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**Official Record**

Recording requested By  
MERITAGE ENERGY CO LLC

**Eureka County - NV**

**Mike Rebaleati - Recorder**

Fee: **\$19.00**

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RPTT:

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**0208049**

Recording Requested By:

Meritage Energy Company, LLC  
1600 Broadway, Suite 1360  
Denver, CO 80202

Title of Document: Stipulation and Agreement

COPY

## STIPULATION AND AGREEMENT

This Stipulation and Agreement, entered into to be effective as of June 1, 2006 (the "Effective Date"), is by and among BLACK STONE MINERALS COMPANY, LP, a Delaware limited partnership ("Black Stone"), DEERFIELD PRODUCTION COMPANY, a Delaware corporation ("Deerfield"), and MERITAGE ENERGY COMPANY, LLC, a Delaware limited liability company.

WHEREAS, Black Stone is the owner of 100% of the minerals in the following lands (the "Lands"), in Eureka and Elko Counties, Nevada.

Township 28 North, Range 52 East, M.D.M.

Section 3: Lots 1 (40.26), Lot 2 (40.18), S/2NE/4, SE/4.

Township 29 North, Range 52 East, M.D.M.

Section 27: Lot 3 (43.11), Lot 4 (42.90), SW/4;

Section 35: W/2.

WHEREAS as the owner of the minerals in the Lands, Black Stone has, among its rights to the Lands, the right to explore for and produce, and to grant leases to explore for and produce, all oil and gas from the Lands.

WHEREAS, Black Stone is the successor in interest to all right, title and interest of Southern Pacific Land Company, Bravo Oil Company, Santa Fe Energy Resources, Inc., and Parker & Parsley Producing, LP, among others ("Black Stone's Predecessors"), in the mineral rights in the Lands.

WHEREAS, through the years, Black Stone's Predecessors have granted to various parties oil and gas leases covering the Lands (the "Prior Leases").

WHEREAS, by Release of Oil and Gas Lease, dated February 15, 2002, and recorded in Eureka County, Nevada in Book 346, Page 513 and recorded in Elko County, Nevada in Book 2, Page 14327, Black Stone and Deerfield intended to, and did, terminate the Prior Leases.

WHEREAS, by Oil and Gas Lease, dated February 20, 2002, (a memorandum of which was recorded in Eureka County, Nevada on April 4, 2002, in Book 346, Page 515) and recorded in Elko County, Nevada on April 29, 2002, in Book 2, Page 14329, as extended by Oil and Gas Lease Extension, dated January 30, 2006, and recorded in Eureka County on February 8, 2006 in Book 431, Page 200 (collectively, the "Lease"), Black Stone granted to Deerfield the exclusive right to explore for and produce oil and gas from the Lands.

WHEREAS, by Assignment, Bill and Sale and Conveyance, dated effective June 1, 2006, and recorded in Eureka County on September 14, 2006, in Book 442, Page 201, Deerfield assigned all of its right, title and interest in the Lease and Lands to Meritage.

WHEREAS, the parties desire to clarify the rights and duties of Black Stone, as lessor, and Meritage, as lessee (as the successor in interest to Deerfield), under the Lease.

NOW, THEREFORE, it is agreed to and stipulated as follows:

1. Replacement Lease. The Lease replaced the Prior Leases, and is not an extension or renewal of any of the Prior Leases.

2. Royalty. Pursuant to the terms of the Lease, Black Stone is entitled to a  $1/7^{\text{th}}$  of  $8/8^{\text{ths}}$  landowner's royalty (14.2857142%) in all oil and gas extracted, or produced from the Lands; and during the life of the Lease Black Stone is not entitled to any other royalty or interest in oil and gas produced from Lands pursuant to the Lease. In years past, Deerfield and Foreland Corporation (Deerfield's predecessor in title) paid a higher royalty to Black Stone, but such payments were made in error. Deerfield agrees not to attempt to collect any overpayments made prior to the Effective Date, but the parties shall start anew, abiding by the terms of the Lease effective as of the Effective Date.

3. Right to Explore and Produce. As the owner of the entire leasehold estate created by the Lease, during the term of the Lease Meritage has the exclusive right to enter onto the Lands and explore for and produce all oil and gas pursuant to the Lease, including without limitation, the right during the term of the Lease to produce and extract oil and gas from all future and existing wells located on the Lands (including, without limitation, the No. 2-27 Well located in Lot 3 of Section 27, T. 29 N., R. 52 E., M.D.M. and the No. 6-27 Well located in the NE/4SW/4 of Section 27, T. 29 N., R. 52 E., M.D.M.

4. Confirmation. Black Stone hereby confirms in Meritage all rights granted to the lessee under and pursuant to the terms of the Lease. Black Stone represents that the Lease is in good standing and is valid and in full force and effect.

Executed as of the dates first set forth below, to be effective as of the Effective Date.

[Signature Pages Follow]

*Mark E. Robinson*

BLACK STONE MINERALS COMPANY, LP,

By: Black Stone Interests, L.L.C.  
Its General Partner

By: Mark E. Robinson  
Vice President  
Minerals Management and Legal

STATE OF TEXAS §

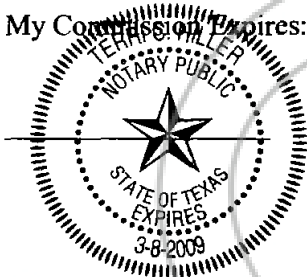
§

COUNTY OF HARRIS §

Before me, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Mark E. Robinson, known to me to be the person and office whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the said Black Stone Interests, L.L.C., General Partner of BLACK STONE MINERALS COMPANY, L.P., a Delaware limited partnership, and that he executed the same as the act of said partnership for the purpose and consideration therein expressed and in the capacity therein stated.

Given under my hand and seal this 22<sup>nd</sup> day of January, 2007.

My Commission Expires:



*Terri C. Heller*

Notary Public, State of Texas



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DEERFIELD PRODUCTION COMPANY,  
a Delaware corporation

By: Mark E. McSwain  
Name: Mark E. McSwain  
Title: President  
Date: 1/18/07

STATE OF Utah

COUNTY OF Davis

)  
) ss.  
)

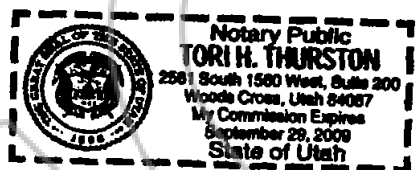
This instrument was acknowledged before me on January 18, 2007,  
by Mark E. McSwain as President of DEERFIELD  
PRODUCTION COMPANY.

Tori H. Thurston  
Notary Public

Name: Tori H. Thurston

My commission expires: 02-29-09

[Notary Seal]



MERITAGE ENERGY COMPANY, LLC

By: [Signature]  
Name: Sam D. Winegrad  
Title: Manager  
Date: 1/30/07

STATE OF Colorado )  
COUNTY OF Denver ) ss.

This instrument was acknowledged before me on January 30th, 2007,  
by Sam D. Winegrad as Manager of MERITAGE ENERGY  
COMPANY.

My Commission Expires 04/01/2009

Karen S. Hamilton  
Notary Public  
Name: Karen S. Hamilton

My commission expires \_\_\_\_\_

[Notary Seal]



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