V5233/P3459
DESCRIPTION: 24.7320 acres of land, more or less, out of the Swisher Survey, A-1220, Denton County, Texas.

After recording, return to:

**DAVID D. RAPP
BARLOW GARSEK & SIMON, LLP
3815 LISBON STREET
FORT WORTH, TX 76107-5601**