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As filed with the Securities and Exchange Commission on August 17, 2012

Registration No. 333-179502

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 4
to
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Diamondback Energy, Inc.
(Exact name of registrant as specified in its charter)

Delaware	1311	45-4502447
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

500 West Texas
Suite 1225
Midland, Texas 79701
(432) 221-7400
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

Teresa Dick
Chief Financial Officer
Diamondback Energy, Inc.
14301 Caliber Drive
Suite 300
Oklahoma City, Oklahoma 73134
(405) 463-6900
(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Seth R. Molay, P.C. Akin Gump Strauss Hauer & Feld LLP 1700 Pacific Avenue, Suite 4100 Dallas, TX 75201 (214) 969-4780	J. Michael Chambers Keith Benson Latham & Watkins LLP 811 Main Street, Suite 3700 Houston, TX 77002 (713) 546-7416

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), check the following box. ☐

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

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

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 17, 2012.

PROSPECTUS

Shares

Diamondback Energy, Inc.

Common Stock

This is the initial public offering of our common stock. Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is expected to be between $ and $ per share. We have applied to list our common stock on The NASDAQ Global Market under the symbol "FANG."

We have granted the underwriters an option to purchase up to additional shares of our common stock to cover the underwriters' option to purchase additional shares.

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and will be subject to reduced public company reporting requirements. Investing in our common stock involves risks. [See "Risk Factors"](#) beginning on page 17.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Diamondback
Per Share	$	$	$
Total	$	$	$

Delivery of the shares of common stock will be made on or about , 2012.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

The date of this prospectus is , 2012.

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ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information different from that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We and the underwriters are only offering to sell, and only seeking offers to buy, our common stock in jurisdictions where offers and sales are permitted.

The information contained in this prospectus is accurate and complete only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock by us or the underwriters. Our business, financial condition, results of operations and prospects may have changed since that date.

Dealer Prospectus Delivery Obligation

Until (25 days after the commencement of the offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

Industry and Market Data

This prospectus includes industry data and forecasts that we obtained from internal company surveys, publicly available information and industry publications and surveys. Our internal research and forecasts are based on management's understanding of industry conditions, and such information has not been verified by independent sources. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable.

Unless the context otherwise requires, the information in this prospectus (other than in the historical financial statements) assumes that the underwriters will not exercise their option to purchase additional shares.

PROSPECTUS SUMMARY

This summary contains basic information about us and the offering. Because it is a summary, it does not contain all the information that you should consider before investing in our common stock. Except as expressly noted otherwise, the historical assets, operations and results described in this prospectus are those of Windsor Permian LLC, or Windsor Permian. Windsor Permian is a wholly-owned subsidiary of Diamondback Energy LLC, an entity controlled by Wexford Capital LP, or Wexford. Prior to the effectiveness of the registration statement of which this prospectus is a part, Diamondback Energy LLC will be merged with and into Diamondback Energy, Inc. and Diamondback Energy, Inc. will continue as the surviving entity. As a result of this merger, Windsor Permian will become our wholly-owned subsidiary. In addition, Wexford has agreed to cause all of the outstanding equity interests in Windsor UT LLC, or Windsor UT, to be contributed to Windsor Permian prior to the merger in a transaction we refer to as the Windsor UT contribution. Windsor UT owns oil and natural gas interests in the Permian Basin. On May 7, 2012, we entered into an agreement with Gulfport Energy Corporation, or Gulfport, in which Gulfport agreed to sell to us, subject to certain conditions, all of its oil and natural gas interests in the Permian Basin in exchange for shares of our common stock and a promissory note in a transaction we refer to as the Gulfport transaction. The Gulfport transaction would be completed prior to the effectiveness of the registration statement of which this prospectus is a part and immediately after the merger described above. In this prospectus, we refer to the Gulfport transaction and the Windsor UT contribution together as the Transactions. See "Prospectus Summary—The Transactions" beginning on page 7 of this prospectus for more information regarding the Transactions. Except as expressly noted otherwise, references to our operations and assets as of June 30, 2012 and thereafter give effect to the Transactions. You should read and carefully consider this entire prospectus before making an investment decision, especially the information presented under the heading "Risk Factors" and our financial statements and the accompanying notes included elsewhere in this prospectus, as well as the other documents to which we refer you. We have provided definitions for some of the oil and natural gas industry terms used in this prospectus in the "Glossary of Oil and Natural Gas Terms."

DIAMONDBACK ENERGY, INC.

Overview

We are an independent oil and natural gas company currently focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. This basin, which is one of the major producing basins in the United States, is characterized by an extensive production history, a favorable operating environment, mature infrastructure, long reserve life, multiple producing horizons, enhanced recovery potential and a large number of operators.

We began operations in December 2007 with our acquisition of 4,134 net acres with production at the time of acquisition of approximately 800 net barrels of oil equivalent, or BOE, per day from 34 gross (16.8 net) wells in the Permian Basin. Subsequently, we acquired approximately 26,875 additional net acres, which brought our total net acreage position in the Permian Basin to 31,009 net acres at June 30, 2012 and, after giving effect to the Transactions, we had 51,623 net acres. We are the operator of approximately 99% of this acreage. As of June 30, 2012, after giving effect to the Transactions, we had drilled 159 gross (147 net) wells, and participated in an additional 15 gross (six net) non-operated wells, in the Permian Basin. Of these 174 gross wells, 160 were completed as producing wells and 14 are in various stages of completion. In the aggregate, as of June 30, 2012, we held interests in 194 gross (177 net) producing wells in the Permian Basin.

Our activities are primarily focused on the Clearfork, Spraberry, Wolfcamp, Cline, Strawn and Atoka formations, which we refer to collectively as the Wolfberry play. The Wolfberry play is characterized by high oil and liquids rich natural gas, multiple vertical and horizontal target horizons, extensive production history, long-lived reserves and high drilling success rates. The Wolfberry play is a modification and extension of the Spraberry play, the majority of which is designated in the Spraberry trend area field. According to the U.S.

Energy Information Administration, the Spraberry trend area ranks as the second largest oilfield in the United States, based on 2009 reserves.

As of December 31, 2011, our estimated proved oil and natural gas reserves, pro forma for the Transactions, were 39,460 MBOE based on reserve reports prepared by Ryder Scott Company L.P., or Ryder Scott, our independent reserve engineers. Of these reserves, approximately 21.7% are classified as proved developed producing, or PDP. Proved undeveloped, or PUD, reserves included in this estimate are from 329 gross well locations on 40-acre spacing. As of December 31, 2011, these proved reserves were approximately 66% oil, 20% natural gas liquids and 14% natural gas.

We have 925 identified potential vertical drilling locations on 40-acre spacing based on our evaluation of applicable geologic and engineering data and we have an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. These identified potential drilling locations do not include any potential horizontal drilling locations. We intend to grow our reserves and production through development drilling, exploitation and exploration activities on this multi-year project inventory of identified potential drilling locations and through acquisitions that meet our strategic and financial objectives, targeting oil-weighted reserves. Our estimated ultimate recoveries, or EURs, from future PUD wells on 40-acre spacing, as estimated by Ryder Scott, range from 102 MBOE per well, consisting of 46 MBbls of oil, 143 MMcf of natural gas and 32 MBbls of natural gas liquids, to 158 MBOE per well, consisting of 112 MBbls of oil, 113 MMcf of natural gas and 27 MBbls of natural gas liquids, with an average EUR per well of 135 MBOE, consisting of 93 MBbls of oil, 102 MMcf of natural gas and 25 MBbls of natural gas liquids. We also intend to continue to refine our drilling pattern and completion techniques in an effort to increase our average EUR per well from vertical wells drilled on 40-acre spacing. We currently anticipate a reduction of approximately 20% in our EURs from vertical wells drilled on 20-acre spacing. Our 2012 drilling plan currently contemplates drilling 58 gross (54 net) vertical wells on 40-acre spacing and two gross (two net) horizontal wells in the Wolfberry play. As of June 30, 2012, we were using three drilling rigs and, upon completion of this offering, intend to increase our drilling program to six or seven rigs.

We believe the experience gained from our historical drilling programs and the information obtained from the results of extensive industry drilling activity in the Permian Basin have helped us reduce the risk and uncertainty associated with drilling vertical wells on our Permian Basin acreage. We intend to supplement our vertical development drilling activity with horizontal wells targeting various intervals in the Wolfberry play. Our horizontal drilling program is intended to further capture the upside potential that may exist on our properties and increase our well performance and recoveries as compared to drilling vertical wells alone.

During 2011, we assembled a new executive team and, beginning with the fourth quarter of 2011, this team assumed management control of our operations and development activities in the Permian Basin. With an average of approximately 24 years of industry experience per person, this team has extensive experience in the Permian Basin as well as other resource plays in North America, including significant experience in drilling and completing horizontal wells. Under the direction of our new executive team, the average drilling time required to reach total depth, or TD, was shortened by 25% to 15 days during the fourth quarter of 2011 from 20 days during the second quarter of 2011, and our average gross well cost (including drilling and completion cost) was reduced from $2.6 million during the second quarter of 2011 to $2.5 million during the first quarter of 2012. We also reduced the time from spud to production from an average of 68 days during the fourth quarter of 2011 to an average of 50 days during the first quarter of 2012. During the quarter ended June 30, 2012, our average daily production, pro forma for the Transactions, was 3,637 BOE/d, consisting of 2,579 Bbls/d of oil, 2,757 Mcf/d of natural gas and 599 Bbls/d of natural gas liquids, an increase of 13%, or 409 BOE/d, from 3,229 BOE/d, consisting of 2,365 Bbls/d of oil, 2,267 Mcf/d of natural gas and 486 Bbls/d of natural gas liquids, for the quarter ended March 31, 2012. This increase was due primarily to improved strategies and procedures introduced by our new executive team relating to wellbore configuration, completion, execution, fluid recovery and well pumping practices that significantly reduced the level of required well remediation and the associated loss of production. We anticipate further increases in efficiencies as our new executive team executes on our development strategies across our acreage base.

The following table provides a summary of selected operating information of our properties, pro forma for the Transactions. The information is as of June 30, 2012 except as otherwise noted.

Basin	Net Acreage	Average Working Interest	Identified Potential Drilling Locations(1)		2012 Budget			Estimated Net Proved Reserves at December 31, 2011		Average Daily Production (BOE/d)(3)
			Gross	Net	Gross Wells(2)	Net Wells(2)	Capex (In millions)	MBOE	% Developed	
Permian	51,623	86.9%	925	855	69	59	$140.0-$150.0	39,460	23.9	3,822

(1) Reflects identified potential vertical drilling locations on 40-acre spacing based on our evaluation of applicable geologic and engineering data. We have an additional 1,122 gross (1,025 net) identified potential vertical drilling locations based on 20-acre downspacing. These identified potential drilling locations do not include any potential horizontal drilling locations. The drilling locations on which we actually drill wells will ultimately depend on the availability of capital, regulatory approvals, oil and natural gas prices, costs, actual drilling results and other factors.

(2) Includes 60 gross (56 net) wells for which we are the operator and nine gross (three net) non-operated wells.

(3) During June 2012.

We currently anticipate our 2012 capital budget for drilling and infrastructure will be approximately $140.0 million to $150.0 million after giving effect to the Transactions. Of this amount, we plan to spend approximately $116.0 million on the drilling and completion of 58 gross (54 net) operated vertical wells and two gross (two net) horizontal wells, $10.5 million for the drilling and completion of nine gross (three net) non-operated wells, $8.0 million for leasehold acquisitions and $6.0 million for the construction of infrastructure to support production, including investments in water disposal infrastructure and gathering line projects. During the six months ended June 30, 2012, our aggregate capital expenditures for drilling and infrastructure after giving effect to the Transactions were $70.7 million.

Our Business Strategy

Our business strategy is to increase stockholder value through the following:

- ***Grow production and reserves by developing our oil-rich resource base***. We intend to actively drill and develop our acreage base in an effort to maximize its value and resource potential. Through the conversion of our undeveloped reserves to developed reserves, we will seek to increase our production, reserves and cash flow while generating favorable returns on invested capital. As of June 30, 2012, after giving effect to the Transactions, we had 925 identified potential vertical drilling locations on our acreage in the Permian Basin based on 40-acre spacing and an additional 1,122 such locations based on 20-acre downspacing. We believe the drilling of these locations will provide us with the critical subsurface data necessary to target potential horizontal horizons. Our 2012 drilling plan currently contemplates drilling 58 gross (54 net) vertical wells and two gross (two net) horizontal wells in the Wolfberry play. We ended 2011 with a two rig drilling program which we increased to four drilling rigs in 2012. As of June 30, 2012, we were using three drilling rigs. Upon completion of this offering, we intend to increase our drilling program to six or seven rigs. Subject to market conditions and rig availability, we expect to operate up to eight rigs in the first half of 2013, which we expect will allow us to significantly increase our drilling program in 2013.
- ***Focus on increasing hydrocarbon recovery through horizontal drilling and increased well density.*** We believe there are opportunities to target various intervals in the Wolfberry play with horizontal wells and we currently plan to drill two gross (two net) horizontal wells in 2012 to target these producing horizons. Our first horizontal well was completed in Upton County in June 2012 with a 4,000 foot lateral and a 30-day average initial production rate of 486 BOE/d. Our horizontal drilling program is designed to further capture the upside potential that may exist on our properties. We also

believe our horizontal drilling program may significantly increase our recoveries per section as compared to drilling vertical wells alone. Horizontal drilling may also be economical in areas where vertical drilling is currently not economical or logistically viable. In addition, we believe increased well density opportunities may exist across our acreage base. We closely monitor industry trends with respect to higher well density, which could increase the recovery factor per section and enhance returns since infrastructure is typically in place.

- ***Leverage our experience operating in the Permian Basin***. Our executive team, which has an average of approximately 24 years of industry experience per person and significant experience in the Permian Basin, intends to continue to seek ways to maximize hydrocarbon recovery by refining and enhancing our drilling and completion techniques. The time to reach TD for our vertical Wolfberry wells decreased from an average of 20 days during the second quarter of 2011 to an average of 15 days during the fourth quarter of 2011, resulting in a lower total well cost. Our focus on efficient drilling and completion techniques, and the resulting reduction in time to reach TD, is an important part of the continuous drilling program we have planned for our significant inventory of identified potential drilling locations. In addition, we believe that the experience of our new executive team in deviated and horizontal drilling and completions should help reduce the execution risk normally associated with these complex well paths. Additionally, our completion techniques are continually evolving as we evaluate hydraulic fracturing practices that may potentially increase recovery and reduce completion costs. Our executive team regularly evaluates our operating results against those of other operators in the area in an effort to benchmark our performance against the best performing operators and evaluate and adopt best practices.
- ***Enhance returns through our low cost development strategy of resource conversion, capital allocation and continued improvements in operational and cost efficiencies.*** In the current commodity price environment, our oil and liquids rich asset base provides attractive returns. Our acreage position in the Wolfberry play is generally in contiguous blocks which allows us to develop this acreage efficiently with a "manufacturing" strategy that takes advantage of economies of scale and uses centralized production and fluid handling facilities. We are the operator of approximately 99% of our acreage. This operational control allows us to more efficiently manage the pace of development activities and the gathering and marketing of our production and control operating costs and technical applications, including horizontal development. Our average 86.2% working interest in our acreage pro forma for the Transactions allows us to realize the majority of the benefits of these expected improvements and cost efficiencies.
- ***Pursue strategic acquisitions with exceptional resource potential***. We have a proven history of acquiring leasehold positions in the Permian Basin that have substantial oil-weighted resource potential and can achieve attractive returns on invested capital. Our executive team, with its extensive experience in the Permian Basin, has what we believe is a competitive advantage in identifying acquisition targets and a proven ability to evaluate resource potential. We intend to continue to pursue acquisitions that meet our strategic and financial targets.
- ***Maintain Financial flexibility***. We seek to maintain a conservative financial position. After giving effect to this offering and the use of proceeds from this offering to repay the outstanding borrowings under our revolving credit facility, we will have $90.0 million of available borrowing capacity under such facility. We expect that we will fund our capital development plans for 2012 from our operating cash flow, proceeds from this offering and borrowings under our revolving credit facility.

Our Strengths

We believe that the following strengths will help us achieve our business goals:

- ***Oil rich resource base in one of North America's leading resource plays***. All of our leasehold acreage is located in one of the most prolific oil plays in North America, the Permian Basin in West Texas. As of June 15, 2012, the Baker Hughes Rig Count survey reported that there were 453 rigs drilling in the Permian Basin. The majority of our current properties are well positioned in the core of the Wolfberry play. We believe that our historical vertical development success will be complemented with horizontal drilling locations that could ultimately translate into an increased recovery factor on a per section basis. Our production was approximately 74% oil, 15% natural gas liquids and 11% natural gas for both the six months ended June 30, 2012 and the year ended December 31, 2011. As of December 31, 2011, after giving effect to the Transactions, our estimated net proved reserves were comprised of approximately 66% oil and 20% natural gas liquids. This oil and liquids exposure allows us to benefit from their currently more favorable prices as compared to natural gas.

- ***Multi-year drilling inventory in one of North America's leading oil resource plays***. We have identified a multi-year inventory of potential drilling locations for our oil-weighted reserves that we believe provides attractive growth and return opportunities. As of June 30, 2012, after giving effect to the Transactions, we had 925 identified potential vertical drilling locations based on 40-acre spacing and an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. In 2012, after giving effect to the Transactions, we anticipate drilling 58 gross (54 net) vertical operated wells, which represent only approximately 6.2% of our identified potential vertical drilling locations on 40-acre spacing at June 30, 2012. We also believe that there are a significant number of horizontal locations that could be drilled on our acreage. We expect to drill two gross (two net) horizontal operated wells during 2012 targeting three different producing horizons. Management currently estimates that EURs for our horizontal wells will be approximately 400 MBOE. In addition, the liquids rich natural gas component of our inventory adds value with Btu content ranging from 1,225 MMBtu to 1,528 MMBtu and our June 2012 natural gas liquids yield was 118 Bbls/MMcf. In addition, we have approximately 117 square miles of proprietary 3-D seismic data covering our acreage. This data facilitates the evaluation of our existing drilling inventory and provides insight into future development activity, including horizontal drilling opportunities and strategic leasehold acquisitions.
- ***Experienced, incentivized and proven management team***. Our new executive team has an average of approximately 24 years of industry experience per person, most of which is focused on resource play development. This team has a proven track record of executing on multi-rig development drilling programs and extensive experience in the Permian Basin. In addition, our executive team has significant experience with both drilling and completing horizontal wells as well as horizontal well reservoir and geologic expertise, which will be of strategic importance as we expand our future development plans to include horizontal drilling. Prior to joining us, our Chief Executive Officer held management positions at Apache Corporation, Laredo Petroleum Holdings, Inc. and Burlington Resources.
- ***Favorable and stable operating environment***. We have focused our drilling and development operations in the Permian Basin, one of the oldest hydrocarbon basins in the United States, with a long and well-established production history and developed infrastructure. With approximately 380,000 wells drilled in the Permian Basin since the 1940s, we believe that the geological and regulatory environment is more stable and predictable, and that we are faced with less operational risks, in the Permian Basin as compared to emerging hydrocarbon basins.
- ***High degree of operational control***. We are the operator of approximately 99% of our Permian Basin acreage. This operating control allows us to better execute on our strategies of enhancing returns through operational and cost efficiencies and increasing ultimate hydrocarbon recovery by seeking to continually improve our drilling techniques, completion methodologies and reservoir evaluation processes. Additionally, as the operator of substantially all of our acreage, we retain the ability to adjust our capital expenditure program based on commodity price outlooks. This operating control also enables us to obtain data needed for efficient exploration of horizontal prospects.

- ***Financial flexibility to fund expansion***. Upon the completion of this offering, we will have a conservative balance sheet. We will seek to maintain financial flexibility to allow us to actively develop our drilling, exploitation and exploration activities in the Wolfberry play and maximize the present value of our oil-weighted resource potential. After giving effect to this offering and the use of proceeds from this offering to repay the outstanding borrowings under our revolving credit facility, we will have $90.0 million of available borrowing capacity under our revolving credit facility. We expect that our borrowing base will be increased as a result of the Transactions.

Risk Factors

Investing in our common stock involves risks that include the speculative nature of oil and natural gas exploration, competition, volatile oil and natural gas prices and other material factors. You should read carefully the section of this prospectus entitled "*Risk Factors*" beginning on page 17 for an explanation of these risks before investing in our common stock. In particular, the following considerations may offset our competitive strengths or have a negative effect on our strategy or operating activities, which could cause a decrease in the price of our common stock and a loss of all or part of your investment:

- Our business is difficult to evaluate because of our limited operating history.
- Difficulties managing the growth of our business may adversely affect our financial condition and results of operations.
- Failure to develop our undeveloped acreage could adversely affect our future cash flow and income.
- Our exploration and development operations require substantial capital that we may be unable to obtain, which could lead to a loss of properties and a decline in our reserves.
- Our future success depends on our ability to find, develop or acquire additional oil and natural gas reserves.
- The volatility of oil and natural gas prices due to factors beyond our control greatly affects our profitability.
- Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present values of our reserves.
- Our producing properties are located in the Permian Basin of West Texas, making us vulnerable to risks associated with a concentration of operations in a single geographic area. In addition, we have a large amount of proved reserves attributable to a small number of producing horizons within this area.
- We depend upon several significant purchasers for the sale of most of our oil and natural gas production. The loss of one or more of these purchasers could limit our access to suitable markets for the oil and natural gas we produce.
- Our operations are subject to various governmental regulations which require compliance that can be burdensome and expensive.
- Any failure by us to comply with applicable environmental laws and regulations, including those relating to hydraulic fracturing, could result in governmental authorities taking actions that adversely affect our operations and financial condition.
- Our operations are subject to operational hazards for which we may not be adequately insured.
- Our failure to successfully identify, complete and integrate future acquisitions of properties or businesses could reduce our earnings and slow our growth.
- Our largest stockholder controls a significant percentage of our common stock and its interests may conflict with yours.

For a discussion of other considerations that could negatively affect us, see “*Risk Factors*” beginning on page 17 and “*Cautionary Note Regarding Forward-Looking Statements*” on page 44 of this prospectus.

The Transactions

On May 7, 2012, we entered into an agreement with Gulfport in which Gulfport agreed to sell to us all of its oil and natural gas properties in the Permian Basin in exchange for (i) shares of our common stock, which will represent 35% of our outstanding common stock immediately prior to the closing of this offering and (ii) approximately $63.6 million in the form of a non-interest bearing promissory note, which we refer to as the Gulfport transaction note, that will be repaid in full upon the closing of this offering with a portion of the net proceeds from this offering. We are the operator of the acreage to be acquired by us from Gulfport. The aggregate consideration payable to Gulfport is subject to a post-closing cash adjustment and will be increased or decreased by an amount equal to the difference between $118.1 million and the “final capital amount,” divided by 65% and then multiplied by 35%. For purposes of our agreement with Gulfport, “final capital amount” means Windsor Permian’s (a) total current assets, consisting of cash, trade accounts receivable (net of an allowance for doubtful accounts), inventory, prepaid expenses, other current assets and other assets, less (b) total current liabilities, consisting of trade accounts payable, accounts payable to related parties, accrued capital and other expenses, long-term debt and asset retirement obligations, in each case as of the closing date of the transaction. Accordingly, for purposes of illustration only, if the final capital amount is $110.0 million, we would owe Gulfport an additional approximately $4.4 million and if the final capital amount is $125.0 million, Gulfport would owe us approximately $3.7 million. Gulfport’s obligation to complete this transaction is contingent upon, among other things, the contribution to us of all the outstanding equity interests in Windsor Permian and Gulfport’s satisfaction with the terms of this offering. In connection with this transaction, we will grant Gulfport the right, for so long as Gulfport beneficially owns more than 10% of our outstanding common stock, to designate one individual as a nominee to serve on our board of directors. We will also grant Gulfport certain demand and “piggyback” registration rights obligating us to register with the SEC the shares of our common stock owned by Gulfport. For more information regarding the Gulfport transaction, see “*Management—Our Board of Directors and Committees*,” “*Related Party Transactions—Gulfport Transaction and Investor Rights Agreement*” and “*Shares Eligible for Future Sale—Registration Rights*” beginning on pages 116, 131 and 142, respectively, of this prospectus.

In addition, our equity sponsor, Wexford, has agreed to cause all of the outstanding equity interests in Windsor UT LLC, or Windsor UT, to be contributed to Windsor Permian before the completion of the Gulfport transaction described above. Windsor UT was formed in April 2010 and acquired 4,978 gross (2,489 net) acres in the Permian Basin, of which we are the operator. The other 2,489 net acres are owned by Gulfport and will be transferred to us in the Gulfport transaction. Five wells have been drilled on this acreage as of June 30, 2012, which acreage contains 120 of our identified potential vertical drilling locations based on 40-acre spacing.

We refer to Gulfport’s sale of properties to us as the Gulfport transaction and we refer to the Gulfport transaction together with the contribution to Windsor Permian of all the equity interests in Windsor UT as the Transactions.

Our Equity Sponsor

We were formed by our equity sponsor, Wexford Capital LP, or Wexford, which is a Greenwich, Connecticut-based SEC-registered investment advisor with over $5.5 billion under management as of December 31, 2011. Wexford has made public and private equity investments in many different sectors and has particular expertise in the energy and natural resources sector. Upon completion of this offering, Wexford will beneficially own approximately % of our common stock (approximately % if the underwriters’ option to purchase additional shares is exercised in full). As a result, Wexford will continue to be able to exercise significant control over all matters requiring stockholder approval, including the election of directors, changes to our organizational documents and significant corporate transactions. Prior to the closing of this offering, we will enter into an advisory services agreement with Wexford under which Wexford will provide us with financial and strategic advisory services related to our business. We are also party to certain other agreements with Wexford and its affiliates. For a description of the advisory services agreement and other agreements with Wexford and its affiliates, see "*Related Party Transactions*" beginning on page 131. Although our management believes that the terms of these related party agreements are reasonable, it is possible that we could have negotiated more favorable terms for such transactions with unrelated third parties. The existence of these related party agreements may give Wexford the ability to further influence and maintain control over many matters affecting us.

Our History

Diamondback Energy, Inc. was incorporated on December 30, 2011 in Delaware as a holding company and will not conduct any material business operations prior to the transaction described below. All of our historical assets, operations and results described in this prospectus are those of Windsor Permian LLC, or Windsor Permian. Windsor Permian is a wholly-owned subsidiary of Diamondback Energy LLC, which is an entity controlled by our equity sponsor, Wexford. Prior to the effectiveness of the registration statement of which this prospectus is a part, Wexford will cause Diamondback Energy LLC to be merged with and into Diamondback Energy, Inc. and Diamondback Energy, Inc. will continue as the surviving entity. Immediately after the merger and prior to the effectiveness of the registration statement of which this prospectus is a part, Gulfport will complete the Gulfport transaction. Upon completion of these Transactions, Wexford and Gulfport will beneficially own 65% and 35%, respectively, of our outstanding common stock. Upon completion of the offering, Wexford and Gulfport will beneficially own approximately % and %, respectively, of our common stock (approximately % and %, respectively, if the underwriters' option to purchase additional shares is exercised in full).

As of April 30, 2012, Windsor Permian held a 22% interest in Bison Drilling and Field Services LLC, or Bison, and a 33% interest in Muskie Holdings LLC, or Muskie. Bison owns drilling rigs and various oil and natural gas well servicing equipment and performs drilling and field services for us. Muskie owns certain assets, real estate and rights in a lease for land that is prospective for oil and natural gas fracture grade sand. Windsor Permian's interests in Bison and Muskie were distributed to Windsor Permian's sole member in June 2012 so we may focus our activities on our oil and natural gas exploration and development activities. We recorded revenues of $0.8 million and $1.5 million attributable to Bison in our consolidated statements of operations during 2010 and the first quarter of 2011, respectively. Muskie was formed in 2011, and we recorded a loss from equity method investments of $7,017 for 2011. The interests in Bison and Muskie are reflected in "Investments-equity method" on our consolidated balance sheets. For additional information regarding Bison and Muskie, see "*Unaudited Pro Forma Condensed Consolidated Financial Statements*" and "*Related Party Transactions*" beginning on pages 52 and 131, respectively, of this prospectus and Note 5 to our consolidated financial statements appearing elsewhere in this prospectus.

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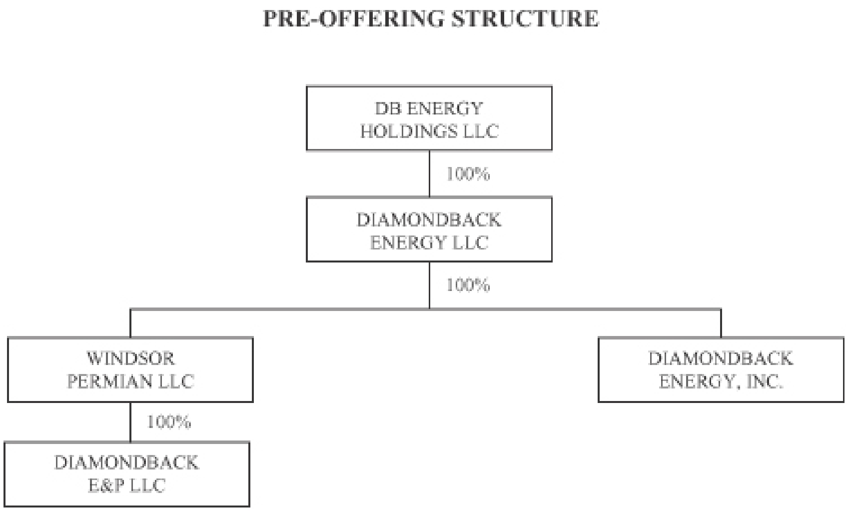
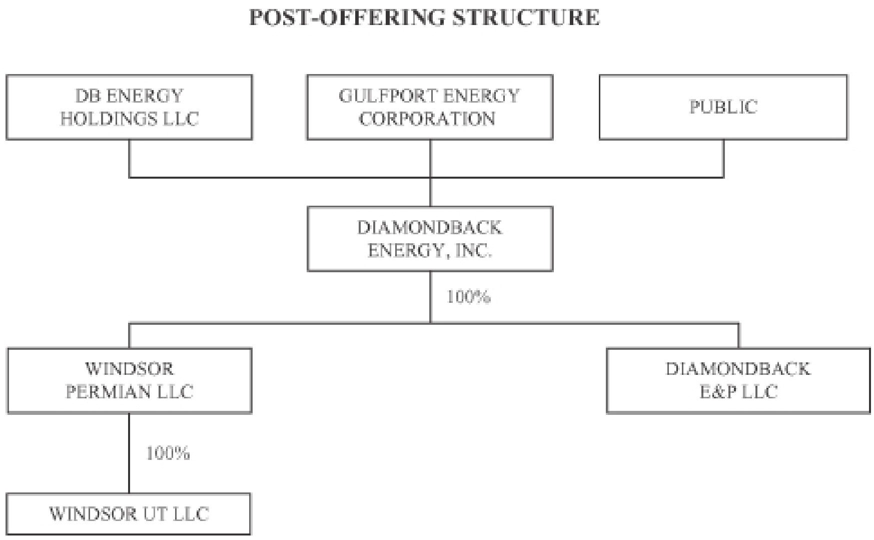
The following organizational charts illustrate (a) our pre-offering organizational structure and (b) our organizational structure after giving effect to the Transactions and the offering:





Emerging Growth Company

We are an ‘‘emerging growth company’’ within the meaning of the federal securities laws. For as long as we are an emerging growth company, we will not be required to comply with the requirements that are applicable to other public companies that are not “emerging growth companies” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, the reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and the exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions until we are no longer an emerging growth company. For a description of the qualifications and other requirements applicable to emerging growth companies and certain elections that we have made due to our status as an emerging growth company, see *“Risk Factors—Risks Related to this Offering and our Common Stock – We are an ‘emerging growth company’ and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors”* on page 40 of this prospectus.

Our Offices

Our principal executive offices are located at 500 West Texas, Suite 1225, Midland, Texas, and our telephone number at that address is (432) 221-7400. We also lease additional office space in Midland and in Oklahoma City, Oklahoma. Our website address is www.diamondbackenergy.com. Information contained on our website does not constitute part of this prospectus. Except as otherwise indicated or required by the context, all references in this prospectus to “Diamondback,” the “Company,” “we,” “us” or “our” relate to Diamondback Energy, Inc., Windsor Permian LLC and its consolidated subsidiaries.

The Offering

Common stock offered by us	shares (shares if the underwriters' option to purchase additional shares is exercised in full)
Common stock to be outstanding immediately after completion of this offering	shares
Option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to an aggregate of additional shares of our common stock.
Use of proceeds	We expect to receive approximately $ million of net proceeds from the sale of the common stock offered by us, based upon the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting underwriting discounts and estimated offering expenses (or approximately $ million if the underwriters' option to purchase additional shares is exercised in full). At the closing of this offering, we will use approximately $ million of the net proceeds to repay the outstanding borrowings under our revolving credit facility, $63.6 million to repay the Gulfport transaction note and $ million to repay outstanding borrowings under our subordinated note with an affiliate of Wexford. The remaining net proceeds of approximately $ million (or approximately $ million if the underwriters' option to purchase additional shares is exercised in full), will be used to fund a portion of our exploration and development activities and for general corporate purposes, which may include leasehold interest and property acquisitions, working capital and the settlement of crude oil swaps. See "*Use of Proceeds*" on page 45 of this prospectus.
Dividend policy	We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in the foreseeable future.
NASDAQ Global Market symbol	"FANG"
Risk Factors	You should carefully read and consider the information beginning on page 17 of this prospectus set forth under the heading "*Risk Factors*" and all other information set forth in this prospectus before deciding to invest in our common stock.

Except as otherwise indicated, all information contained in this prospectus:

- assumes the underwriters do not exercise their over-allotment option; and
- excludes 2,500,000 shares of common stock reserved for issuance under our equity incentive plan, including, based on an assumed public offering price of $ per share (which is the midpoint of the range set forth on the cover of this prospectus):
  - restricted stock units to be issued to certain employees following the closing of this offering under the terms of their employment agreements, of which will be vested on the closing date of this offering;

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- 33,330 restricted stock units to be issued to our non-employee directors following the closing of this offering as part of their director compensation, of which 11,110 will be vested on the closing date of this offering; and
- options to purchase shares of our common stock to be granted to certain employees following the closing of this offering under the terms of their employment agreements, of which options to purchase shares will be vested on the closing date of this offering.

Summary Consolidated Historical and Pro Forma Financial Data

The following table sets forth our summary historical consolidated financial data as of and for each of the periods indicated. The summary consolidated financial data as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 are derived from our historical audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data as of December 31, 2009 are derived from our audited consolidated balance sheet as of that date, which is not included in this prospectus. The summary consolidated financial data as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 are derived from our historical unaudited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data as of June 30, 2011 are derived from our unaudited consolidated balance sheet as of such date, which is not included in this prospectus. The unaudited pro forma financial data give effect to (a) the Transactions and (b) the distribution by Windsor Permian to its equity holder of its minority equity interests in Bison and Muskie. The unaudited pro forma statement of operations data for the year ended December 31, 2011 and the six months ended June 30, 2012 assume that these transactions occurred on January 1, 2011. The unaudited pro forma balance sheet data assume that the Transactions occurred on June 30, 2012. The unaudited pro forma C Corporation financial data presented give effect to income taxes assuming we operated as a taxable corporation throughout the periods presented. Operating results for the years ended December 31, 2011, 2010 and 2009 and the six months ended June 30, 2012 and 2011 are not necessarily indicative of results that may be expected for any future periods. You should review this information together with *"Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Consolidated Financial Data"* and "*Unaudited Pro Forma Condensed Consolidated Financial Statements*" beginning on pages 59, 49 and 52, respectively, of this prospectus as well as our consolidated historical financial statements, the historical financial statements of Windsor UT and the statements of revenues and direct operating expenses of certain property interests of Gulfport and their respective related notes included elsewhere in this prospectus.

	Pro Forma		Historical				
	Six Months Ended June 30,	Year Ended December 31,	Six Months Ended June 30,		Year Ended December 31,		
	2012	2011	2012	2011	2011	2010	2009
Statement of Operations Data:							
Oil and natural gas revenues	$	$	$ 31,757,923	$ 22,038,729	$ 47,180,802	$ 26,441,927	$ 12,716,011
Other revenues			—	1,490,910	1,490,910	811,247	—
Expenses:							
Lease operating expense			6,134,714	4,283,671	10,345,355	4,588,559	2,366,623
Production taxes			1,550,154	1,093,899	2,333,853	1,346,879	663,068
Gathering and transportation			146,320	85,944	201,828	105,870	42,091
Oil and natural gas services			—	1,732,892	1,732,892	811,247	—
Depreciation, depletion and amortization			10,235,730	7,441,366	15,402,826	8,145,143	3,215,891
General and administrative			2,815,051	1,421,313	3,603,479	3,051,627	5,062,618
Asset retirement obligation accretion expense			40,195	28,736	63,259	37,856	27,934
Total expenses			20,922,164	16,087,821	33,683,492	18,087,181	11,378,225
Income from operations			10,835,759	7,441,818	14,988,220	9,165,993	1,337,786
Other income (expense):							
Interest income			2,004	6,988	11,197	34,474	35,075
Interest expense			(2,053,706)	(1,097,053)	(2,528,058)	(836,265)	(10,938)
Other income			1,058,043	—	—	—	—
Gain (loss) on derivative contracts			5,164,987	(28,181)	(13,009,393)	(147,983)	(4,068,005)
Loss from equity investment			(66,654)	—	(7,017)	—	—
Total other income (expense), net			4,104,674	(1,118,246)	(15,533,271)	(949,774)	(4,043,868)
Net income (loss)	$	$	$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)

	Pro Forma		Historical				
			Six Months Ended June 30,		Year Ended December 31,		
	Six Months Ended June 30, 2012	Year Ended December 31, 2011	2012	2011	2011	2010	2009
Pro Forma C Corporation Data:[1]							
Net income (loss) before income taxes	$	$	$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)
Pro forma for income taxes			—	—	—	—	—
Pro forma net income (loss)	$	$	$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)
Pro forma income (loss) per common share — basic and diluted[2]	$	$	$		$		
Weighted average pro forma shares outstanding — basic and diluted[2]							
Selected Cash Flow and Other Financial Data:							
Net income (loss)			$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)
Depreciation, depletion and amortization			10,235,730	7,943,855	15,905,315	8,145,143	3,215,891
Other non-cash items			(4,273,541)	177,309	13,844,010	344,461	4,108,464
Change in operating assets and liabilities			1,406,699	(925,350)	1,179,920	(11,529,999)	(1,916,707)
Net cash provided by operating activities			$ 22,309,321	$ 13,519,386	$ 30,384,194	$ 5,175,824	$ 2,701,566
Net cash used in investing activities			$ (59,382,142)	$ (38,363,561)	$ (76,314,042)	$ (53,134,641)	$ (32,149,617)
Net cash provided by financing activities			$ 32,337,149	$ 23,292,499	$ 48,642,492	$ 49,618,254	$ 23,849,250

	Pro Forma	Historical				
	As of June 30, 2012	As of June 30,		As of December 31,		
		2012	2011	2011	2010	2009
Balance sheet data:						
Cash and cash equivalents	$	$ 2,066,717	$ 2,538,068	$ 6,802,389	$ 4,089,745	$ 2,430,308
Other current assets		23,197,048	23,855,341	24,130,450	20,947,659	2,263,097
Oil and gas properties, net — using full cost method of accounting		254,189,321	164,635,560	206,342,604	135,782,510	89,777,517
Well equipment to be used in development of oil and gas properties		—	—	—	—	5,413,310
Other property and equipment, net		1,540,452	3,435,130	684,015	11,059,220	105,564
Other assets		1,997,772	12,286,037	11,524,427	637,562	82,813
Total assets	$	$ 282,991,310	$ 206,750,136	$ 249,483,885	$ 172,516,696	$ 100,072,609
Current liabilities	$	$ 51,806,938	$ 23,996,533	$ 42,418,305	$ 20,010,276	$ 13,972,080
Note payable-long term		338,560	—	—	—	—
Note payable-credit facility-long term		90,000,000	68,400,000	85,000,000	44,766,687	—
Note payable-related party-long term		14,109,782	—	—	—	—
Derivative contracts-long term		1,666,639	1,498,517	6,138,573	1,373,864	1,416,431
Asset retirement obligations		1,195,662	893,471	1,079,725	727,826	481,887
Member's equity		123,873,729	111,961,615	114,847,282	105,638,043	84,202,211
Total liabilities and member's equity	$	$ 282,991,310	$ 206,750,136	$ 249,483,885	$ 172,516,696	$ 100,072,609

	Pro Forma		Historical				
	Six Months Ended June 30, 2012	Year Ended December 31, 2011	Six Months Ended June 30,		Year Ended December 31,		
			2012	2011	2011	2010	2009
Other financial data:							
Adjusted EBITDA[3]	$	$	$ 22,687,298	$ 15,421,397	$ 31,505,264	$ 17,383,466	$ 4,616,686

(1) Diamondback Energy, Inc. was incorporated on December 30, 2011 in Delaware as a holding company and will not conduct any material business operations prior to the transaction described below. Our historical consolidated financial statements and other financial information included in this prospectus pertain to assets, liabilities, revenues and expenses of Windsor Permian LLC, which is an entity controlled by our equity sponsor, Wexford. Windsor Permian LLC was treated as a partnership for federal income tax purposes. As a result, essentially all of Windsor Permian LLC's taxable earnings and losses were passed through to Wexford, and Windsor Permian LLC did not pay federal income taxes at the entity level. Prior to the completion of this offering, Windsor Permian LLC will become our wholly-owned subsidiary and, because we are a subchapter C corporation under the Internal Revenue Code, the earnings at Windsor Permian LLC will become subject to federal income tax. For comparative purposes, we have included pro forma financial data to give effect to income taxes assuming the earnings at Windsor Permian LLC had been subject to federal income tax as a subchapter C corporation in all periods presented in the accompanying table. If the earnings at Windsor Permian LLC had been subject to federal income tax as a subchapter C corporation during the periods presented herein, we would have incurred net operating losses for income tax purposes in each period presented. We would have been in a net deferred tax asset, or DTA, position as a result of such tax losses and would have recorded a valuation allowance to reduce each period's DTA balance to zero. A valuation allowance to reduce each period's DTA would have resulted in an equal and offsetting credit for the respective expenses or an equal and offsetting debit for the respective benefits for income taxes, with the resulting tax expenses for each of the above periods of zero. The unaudited pro forma data is presented for informational purposes only, and does not purport to project our results of operations for any future period or our financial position as of any future date.

(2) Unaudited historical pro forma basic and diluted income (loss) per share will be presented for the latest fiscal year and interim period on the basis of the aggregate number of shares to be issued to DB Holdings in connection with the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc., upon determination of the number of those shares.

(3) Adjusted EBITDA is a non-GAAP financial measure. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our net income (loss), see "*Selected Historical Consolidated Financial Data*" beginning on page 49 of this prospectus.

Summary Historical and Pro Forma Reserve Data

The following table sets forth estimates of our net proved oil and natural gas reserves as of December 31, 2011 on a historical basis and on a pro forma basis after giving effect to the Transactions as if they had occurred as of December 31, 2011. Our historical reserves and the historical reserves attributable to the Windsor UT properties and the properties subject to the Gulfport transaction have been prepared in each case as of December 31, 2011 by Ryder Scott, an independent petroleum engineering firm, in accordance with SEC rules and regulations. Copies of these reserve reports are attached to this prospectus as Appendices B, C and D. You should also refer to *"Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business—Oil and Gas Data—Proved Reserves," "Business—Oil and Gas Production Prices and Production Costs—Production and Price History"* beginning on pages 17, 59, 95 and 100, respectively, of this prospectus, our audited consolidated financial statements and notes thereto and our unaudited pro forma financial statements and notes thereto included in this prospectus in evaluating the material presented below.

	Pro Forma December 31, 2011	Historical December 31, 2011
Estimated proved developed reserves:		
Oil (Bbls)	6,046,099	3,805,291
Natural gas (Mcf)	8,335,945	5,186,941
Natural gas liquids (Bbls)	1,969,710	1,233,318
Total (BOE)	9,405,133	5,903,099
Estimated proved undeveloped reserves:		
Oil (Bbls)	20,140,377	12,911,578
Natural gas (Mcf)	24,261,522	14,431,926
Natural gas liquids (Bbls)	5,870,849	3,529,955
Total (BOE)	30,054,813	18,846,854
Estimated Net Proved Reserves:		
Oil (Bbls)	26,186,476	16,716,869
Natural gas (Mcf)	32,597,467	19,618,867
Natural gas liquids (Bbls)	7,840,559	4,763,273
Total (BOE)(1)	39,459,946	24,749,953
Percent proved developed	23.8%	23.9%

(1) Estimates of reserves as of December 31, 2011 were prepared using an average price equal to the unweighted arithmetic average of hydrocarbon prices received on a field-by-field basis on the first day of each month within the 12-month period ended December 31, 2011, in accordance with revised SEC guidelines applicable to reserves estimates as of the end of 2011. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for unproved undeveloped acreage. The reserve estimates represent our net revenue interest in our properties. Although we believe these estimates are reasonable, actual future production, cash flows, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary substantially from these estimates.

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risks and all of the other information contained in this prospectus before deciding to invest in our common stock. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The risks described below are not the only ones facing us. Additional risks not presently known to us or which we currently consider immaterial also may adversely affect us.

Risks Related to the Oil and Natural Gas Industry and Our Business

Our business is difficult to evaluate because we have a limited operating history.

We were incorporated in Delaware on December 30, 2011. All of our historical oil and natural gas assets, operations and results described in this prospectus are currently those of Windsor Permian, which is an entity controlled by our equity sponsor, Wexford. Immediately prior to the effectiveness of the registration statement of which this prospectus is a part, Windsor Permian will become our wholly-owned subsidiary and we will acquire the oil and gas assets of Gulfport located in the Permian Basin in the Gulfport transaction. The oil and natural gas properties of Windsor Permian, Gulfport and Windsor UT described in this prospectus have been acquired by Windsor Permian, Gulfport and Windsor UT since December 2007. As a result, there is only limited historical financial and operating information available upon which to base your evaluation of our performance.

We may have difficulty managing growth in our business, which could adversely affect our financial condition and results of operations.

As a recently-formed company, growth in accordance with our business plan, if achieved, could place a significant strain on our financial, technical, operational and management resources. As we expand our activities and increase the number of projects we are evaluating or in which we participate, there will be additional demands on our financial, technical, operational and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrences of unexpected expansion difficulties, including the failure to recruit and retain experienced managers, geologists, engineers and other professionals in the oil and natural gas industry, could have a material adverse effect on our business, financial condition and results of operations and our ability to timely execute our business plan.

Approximately 86% of our net leasehold acreage is undeveloped, and that acreage may not ultimately be developed or become commercially productive, which could cause us to lose rights under our leases as well as have a material adverse effect on our oil and natural gas reserves and future production and, therefore, our future cash flow and income.

Approximately 86% of our net leasehold acreage is undeveloped, or acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves. In addition, many of our oil and natural gas leases require us to drill wells that are commercially productive, and if we are unsuccessful in drilling such wells, we could lose our rights under such leases. Our future oil and natural gas reserves and production and, therefore, our future cash flow and income are highly dependent on successfully developing our undeveloped leasehold acreage.

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

The oil and natural gas industry is capital intensive. We make and expect to continue to make substantial capital expenditures in our business and operations for the exploration for and development, production and acquisition of oil and natural gas reserves. In 2011, our total capital expenditures, including expenditures for leasehold interest and property acquisitions, drilling, seismic and infrastructure, were approximately $75.4 million. Our 2012 capital budget for drilling, completion and infrastructure, including investments in water disposal infrastructure and gathering line projects, is estimated to be approximately $140.0 million to $150.0 million after giving effect to the Transactions. To date, we have financed capital expenditures primarily with funding from Wexford, our equity sponsor, borrowings under our revolving credit facility and cash generated by operations. However, neither Wexford nor any of its affiliates has made any commitment to provide us additional funding. Notwithstanding prior contributions and loans to us by Wexford or its affiliates, you should not assume that any of them will provide any debt or equity funding to us in the future.

In the near term, we intend to finance our capital expenditures with cash flow from operations, proceeds from this offering and borrowings under our revolving credit facility. Our cash flow from operations and access to capital are subject to a number of variables, including:

- our proved reserves;
- the volume of oil and natural gas we are able to produce from existing wells;
- the prices at which oil and natural gas are sold; and
- our ability to acquire, locate and produce new reserves.

We cannot assure you that our operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures. Further, our actual capital expenditures in 2012 could exceed our capital expenditure budget. In the event our capital expenditure requirements at any time are greater than the amount of capital we have available, we could be required to seek additional sources of capital, which may include traditional reserve base borrowings, debt financing, joint venture partnerships, production payment financings, sales of assets, offerings of debt or equity securities or other means. We cannot assure you that we will be able to obtain debt or equity financing on terms favorable to us, or at all.

If we are unable to fund our capital requirements, we may be required to curtail our operations relating to the exploration and development of our prospects, which in turn could lead to a possible loss of properties and a decline in our oil and natural gas reserves, or may be otherwise unable to implement our development plan, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our production, revenues and results of operations. In addition, a delay in or the failure to complete proposed or future infrastructure projects could delay or eliminate potential efficiencies and related cost savings.

Our success depends on finding, developing or acquiring additional reserves.

Our future success depends upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted, except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we undertake development, exploration and other replacement activities or use third parties to accomplish these activities. We have made and expect to make in the future substantial capital expenditures in our business and operations for the development, production, exploration and acquisition of oil and natural gas reserves. We may not have sufficient resources to undertake our exploration, development and production activities or the acquisition of oil and natural gas reserves, our exploratory projects or other replacement activities may not result in significant additional reserves and we may not have success drilling productive wells at low finding and development costs. Furthermore, although our revenues may increase if prevailing oil and natural gas prices increase significantly, our finding costs for additional reserves could also increase.

Our project areas, which are in various stages of development, may not yield oil or natural gas in commercially viable quantities.

Our project areas are in various stages of development, ranging from project areas with current drilling or production activity to project areas that consist of recently acquired leasehold acreage or that have limited drilling or production history. From inception through June 30, 2012, after giving effect to the Transactions, we drilled a total of 159 gross wells and participated in an additional 15 gross non-operated wells, of which 160 wells were completed as producing wells and 14 wells were in various stages of completion. If the wells in the process of being completed do not produce sufficient revenues to return a profit or if we drill dry holes in the future, our business may be materially affected.

Our identified potential drilling locations, which are part of our anticipated future drilling plans, are susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

As of June 30, 2012, after giving effect to the Transactions, we had 925 identified potential vertical drilling locations on our existing acreage based on 40-acre spacing and an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. Only 309 of these identified potential vertical drilling locations were attributed to proved reserves. These drilling locations, including those without proved undeveloped reserves, represent a significant part of our growth strategy. Our ability to drill and develop these locations depends on a number of uncertainties, including the availability of capital, construction of infrastructure, inclement weather, regulatory changes and approvals, oil and natural gas prices, costs and drilling results. Further, our identified potential drilling locations are in various stages of evaluation, ranging from locations that are ready to drill to locations that will require substantial additional interpretation. We cannot predict in advance of drilling and testing whether any particular drilling location will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable or whether wells drilled on 20-acre downspacing will produce at the same rates as those on 40-acre spacing. The use of technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing the well, possibly resulting in a reduction in production from the well or abandonment of the well. If we drill additional wells that we identify as dry holes in our current and future drilling locations, our drilling success rate may decline and materially harm our business. We cannot assure you that the analogies we draw from available data from other wells, more fully explored locations or producing fields will be applicable to our drilling locations. Further, initial production rates reported by us or other operators in the Permian Basin may not be indicative of future or long-term production rates. Because of these uncertainties, we do not know if the potential drilling locations we have identified will ever be drilled or if we will be able to produce oil or natural gas from these or any other potential drilling locations. As such, our actual drilling activities may materially differ from those presently identified, which could adversely affect our business.

Our acreage must be drilled before lease expiration, generally within three to five years, in order to hold the acreage by production. In a highly competitive market for acreage, failure to drill sufficient wells to hold acreage may result in a substantial lease renewal cost, or if renewal is not feasible, loss of our lease and prospective drilling opportunities.

Leases on oil and natural gas properties typically have a term of three to five years, after which they expire unless, prior to expiration, production is established within the spacing units covering the undeveloped acres. As of June 30, 2012 after giving effect to the Transactions, we had leases representing 361 net acres expiring in 2012, 222 net acres expiring in 2013, 2,065 net acres expiring in 2014, 17,846 net acres expiring in 2015 and 7,133 net acres expiring in 2016. The cost to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. Any reduction in our current drilling program, either through a reduction in capital expenditures or the unavailability of drilling rigs, could result in the loss of acreage through lease expirations. In addition, in order to hold our current leases expiring in 2014 and 2015, we will need to operate at least a four-rig program. We cannot assure you that we will have the liquidity to deploy these rigs in this time frame, or that commodity prices will warrant operating such a drilling program. Any such losses of leases could materially and adversely affect the growth of our asset basis, cash flows and results of operations.

The volatility of oil and natural gas prices due to factors beyond our control greatly affects our profitability.

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and natural gas properties depend primarily upon the prevailing prices for oil and natural gas. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, including:

- the domestic and foreign supply of oil and natural gas;
- the level of prices and expectations about future prices of oil and natural gas;
- the level of global oil and natural gas exploration and production;
- the cost of exploring for, developing, producing and delivering oil and natural gas;
- the price of foreign imports;
- political and economic conditions in oil producing countries, including the Middle East, Africa, South America and Russia;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- speculative trading in crude oil and natural gas derivative contracts;
- the level of consumer product demand;
- weather conditions and other natural disasters;
- risks associated with operating drilling rigs;
- technological advances affecting energy consumption;
- domestic and foreign governmental regulations and taxes;
- the continued threat of terrorism and the impact of military and other action, including U.S. military operations in the Middle East;
- proximity and capacity of oil and natural gas pipelines and other transportation facilities;
- the price and availability of alternative fuels; and
- overall domestic and global economic conditions.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements with any certainty. For example, during the past five years, the posted price for West Texas intermediate light sweet crude oil, which we refer to as West Texas Intermediate or WTI, has ranged from a low of $30.28 per barrel, or Bbl, in December 2008 to a high of $145.31 per Bbl in July 2008. The Henry Hub spot market price of natural gas has ranged from a low of $1.82 per million British thermal units, or MMBtu, in April 2012 to a high of $13.31 per MMBtu in July 2008. During 2011, West Texas Intermediate prices ranged from $75.40 to $113.39 per Bbl and the Henry Hub spot market price of natural gas ranged from $2.84 to $4.92 per MMBtu. On June 29, 2012, the West Texas Intermediate posted price for crude oil was $89.04 per Bbl and the Henry Hub spot market price of natural gas was $2.74 per MMBtu. Any substantial decline in the price of oil and natural gas will likely have a material adverse effect on our operations, financial condition and level of expenditures for the development of our oil and natural gas reserves. In addition, lower oil and natural gas prices may reduce the amount of oil and natural gas that we can produce economically. This may result in our having to make substantial downward adjustments to our estimated proved reserves. If this occurs or if our production estimates change or our exploration or development results deteriorate, full cost accounting rules may require us to write down, as a non-cash charge to earnings, the carrying value of our oil and natural gas properties.

We have entered into price swap derivatives and may in the future enter into forward sale contracts or additional price swap derivatives for a portion of our production, which may result in our making cash payments or prevent us from receiving the full benefit of increases in prices for oil and gas.

We use price swap derivatives to reduce price volatility associated with certain of our oil sales. Under these swap contracts, we receive a fixed price per barrel of oil and pay a floating market price per barrel of oil to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty. For the purpose of locking-in the value of a swap, we enter into counter-swaps from time to time. Under the counter-swap, we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, we placed a swap contract covering 1,680,000 Bbls of crude oil for the period from January 2008 to December 2012 at various fixed prices. In April 2008, we entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of crude oil swaps. In June 2009, we entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of crude oil swaps. Locking in the value of our swaps with counter-swaps, without entering into new swaps, exposes us to commodity price risks on the originally swapped position. As of December 31, 2010 and 2009, all of our swap contracts were locked-in with counter swaps. In October 2011, we placed a swap contract covering 1,000 Bbls per day of crude oil for the period from January 1, 2012 through December 31, 2013 at a price of $78.50 per barrel in 2012 and $80.55 per barrel in 2013. Such contracts and any future hedging arrangements may expose us to risk of financial loss in certain circumstances, including instances where production is less than expected or oil prices increase. In addition, these arrangements may limit the benefit to us of increases in the price of oil. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair value of our derivative instruments.

Our hedging transactions expose us to counterparty credit risk.

Our hedging transactions expose us to risk of financial loss if a counterparty fails to perform under a derivative contract. Disruptions in the financial markets could lead to sudden decreases in a counterparty’s liquidity, which could make them unable to perform under the terms of the derivative contract and we may not be able to realize the benefit of the derivative contract.

The inability of one or more of our customers to meet their obligations may adversely affect our financial results.

In addition to credit risk related to receivables from commodity derivative contracts, our principal exposure to credit risk is through receivables from joint interest owners on properties we operate (approximately $10.4 million at June 30, 2012) and receivables from purchasers of our oil and natural gas production (approximately $4.8 million at June 30, 2012). Joint interest receivables arise from billing entities that own partial interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we wish to drill. We are generally unable to control which co-owners participate in our wells.

We are also subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. For the six months ended June 30, 2012, three purchasers accounted for more than 10% of our revenue: Plains Marketing, L.P. (63%); Andrews Oil Buyers, Inc. (13%); and Occidental Energy Marketing, Inc. (12%). For the years ended December 31, 2011 and 2010, one purchaser, Windsor Midstream LLC, an entity controlled by Wexford, our equity sponsor, accounted for approximately 78% and 81% of our revenue, respectively. For the year ended December 31, 2009, two purchasers accounted for more than 10% of our revenue: Windsor Midstream LLC (68%) and DCP Midstream, LP (14%). No other customer accounted for more than 10% of our revenue during these periods. This concentration of customers may impact our overall credit risk in that these entities may be similarly affected by changes in economic and other conditions. Current economic circumstances may further increase these risks. We do not require our customers to post collateral. The inability or failure of our significant customers or joint working interest owners to meet their obligations to us or their insolvency or liquidation may materially adversely affect our financial results.

Our method of accounting for investments in oil and natural gas properties may result in impairment of asset value.

We account for our oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs and annual lease rentals are capitalized. We also capitalize direct operating costs for services performed with internally owned drilling and well servicing equipment. All general and administrative corporate costs unrelated to drilling activities are expensed as incurred. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless the ratio of cost to proved reserves would significantly change. Income from services provided to working interest owners of properties in which we also own an interest, to the extent they exceed related costs incurred, are accounted for as reductions of capitalized costs of oil and natural gas properties. Depletion of evaluated oil and natural gas properties is computed on the units of production method based on proved reserves. The average depletion rate per barrel equivalent unit of production was $24.22 and $26.72 for the six months ended June 30, 2012 and 2011, respectively, and $25.40, $17.78 and $11.21 for the years ended December 31, 2011, 2010 and 2009, respectively. Depreciation, depletion and amortization expense for oil and natural gas properties for the six months ended June 30, 2012 and 2011 was $10.0 million and $7.3 million, respectively, and for the years ended December 31, 2011, 2010 and 2009 was $15.2 million, $7.4 million and $3.2 million, respectively.

The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10%. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion, amortization and impairment exceed the discounted future net revenues of proved oil and natural gas reserves, the excess capitalized costs are charged to expense. Beginning December 31, 2009, we have used the unweighted arithmetic average first day of the month price for oil and natural gas for the 12-month period preceding the calculation date in estimating discounted future net revenues.

No impairment on proved oil and natural gas properties was recorded for the years ended December 31, 2011, 2010 and 2009 or for the six months ended June 30, 2012 and 2011. We may experience additional ceiling test write downs in the future. See *“Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Method of accounting for oil and natural gas properties”* beginning of page 81 of this prospectus for a more detailed description of our method of accounting.

Our estimated reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

Oil and natural gas reserve engineering is not an exact science and requires subjective estimates of underground accumulations of oil and natural gas and assumptions concerning future oil and natural gas prices, production levels, ultimate recoveries and operating and development costs. As a result, estimated quantities of proved reserves, projections of future production rates and the timing of development expenditures may be incorrect. Our historical estimates of proved reserves and related valuations are based on reports prepared by Ryder Scott as of December 31, 2011 and by Pinnacle as of December 31, 2010 and 2009, each an independent petroleum engineering firm. The estimates of proved reserves and related valuations attributable to the Windsor UT properties and the properties subject to the Gulfport transaction are based, in each case, on reports prepared by Ryder Scott as of December 31, 2011. Ryder Scott and Pinnacle, as applicable, conducted a well-by-well review of all our properties for the periods covered by their respective reserve reports using information provided by us. Over time, we may make material changes to reserve estimates taking into account the results of actual drilling, testing and production. Also, certain assumptions regarding future oil and natural gas prices, production levels and operating and development costs may prove incorrect. Any significant variance from these assumptions to actual figures could greatly affect our estimates of reserves, the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, the classifications of reserves based on risk of recovery and estimates of the future net cash flows. A substantial portion of our reserve estimates are made without the benefit of a lengthy production history, which are less reliable than estimates based on a lengthy production history. Numerous changes over time to the assumptions on which our reserve estimates are based, as described above, often result in the actual quantities of oil and natural gas we ultimately recover being different from our reserve estimates.

The estimates of reserves as of December 31, 2011, 2010 and 2009 included in this prospectus were prepared using an average price equal to the unweighted arithmetic average of hydrocarbon prices received on a field-by-field basis on the first day of each month within the 12-month periods ended December 31, 2011, 2010 and 2009, respectively, in accordance with the revised SEC guidelines applicable to reserves estimates for such periods. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for unproved undeveloped acreage. The reserve estimates represent our net revenue interest in our properties.

The timing of both our production and our incurrence of costs in connection with the development and production of oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves.

SEC rules that went into effect for fiscal years ending on or after December 31, 2009 could limit our ability to book additional proved undeveloped reserves in the future.

SEC rules that went into effect for fiscal years ending on or after December 31, 2009 require that, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years after the date of booking. This requirement has limited and may continue to limit our ability to book additional proved undeveloped reserves as we pursue our drilling program. Moreover, we may be required to write down our proved undeveloped reserves if we do not drill those wells within the required five-year timeframe.

The development of our proved undeveloped reserves may take longer and may require higher levels of capital expenditures than we currently anticipate.

Approximately 76% of our total estimated proved reserves at December 31, 2011 were proved undeveloped reserves and may not be ultimately developed or produced. Recovery of proved undeveloped reserves requires significant capital expenditures and successful drilling operations. The reserve data included in the reserve engineer reports assumes that substantial capital expenditures are required to develop such reserves. We cannot be certain that the estimated costs of the development of these reserves are accurate, that development will occur as scheduled or that the results of such development will be as estimated. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce future net revenues of our estimated proved undeveloped reserves and may result in some projects becoming uneconomic. In addition, delays in the development of reserves could cause us to have to reclassify our proved reserves as unproved reserves.

Our producing properties are located in the Permian Basin of West Texas, making us vulnerable to risks associated with operating in one major geographic area. In addition, we have a large amount of proved reserves attributable to a small number of producing horizons within this area.

All of our producing properties are geographically concentrated in the Permian Basin of West Texas. As a result of this concentration, we may be disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells in this area caused by governmental regulation, processing or transportation capacity constraints, availability of equipment, facilities, personnel or services market limitations or interruption of the processing or transportation of crude oil, natural gas or natural gas liquids. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and natural gas producing areas such as the Permian Basin, which may cause these conditions to occur with greater frequency or magnify the effects of these conditions. Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on our financial condition and results of operations.

In addition to the geographic concentration of our producing properties described above, at December 31, 2011, all of our proved reserves were attributable to the Wolfberry play. This concentration of assets within a small number of producing horizons exposes us to additional risks, such as changes in field-wide rules and regulations that could cause us to permanently or temporarily shut-in all of our wells within a field.

We depend upon several significant purchasers for the sale of most of our oil and natural gas production. The loss of one or more of these purchasers could, among other factors, limit our access to suitable markets for the oil and natural gas we produce.

The availability of a ready market for any oil and/or natural gas we produce depends on numerous factors beyond the control of our management, including but not limited to the extent of domestic production and imports of oil, the proximity and capacity of gas pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil and natural gas production and federal regulation of gas sold in interstate commerce. In addition, we depend upon several significant purchasers for the sale of most of our oil and natural gas production. For the six months ended June 30, 2012, three purchasers accounted for more than 10% of our revenue: Plains Marketing, L.P. (63%); Andrews Oil Buyers, Inc. (13%); and Occidental Energy Marketing, Inc. (12%). For the years ended December 31, 2011 and 2010, one purchaser, Windsor Midstream LLC, an entity controlled by Wexford, our equity sponsor, accounted for approximately 78% and 81% of our revenue, respectively. For the year ended December 31, 2009, two purchasers accounted for more than 10% of our revenue: Windsor Midstream LLC (68%) and DCP Midstream, LP (14%). No other customer accounted for more than 10% of our revenue during these periods. We cannot assure you that we will continue to have ready access to suitable markets for our future oil and natural gas production.

The unavailability, high cost or shortages of rigs, equipment, raw materials, supplies or personnel may restrict our operations.

The oil and natural gas industry is cyclical, which can result in shortages of drilling rigs, equipment, raw materials (particularly sand and other proppants), supplies and personnel. When shortages occur, the costs and delivery times of rigs, equipment and supplies increase and demand for, and wage rates of, qualified drilling rig crews also rise with increases in demand. In accordance with customary industry practice, we rely on independent third party service providers to provide most of the services necessary to drill new wells. If we are unable to secure a sufficient number of drilling rigs at reasonable costs, our financial condition and results of operations could suffer, and we may not be able to drill all of our acreage before our leases expire. In addition, we do not have long-term contracts securing the use of our existing rigs, and the operator of those rigs may choose to cease providing services to us. In addition, we intend to increase the number of rigs we have operating in 2012 and 2013. Shortages of drilling rigs, equipment, raw materials (particularly sand and other proppants), supplies, personnel, trucking services, tubulars, fracking and completion services and production equipment could delay or restrict our exploration and development operations, which in turn could impair our financial condition and results of operations.

Our operations are substantially dependent on the availability of water. Restrictions on our ability to obtain water may have an adverse effect on our financial condition, results of operations and cash flows.

Water is an essential component of deep shale oil and natural gas production during both the drilling and hydraulic fracturing processes. Historically, we have been able to purchase water from local land owners for use in our operations. According to the Lower Colorado River Authority, during 2011, Texas experienced the lowest inflows of water of any year in recorded history. As a result of this severe drought, some local water districts have begun restricting the use of water subject to their jurisdiction for hydraulic fracturing to protect local water supply. If we are unable to obtain water to use in our operations from local sources, we may be unable to economically produce oil and natural gas, which could have an adverse effect on our financial condition, results of operations and cash flows.

Declining general economic, business or industry conditions may have a material adverse effect on our results of operations, liquidity and financial condition.

Concerns over global economic conditions, energy costs, geopolitical issues, inflation, the availability and cost of credit, the European debt crisis, the United States mortgage market and a declining real estate market in the United States have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of oil, natural gas and natural gas liquids, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a recession. In addition, continued hostilities in the Middle East and the occurrence or threat of terrorist attacks in the United States or other countries could adversely affect the economies of the United States and other countries. Concerns about global economic growth have had a significant adverse impact on global financial markets and commodity prices. If the economic climate in the United States or abroad continues to deteriorate, worldwide demand for petroleum products could diminish, which could impact the price at which we can sell our oil, natural gas and natural gas liquids, affect the ability of our vendors, suppliers and customers to continue operations and ultimately adversely impact our results of operations, liquidity and financial condition.

We have incurred losses from operations during certain periods since our inception and may do so in the future.

We incurred a net loss of $0.5 million for the year ended December 31, 2011. Our development of and participation in an increasingly larger number of drilling locations has required and will continue to require substantial capital expenditures. The uncertainty and risks described in this prospectus may impede our ability to economically find, develop and acquire oil and natural gas reserves. As a result, we may not be able to achieve or sustain profitability or positive cash flows provided by operating activities in the future.

Part of our strategy involves drilling in existing or emerging shale plays using the latest available horizontal drilling and completion techniques; therefore, the results of our planned exploratory drilling in these plays are subject to drilling and completion technique risks and drilling results may not meet our expectations for reserves or production.

Our operations involve utilizing the latest drilling and completion techniques as developed by us and our service providers. Risks that we face while drilling include, but are not limited to, landing our well bore in the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the formation, running our casing the entire length of the well bore and being able to run tools and other equipment consistently through the horizontal well bore. Risks that we face while completing our wells include, but are not limited to, being able to fracture stimulate the planned number of stages, being able to run tools the entire length of the well bore during completion operations and successfully cleaning out the well bore after completion of the final fracture stimulation stage. The results of our drilling in new or emerging formations are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. Newer or emerging formations and areas have limited or no production history and consequently we are less able to predict future drilling results in these areas.

Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If our drilling results are less than anticipated or we are unable to execute our drilling program because of capital constraints, lease expirations, access to gathering systems, and/or natural gas and oil prices decline, the return on our investment in these areas may not be as attractive as we anticipate. Further, as a result of any of these developments we could incur material write-downs of our oil and gas properties and the value of our undeveloped acreage could decline in the future.

Conservation measures and technological advances could reduce demand for oil and natural gas.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and natural gas. The impact of the changing demand for oil and gas services and products may have a material adverse effect on our business, financial condition, results of operations and cash flows.

The marketability of our production is dependent upon transportation and other facilities, certain of which we do not control. When these facilities are unavailable, our operations can be interrupted and our revenues reduced.

The marketability of our oil and natural gas production depends in part upon the availability, proximity and capacity of transportation facilities owned by third parties. Our oil production is transported from the wellhead to our tank batteries by our gathering system. Our purchasers then transport the oil by truck to a pipeline for transportation. Our gas production is generally transported by our gathering lines from the wellhead to an interconnection point with the purchaser. We do not control these trucks and other third party transportation facilities and our access to them may be limited or denied. Insufficient production from our wells to support the construction of pipeline facilities by our purchasers or a significant disruption in the availability of our or third party transportation facilities or other production facilities could adversely impact our ability to deliver to market or produce our oil and natural gas and thereby cause a significant interruption in our operations. If, in the future, we are unable, for any sustained period, to implement acceptable delivery or transportation arrangements or encounter production related difficulties, we may be required to shut in or curtail production. Any such shut in or curtailment, or an inability to obtain favorable terms for delivery of the oil and natural gas produced, would adversely affect our financial condition and results of operations.

Our operations are subject to various governmental regulations which require compliance that can be burdensome and expensive.

Our oil and natural gas operations are subject to various federal, state and local governmental regulations that may be changed from time to time in response to economic and political conditions. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity to conserve supplies of oil and gas. In addition, the production, handling, storage, transportation, remediation, emission and disposal of oil and gas, by-products thereof and other substances and materials produced or used in connection with oil and natural gas operations are subject to regulation under federal, state and local laws and regulations primarily relating to protection of human health and the environment. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil or criminal penalties, permit revocations, requirements for additional pollution controls and injunctions limiting or prohibiting some or all of our operations. Moreover, these laws and regulations have continually imposed increasingly strict requirements for water and air pollution control and solid waste management. Significant expenditures may be required to comply with governmental laws and regulations applicable to us. We believe the trend of more expansive and stricter environmental legislation and regulations will continue. See *"Business—Regulation—Environmental Matters and Regulation"* and *"Business—Regulation—Other Regulation of the Oil and Natural Gas Industry"* beginning on pages 104 and 108, respectively, of this prospectus for a description of the laws and regulations that affect us.

Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Hydraulic fracturing is an important common practice that is used to stimulate production of hydrocarbons particularly natural gas, from tight formations, including shales. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The federal Safe Drinking Water Act, or SDWA, regulates the underground injection of substances through the Underground Injection Control, or UIC, program. Hydraulic fracturing is generally exempt from regulation under the UIC program, and the hydraulic fracturing process is typically regulated by state oil and gas commissions. The EPA, however, has recently taken the position that hydraulic fracturing with fluids containing diesel fuel is subject to regulation under the UIC program, specifically as “Class II” UIC wells. At the same time, the Environmental Protection Agency, or EPA, has commenced a study of the potential environmental impacts of hydraulic fracturing activities, and a committee of the U.S. House of Representatives is also conducting an investigation of hydraulic fracturing practices. Moreover, the EPA announced on October 20, 2011 that it is also launching a study regarding wastewater resulting from hydraulic fracturing activities and currently plans to propose standards by 2014 that such wastewater must meet before being transported to a treatment plant. As part of these studies, both the EPA and the House committee have requested that certain companies provide them with information concerning the chemicals used in the hydraulic fracturing process. These studies, depending on their results, could spur initiatives to regulate hydraulic fracturing under the SDWA or otherwise.

Legislation to amend the Safe Drinking Water Act to repeal the exemption for hydraulic fracturing from the definition of “underground injection” and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, were proposed in recent sessions of Congress. The U.S. Congress continues to consider legislation to amend the Safe Drinking Water Act.

On April 17, 2012, EPA approved final regulations under the federal Clean Air Act that establish new air emission controls for oil and natural gas production and natural gas processing operations. Specifically, EPA’s rule package includes New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds, or VOCs, and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. The final rule includes a 95 percent reduction in VOCs emitted by requiring the use of reduced emission completions or “green completions” on all hydraulically-fractured wells constructed or refractured after January 1, 2015. The rules also establish specific new requirements regarding emissions from compressors, controllers, dehydrators, storage tanks and other production equipment. These rules will require a number of modifications to our operations, including the installation of new equipment to control emissions from our wells by January 1, 2015. Compliance with such rules could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact our business.

In addition, there are certain governmental reviews either underway or being proposed that focus on environmental aspects of hydraulic fracturing practices. The federal government is currently undertaking several studies of hydraulic fracturing’s potential impacts, the results of which are expected between later in 2012 and 2014.

These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory authorities.

Several states, including Texas, and the Department of the Interior, in a May 4, 2012 proposed rule covering federal lands, have adopted or are considering adopting regulations that could restrict or prohibit hydraulic fracturing in certain circumstances and/or require the disclosure of the composition of hydraulic fracturing fluids. The Texas Railroad Commission recently adopted rules and regulations requiring that the well operator disclose
the list of chemical ingredients subject to the requirements of federal Occupational Safety and Health Act

(OSHA) for disclosure on an internet website and also file the list of chemicals with the Texas Railroad Commission with the well completion report. The total volume of water used to hydraulically fracture a well must also be disclosed to the public and filed with the Texas Railroad Commission. We plan to use hydraulic fracturing extensively in connection with the development and production of certain of our oil and natural gas properties and any increased federal, state, local, foreign or international regulation of hydraulic fracturing could reduce the volumes of oil and gas that we can economically recover, which could materially and adversely affect our revenues and results of operations.

There has been increasing public controversy regarding hydraulic fracturing with regard to use of fracturing fluids, impacts on drinking water supplies, use of waters and the potential for impacts to surface water, groundwater and the environment generally. A number of lawsuits and enforcement actions have been initiated across the country implicating hydraulic fracturing practices. If new laws or regulations that significantly restrict hydraulic fracturing, such as the FRAC Act, are adopted, such laws could make it more difficult or costly for us to perform fracturing to stimulate production from tight formations as well as make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, if hydraulic fracturing is further regulated at the federal or state level, our fracturing activities could become subject to additional permitting and financial assurance requirements, more stringent construction specifications, increased monitoring, reporting and recordkeeping obligations, plugging and abandonment requirements and also to attendant permitting delays and potential increases in costs. Such legislative changes could cause us to incur substantial compliance costs, and compliance or the consequences of any failure to comply by us could have a material adverse effect on our financial condition and results of operations. At this time, it is not possible to estimate the impact on our business of newly enacted or potential federal or state legislation governing hydraulic fracturing.

Our operations may be exposed to significant delays, costs and liabilities as a result of environmental, health and safety requirements applicable to our business activities.

We may incur significant delays, costs and liabilities as a result of federal, state and local environmental, health and safety requirements applicable to our exploration, development and production activities. These laws and regulations may require us to obtain a variety of permits or other authorizations governing our air emissions, water discharges, waste disposal or other environmental impacts associated with drilling, producing and other operations; regulate the sourcing and disposal of water used in the drilling, fracturing and completion processes; limit or prohibit drilling activities in certain areas and on certain lands lying within wilderness, wetlands, frontier and other protected areas; require remedial action to prevent or mitigate pollution from former operations such as plugging abandoned wells or closing earthen pits; and/or impose substantial liabilities for spills, pollution or failure to comply with regulatory filings. In addition, these laws and regulations may restrict the rate of oil or natural gas production. These laws and regulations are complex, change frequently and have tended to become increasingly stringent over time. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens, the suspension or revocation of necessary permits, licenses and authorizations, the requirement that additional pollution controls be installed and, in some instances, issuance of orders or injunctions limiting or requiring discontinuation of certain operations.

Under certain environmental laws that impose strict as well as joint and several liability, we may be required to remediate contaminated properties currently or formerly operated by us or facilities of third parties that received waste generated by our operations regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons or property, including natural resources, may result from the environmental, health and safety impacts of our operations. In addition, the risk of accidental spills or releases from our operations could expose us to significant liabilities under environmental laws. Moreover, public interest in the protection of the environment has increased dramatically in recent years. The trend of more expansive and stringent environmental legislation and regulations applied to the crude oil and natural gas industry could continue, resulting in increased costs of doing business and consequently affecting profitability. To the extent laws are enacted or other governmental action is taken that restricts drilling or imposes more stringent and costly operating, waste handling, disposal and cleanup requirements, our business, prospects, financial condition or results of operations could be materially adversely affected.

Restrictions on drilling activities intended to protect certain species of wildlife may adversely affect our ability to conduct drilling activities in some of the areas where we operate.

Oil and natural gas operations in our operating areas can be adversely affected by seasonal or permanent restrictions on drilling activities designed to protect various wildlife. Seasonal restrictions may limit our ability to operate in protected areas and can intensify competition for drilling rigs, oilfield equipment, services, supplies and qualified personnel, which may lead to periodic shortages when drilling is allowed. These constraints and the resulting shortages or high costs could delay our operations and materially increase our operating and capital costs. Permanent restrictions imposed to protect endangered species could prohibit drilling in certain areas or require the implementation of expensive mitigation measures. The designation of previously unprotected species in areas where we operate as threatened or endangered could cause us to incur increased costs arising from species protection measures or could result in limitations on our exploration and production activities that could have an adverse impact on our ability to develop and produce our reserves.

The recent adoption of derivatives legislation by the U.S. Congress could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business.

The recent adoption of derivatives legislation by the U.S. Congress could have an adverse effect on our ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with our business. The U.S. Congress recently adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act (HR 4173), which, among other provisions, establishes federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The new legislation was signed into law by the President on July 21, 2010, and requires the Commodities Futures Trading Commission, or CFTC, and the SEC to promulgate rules and regulations implementing the new legislation within 360 days from the date of enactment. In its rulemaking under the new legislation, the CFTC has proposed regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. Certain bona fide hedging transactions or positions would be exempt from these position limits. Although the CFTC has promulgated numerous final rules based on its proposals, it is not possible at this time to predict when the CFTC will finalize its proposed regulations or the effect of such regulations on our business. The financial reform legislation may also require us to comply with margin requirements and with certain clearing and trade-execution requirements in connection with our existing or future derivative activities, although the application of those provisions to us is uncertain at this time. The financial reform legislation may also require the counterparties to our derivative instruments to spin off some of their derivatives activities to separate entities, which may not be as creditworthy as the current counterparties. The new legislation and any new regulations could significantly increase the cost of derivative contracts (including through requirements to post collateral which could adversely affect our available liquidity), materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, reduce our ability to monetize or restructure our derivative contracts in existence at that time, and increase our exposure to less creditworthy counterparties. If we reduce or change the way we use derivative instruments as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Finally, the legislation was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Proposed changes to U.S. tax laws, if adopted, could have an adverse effect on our business, financial condition, results of operations and cash flows.

The U.S. President's Fiscal Year 2013 Budget Proposal includes provisions that would, if enacted, make significant changes to U.S. tax laws. These changes include, but are not limited to, (i) eliminating the immediate deduction for intangible drilling and development costs, (ii) eliminating the deduction from income for domestic production activities relating to oil and natural gas exploration and development, (iii) the repeal of the of the percentage depletion allowance for oil and gas properties, (iv) an extension of the amortization period for certain geological and geophysical expenditures and (iv) implementing certain international tax reforms. These proposed changes in the U.S. tax laws, if adopted, or other similar changes that reduce or eliminate deductions currently available with respect to oil and natural gas exploration and development, could adversely affect our business, financial condition, results of operations and cash flows.

The adoption of climate change legislation by Congress could result in increased operating costs and reduced demand for the oil and natural gas we produce.

Many nations have agreed to limit emissions of "greenhouse gases" pursuant to the United Nations Framework Convention on Climate Change, also known as the "Kyoto Protocol." Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of oil, natural gas, and refined petroleum products, are "greenhouse gases," or GHGs, regulated by the Kyoto Protocol. Although the United States is not participating in the Kyoto Protocol at this time, several states or geographic regions have adopted legislation and regulations to reduce emissions of greenhouse gases. Additionally, on April 2, 2007, the U.S. Supreme Court ruled, in *Massachusetts, et al. v. EPA*, that the EPA has the authority to regulate carbon dioxide emissions from automobiles as "air pollutant" under the federal Clean Air Act. Thereafter, in December 2009, the EPA issued an Endangerment Finding that determined that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment because, according to the EPA, emissions of such gases contribute to warming of the earth's atmosphere and other climatic changes. These findings by the EPA allowed the agency to proceed with the adoption and implementation of regulations that would restrict emissions of GHGs under existing provisions of the federal Clean Air Act. Subsequently, the EPA adopted two sets of related rules, one of which purports to regulate emissions of GHGs from motor vehicles and the other of which regulates emissions of GHGs from certain large stationary sources of emissions such as power plants or industrial facilities. The EPA finalized the motor vehicle rule in April 2010 and it became effective January 2011, although it does not require immediate reductions in GHG emissions. The EPA adopted the stationary source rule, also known as the "Tailoring Rule," in May 2010, and it also became effective January 2011, although it remains subject of several pending lawsuits filed by industry groups. Additionally, in September 2009, the EPA issued a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., including natural gas liquids fractionators and local natural gas/distribution companies, beginning in 2011 for emissions occurring in 2010. In November 2010, the EPA expanded its existing GHG reporting rule to include onshore and offshore oil and natural gas production and onshore processing, transmission, storage and distribution facilities, which may include certain of our facilities, beginning in 2012 for emissions occurring in 2011. In addition, the EPA has continued to adopt GHG regulations of other industries, such as the March 2012 proposed GHG rule restricting future development of coal-fired power plants. As a result of this continued regulatory focus, future GHG regulations of the oil and gas industry remain a possibility.

In addition, the U.S. Congress has from time to time considered adopting legislation to reduce emissions of greenhouse gases and almost one-half of the states have already taken legal measures to reduce emissions of greenhouse gases primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Although the U.S. Congress has not adopted such legislation at this time, it may do so in the future and many states continue to pursue regulations to reduce greenhouse gas emissions. Most of these cap and trade programs work by requiring major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances corresponding with their annual emissions of GHGs. The number of allowances available for purchase is reduced each year until the overall GHG emission reduction goal is achieved. As the number of GHG emission allowances declines each year, the cost or value of allowances is expected to escalate significantly.

Restrictions on emissions of methane or carbon dioxide that may be imposed in various states could adversely affect the oil and natural gas industry. Currently, while we are subject to certain federal GHG monitoring and reporting requirements, our operations are not adversely impacted by existing federal, state and local climate change initiatives and, at this time, it is not possible to accurately estimate how potential future laws or regulations addressing greenhouse gas emissions would impact our business.

In addition, there has been public discussion that climate change may be associated with extreme weather conditions such as more intense hurricanes, thunderstorms, tornados and snow or ice storms, as well as rising sea levels. Another possible consequence of climate change is increased volatility in seasonal temperatures. Some studies indicate that climate change could cause some areas to experience temperatures substantially colder than their historical averages. Extreme weather conditions can interfere with our production and increase our costs and damage resulting from extreme weather may not be fully insured. However, at this time, we are unable to determine the extent to which climate change may lead to increased storm or weather hazards affecting our operations.

A change in the jurisdictional characterization of some of our assets by federal, state or local regulatory agencies or a change in policy by those agencies may result in increased regulation of our assets, which may cause our revenues to decline and operating expenses to increase.

Section 1(b) of the Natural Gas Act of 1938, or the NGA, exempts natural gas gathering facilities from regulation by the Federal Energy Regulatory Commission, or FERC. We believe that the natural gas pipelines in our gathering systems meet the traditional tests FERC has used to establish whether a pipeline performs a gathering function and therefore is exempt from FERC's jurisdiction under the NGA. However, the distinction between FERC-regulated transmission services and federally unregulated gathering services is a fact-based determination. The classification of facilities as unregulated gathering is the subject of ongoing litigation, so the classification and regulation of our gathering facilities are subject to change based on future determinations by FERC, the courts or Congress, which could cause our revenues to decline and operating expenses to increase and may materially adversely affect our business, financial condition or results of operations. In addition, FERC has adopted regulations that may subject certain of our otherwise non-FERC jurisdictional facilities to FERC annual reporting and daily scheduled flow and capacity posting requirements. Additional rules and legislation pertaining to those and other matters may be considered or adopted by FERC from time to time. Failure to comply with those regulations in the future could subject us to civil penalty liability, which could have a material adverse effect on our business, financial condition or results of operations.

We rely on a few key employees whose absence or loss could adversely affect our business.

Many key responsibilities within our business have been assigned to a small number of employees. The loss of their services could adversely affect our business. In particular, the loss of the services of one or more members of our new executive team, including our Chief Executive Officer, Travis D. Stice, could disrupt our operations. We have employment agreements with these executives which contain restrictions on competition with us in the event they cease to be employed by us. However, as a practical matter, such employment agreements may not assure the retention of our employees. Further, we do not maintain "key person" life insurance policies on any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees.

A significant reduction by Wexford of its ownership interest in us could adversely affect us.

Prior to the Gulfport transaction, Wexford will beneficially own 100% of our equity interests. Upon completion of this offering, Wexford will beneficially own approximately % of our common stock, or % if the underwriters exercise in full their option to purchase additional shares. See "*Principal Stockholders*" beginning on page 136 of this prospectus. Further, we anticipate that several individuals who will serve as our directors upon completion of this offering will be affiliates of Wexford. We believe that Wexford's substantial ownership interest in us provides Wexford with an economic incentive to assist us to be successful. Upon the expiration of the lock-up restrictions on transfers or sales of our securities by or on behalf of DB Holdings following the completion of this offering, Wexford will not be subject to any obligation to maintain its ownership interest in us and may elect at any time thereafter to sell all or a substantial portion of or otherwise reduce its ownership interest in us. If Wexford sells all or a substantial portion of its ownership interest in us, Wexford may have less incentive to assist in our success and its affiliate(s) that are expected to serve as members of our board of directors may resign. Such actions could adversely affect our ability to successfully implement our business strategies which could adversely affect our cash flows or results of operations. We also receive certain services, including drilling services from entities controlled by Wexford. These service contracts may generally be terminated on 30-days notice. In the event Wexford ceases to own a significant ownership interest in us, such services may not be available to us on terms acceptable to us, if at all.

Drilling for and producing oil and natural gas are high-risk activities with many uncertainties that may result in a total loss of investment and adversely affect our business, financial condition or results of operations.

Our drilling activities are subject to many risks. For example, we cannot assure you that new wells drilled by us will be productive or that we will recover all or any portion of our investment in such wells. Drilling for oil and natural gas often involves unprofitable efforts, not only from dry wells but also from wells that are productive but do not produce sufficient oil or natural gas to return a profit at then realized prices after deducting drilling, operating and other costs. The seismic data and other technologies we use do not allow us to know conclusively prior to drilling a well that oil or natural gas is present or that it can be produced economically. The costs of exploration, exploitation and development activities are subject to numerous uncertainties beyond our control, and increases in those costs can adversely affect the economics of a project. Further, our drilling and producing operations may be curtailed, delayed, canceled or otherwise negatively impacted as a result of other factors, including:

- unusual or unexpected geological formations;
- loss of drilling fluid circulation;
- title problems;
- facility or equipment malfunctions;
- unexpected operational events;
- shortages or delivery delays of equipment and services;
- compliance with environmental and other governmental requirements; and
- adverse weather conditions.

Any of these risks can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination or loss of wells and other regulatory penalties.

Our development and exploratory drilling efforts and our well operations may not be profitable or achieve our targeted returns.

Historically, we have acquired significant amounts of unproved property in order to further our development efforts and expect to continue to undertake acquisitions in the future. Development and exploratory drilling and production activities are subject to many risks, including the risk that no commercially productive reservoirs will be discovered. We acquire unproved properties and lease undeveloped acreage that we believe will enhance our growth potential and increase our earnings over time. However, we cannot assure you that all prospects will be economically viable or that we will not abandon our investments. Additionally, we cannot assure you that unproved property acquired by us or undeveloped acreage leased by us will be profitably developed, that new wells drilled by us in prospects that we pursue will be productive or that we will recover all or any portion of our investment in such unproved property or wells.

Operating hazards and uninsured risks may result in substantial losses and could prevent us from realizing profits.

Our operations are subject to all of the hazards and operating risks associated with drilling for and production of oil and natural gas, including the risk of fire, explosions, blowouts, surface cratering, uncontrollable flows of natural gas, oil and formation water, pipe or pipeline failures, abnormally pressured formations, casing collapses and environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases. In addition, our operations are subject to risks associated with hydraulic fracturing, including any mishandling, surface spillage or potential underground migration of fracturing fluids, including chemical additives. The occurrence of any of these events could result in substantial losses to us due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties, suspension of operations and repairs to resume operations.

We endeavor to contractually allocate potential liabilities and risks between us and the parties that provide us with services and goods, which include pressure pumping and hydraulic fracturing, drilling and cementing services and tubular goods for surface, intermediate and production casing. Under our agreements with our vendors, to the extent responsibility for environmental liability is allocated between the parties, (i) our vendors generally assume all responsibility for control and removal of pollution or contamination which originates above the surface of the land and is directly associated with such vendors' equipment while in their control and (ii) we generally assume the responsibility for control and removal of all other pollution or contamination which may occur during our operations, including pre-existing pollution and pollution which may result from fire, blowout, cratering, seepage or any other uncontrolled flow of oil, gas or other substances, as well as the use or disposition of all drilling fluids. In addition, we generally agree to indemnify our vendors for loss or destruction of vendor-owned property that occurs in the well hole (except for damage that occurs when a vendor is performing work on a footage, rather than day work, basis) or as a result of the use of equipment, certain corrosive fluids, additives, chemicals or proppants. However, despite this general allocation of risk, we might not succeed in enforcing such contractual allocation, might incur an unforeseen liability falling outside the scope of such allocation or may be required to enter into contractual arrangements with the terms that vary from the above allocations of risk. As a result, we may incur substantial losses which could materially and adversely affect our financial condition and results of operation.

In accordance with what we believe to be customary industry practice, we historically have maintained insurance against some, but not all, of our business risks. Our insurance may not be adequate to cover any losses or liabilities we may suffer. Also, insurance may no longer be available to us or, if it is, its availability may be at premium levels that do not justify its purchase. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by us or a claim at a time when we are not able to obtain liability insurance could have a material adverse effect on our ability to conduct normal business operations and on our financial condition, results of operations or cash flow. In addition, we may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations, which might severely impact our financial position. We may also be liable for environmental damage caused by previous owners of properties purchased by us, which liabilities may not be covered by insurance.

Since hydraulic fracturing activities are part of our operations, they are covered by our insurance against claims made for bodily injury, property damage and clean-up costs stemming from a sudden and accidental pollution event. However, we may not have coverage if we are unaware of the pollution event and unable to report the "occurrence" to our insurance company within the time frame required under our insurance policy. We have no coverage for gradual, long-term pollution events. In addition, these policies do not provide coverage for all liabilities, and we cannot assure you that the insurance coverage will be adequate to cover claims that may arise, or that we will be able to maintain adequate insurance at rates we consider reasonable. A loss not fully covered by insurance could have a material adverse effect on our financial position, results of operations and cash flows.

Our failure to successfully identify, complete and integrate future acquisitions of properties or businesses could reduce our earnings and slow our growth.

There is intense competition for acquisition opportunities in our industry. Competition for acquisitions may increase the cost of, or cause us to refrain from, completing acquisitions. Our ability to complete acquisitions is dependent upon, among other things, our ability to obtain debt and equity financing and, in some cases, regulatory approvals. Further, these acquisitions may be in geographic regions in which we do not currently operate, which could result in unforeseen operating difficulties and difficulties in coordinating geographically dispersed operations, personnel and facilities. In addition, if we enter into new geographic markets, we may be subject to additional and unfamiliar legal and regulatory requirements. Compliance with regulatory requirements may impose substantial additional obligations on us and our management, cause us to expend additional time and resources in compliance activities and increase our exposure to penalties or fines for non-compliance with such additional legal requirements. Completed acquisitions could require us to invest further in operational, financial and management information systems and to attract, retain, motivate and effectively manage additional employees. The inability to effectively manage the integration of acquisitions could reduce our focus on subsequent acquisitions and current operations, which, in turn, could negatively impact our earnings and growth. Our financial position and results of operations may fluctuate significantly from period to period, based on whether or not significant acquisitions are completed in particular periods.

Properties we acquire may not produce as projected, and we may be unable to determine reserve potential, identify liabilities associated with the properties that we acquire or obtain protection from sellers against such liabilities.

Acquiring oil and gas properties requires us to assess reservoir and infrastructure characteristics, including recoverable reserves, development and operating costs and potential environmental and other liabilities. Such assessments are inexact and inherently uncertain. In connection with the assessments, we perform a review of the subject properties, but such a review will not reveal all existing or potential problems. In the course of our due diligence, we may not inspect every well or pipeline. We cannot necessarily observe structural and environmental problems, such as pipe corrosion, when an inspection is made. We may not be able to obtain contractual indemnities from the seller for liabilities created prior to our purchase of the property. We may be required to assume the risk of the physical condition of the properties in addition to the risk that the properties may not perform in accordance with our expectations.

We may incur losses as a result of title defects in the properties in which we invest.

It is our practice in acquiring oil and gas leases or interests not to incur the expense of retaining lawyers to examine the title to the mineral interest. Rather, we rely upon the judgment of oil and gas lease brokers or landmen who perform the fieldwork in examining records in the appropriate governmental office before attempting to acquire a lease in a specific mineral interest.

Prior to the drilling of an oil or gas well, however, it is the normal practice in our industry for the person or company acting as the operator of the well to obtain a preliminary title review to ensure there are no obvious defects in title to the well. Frequently, as a result of such examinations, certain curative work must be done to correct defects in the marketability of the title, and such curative work entails expense. Our failure to cure any title defects may delay or prevent us from utilizing the associated mineral interest, which may adversely impact our ability in the future to increase production and reserves. Additionally, undeveloped acreage has greater risk of title defects than developed acreage. If there are any title defects or defects in assignment of leasehold rights in properties in which we hold an interest, we will suffer a financial loss.

Competition in the oil and natural gas industry is intense, which may adversely affect our ability to succeed.

The oil and natural gas industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and natural gas, but also carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive oil and natural gas properties and exploratory prospects or define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. In addition, these companies may have a greater ability to continue exploration activities during periods of low oil and natural gas market prices. Our larger competitors may be able to absorb the burden of present and future federal, state, local and other laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, because we have fewer financial and human resources than many companies in our industry, we may be at a disadvantage in bidding for exploratory prospects and producing oil and natural gas properties.

Our use of 2-D and 3-D seismic data is subject to interpretation and may not accurately identify the presence of oil and natural gas, which could adversely affect the results of our drilling operations.

Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. In addition, the use of 3-D seismic and other advanced technologies requires greater predrilling expenditures than traditional drilling strategies, and we could incur losses as a result of such expenditures. As a result, our drilling activities may not be successful or economical.

We will be subject to certain requirements of Section 404 of the Sarbanes-Oxley Act. If we are unable to timely comply with Section 404 or if the costs related to compliance are significant, our profitability, stock price and results of operations and financial condition could be materially adversely affected.

We will be required to comply with certain provisions of Section 404 of the Sarbanes-Oxley Act of 2002 as early as December 31, 2013. Section 404 requires that we document and test our internal control over financial reporting and issue management's assessment of our internal control over financial reporting. This section also requires that our independent registered public accounting firm opine on those internal controls upon becoming a large accelerated filer, as defined in the SEC rules, or otherwise ceasing to qualify for an exemption from the requirement to provide auditors' attestation on internal controls afforded to emerging growth companies under the "Jumpstart Our Business Startups Act" enacted by the U.S. Congress in April 2012. We are currently evaluating our existing controls against the standards adopted by the Committee of Sponsoring Organizations of the Treadway Commission. During the course of our ongoing evaluation and integration of the internal control over financial reporting, we may identify areas requiring improvement, and we may have to design enhanced processes and controls to address issues identified through this review. For example, we anticipate the need to hire additional administrative and accounting personnel to conduct our financial reporting.

We believe that the out-of-pocket costs, the diversion of management's attention from running the day-to-day operations and operational changes caused by the need to comply with the requirements of Section 404 of the Sarbanes-Oxley Act could be significant. If the time and costs associated with such compliance exceed our current expectations, our results of operations could be adversely affected.

We cannot be certain at this time that we will be able to successfully complete the procedures, certification and attestation requirements of Section 404 or that we or our auditors will not identify material weaknesses in internal control over financial reporting. If we fail to comply with the requirements of Section 404 or if we or our auditors identify and report such material weaknesses, the accuracy and timeliness of the filing of our annual and quarterly reports may be materially adversely affected and could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. In addition, a material weakness in the effectiveness of our internal control over financial reporting could result in an increased chance of fraud and the loss of customers, reduce our ability to obtain financing and require additional expenditures to comply with these requirements, each of which could have a material adverse effect on our business, results of operations and financial condition.

Increased costs of capital could adversely affect our business.

Our business and operating results can be harmed by factors such as the availability, terms and cost of capital, increases in interest rates or a reduction in credit rating. Changes in any one or more of these factors could cause our cost of doing business to increase, limit our access to capital, limit our ability to pursue acquisition opportunities, reduce our cash flows available for drilling and place us at a competitive disadvantage. Continuing disruptions and volatility in the global financial markets may lead to an increase in interest rates or a contraction in credit availability impacting our ability to finance our operations. We require continued access to capital. A significant reduction in the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results.

We recorded compensation expense in 2011 and we may incur substantial additional compensation expense related to our future grants of stock compensation which may have a material negative impact on our operating results for the foreseeable future.

As a result of outstanding stock-based compensation awards, we recorded $0.5 million of compensation expense in 2011. In addition, our compensation expenses may increase in the future as compared to our historical expenses because of the costs associated with our existing and anticipated stock-based incentive plans. These additional expenses will adversely affect our net income. We cannot determine the actual amount of these new stock-related compensation and benefit expenses at this time because applicable accounting practices generally require that they be based on the fair market value of the options or shares of common stock at the date of the grant; however, they may be significant. We will recognize expenses for restricted stock awards and stock options generally over the vesting period of awards made to recipients.

Our level of indebtedness may increase and reduce our financial flexibility.

In the future, we may incur significant indebtedness in order to make future acquisitions or to develop our properties.

Our level of indebtedness could affect our operations in several ways, including the following:

- a significant portion of our cash flows could be used to service our indebtedness;
- a high level of debt would increase our vulnerability to general adverse economic and industry conditions;
- the covenants contained in the agreements governing our outstanding indebtedness will limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;
- a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and therefore, may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;
- our debt covenants may also affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- a high level of debt may make it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then-outstanding bank borrowings; and
- a high level of debt may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control. We may not be able to generate sufficient cash flows to pay the interest on our debt, and future working capital, borrowings or equity financing may not be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and our performance at the time we need capital.

Our revolving credit facility contains restrictive covenants that may limit our ability to respond to changes in market conditions or pursue business opportunities.

Our revolving credit facility contains restrictive covenants that limit our ability to, among other things:

- incur additional indebtedness;
- create additional liens;
- sell assets;
- merge or consolidate with another entity;
- pay dividends or make other distributions;
- engage in transactions with affiliates; and
- enter into certain swap agreements.

In addition, our revolving credit facility requires us to maintain certain financial ratios and tests. The requirement that we comply with these provisions may materially adversely affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures or withstand a continuing or future downturn in our business.

If we are unable to comply with the restrictions and covenants in our revolving credit facility, there could be an event of default under the terms of our revolving credit facility, which could result in an acceleration of repayment.

If we are unable to comply with the restrictions and covenants in our revolving credit facility, there could be an event of default under the terms of this facility. Our ability to comply with these restrictions and covenants, including meeting the financial ratios and tests under our revolving credit facility, may be affected by events beyond our control. As a result, we cannot assure that we will be able to comply with these restrictions and covenants or meet such financial ratios and tests. In the event of a default under our revolving credit facility, the lenders could terminate their commitments to lend or accelerate the loans and declare all amounts borrowed due and payable. If any of these events occur, our assets might not be sufficient to repay in full all of our outstanding indebtedness and we may be unable to find alternative financing. Even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us. Additionally, we may not be able to amend our revolving credit facility or obtain needed waivers on satisfactory terms.

Our borrowings under our revolving credit facility expose us to interest rate risk.

Our earnings are exposed to interest rate risk associated with borrowings under our revolving credit facility, which bear interest at a rate elected by us that is based on the prime, LIBOR or federal funds rate plus margins ranging from 1.25% to 3.50% depending on the base rate used and the amount of the loan outstanding in relation to the borrowing base. As of June 30, 2012, the weighted average interest rate on outstanding borrowings under our revolving credit facility was 3.75%. If interest rates increase, so will our interest costs, which may have a material adverse effect on our results of operations and financial condition.

Any significant reduction in our borrowing base under our revolving credit facility as a result of the periodic borrowing base redeterminations or otherwise may negatively impact our ability to fund our operations.

Under our revolving credit facility, which currently provides for a $100.0 million borrowing base, we are subject to semi-annual and other elective collateral borrowing base redeterminations based on our oil and natural gas reserves. Our revolving credit facility currently provides that the borrowing base will remain at $100.0 million through July 15, 2013 or, if earlier, the closing date of this offering, at which time the borrowing base will be reduced to $90.0 million, subject to the periodic and elective borrowing base redeterminations discussed above, and without consideration of the impact of the Gulfport transaction and the Windsor UT properties. Any significant reduction in our borrowing base as a result of such borrowing base redeterminations or otherwise may negatively impact our liquidity and our ability to fund our operations and, as a result, may have a material adverse effect on our financial position, results of operation and cash flow.

Loss of our information and computer systems could adversely affect our business.

We are heavily dependent on our information systems and computer based programs, including our well operations information, seismic data, electronic data processing and accounting data. If any of such programs or systems were to fail or create erroneous information in our hardware or software network infrastructure, possible consequences include our loss of communication links, inability to find, produce, process and sell oil and natural gas and inability to automatically process commercial transactions or engage in similar automated or computerized business activities. Any such consequence could have a material adverse effect on our business.

A terrorist attack or armed conflict could harm our business.

Terrorist activities, anti-terrorist efforts and other armed conflicts involving the United States or other countries may adversely affect the United States and global economies and could prevent us from meeting our financial and other obligations. If any of these events occur, the resulting political instability and societal disruption could reduce overall demand for oil and natural gas, potentially putting downward pressure on demand for our services and causing a reduction in our revenues. Oil and natural gas related facilities could be direct targets of terrorist attacks, and our operations could be adversely impacted if infrastructure integral to our customers' operations is destroyed or damaged. Costs for insurance and other security may increase as a result of these threats, and some insurance coverage may become more difficult to obtain, if available at all.

Risks Related to this Offering and Our Common Stock

Our two largest stockholders control a significant percentage of our common stock, and their interests may conflict with those of our other stockholders.

Upon completion of this offering, Wexford and Gulfport will beneficially own approximately % and %, respectively, of our common stock, or % and %, respectively, if the underwriters exercise their option to purchase additional shares in full. See *"Principal Stockholders"* beginning on page 136 of this prospectus. In addition, individuals affiliated with Wexford and Gulfport serve on our Board of Directors, and Gulfport has the right to designate one individual as a nominee for election to our Board of Directors so long as it continues to beneficially own more than 10% of our outstanding common stock. As a result, Wexford and Gulfport, together, will be able to control, and Wexford alone will continue to be able to exercise significant influence over, matters requiring stockholder approval, including the election of directors, changes to our organizational documents and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of our common stock will be able to affect the way we are managed or the direction of our business. The interests of Wexford and Gulfport with respect to matters potentially or actually involving or affecting us, such as future acquisitions, financings and other corporate opportunities and attempts to acquire us, may conflict with the interests of our other stockholders. This continued concentrated ownership will make it impossible for another company to acquire us and for you to receive any related takeover premium for your shares unless Wexford approves the acquisition.

The corporate opportunity provisions in our certificate of incorporation could enable Wexford, our equity sponsor, or other affiliates of ours to benefit from corporate opportunities that might otherwise be available to us.

Subject to the limitations of applicable law, our certificate of incorporation, among other things:

- permits us to enter into transactions with entities in which one or more of our officers or directors are financially or otherwise interested;
- permits any of our stockholders, officers or directors to conduct business that competes with us and to make investments in any kind of property in which we may make investments; and
- provides that if any director or officer of one of our affiliates who is also one of our officers or directors becomes aware of a potential business opportunity, transaction or other matter (other than one expressly offered to that director or officer in writing solely in his or her capacity as our director or officer), that director or officer will have no duty to communicate or offer that opportunity to us, and will be permitted to communicate or offer that opportunity to such affiliates and that director or officer will not be deemed to have (i) acted in a manner inconsistent with his or her fiduciary or other duties to us regarding the opportunity or (ii) acted in bad faith or in a manner inconsistent with our best interests.

These provisions create the possibility that a corporate opportunity that would otherwise be available to us may be used for the benefit of one of our affiliates.

We have engaged in transactions with our affiliates and expect to do so in the future. The terms of such transactions and the resolution of any conflicts that may arise may not always be in our or our stockholders' best interests.

We have engaged in transactions and expect to continue to engage in transactions with affiliated companies. As described under the caption "*Related Party Transactions*" beginning on page 131 of this prospectus, these include, among others, drilling services provided to us to Bison Drilling and Field Services, LLC, real property leased by us from Fasken Midland, LLC and certain administrative services provided to us by Everest Operations Management LLC. Each of these entites is either controlled by or affiliated with Wexford, and the resolution of any conflicts that may arise in connection with such related party transactions, including pricing, duration or other terms of service, may not always be in our or our stockholders' best interests because Wexford may have the ability to influence the outcome of these conflicts. For a discussion of potential conflicts, see *"—Risks Related to this Offering and our Common Stock – Our two largest stockholders control a significant percentage of our common stock, and their interests may conflict with those of our other stockholders"* on page 38 of this prospectus.

We will incur increased costs as a result of being a public company, which may significantly affect our financial condition.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will incur costs associated with our public company reporting requirements. We also anticipate that we will incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as well as rules implemented by the SEC and the Financial Industry Regulatory Authority. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, particularly after we are no longer an "emerging growth company." We also expect these rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

However, for as long as we remain an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We intend to take advantage of these reporting exemptions until we are no longer an "emerging growth company."

We will remain an "emerging growth company" for up to five years, although if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30 before that time, we would cease to be an "emerging growth company" as of the following December 31.

After we are no longer an "emerging growth company," we expect to incur significant additional expenses and devote substantial management effort toward ensuring compliance with those requirements applicable to companies that are not "emerging growth companies," including Section 404 of the Sarbanes-Oxley Act. See "*—Risks Related to the Oil and Natural Gas Industry and Our Business—We will be subject to certain requirements of Section 404 of the Sarbanes-Oxley Act. If we are unable to timely comply with Section 404 or if the costs related to compliance are significant, our profitability, stock price and results of operations and financial condition could be materially adversely affected*" on page 35 of this prospectus.

We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart our Business Startups Act of 2012, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the Jumpstart Our Business Startups Act, "emerging growth companies" can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves to this exemption from new or revised accounting standards and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not "emerging growth companies."

There has been no public market for our common stock and if the price of our common stock fluctuates significantly, your investment could lose value.

Prior to this offering, there has been no public market for our common stock. Although we have applied to have our common stock listed on The NASDAQ Global Market, we cannot assure you that an active public market will develop for our common stock or that our common stock will trade in the public market subsequent to this offering at or above the initial public offering price. If an active public market for our common stock does not develop, the trading price and liquidity of our common stock will be materially and adversely affected. If there is a thin trading market or "float" for our stock, the market price for our common stock may fluctuate significantly more than the stock market as a whole. Without a large float, our common stock is less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile. In addition, in the absence of an active public trading market, investors may be unable to liquidate their investment in us. The initial offering price, which will be negotiated between us and the underwriters, may not be indicative of the trading price for our common stock after this offering. In addition, the stock market is subject to significant price and volume fluctuations, and the price of our common stock could fluctuate widely in response to several factors, including:

- our quarterly or annual operating results;
- changes in our earnings estimates;
- investment recommendations by securities analysts following our business or our industry;
- additions or departures of key personnel;
- changes in the business, earnings estimates or market perceptions of our competitors;
- our failure to achieve operating results consistent with securities analysts' projections;
- changes in industry, general market or economic conditions; and
- announcements of legislative or regulatory change.

The stock market has experienced extreme price and volume fluctuations in recent years that have significantly affected the quoted prices of the securities of many companies, including companies in our industry. The changes often appear to occur without regard to specific operating performance. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company and these fluctuations could materially reduce our stock price.

Future sales of our common stock, or the perception that such future sales may occur, may cause our stock price to decline.

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that these sales may occur, could cause the market price of our common stock to decline. See "*Shares Eligible for Future Sale*" on page 141 of this prospectus. In addition, the sale of these shares could impair our ability to raise capital through the sale of additional common or preferred stock. After this offering, we will have   shares of common stock outstanding, excluding stock options. All of the shares sold in this offering, except for any shares purchased by our affiliates, will be freely tradable.

DB Holdings, Gulfport and our directors and executive officers will be subject to agreements that limit their ability to sell our common stock held by them. These holders cannot sell or otherwise dispose of any shares of our common stock for a period of at least 180 days after the date of this prospectus, which period may be extended under limited circumstances, without the prior written approval of Credit Suisse Securities (USA) LLC. However, these lock-up agreements are subject to certain specific exceptions, including transfers of common stock as a *bona fide* gift or by will or intestate succession and transfers to such person's immediate family or to a trust or to an entity controlled by such holder, provided that the recipient of the shares agrees to be bound by the same restrictions on sales. In the event that one or more of our stockholders sells a substantial amount of our common stock in the public market, or the market perceives that such sales may occur, the price of our stock could decline.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our stock or if our operating results do not meet their expectations, our stock price could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if one or more of the analysts who cover our company downgrades our stock or if our operating results do not meet their expectations, our stock price could decline.

Purchasers in this offering will experience immediate dilution and will experience further dilution with the future exercise of stock options granted to certain of our executive officers under their respective employment agreements.

The initial public offering price is substantially higher than the pro forma net tangible book value per share of our outstanding common stock. As a result, you will experience immediate and substantial dilution of approximately $ per share, representing the difference between our net tangible book value per share as of June 30, 2012 after giving effect to this offering and an assumed initial public offering price of $ (which is the midpoint of the range set forth on the cover of the prospectus). A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (which is the midpoint of the range set forth on the cover page of this prospectus) would increase (decrease) our net tangible book value per share after giving effect to this offering by $, and increase (decrease) the dilution to new investors by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offered expenses payable by us. If the options granted to certain of our executive officers under their respective employment agreements are exercised in full, the investors in this offering will experience further dilution. See "*Dilution*" beginning on page 47 of this prospectus for a description of dilution.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

Provisions in our certificate of incorporation and bylaws and Delaware law make it more difficult to effect a change in control of the company, which could adversely affect the price of our common stock.

The existence of some provisions in our certificate of incorporation and bylaws and Delaware corporate law could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult, including:

- provisions regulating the ability of our stockholders to nominate directors for election or to bring matters for action at annual meetings of our stockholders;
- limitations on the ability of our stockholders to call a special meeting and act by written consent;
- the ability of our board of directors to adopt, amend or repeal bylaws, and the requirement that the affirmative vote of holders representing at least 66 2/3% of the voting power of all outstanding shares of capital stock be obtained for stockholders to amend our bylaws;
- the requirement that the affirmative vote of holders representing at least 66 2/3% of the voting power of all outstanding shares of capital stock be obtained to remove directors;
- the requirement that the affirmative vote of holders representing at least 66 2/3% of the voting power of all outstanding shares of capital stock be obtained to amend our certificate of incorporation; and
- the authorization given to our board of directors to issue and set the terms of preferred stock without the approval of our stockholders.

These provisions also could discourage proxy contests and make it more difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders, which may limit the price that investors are willing to pay in the future for shares of our common stock.

We do not intend to pay cash dividends on our common stock in the foreseeable future, and therefore only appreciation of the price of our common stock will provide a return to our stockholders.

We currently anticipate that we will retain all future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, contractual restrictions capital requirements, business prospects and other factors deemed relevant by our board of directors. In addition, the terms of our credit facilities prohibit us from paying dividends and making other distributions. As a result, only appreciation of the price of our common stock, which may not occur, will provide a return to our stockholders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about our:

- business strategy;
- exploration and development drilling prospects, inventories, projects and programs;
- oil and natural gas reserves;
- identified drilling locations;
- ability to obtain permits and governmental approvals;
- technology;
- financial strategy;
- realized oil and natural gas prices;
- production;
- lease operating expenses, general and administrative costs and finding and development costs;
- future operating results; and
- plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included in this prospectus, are forward-looking statements. These forward-looking statements may be found in the *"Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations"* and *"Business"* beginning on pages 1, 17, 59 and 88, respectively, and other sections of this prospectus. In some cases, you can identify forward-looking statements by terminology such as "may," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "seek," "objective" or "continue," the negative of such terms or other comparable terminology.

The forward-looking statements contained in this prospectus are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, our management's assumptions about future events may prove to be inaccurate. Our management cautions all readers that the forward-looking statements contained in this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to the many factors including those described in the "*Risk Factors*" section and elsewhere in this prospectus. All forward-looking statements speak only as of the date of this prospectus. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

USE OF PROCEEDS

Our net proceeds from the sale of shares of common stock in this offering, assuming a public offering price of $ per share (which is the midpoint of the range set forth on the cover of this prospectus), are estimated to be $ million, after deducting underwriting discounts and commissions and estimated offering expenses. The net proceeds would be $ million if the underwriters' option to purchase additional shares is exercised in full. At the closing of this offering, we intend to use approximately $ million of the net proceeds to repay the outstanding borrowings under our revolving credit facility, $63.6 million to repay the Gulfport transaction note and $ million to repay the outstanding borrowings under our subordinated note with an affiliate of Wexford and, thereafter, we intend to use the balance of the proceeds from this offering to fund a portion of our exploration and development activities and for general corporate purposes, which may include leasehold interest and property acquisitions, working capital and the settlement of crude oil swaps. Upon repayment of the outstanding borrowings under our revolving credit facility, we will have $90.0 million of borrowing capacity under that facility to further fund our exploration and development activities and for general corporate purposes.

All borrowings under our revolving credit facility are due and payable on October 15, 2014. As of June 30, 2012, $100.0 million was outstanding under our revolving credit facility and bore interest at a weighted average rate of 3.75% per annum. The amounts initially borrowed under our revolving credit facility were used to repay in full the outstanding indebtedness under our prior credit facility and for general corporate purposes. The Gulfport transaction note, which will be issued immediately prior to the effectiveness of the registration statement of which this prospectus is a part in connection with the Gulfport transaction, is due upon completion of this offering and does not bear interest unless it is not paid when due.

All borrowings under our subordinated note are due and payable on January 31, 2015 or the earlier completion of this offering. On May 14, 2012, we received an initial advance of $8.1 million under this note which provides for aggregate outstanding borrowings of up to $25.0 million. On August 13, 2012, $24.5 million was outstanding under this note. The note bears interest at a rate equal to LIBOR plus 0.28% or 8% per annum, whichever is lower. Our borrowings under the subordinated note were used to fund our 2012 drilling program and for general corporate purposes.

An increase or decrease in the initial public offering price of $1.00 per share would cause the net proceeds that we will receive in this offering to increase or decrease by approximately $ million. If our net proceeds are reduced, we will have less proceeds to fund our exploration and development activities and may not have sufficient funds to repay our revolving credit facility in full. Any reduction in net proceeds may cause us to need to borrow additional funds under our revolving credit facility to fund our operations, which would increase our interest expense and decrease our net income.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. Any future determination as to the declaration and payment of dividends will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our board of directors considers relevant. In addition, the terms of our revolving credit facility restrict the payment of dividends to the holders of our common stock and any other equity holders.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2012:

- on an actual basis;
- on a pro forma basis to give effect to the issuance of (a) shares of our common stock to an affiliate of Wexford in the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc. and (b) shares of our common stock and the Gulfport transaction note to Gulfport in connection with the Gulfport transaction; and
- on a pro forma basis described above as adjusted to give effect to the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share (which is the midpoint of the range set forth on the cover of this prospectus), our receipt of an estimated $ million of net proceeds from this offering after deducting underwriting discounts and commissions and estimated offering expenses and the use of a portion of those proceeds to repay outstanding borrowings as described under the caption "*Use of Proceeds*" on page 45 of this prospectus.

You should read the following table in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 59 and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of June 30, 2012		
	Actual(1)	Pro Forma	Pro Forma As Adjusted(2)
		(in thousands)	
Cash and cash equivalents	$ 2,067	$	$ (4)
Long term debt (including current maturities)(3)	$114,521	$	$
Member's equity	123,874	—	—
Stockholders' equity:			
Common stock, par value $0.01; 100 shares authorized and shares issued and outstanding actual; shares authorized and shares issued and outstanding as adjusted for the offering	—		
Additional paid-in capital	—		
Accumulated deficit(5)	—		
Total stockholders' equity			
Total capitalization	$238,395	$	$

(1) Diamondback Energy, Inc. was incorporated on December 30, 2011 in Delaware as a holding company and will not conduct any material business operations prior to the completion of the offering. The data in this table has been derived from the historical consolidated financial statements and other financial information included in this prospectus which pertain to the assets, liabilities, revenues and expenses of Windsor Permian LLC. Immediately prior to the effectiveness of the registration statement of which this prospectus is a part, Windsor Permian LLC will become our wholly-owned subsidiary.

(2) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (which is the midpoint of the range set forth on the cover of this prospectus) would increase (decrease) each of cash and cash equivalents, additional paid-in-capital and total capitalization by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) At August 13, 2012, long term debt was $124.9 million, which consists primarily of $24.5 million in borrowings under our subordinated note with an affiliate of Wexford and $100.0 million in borrowings under our revolving credit facility.

(4) Does not reflect the repayment of an additional $10.4 million in borrowings under our subordinated note with an affiliate of Wexford borrowed subsequent to June 30, 2012, which repayment will reduce cash and cash equivalents. See "*Use of Proceeds*."

(5) Upon completion of this offering, we will recognize deferred tax liabilities and assets for temporary differences between the historical cost basis and tax basis of our assets and liabilities. Based on estimates of those temporary differences as of June 30, 2012, a net deferred tax liability of approximately $37.4 million will be recognized with a corresponding charge to earnings.

DILUTION

Our reported net tangible book value as of June 30, 2012 was $ million, or $ per share, based upon shares outstanding as of that date after giving pro forma effect to (a) the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc. and (b) the Gulfport transaction. Net tangible book value per share is determined by dividing such number of outstanding shares of common stock into our net tangible book value, which is our total tangible assets less total liabilities. Assuming the sale by us of shares of common stock offered in this offering at an estimated initial public offering price of $ per share (which is the midpoint of the range set forth on the cover of this prospectus) and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value as of June 30, 2012 would have been approximately $ million, or $ per share, after giving pro forma effect to (a) the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc. and (b) to the Gulfport transaction. This represents an immediate increase in net tangible book value of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors purchasing shares at the initial public offering price.

The following table illustrates the per share dilution:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share as of June 30, 2012	$	
Increase per share attributable to new investors	$	
As adjusted net tangible book value per share after the offering		$
Dilution per share to new investors		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (which is the midpoint of the range set forth in the cover of this prospectus) would increase (decrease) our net tangible book value after the offering by $, and increase (decrease) the dilution to new investors by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table sets forth, as of June 30, 2012, after giving pro forma effect to the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc. and the Gulfport transaction, the number of shares of common stock to be issued by us to DB Holdings and Gulfport, which will be our existing stockholders immediately prior to the closing of this offering, and by the new investors at the assumed initial public offering price of $ per share, together with the total consideration paid and average price per share paid by each of these groups, before deducting underwriting discounts and commissions and estimated offering expenses.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders		%	$	%	$
New investors		%		%	
Total		100.0%	$	100.0%	$

If the underwriters' option to purchase additional shares is exercised in full, the number of shares held by new investors will be increased to , or approximately % of the total number of shares of common stock.

The data in the table excludes 2,500,000 shares of common stock reserved for issuance under our equity incentive plan, including, based on an assumed public offering price of $ per share (which is the midpoint of the range set forth on the cover of this prospectus):

- restricted stock units to be issued to certain employees following the closing of this offering under the terms of their employment agreements, of which will be vested on the closing date of this offering;
- 33,330 restricted stock units to be issued to our non-employee directors following the closing of this offering as part of their director compensation, of which 11,110 will be vested on the closing date of this offering; and
- options to purchase shares of our common stock to be granted to certain employees following the closing of this offering under the terms of their employment agreements, of which options to purchase shares will be vested on the closing date of this offering.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following selected historical consolidated financial data as of December 31, 2011 and 2010 and for each of the years in the three-year period ended December 31, 2011 are derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2009 and 2008 and the selected historical consolidated financial data for 2008 and the period from inception on October 23, 2007 to December 31, 2007 are derived from our audited financial statements not included in this prospectus. The balance sheet data as of December 31, 2007 is derived from our unaudited financial statements not included in this prospectus. The summary consolidated financial data as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 are derived from our historical unaudited consolidated financial statements included elsewhere in this prospectus. The summary consolidated balance sheet data as of June 30, 2011 are derived from our unaudited consolidated balance sheet as of such date, which is not included in this prospectus. The unaudited pro forma data presented gives effect to income taxes assuming that the Company operated as a taxable corporation throughout the periods presented. Operating results for the periods ended December 31, 2011, 2010, 2009, 2008 and 2007 and the six months ended June 30, 2012 and 2011 are not necessarily indicative of results that may be expected for any future periods. You should review this information together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 59 and our historical consolidated financial statements and related notes included elsewhere in this prospectus.

	Six Months Ended June 30,		Year Ended December 31,				Period from Inception (October 23, 2007) to December 31,
	2012	2011	2011	2010	2009	2008	2007
Statement of Operations Data:							
Oil and natural gas revenues	$31,757,923	$22,038,729	$ 47,180,802	$26,441,927	$12,716,011	$ 18,238,692	$ 578,336
Other revenues	—	1,490,910	1,490,910	811,247	—	—	—
Expenses:							
Lease operating expense	6,134,714	4,283,671	10,345,355	4,588,559	2,366,623	3,375,419	25,684
Production taxes	1,550,154	1,093,899	2,333,853	1,346,879	663,068	1,008,991	136,077
Gathering and transportation	146,320	85,944	201,828	105,870	42,091	53,407	2,637
Oil and natural gas services	—	1,732,892	1,732,892	811,247	—	—	—
Depreciation, depletion and amortization	10,235,730	7,441,366	15,402,826	8,145,143	3,215,891	10,199,581	138,066
Impairment of oil and gas properties	—	—	—	—	—	83,164,230	—
General and administrative	2,815,051	1,421,313	3,603,479	3,051,627	5,062,618	5,459,874	6,609
Asset retirement obligation accretion expense	40,195	28,736	63,259	37,856	27,934	23,569	514
Total expenses	20,922,164	16,087,821	33,683,492	18,087,181	11,378,225	103,285,071	309,587
Income (loss) from operations	10,835,759	7,441,818	14,988,220	9,165,993	1,337,786	(85,046,379)	268,749
Other income (expense):							
Interest income	2,004	6,988	11,197	34,474	35,075	625,086	23,581
Interest expense	(2,053,706)	(1,097,053)	(2,528,058)	(836,265)	(10,938)	—	—
Other income	1,058,043	—	—	—	—	—	—
Gain (loss) on derivative contracts	5,164,987	(28,181)	(13,009,393)	(147,983)	(4,068,005)	(9,528,220)	(4,791,587)
Loss from equity investment	(66,654)	—	(7,017)	—	—	—	—
Total other income (expense), net	4,104,674	(1,118,246)	(15,533,271)	(949,774)	(4,043,868)	(8,903,134)	(4,768,006)
Net income (loss)	$14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)	$ (93,949,513)	$(4,499,257)
Pro Forma C Corporation Data:(1)							
Net income (loss) before income taxes	$14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)	$ (93,949,513)	$(4,499,257)
Pro forma for income taxes	—	—	—	—	—	—	—
Pro forma net income (loss)	$14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)	$ (93,949,513)	$(4,499,257)
Pro forma income (loss) per common share — basic and diluted(2)	$		$				
Weighted average pro forma shares outstanding — basic and diluted(2)							

	Six Months Ended June 30,		Year Ended December 31,				Period from Inception (October 23, 2007) to December 31,
	2012	2011	2011	2010	2009	2008	2007
Selected Cash Flow and Other Financial Data:							
Net income (loss)	$ 14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)	$(93,949,513)	$ (4,499,257)
Depreciation, depletion and amortization	10,235,730	7,943,855	15,905,315	8,145,143	3,215,891	10,199,581	138,066
Other non-cash items	(4,273,541)	177,309	13,844,010	344,461	4,108,464	92,716,019	4,792,101
Change in operating assets and liabilities	1,406,699	(925,350)	1,179,920	(11,529,999)	(1,916,707)	3,076,317	(2,448,557)
Net cash provided by (used in) operating activities	$ 22,309,321	$ 13,519,386	$ 30,384,194	$ 5,175,824	$ 2,701,566	$ 12,042,404	$ (2,017,647)
Net cash used in investing activities	$ (59,382,142)	$ (38,363,561)	$ (76,314,042)	$ (53,134,641)	$ (32,149,617)	$(84,196,562)	$(86,863,149)
Net cash provided by financing activities	$ 32,337,149	$ 23,292,499	$ 48,642,492	$ 49,618,254	$ 23,849,250	$ 80,182,600	$ 88,881,463

	As of June 30,		As of December 31,				
	2012	2011	2011	2010	2009	2008	2007
Balance sheet data:							
Cash and cash equivalents	$ 2,066,717	$ 2,538,068	$ 6,802,389	$ 4,089,745	$ 2,430,308	$ 8,029,109	$ 667
Other current assets	23,197,048	23,855,341	24,130,450	20,947,659	2,263,097	1,389,810	2,489,231
Oil and gas properties, net — using full cost method of accounting	254,189,321	164,635,560	206,342,604	135,782,510	89,777,517	73,786,284	83,375,502
Well equipment to be used in development of oil and gas properties	—	—	—	—	5,413,310	8,503,178	—
Other property and equipment, net	1,540,452	3,435,130	684,015	11,059,220	105,564	161,103	—
Other assets	1,997,772	12,286,037	11,524,427	637,562	82,813	—	—
Total assets	$282,991,310	$206,750,136	$249,483,885	$172,516,696	$100,072,609	$ 91,869,484	$ 85,865,400
Current liabilities	$ 51,806,938	$ 23,996,533	$ 42,418,305	$ 20,010,276	$ 13,972,080	$ 18,011,452	$ 126,757
Note payable-long term	338,560	—	—	—	—	—	—
Note payable-credit facility-long term	90,000,000	68,400,000	85,000,000	44,766,687	—	—	—
Note payable-related party-long term	14,109,782	—	—	—	—	—	—
Derivative contracts-long term	1,666,639	1,498,517	6,138,573	1,373,864	1,416,431	2,868,452	1,141,587
Asset retirement obligations	1,195,662	893,471	1,079,725	727,826	481,887	374,287	214,850
Members' equity	123,873,729	111,961,615	114,847,282	105,638,043	84,202,211	70,615,293	84,382,206
Total liabilities and members' equity	$282,991,310	$206,750,136	$249,483,885	$172,516,696	$100,072,609	$ 91,869,484	$ 85,865,400

	Six Months Ended June 30,		Year Ended December 31,				Period from Inception (October 23, 2007) to December 31,
	2012	2011	2011	2010	2009	2008	2007
Other financial data:							
Adjusted EBITDA[3]	$ 22,687,298	$ 15,421,397	$ 31,505,264	$ 17,383,466	$ 4,616,686	$ 8,966,087	$ 430,910

(1) Diamondback Energy, Inc. was incorporated on December 30, 2011 in Delaware as a holding company and will not conduct any material business operations prior to the transaction described below. Our historical consolidated financial statements and other financial information included in this prospectus pertain to assets, liabilities, revenues and expenses of Windsor Permian LLC, which is an entity controlled by our equity sponsor, Wexford. Windsor Permian LLC was treated as a partnership for federal income tax purposes. As a result, essentially all of Windsor Permian LLC's taxable earnings and losses were passed through to Wexford, and Windsor Permian LLC did not pay federal income taxes at the entity level. Prior to the completion of this offering, Windsor Permian LLC will become our wholly-owned subsidiary and, because we are a subchapter C corporation under the Internal Revenue Code, the earnings at Windsor Permian LLC will become subject to federal income tax. For comparative purposes, we have included pro forma financial data to give effect to income taxes assuming the earnings of Windsor Permian LLC had been subject to federal income tax as a subchapter C corporation in all periods presented in the accompanying table. If the earnings of Windsor Permian LLC had been subject to federal income tax as a subchapter C corporation during the periods presented herein, we would have incurred net operating losses for income tax purposes in each period presented. We would have been in a net deferred tax asset, or DTA, position as a result of such tax losses and would have recorded a valuation allowance to reduce each period's DTA balance to zero. A valuation allowance to reduce each period's DTA would have resulted in an equal and offsetting credit for the respective expenses or an equal and offsetting debit for the respective benefits for income taxes, with the resulting tax expenses for each of the above periods of zero. The unaudited pro forma data is presented for informational purposes only, and does not purport to project our results of operations for any future period or our financial position as of any future date.

(2) Unaudited pro forma basic and diluted income (loss) per share will be presented for the latest fiscal year and interim period on the basis of the aggregate number of shares to be issued to DB Holdings in connection with the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc., upon determination of the number of those shares.

(3) Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We define Adjusted EBITDA as net income (loss) before loss on derivative contracts, interest expense, depreciation, depletion and amortization, impairment of oil and gas properties, non-cash equity based compensation and asset retirement obligation accretion expense. Adjusted EBITDA is not a measure of net income (loss) as determined by United States' generally accepted accounting principles, or GAAP. Management believes Adjusted EBITDA is useful because it allows it to more effectively evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above from net income (loss) in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measure of other companies or to such measure in our credit facility.

The following tables present a reconciliation of the non-GAAP financial measure of Adjusted EBITDA to the GAAP financial measure of net income (loss).

	Six Months Ended June 30,		Year Ended December 31,				Period from Inception (October 23, 2007) to December 31,
	2012	2011	2011	2010	2009	2008	2007
Reconciliation of Adjusted EBITDA to net income (loss):							
Net income (loss)	$14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$(2,706,082)	$(93,949,513)	$(4,499,257)
Gain (loss) on derivative contracts	(5,164,987)	28,181	13,009,393	147,983	4,068,005	9,528,220	4,791,587
Interest expense	2,053,706	1,097,053	2,528,058	836,265	10,938	—	—
Depreciation, depletion and amortization	10,235,730	7,943,855	15,905,315	8,145,143	3,215,891	10,199,581	138,066
Impairment of oil and gas properties	—	—	—	—	—	83,164,230	—
Equity-based compensation expense	582,221	—	544,290	—	—	—	—
Asset retirement obligation accretion expense	40,195	28,736	63,259	37,856	27,934	23,569	514
Adjusted EBITDA	$22,687,298	$15,421,397	$31,505,264	$17,383,466	$ 4,616,686	$ 8,966,087	$ 430,910

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Diamondback Energy, Inc.
Unaudited Pro Forma Condensed Consolidated Financial Statements
Introduction

The following unaudited pro forma condensed consolidated financial statements and related notes of the Company have been prepared to show the effect of the Transactions and the distribution by Windsor Permian to its equity holders of its minority equity interests in Bison and Muskie. The unaudited pro forma condensed consolidated financial statements should be read together with the historical financial statements of Windsor Permian and Windsor UT and the historical Statements of Revenues and Direct Operating Expenses of certain property interests of Gulfport Energy Corporation included in this prospectus. The accompanying unaudited pro forma condensed consolidated financial statements are based on assumptions and include adjustments as explained in the accompanying notes.

The acquisition of certain property interests of Gulfport Energy Corporation (the Gulfport properties) will be treated as a business combination accounted for under the acquisition method of accounting with the identifiable assets recognized at fair value on the date of transfer.

The Windsor UT contribution is treated as a combination of entities under common control with assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer.

The pro forma data presented reflect events directly attributable to the Transactions and other described transactions and certain assumptions the Company believes are reasonable. The pro forma data are not necessarily indicative of financial results that would have been attained had the described transactions occurred on the dates indicated below. The pro forma data also necessarily exclude various operation expenses related to the Gulfport properties and the financial statements should not be viewed as indicative of operations in future periods. As the current operator of the properties to be acquired by the Company upon completion of the Gulfport transaction and the Windsor UT contribution, the Company does not expect any material impact from these transactions on its existing employees or infrastructure.

The Transactions will be completed immediately prior to the effectiveness of the registration statement of which this prospectus is a part and the distribution of the equity interests in Bison and Muskie occurred in June 2012.

The unaudited pro forma condensed consolidated balance sheet assumes that the Transactions occurred on June 30, 2012. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2011 and for the six months ended June 30, 2012 assumes that the Transactions and other described transactions occurred on January 1, 2011.

Diamondback Energy, Inc.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
June 30, 2012

	Windsor Permian Historical	Windsor UT Historical	Pro Forma Adjustments		Pro Forma
Assets					
Cash and cash equivalents	$ 2,066,717	$ 274,749			$
Other current assets	23,197,048	70,285			
Total current assets	25,263,765	345,034	—		
Oil and natural gas properties, net using full cost method of accounting	254,189,321	14,162,818		(a)	
Other property and equipment	1,540,452	—			
Other assets	1,997,772	—		(b)	
Total assets	$282,991,310	$14,507,852	$		$
Liabilities and Members' Equity					
Current liabilities	51,806,938	132,864	$	(a)	$
Note payable-long term	338,560	—			
Note payable-credit facility-long term	90,000,000	—			
Note payable-related party-long term	14,109,782	—			
Derivative contracts-long term	1,666,639	—			
Asset retirement obligations	1,195,662	25,167		(c)	
Deferred income taxes	—	—		(e)	
Members' equity	123,873,729	14,349,821		(a)(c)(e)	
Total liabilities and members' equity	$282,991,310	$14,507,852	$		$

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Diamondback Energy, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Year ended December 31, 2011

	Windsor Permian Historical	Gulfport Transaction Historical	Windsor UT Historical	Pro Forma Adjustments		Pro Forma
Revenues:						
Oil and natural gas revenues	$ 47,180,802	$23,052,000	$ 694,666	$		$
Oil and natural gas services	1,490,910	—	—		(b)	
Total revenues	48,671,712	23,052,000	694,666			
Costs and expenses:						
Lease operating expenses	10,345,355	5,484,000	251,824			
Production taxes	2,333,853	1,276,000	32,016			
Gathering and transportation	201,828	—	—			
Oil and natural gas services	1,732,892	—	—		(b)	—
Depreciation, depletion and amortization	15,402,826	—	198,712		(d)	
General and administrative expenses	3,603,479	—	37,044			
Asset retirement obligation accretion expense	63,259	—	1,255		(c)	
Total costs and expenses	33,683,492	6,760,000	520,851			
Income from operations	14,988,220	16,292,000	173,815			
Other income (expense)						
Interest income	11,197	—	—	—		
Interest expense	(2,528,058)	—	—	—		
Loss on derivative contracts	(13,009,393)	—	—	—		
Loss from equity investment	(7,017)	—	—			—
Total other expense, net	(15,533,271)	—	—			
Net income (loss)	$ (545,051)	$16,292,000	$ 173,815	$		$
Pro forma income (loss) before income taxes				$		$
Pro forma for income taxes[f]						
Pro forma net income (loss)				$		$
Pro forma income (loss) per common share — basic and diluted[g]				$		$
Weighted average pro forma shares outstanding — basic and diluted[g]						

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Diamondback Energy, Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Six Months ended June 30, 2012

	Windsor Permian Historical	Gulfport Transaction Historical	Windsor UT Historical	Pro Forma Adjustments	Pro Forma
Revenues:					
Oil and natural gas revenues	$31,757,923	$14,192,000	$ 622,697	$	$
Costs and expenses:					
Lease operating expenses	6,134,714	3,914,000	183,443		
Production taxes	1,550,154	735,000	28,699		
Gathering and transportation	146,320	—	—		
Depreciation, depletion and amortization	10,235,730	—	179,956	(d)	
General and administrative expenses	2,815,051	—	69,226		
Asset retirement obligation accretion expense	40,195	—	900	(c)	
Total costs and expenses	20,922,164	4,649,000	462,224		
Income from operations	10,835,759	9,543,000	160,473		
Other income (expense)					
Interest income	2,004	—	—		
Interest expense	(2,053,706)	—	—		
Other income	1,058,043	—	—		
Gain on derivative contracts	5,164,987	—	—		
Loss from equity investment	(66,654)	—	—		—
Total other income (expense), net	4,104,674	—	—		
Net income (loss)	$14,940,433	$ 9,543,000	$ 160,473	$	$
Pro forma income (loss) before income taxes					
Pro forma for income taxes[f]					
Pro forma net income (loss)				$	$
Pro forma income (loss) per common share—basic and diluted[g]				$	$
Weighted average pro forma shares outstanding—basic and diluted[g]					

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Diamondback Energy, Inc.
Notes to Unaudited Pro Forma Condensed Consolidated
Financial Statements

1. Basis of Presentation

The historical financial information is derived from the historical financial statements of Windsor Permian and Windsor UT and the historical statements of revenues and direct operating expenses of certain property interests of Gulfport. The unaudited pro forma condensed consolidated balance sheet as of June 30, 2012 has been prepared as if the Transactions had taken place on June 30, 2012. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2011 and the six months ended June 30, 2012 assumes that the Transactions and other described transactions had occurred on January 1, 2011.

2. Pro Forma Assumptions and Adjustments

We made the following adjustments in the preparation of the unaudited pro forma condensed consolidated financial statements.

(a) To record the acquisition of the Gulfport properties at fair value for shares of our common stock, which will represent 35% of our outstanding common stock immediately prior to the closing of this offering, and $63,590,050 in the form of a non-interest bearing promissory note that will be repaid in full upon the closing of this offering. The allocation of the purchase price to the assets acquired is preliminary and, therefore, subject to change.

(b) To record the distribution of minority equity interests in Bison and Muskie to Windsor Permian's sole member which occurred on June 15, 2012.

(c) To record incremental accretion of discount on asset retirement obligation associated with the Gulfport transaction.

(d) To record incremental depletion, depreciation, and amortization of oil and natural gas properties associated with the Transactions, amortized on a unit-of-production basis over the remaining life of total proved reserves, as applicable, due to the following:

	Six Months Ended June 30, 2012	Year Ended December 31, 2011
Purchase accounting basis adjustment for Gulfport properties	$	
Using a larger quantity of reserves in the units of production computation		
Total incremental depletion, depreciation and amortization	$	$

(e) To record estimated net deferred tax liabilities for temporary differences between the historical cost basis and tax basis of our assets and liabilities as the result of our change in tax status to a subchapter C corporation. A corresponding charge to earnings has not been reflected in the pro forma Statement of Operations, as the charge is considered non-recurring.

(f) To record the effect of income taxes assuming earnings had been subject to federal income tax as a subchapter C corporation in all periods presented. If the earnings had been subject to federal income tax as a subchapter C corporation during the periods presented, we would have incurred net operating losses for income tax purposes in each period presented. Additionally, we would have been in a net deferred tax asset, or DTA, position as a result of such tax losses and would have recorded a valuation allowance to reduce each period's DTA balance to zero. A valuation allowance to reduce each period's DTA would have resulted in an equal and offsetting credit for the respective expenses or an equal and offsetting debit for the respective benefits for income taxes, with the resulting tax expenses for each period of zero.

Diamondback Energy, Inc.
Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

(g) To report basic and diluted income (loss) per share on the basis of the aggregate number of shares to be issued in connection with the Gulfport transaction and to DB Holdings in connection with the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc.

3. Oil and Natural Gas Producing Activities

The following table presents estimated unaudited pro forma volumes of proved developed and undeveloped oil and gas reserves as of December 31, 2011 and changes in proved reserves during the year, assuming continuation of economic conditions prevailing at the end of the year. The weighted average prices at December 31, 2011 used for reserve report purposes are $93.09 per Bbl of oil, $56.62 per Bbl of natural gas liquids and $3.96 per Mcf of natural gas, respectively.

The Company emphasizes that the volumes of reserves shown below are estimates which, by their nature, are subject to revision. The estimates are made using all available geological and reservoir data, as well as production performance data. These estimates are reviewed annually and revised, either upward or downward, as warranted by additional performance data.

	Year Ended December 31, 2011											
	Windsor Permian Historical			Gulfport Transaction Historical			Windsor UT Historical			Total Pro Forma		
	Oil (MBbls)	Natural Gas Liquids (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas Liquids (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas Liquids (MBbls)	Natural Gas (MMcf)	Oil (MBbls)	Natural Gas Liquids (MBbls)	Natural Gas (MMcf)
Proved Developed and Undeveloped Reserves:												
As of January 1, 2011	18,819	5,564	21,663	9,358	3,107	11,926	811	269	1,033	28,988	8,940	34,621
Extensions, discoveries and other additions	1,706	448	1,824	764	217	992	94	18	60	2,564	683	2,876
Revisions of prior reserve estimates	(3,366)	(1,162)	(3,454)	(1,828)	(474)	(599)	487	(1)	(160)	(4,707)	(1,637)	(4,213)
Production	(442)	(87)	(413)	(208)	(59)	(273)	(8)	—	—	(658)	(146)	(686)
As of December 31, 2011	16,717	4,763	19,620	8,086	2,791	12,046	1,384	286	933	26,187	7,840	32,598
Proved Developed Reserves:												
January 1, 2011	3,308	1,105	4,255	1,840	794	3,048	64	21	82	5,212	1,920	7,385
December 31, 2011	3,805	1,233	5,187	2,097	706	3,050	144	30	99	6,046	1,969	8,336
Proved Undeveloped Reserves:												
January 1, 2011	15,511	4,459	17,407	7,518	2,313	8,878	747	248	951	23,776	7,020	27,236
December 31, 2011	12,912	3,530	14,432	5,989	2,085	8,996	1,240	256	834	20,141	5,871	24,262

Diamondback Energy, Inc.
Notes to Unaudited Pro Forma Condensed Consolidated
Financial Statements

The following pro forma standardized measure of discounted estimated future net cash flows and changes therein relating to the combined proved oil and natural gas reserves of Windsor Permian and the Transactions as of and for the year ended December 31, 2011 were made in accordance with the provisions of the FASB ASU 2010-03, "Extractive Activities—Oil and Gas (Topic 932)."

	Year Ended December 31, 2011				
	Windsor Permian Historical	Gulfport Transaction Historical	Windsor UT Historical	Pro Forma Adjustments	Total Pro Forma
Future cash flows	$ 1,900,958,750	$ 960,918,000	$ 148,561,281	$ —	$ 3,010,438,031
Future development costs	(373,750,281)	(236,336,000)	(36,600,000)	—	(646,686,281)
Future production costs	(458,936,062)	(166,899,000)	(38,872,202)	—	(664,707,264)
Future production taxes	(97,444,617)	(50,235,000)	(7,410,910)	—	(155,090,527)
Future income taxes	—	—	—	(500,721,253)	(500,721,253)
Future net cash flows	970,827,790	507,448,000	65,678,169	(500,721,253)	1,043,232,706
10% discount to reflect timing of cash flows	(623,808,665)	(305,160,000)	(48,085,065)	316,869,273	(660,184,457)
Standardized measure of discounted future net cash flows	$ 347,019,125	$ 202,288,000	$ 17,593,104	$ (183,851,980)	$ 383,048,249

The primary changes in the pro forma standardized measure of discounted estimated future net cash flows were as follows for 2011:

	Year Ended December 31, 2011				
	Windsor Permian Historical	Gulfport Transaction Historical	Windsor UT Historical	Pro Forma Adjustments	Total Pro Forma
Sales and transfers of oil and gas produced, net of production costs	$ (34,299,766)	$ (16,292,000)	$ (410,826)	$ —	$ (51,002,592)
Net changes in prices and production costs and development costs	86,655,407	48,089,000	383,765	—	135,128,172
Extension and discoveries	69,375,680	29,432,000	4,195,434	—	103,003,114
Revisions of previous quantity estimates, less related production costs	(100,433,225)	(71,088,000)	1,899,993	—	(169,621,232)
Accretion of discount	33,035,782	16,211,000	864,314	—	50,111,096
Change in production rates and other	(37,672,573)	33,830,000	2,017,284	—	(1,825,289)
Acquisition of Gulfport properties	—	—	—	162,106,000	162,106,000
Contribution of Windsor UT	—	—	—	8,643,140	8,643,140
Net change in income taxes	—	—	—	(70,742,868)	(70,742,868)
Total change in standardized measure of discounted future net cash flows	$ 16,661,305	$ 40,182,000	$ 8,949,964	$ 100,006,272	$ 165,799,541

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the "Selected Historical Consolidated Financial Data" and the combined financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements reflecting our current expectations and estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" appearing elsewhere in this prospectus.

Overview

We are an independent oil and natural gas company focused on the acquisition, development, exploration and exploitation of unconventional, long-life, onshore oil and natural gas reserves in the Permian Basin in West Texas. We intend to grow our reserves and production through development drilling, exploitation and exploration activities on our multi-year inventory of identified potential drilling locations and through acquisitions that meet our strategic and financial objectives, targeting oil-weighted reserves.

We intend to increase stockholder value by profitably growing reserves and production, primarily through drilling operations. We seek high quality exploration and development projects with potential for providing long-term drilling inventories that generate high returns. Substantially all of our revenues are generated through the sale of oil, natural gas liquids and natural gas production. Our production was approximately 74% oil, 15% natural gas liquids and 11% natural gas for both the year ended December 31, 2011 and the six months ended June 30, 2012.

We began operations in December 2007 with our acquisition of certain strategic oil and gas properties located in the Permian Basin of West Texas from ExL Petroleum, LP, Ambrose Energy I, Ltd. and certain other sellers for approximately $85.0 million. Through this transaction, we acquired 4,134 net acres with production at the time of acquisition of approximately 800 net barrels of oil equivalent, or BOE/d, from 34 gross (16.8 net) wells. Subsequently, we acquired approximately 26,875 additional net acres, which brought our total net acreage position in the Permian Basin to approximately 31,009 net acres at June 30, 2012 and, after giving effect to the Transactions, we had 51,623 net acres in the Permian Basin. Since our initial acquisition in the Permian Basin through June 30, 2012, we drilled or participated in the drilling of 169 gross (101 net) wells (or 174 gross (153 net) wells after giving effect to the Transactions) on our acreage in this area, primarily targeting the Wolfberry play. We are the operator of approximately 99% of our Permian Basin acreage.

We have increased our initial leasehold position through acquisitions in the Wolfberry play for an aggregate net cost of $44.9 million through June 30, 2012. These acquisitions include the following:

- In 2008, we acquired 6,247 net acres at the Spanish Trail and Munn prospects in Midland County, Texas through 11 leases and one mineral deed, with 5,146 net acres attributable to one lease;
- Commencing in 2008 and ending in 2010, we acquired leases at the Barron prospect in Midland County, Texas that currently cover 225 net acres;
- Commencing in 2008 and ending in 2011, we acquired leases at the Gist prospect in Ector County, Texas covering 1,452 net acres;
- Commencing in 2008 and ending in 2012, we acquired 37 leases at the UL prospect in Andrews, Upton and Reagan Counties, Texas covering a total of 10,006 net acres;
- Beginning in 2008, we acquired 17 leases at the Hurt/WHL prospect in Ector County, Texas covering 2,779 net acres;

- In 2009, we acquired one lease at the Cumberland prospect located in Midland County, Texas covering 207 net acres;
- In 2010, we acquired leases at the North Howard prospect located in Howard County, Texas that currently cover 131 net acres;
- In 2010 and 2011, we acquired leases at the Big Max prospect located in Andrews County, Texas that currently cover 848 net acres; and
- In 2012, we acquired leases at the Clete prospect in Crockett County, Texas that currently cover 3,110 net acres.

In July 2012, we further increased our leasehold position and acquired leases in the Hume prospect in Crockett County, Texas that currently covers 1,869 net acres.

Diamondback Energy, Inc. was incorporated in Delaware on December 30, 2011 as a holding company and will not conduct any material business operations prior to the transaction described below. Our historical financial information included in this prospectus pertains to assets, liabilities, revenues and expenses of Windsor Permian LLC. Windsor Permian LLC is a wholly-owned subsidiary of Diamondback Energy LLC, which is an entity controlled by our equity sponsor, Wexford. Prior to the effectiveness of the registration statement of which this prospectus is a part, Diamondback Energy LLC will be merged with and into Diamondback Energy, Inc. and Diamondback Energy, Inc. will continue as the surviving corporation. In the merger, DB Holdings will be issued shares of our common stock, and Windsor Permian LLC will become our wholly-owned subsidiary. In addition, Wexford has agreed to cause all the outstanding equity interests in Windsor UT to be contributed to Windsor Permian prior to the merger. After the merger but prior to the effectiveness of the registration statement of which this prospectus is a part, Gulfport will complete the Gulfport transaction in exchange for shares of our common stock.

In June 2012, Windsor Permian distributed to its sole member its minority equity interests in Bison Drilling and Field Services LLC, or Bison, and Muskie Holdings LLC, or Muskie. Bison was formed in November 2010 as a wholly-owned subsidiary of Windsor Permian. Between March 2011 and April 2012, Gulfport and various entities controlled by Wexford acquired interests in Bison, which reduced Windsor Permian's interest to approximately 22%. Bison owns and operates four drilling rigs and various oil and natural gas well servicing equipment and has performed drilling and field services for us. Muskie was formed in October 2011 when Windsor Permian contributed certain assets, real estate and rights in a lease covering land in Wisconsin to Muskie in exchange for a 48.6% equity interest. The contributed lease is prospective for oil and natural gas fracture grade sand. At the time of the contribution, the remaining interests in Muskie were held by Gulfport and entities controlled by Wexford. Through additional contributions from the Wexford-controlled entities, Windsor Permian's equity interest in Muskie decreased to approximately 33%. Windsor Permian's interests in Bison and Muskie were distributed to Windsor Permian's sole member in June 2012 so we may focus our activities on our oil and natural gas exploration and development activities. We recorded revenues attributable to Bison in our consolidated statements of operations of $0.8 million during 2010 and $1.5 million during the first quarter of 2011, at which time Bison was deconsolidated for financial reporting purposes. Muskie was formed in 2011, and we recorded a loss from equity method investments of $7,017 for 2011. The interests in Bison and Muskie are reflected in "Investments-equity method" on our consolidated balance sheets. For additional information regarding Bison and Muskie, see "*Unaudited Pro Forma Condensed Consolidated Financial Statements*" and "*Related Party Transactions*" beginning on pages 52 and 131, respectively, of this prospectus and Note 5 to our consolidated financial statements appearing elsewhere in this prospectus.

Since we began operations, we have increased our drilling activity, evaluated potential acquisitions and added to our acreage portfolio. Because of our growth through acquisitions and development of our properties, our historical results of operations and period-to-period comparisons of these results and certain financial data may not be meaningful or indicative of future results.

Like all oil and natural gas exploration and production companies, we face the challenge of natural production declines. As initial reservoir pressures are depleted, oil and natural gas production from a given well naturally decreases. Thus, an oil and natural gas exploration and production company depletes part of its asset base with each unit of oil or natural gas it produces. We attempt to overcome this natural decline by drilling to find additional reserves and acquiring more reserves than we produce. Our future growth will depend on our ability to continue to add reserves in excess of production. We will maintain our focus on managing costs associated with drilling and the development and production of reserves. Our ability to add reserves through drilling is dependent on our capital resources and can be limited by many factors, including our ability to timely obtain drilling permits and regulatory approvals. We expect the permitting and approval process to become more difficult with increased activism from environmental and other groups which may extend the time it takes us to receive permits. Because of our relatively small size and concentrated property base, we can be disproportionately disadvantaged by delays in obtaining or failing to obtain drilling approvals compared to companies with larger or more dispersed property bases. As a result, we are less able to shift drilling activities to areas where permitting may be easier and we have fewer properties over which to spread the costs related to complying with these regulations and the costs or foregone opportunities resulting from delays.

Reserves and pricing

In December 2008, the SEC released the final rule for Modernization of Oil and Gas Reporting. Among other changes, the final rule requires us to report oil and natural gas reserves and calculate the full cost ceiling value using the unweighted arithmetic average first-day-of-the-month oil and natural gas prices during the 12-month period ending in the reporting period. The prior SEC rule required using prices at period end. The requirements of this standard became effective for the year ended December 31, 2009. These revisions and requirements affect the comparability between reporting periods prior to and after the year ended December 31, 2009 for reserve volume and value estimates, full cost pool write-down calculations and the calculations of depletion of oil and gas assets.

In the table below, Ryder Scott estimated all of our proved reserves at December 31, 2011 and Pinnacle estimated all of our proved reserves at December 31, 2010 and 2009. The prices used to estimate proved reserves for all periods did not give effect to derivative transactions, were held constant throughout the life of the properties and have been adjusted for quality, transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the wellhead.

	2011	2010	2009
Estimated Net Proved Reserves:			
Oil (Bbls)	16,716,869	18,819,050	29,230,940
Natural gas (Mcf)	19,618,867	21,662,720	27,481,820
Natural gas liquids (Bbls)	4,763,273	5,563,978	7,522,225
Total (BOE)	24,749,953	27,993,481	41,333,468

	2011	2010	2009
	Unweighted Arithmetic Average First-Day-of-the-Month Prices		
Oil (Bbls)	$ 93.09	$ 77.61	$ 58.84
Natural gas (Mcf)	$ 3.91	$ 4.14	$ 3.64
Natural gas liquids (Bbls)	$ 56.33	$ 40.74	$ 29.37

Prices for oil and natural gas can fluctuate widely in response to relatively minor changes in the global and regional supply of and demand for oil and natural gas, market uncertainty, economic conditions and a variety of additional factors. Since the inception of our oil and natural gas activities, commodity prices have experienced significant fluctuations, and additional changes in commodity prices may significantly affect the economic viability of drilling projects, as well as the economic valuation and economic recovery of oil and gas reserves.

Sources of our revenue

Our revenues are derived from the sale of oil and natural gas production, as well as the sale of natural gas liquids that are extracted from our natural gas during processing. Our oil and natural gas revenues do not include the effects of derivatives. For the six months ended June 30, 2012 and the year ended December 31, 2011, our revenues were derived 89% and 86%, respectively, from oil sales, 9% and 10%, respectively, from natural gas liquids sales, 2% and 3%, respectively, from natural gas sales and none and 3%, respectively, from oil and natural gas services. Our revenues may vary significantly from period to period as a result of changes in volumes of production sold or changes in commodity prices. Oil, natural gas liquids and natural gas prices have historically been volatile. For example, during the past five years, the West Texas Intermediate posted price for crude oil has ranged from a low of $30.28 per Bbl in December 2008 to a high of $145.31 per Bbl in July 2008. The Henry Hub spot market price of natural gas has ranged from a low of $1.82 per MMBtu in April 2012 to a high of $13.31 per MMBtu in July 2008. During 2011, West Texas Intermediate prices ranged from $75.40 to $113.39 per Bbl and the Henry Hub spot market price of natural gas ranged from $2.84 to $4.92 per MMBtu. On June 29, 2012, the West Texas Intermediate posted price for crude oil was $85.04 per Bbl and the Henry Hub spot market price of natural gas was $2.74 per MMBtu.

To achieve more predictable cash flow and to reduce our exposure to adverse fluctuations in commodity prices, from time-to-time we enter into derivative arrangements for our crude oil and natural gas production. We utilize commodity derivatives to reduce our exposure to fluctuations in NYMEX WTI benchmark prices. While these derivative contracts stabilize our cash flows when market prices are below our contract prices, they also prevent us from realizing increases in our cash flow when market prices are higher than our contract prices. We will sustain realized and unrealized losses to the extent our derivatives contract prices are lower than market prices and, conversely, we will sustain realized and unrealized gains to the extent our derivatives contract prices are higher than market prices. Our derivatives contracts are not designated as accounting hedges and, as a result, gains or losses on derivatives contracts are recorded as other income (expense) in our statements of operations.

Principal components of our cost structure

Lease operating and natural gas transportation and treating expenses. These are daily costs incurred to bring oil and natural gas out of the ground and to the market, together with the daily costs incurred to maintain our producing properties. Such costs also include maintenance, repairs and workover expenses related to our oil and natural gas properties.

Production taxes. Production taxes are paid on produced oil and natural gas based on a percentage of revenues from products sold at fixed rates established by federal, state or local taxing authorities. Where available, we benefit from tax credits and exemptions in our various taxing jurisdictions. We are also subject to ad valorem taxes in the counties where our production is located. Ad valorem taxes are generally based on the valuation of our oil and gas properties.

General and administrative. These are costs incurred for overhead, including payroll and benefits for our corporate staff, costs of maintaining our headquarters, costs of managing our production and development operations, franchise taxes, audit and other fees for professional services and legal compliance.

Depreciation, depletion and amortization. Under the full cost accounting method, we capitalize costs within a cost center and then systematically expense those costs on a units of production basis based on proved oil and natural gas reserve quantities. We calculate depletion on the following types of costs: (i) all capitalized costs, other than the cost of investments in unproved properties and major development projects for which proved reserves cannot yet be assigned, less accumulated amortization; (ii) the estimated future expenditures to be incurred in developing proved reserves; and (iii) the estimated dismantlement and abandonment costs, net of estimated salvage values. We calculate depreciation on the cost of fixed assets related to other fixed assets.

Impairment expense. This is the cost to reduce proved oil and gas properties to the calculated full cost ceiling value.

Other income (expense)

Interest income. This represents the interest received on our cash and cash equivalents.

Interest expense. We finance a portion of our working capital requirements, capital expenditures and acquisitions with borrowings under our credit facility. We incur interest expense that is affected by both fluctuations in interest rates and our financing decisions. We reflect interest paid to our lender in interest expense. In addition, we include the amortization of deferred financing costs (including origination and amendment fees), commitment fees and annual agency fees in interest expense.

Loss on derivative contracts. We utilize commodity derivative financial instruments to reduce our exposure to fluctuations in the price of crude oil. This amount represents (i) the recognition of unrealized gains and losses associated with our open derivative contracts as commodity prices change and commodity derivative contracts expire or new ones are entered into, and (ii) our realized gains and losses on the settlement of these commodity derivative instruments.

Loss from equity investment. This line item represents our proportionate share of the earnings and losses from our investment in the membership interests of Muskie, an equity method investment.

Income tax expense. As of June 30, 2012, we were a limited liability company treated as a disregarded entity for federal income tax purposes. Accordingly, no provision for federal or state corporate income taxes has been provided for the six months ended June 30, 2012 or prior fiscal years because taxable income is allocated directly to our equity holders. Prior to the completion of this offering, Windsor Permian will become our wholly-owned subsidiary and, because we are a subchapter C corporation under the Internal Revenue Code, the earnings at Windsor Permian will become subject to federal and state entity-level taxation. We will establish a net deferred tax liability for differences between the tax and book basis of our assets and liabilities, and we will record a corresponding “first day” tax expense to net income from continuing operations. On a pro forma basis, at June 30, 2012 the amount of this charge would have been $37.4 million. It is anticipated that the company will be subject to a future, total combined federal and state income tax rate of 34% to 36%.

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Results of Operations

The following table sets forth selected historical operating data for the periods indicated.

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
	(unaudited)	(unaudited)			
Operating Results:					
Revenues					
Oil and natural gas revenues	$31,757,923	$22,038,729	$ 47,180,802	$26,441,927	$12,716,011
Other revenue	—	1,490,910	1,490,910	811,247	—
Operating expenses					
Lease operating expense	6,134,714	4,283,671	10,345,355	4,588,559	2,366,623
Production taxes	1,550,154	1,093,899	2,333,853	1,346,879	663,068
Gathering and transportation expense	146,320	85,944	201,828	105,870	42,091
Oil and natural gas services	—	1,732,892	1,732,892	811,247	—
Depreciation, depletion and amortization	10,235,730	7,441,366	15,402,826	8,145,143	3,215,891
General and administrative	2,815,051	1,421,313	3,603,479	3,051,627	5,062,618
Asset retirement obligation accretion expense	40,195	28,736	63,259	37,856	27,934
Total expenses	20,922,164	16,087,821	33,683,492	18,087,181	11,378,225
Income from operations	10,835,759	7,441,818	14,988,220	9,165,993	1,337,786
Net interest income (expense)	(2,051,702)	(1,090,065)	(2,516,861)	(801,791)	24,137
Other income	1,058,043	—	—	—	—
Gain (loss) on derivative contracts	5,164,987	(28,181)	(13,009,393)	(147,983)	(4,068,005)
Loss from equity investment	(66,654)	—	(7,017)	—	—
Total other income (expense)	4,104,674	(1,118,246)	(15,533,271)	(949,774)	(4,043,868)
Net income (loss)	$14,940,433	$ 6,323,572	$ (545,051)	$ 8,216,219	$ (2,706,082)
Production Data:					
Oil (Bbls)	311,175	199,331	441,822	280,721	168,741
Natural gas (Mcf)	290,171	182,862	413,640	323,847	253,321
Natural gas liquids (Bbl)	65,188	44,820	86,815	79,978	70,384
Combined volumes (BOE)	424,725	274,628	597,577	414,674	281,345
Daily combined volumes (BOE/d)	2,334	1,517	1,637	1,136	771
Average Prices[(1)]:					
Oil (per Bbl)	$ 91.23	$ 95.60	$ 92.26	$ 76.51	$ 58.01
Natural gas (per Mcf)	2.27	4.03	3.98	4.32	3.64
Natural gas liquids (per Bbl)	41.58	50.09	54.98	44.56	28.49
Combined (per BOE)	74.77	80.25	78.95	63.77	45.20
Average Costs (per BOE):					
Lease operating expense	$ 14.44	$ 15.60	$ 17.31	$ 11.07	$ 8.41
Gathering and transportation expense	0.34	0.31	0.34	0.26	0.15
Production taxes	3.65	3.98	3.91	3.25	2.36
Production taxes as a % of sales	4.9%	5.0%	4.9%	5.1%	5.2%
Depreciation, depletion and amortization	24.10	27.10	25.78	19.64	11.43
General and administrative	6.63	5.18	6.03	7.36	17.99

(1) After giving effect to our hedging arrangements in effect during the six months ended June 30, 2012 and 2011, respectively, the average prices per Bbl of oil and per BOE were $80.07 and $66.60, respectively, during the six months ended June 30, 2012 and $95.46 and $80.15, respectively, during the six months ended June 30, 2011. After giving effect to our hedging arrangements in effect during 2009, the average prices per Bbl of oil and per BOE (on a combined basis) were $41.59 and $35.35, respectively, during that year. Average prices for our hydrocarbons were not impacted by our hedging arrangements during 2011 or 2010.

Six Months ended June 30, 2012 Compared to Six Months ended June 30, 2011

Oil, Natural Gas Liquids and Natural Gas Revenues. Our oil, natural gas liquids and natural gas revenues increased by approximately $9.7 million, or 45%, to $31.7 million for the six months ended June 30, 2012 from $22.0 million for the six months ended June 30, 2011. Our revenues are a function of oil, natural gas liquids and natural gas production volumes sold and average sales prices received for those volumes. Average daily production sold increased by 817 BOE/d during the six months ended June 30, 2012 as compared to the same period in 2011. The total increase in revenue of approximately $9.7 million is largely attributable to higher oil, natural gas liquids and natural gas production volumes for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. Production increased by 111,844 Bbls of oil, 20,368 Bbls of natural gas liquids and 107,309 Mcf of natural gas for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. The net dollar effect of the decreases in prices of approximately $2.4 million (calculated as the change in period-to-period average prices times current period production volumes of oil, natural gas liquids and natural gas) and the net dollar effect of the increase in production of approximately $12.1 million (calculated as the increase in period-to-period volumes for oil, natural gas liquids and natural gas times the period average prices) are shown below.

	Change in prices	Production volumes(1)	Total net dollar effect of change (in thousands)
Effect of changes in price:			
Oil	$ (4.37)	311,175	$ (1,360)
Natural gas liquids	$ (8.51)	65,188	$ (555)
Natural gas	$ (1.76)	290,171	$ (512)
Total revenues due to change in price			$ (2,427)

	Change in production volumes(1)	Prior Period Average Prices	Total net dollar effect of change (in thousands)
Effect of changes in volumes:			
Oil	111,844	$ 95.60	$ 10,693
Natural gas liquids	20,368	$ 50.09	$ 1,020
Natural gas	107,309	$ 4.03	$ 433
Total revenues due to change in volumes			$ 12,146
Total change in revenues			$ 9,719

(1) Production volumes are presented in Bbls for oil and natural gas liquids and in Mcf for natural gas.

Lease Operating Expense. Lease operating expense was $6.1 million ($14.44 per BOE) for the six months ended June 30, 2012, an increase of $1.8 million, or 42%, from $4.3 million ($15.60 per BOE) for the six months ended June 30, 2011. The increase is due to increased drilling activity, which resulted in additional producing wells for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011. On a per-BOE basis, our lease operating expense decreased $1.29, or 8%, as our well failure rate decreased period-to-period under the leadership of our new executive team, resulting in reduced costs for the repair and replacement of downhole equipment and reduced downtime and loss of production as these failures were remediated. Our lease operating expense during both periods was also adversely impacted by the cost of processing and treating non-hydrocarbon gases from certain of our wells that came on-line in 2011. During the third quarter of 2012, we intend to complete both oil and water gathering systems that will transport this gas stream to a sour gas pipeline, thereby eliminating the monthly processing and treating expense, and reducing water trucking, respectively. We believe that our reduced well failure rate and the completion of the gathering systems will help reduce our lease operating expense on a per-BOE basis in future periods.

Production Tax Expense. Production taxes as a percentage of oil and natural gas sales were 4.9% for the six months ended June 30, 2012, a decrease of 0.1% from 5.0% for the six months ended June 30, 2011. Production taxes are primarily based on the market value of our production at the wellhead and may vary across the different counties in which we operate. Total production taxes increased $0.5 million, from $1.1 million during the six months ended June 30, 2011 to $1.6 million during the six months ended June 30, 2012 as a result of higher production and an increase in the market value of our production.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization expense increased $2.8 million, or 38%, from $7.4 million for the six months ended June 30, 2011 to $10.2 million for the six months ended June 30, 2012. The weighted average depletion rate was $24.22 per BOE for the six months ended June 30, 2012 and $26.72 per BOE for the six months ended June 30, 2011. The decrease in depletion rate was due primarily to an increase in proved reserves at June 30, 2012.

General and Administrative Expense. General and administrative expense increased $1.4 million from $1.4 million for the six months ended June 30, 2011 to $2.8 million for the six months ended June 30, 2012. A $2.7 million increase primarily attributable to salary and equity based compensation expense for our new executive team was partially offset by the capitalization of $1.8 million of such salary and equity based compensation expense.

Interest Expense. Interest expense for the six months ended June 30, 2012 was $2.1 million, as compared to $1.1 million for the six months ended June 30, 2011, an increase of $1.0 million. Our weighted average outstanding principal under our credit agreement was $96.0 million for the six months ended June 30, 2012 as compared to $57.0 million for the same period in 2011 with increased borrowings primarily used to fund our increased drilling activity.

Hedging Activities. We have used price swap derivatives to reduce price volatility associated with certain of our oil sales. In these swaps, we received the fixed price per the contract and paid a floating market price to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty.

On October 4, 2011, in an effort to lock-in prices on our anticipated base level of production, while at the same time providing downside protection for our borrowing base, we entered into West Texas Intermediate light sweet crude oil swaps on the NYMEX for the calendar years 2012 and 2013 of 1,000 barrels per day priced at $78.50 and $80.55, respectively. The counterparties to our derivative contracts as of June 30, 2012 are Hess Corporation, or Hess, and BNP Paribas, or BNP, which we believe are acceptable credit risks.

All derivative financial instruments are recorded on our consolidated balance sheets at fair value. The fair value of swaps is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity.

Set forth below are the summarized amounts, terms and fair values of outstanding instruments held as of June 30, 2012 and December 31, 2011. As of June 30, 2012, we had unrealized losses under all of our crude oil swaps. We may seek to settle some or all of these swaps after the closing of this offering with a portion of the net proceeds depending upon our assessment of market conditions.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	June 30, 2012 Fair Value Liability	December 31, 2011 Fair Value Liability
Crude Oil Swaps:				
January – May 2012	152,000	$ 78.50	$ —	$3,149,475
June – November 2012	183,000	$ 78.50	1,253,237	3,683,790
December 2012	31,000	$ 78.50	270,388	594,223
January – May 2013	151,000	$ 80.55	1,143,741	2,445,330
June – November 2013	183,000	$ 80.55	1,433,554	2,674,819
December 2013	31,000	$ 80.55	233,087	424,201

We enter into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, we entered into a swap contract covering 1,680,000 Bbls of crude oil for the period from January 2008 to December 2012 at various fixed prices. In April 2008, we entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of crude oil swaps. In June 2009, we entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of crude oil swaps. Hess is the counterparty to this swap and each counter-swap.

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the April 2008 settlements as of June 30, 2012 and December 31, 2011, respectively.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	June 30, 2012 Fair Value Liability	December 31, 2011 Fair Value Liability
Crude Oil Swaps:					
December 2011	22,500	$ 82.90	$98.50 – $102.20	$ —	$ 378,750
January – May 2012	112,500	$ 85.07	$98.25 – $101.80	—	1,615,774
June – December 2012	157,500	$ 85.07	$98.25 – $101.80	2,261,527	2,261,185

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the June 2009 settlements as of June 30, 2012 and December 31, 2011, respectively.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	June 30, 2012 Fair Value Asset	December 31, 2011 Fair Value Asset
Crude Oil Swaps:					
December 2011	7,500	$ 82.90	$ 78.42	$ —	$ 33,600
January – May 2012	37,500	$ 85.07	$ 80.52	—	170,615
June – December 2012	52,500	$ 85.07	$ 80.52	238,801	238,765

None of our derivatives have been designated as hedges. As such, all changes in fair value are immediately recognized in earnings. The following summarizes the loss on derivative contracts included in the consolidated statements of operations:

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Unrealized (gain) on open non-hedge derivative instruments	$(8,637,831)	$ —
Loss on settlement of non-hedge derivative instruments	3,472,844	28,181
Loss on derivative contracts	$(5,164,987)	$28,181

We are required to provide margin deposits whenever our unrealized losses with Hess exceed predetermined credit limits. We had a margin deposit held by Hess of $0.8 million and $2.3 million as of June 30, 2012 and December 31, 2011, respectively, which earns interest that is remitted to us. Under our master netting agreement with Hess, we have offset this margin deposit against its derivative positions.

Year ended December 31, 2011 Compared to Year ended December 31, 2010

Oil, Natural Gas Liquids and Natural Gas Revenues. Our oil, natural gas liquids and natural gas revenues increased by approximately $20.8 million, or 78%, to $47.2 million for the year ended December 31, 2011 from $26.4 million for the year ended December 31, 2010. Our revenues are a function of oil, natural gas liquids and natural gas production volumes sold and average sales prices received for those volumes. Average daily production sold increased by 501 BOE/d during the year ended December 31, 2011 as compared to the same period in 2010. The total increase in revenue of approximately $20.8 million is largely attributable to higher oil, natural gas liquids and natural gas production volumes and an increase in the prices of oil and natural gas liquids realized for the year ended December 31, 2011 as compared to the year ended December 31, 2010. Production increased by 161,101 Bbls of oil, 6,837 Bbls of natural gas liquids and 89,793 Mcf of natural gas for the year ended 2011 as compared to the year ended 2010. The net dollar effect of the increase in prices of approximately $7.7 million (calculated as the change in year-to-year average prices times current year production volumes of oil, natural gas liquids and natural gas) and the net dollar effect of the increase in production of approximately $13.0 million (calculated as the increase in year-to-year volumes for oil, natural gas liquids and natural gas times the prior year average prices) are shown below.

	Change in prices	Production volumes(1)	Total net dollar effect of change (in thousands)
Effect of changes in price:			
Oil	$ 15.75	441,822	$ 6,959
Natural gas liquids	$ 10.42	86,815	$ 905
Natural gas	$ (0.34)	413,640	$ (141)
Total revenues due to change in price			$ 7,723

	Change in production volumes(1)	Prior Period Average Prices	Total net dollar effect of change (in thousands)
Effect of changes in volumes:			
Oil	161,101	$ 76.51	$ 12,326
Natural gas liquids	6,837	$ 44.56	$ 305
Natural gas	89,793	$ 4.32	$ 388
Total revenues due to change in volumes			$ 13,019
Total change in revenues			$ 20,742

(1) Production volumes are presented in Bbls for oil and natural gas liquids and in Mcf for natural gas.

Lease Operating Expense. Lease operating expense was $10.3 million ($17.31 per BOE) for the year ended December 31, 2011, an increase of $5.7 million, or 125%, from $4.6 million ($11.07 per BOE) for the year ended December 31, 2010. The increase is due to increased drilling activity, which resulted in additional producing wells for the year ended December 31, 2011 as compared to the year ended December 31, 2010. On a per-BOE basis, the increase is due to cost increases in services and supplies (primarily as a result of higher demand for such services and supplies in the Permian Basin and higher commodity prices), the cost of repairing and replacing downhole equipment due to rod and tubing configurations and pumping practices that resulted in a higher rate of well failures during 2011 and the associated downtime and loss of production as these failures were remediated. Our lease operating expense for the year ended December 31, 2011 was also adversely impacted by the cost of processing and treating non-hydrocarbon gases from certain of our wells that came on line in 2011.

During the third quarter of 2012, we intend to complete both oil and water gathering systems that will transport this gas stream to a sour gas pipeline, thereby eliminating the monthly processing and treating expense, and reduce water trucking, respectively. We believe that our reduced well failure rate and the completion of the gathering systems will help reduce our lease operating expense on a per-BOE basis in future periods.

Production Tax Expense. Production taxes as a percentage of oil and natural gas sales were 4.9% for the year ended December 31, 2011 as compared to 5.1% for the year ended December 31, 2010. Production taxes are primarily based on the market value of our production at the wellhead and vary across the different counties in which we operate. Total production taxes increased $1.0 million, or 73.3%, from $1.3 million during the year ended December 31, 2010 to $2.3 million during the year ended December 31, 2011 as a result of higher production and an increase in the market value of our production.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization expense increased $7.3 million, or 89.1%, from $8.1 million for the year ended December 31, 2010 to $15.4 million for the year ended December 31, 2011. The weighted average depletion rate was $25.40 per BOE for the year ended December 31, 2011 and $17.78 per BOE for the year ended December 31, 2010. The depletion rate increase was due primarily to an increase in costs and a decrease in proved reserves at December 31, 2011 for the reasons described in "*Business—Oil and Gas Data*" beginning on page 95 of this prospectus.

General and Administrative Expense. General and administrative expense increased $0.5 million from $3.1 million for the year ended December 31, 2010 to $3.6 million for the year ended December 31, 2011. A $1.9 million increase primarily attributable to salary and equity based compensation expense for our new executive team was partially offset by the capitalization of $0.9 million of such expense and a $0.5 million increase in COPAS overhead payments due to increased drilling activity.

Interest Expense. Interest expense for the year ended December 31, 2011 was $2.5 million, as compared to $0.8 million for the year ended December 31, 2010, an increase of $1.7 million. Our weighted average outstanding principal under our credit agreement was $68.5 million for the year ended December 31, 2011 as compared to $24.3 million for 2010 due to our increased drilling activity.

Hedging Activities. We have used price swap derivatives to reduce price volatility associated with certain of our oil sales. In these swaps, we received the fixed price per the contract and paid a floating market price to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty.

On October 4, 2011, in an effort to lock-in prices on our anticipated base level of production, while at the same time providing downside protection for our borrowing base, we entered into West Texas Intermediate light sweet crude oil swaps on the NYMEX with BNP for the calendar years 2012 and 2013 of 1,000 barrels per day priced at $78.50 and $80.55, respectively. The counterparties to our derivative contracts as of December 31, 2011 are Hess and BNP, which we believe are acceptable credit risks.

All derivative financial instruments are recorded on our consolidated balance sheets at fair value. The fair value of swaps is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity.

Set forth below are the summarized amounts, terms and fair values of outstanding instruments held as of December 31, 2011. As of December 31, 2011, we had unrealized losses under all of our crude oil swaps. We may seek to settle some or all of these swaps after the closing of this offering with a portion of the net proceeds depending upon our assessment of market conditions.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	December 31, 2011 Fair Value Liability
Crude Oil Swaps:			
January — November 2012	335,000	$ 78.50	$6,833,265
December 2012	31,000	78.50	594,223
January — December 2013	365,000	80.55	5,544,350

We enter into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, we entered into a swap contract covering 1,680,000 Bbls of oil for the period from January 2008 through December 2012 at various fixed prices. In April 2008, we entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of oil swaps. In June 2009, we entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of oil swaps.

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the April 2008 settlements as of December 31, 2011 and December 31, 2010.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	December 31, 2011 Fair Value Liability	December 31, 2010 Fair Value Liability
Oil Swaps:					
December 2010	22,000	$ 82.80	$99.45 – 103.20	$ —	$ 392,462
January — November 2011	180,000	82.90	98.50 – 102.20	—	4,159,695
December 2011	90,000	82.90	98.50 – 102.20	378,750	377,314
January — December 2012	270,000	85.07	98.25 – 101.80	3,876,959	3,844,101

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the June 2009 settlements as of December 31, 2011 and December 31, 2010.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	December 31, 2011 Fair Value Asset	December 31, 2010 Fair Value Asset
Oil Swaps:					
December 2010	8,000	$ 82.80	75.00	$ —	$ 62,400
January — November 2011	82,500	82.90	78.42	—	369,205
December 2011	7,500	82.90	78.42	33,600	33,503
January — December 2012	90,000	85.07	80.52	409,380	406,489

None of our derivatives have been designated as hedges. As such, all changes in fair value are immediately recognized in earnings. The following table summarizes the loss on derivative contracts included in our consolidated statements of operations:

	Years Ended December 31,		
	2011	2010	2009
Unrealized loss on open non-hedge derivative instruments	$ 12,971,838	$ —	$ —
Unrealized loss on locked-in non-hedge derivative instruments	—	—	1,297,979
Loss on settlement of non-hedge derivative instruments	37,555	147,983	2,770,026
Loss on derivative contracts	$ 13,009,393	$ 147,983	$ 4,068,005

We are required to provide margin deposits whenever our unrealized losses with Hess exceed predetermined credit limits. We had a margin deposit held by Hess of $2.3 million and $6.5 million as of December 31, 2011 and 2010, respectively, which earns interest that is remitted to us. Under our master netting agreement with Hess, we have offset this margin deposit against its derivative positions.

Year ended December 31, 2010 Compared to Year ended December 31, 2009

Oil, Natural Gas Liquids and Natural Gas Revenues. Our oil, natural gas liquids and natural gas revenues increased by approximately $13.7 million, or 108%, to $26.4 million during the year ended December 31, 2010 from $12.7 million for the year ended December 31, 2009. Our revenues are a function of oil, natural gas liquids and natural gas production volumes sold and average sales prices received for those volumes. Average daily production sold increased by 365 BOE/d during the year ended December 31, 2010 as compared to the year ended December 31, 2009. The total increase in revenue of approximately $13.7 million is largely attributable to higher oil, natural gas liquid and natural gas production volumes as well as an increase in oil, natural gas liquid and natural gas prices realized for the year ended December 31, 2010 as compared to year ended December 31, 2009. Production increased by 111,980 Bbls of oil, 9,594 Bbls of natural gas liquids and 70,526 Mcf of natural gas during 2010 as compared to 2009. The net dollar effect of the increase in prices of approximately $6.7 million (calculated as the change in year-to-year average prices times current year production volumes for oil, natural gas liquids and natural gas) and the net dollar effect of the change in production of approximately $7.0 million (calculated as the increase in year-to-year volumes for oil, natural gas liquids and natural gas times the prior year average prices) are shown below.

	Change in prices	Production volumes(1)	Total net dollar effect of change (in thousands)
Effect of changes in price:			
Oil	$ 18.50	280,721	$ 5,193
Natural gas liquids	$ 16.07	79,978	$ 1,285
Natural gas	$ 0.68	323,847	$ 220
Total revenues due to change in price			$ 6,698

	Change in production volumes(1)	Prior Period Average Prices	
Effect of changes in volumes:			
Oil	111,980	$ 58.01	$ 6,496
Natural gas liquids	9,594	$ 28.49	$ 273
Natural gas	70,526	$ 3.64	$ 257
Total revenues due to change in volumes			$ 7,026
Total change in revenues			$ 13,724

(1) Production volumes are presented in Bbls for oil and natural gas liquids and in Mcf for natural gas.

Lease Operating Expense. Lease operating expense was $4.6 million ($11.07 per BOE) for the year ended December 31, 2010, an increase of $2.2 million, or 92%, from $2.4 million ($8.41 per BOE) for the year ended December 31, 2009. The increase is due to increased drilling activity, which resulted in additional producing wells in 2010 as compared to 2009. On a per-BOE basis, the increase is due to cost increases in services and supplies, primarily as a result of the increased demand for such services and supplies in the Permian Basin, and increased commodity prices as well as additional well failure repairs coupled with downtime associated with the failures impacting production.

Production Tax Expense. Production taxes as a percentage of oil and natural gas sales were 5.1% for the year ended December 31, 2010 as compared to 5.2% for the year ended December 31, 2009. Production taxes are primarily based on the market value of our production at the wellhead and vary across the different counties in which we operate. Total production taxes increased $0.6 million, or 86%, from $0.7 million for the year ended December 31, 2009 to $1.3 million for the year ended December 31, 2010 as a result of higher production and an increase in the market value of our production.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization expense increased $4.9 million, or 153%, from $3.2 million for the year ended December 31, 2009 to $8.1 million for the year ended December 31, 2010. The weighted average depletion rate was $11.21 per BOE in 2009 and $17.78 per BOE in 2010. The higher depletion rate in 2010 was due primarily to downward reserve revisions due to undeveloped locations being scheduled for development beyond five years and thus being excluded from proved reserves.

On December 31, 2009, we adopted the new SEC rules related to disclosures of oil and natural gas reserves. As a result of these new SEC rules, we recorded additional proved reserves and utilized the additional proved reserves in our depletion computation for 2009. Our 2009 depletion expense rate was $11.21 per BOE, which is lower in part due to these additional proved reserves.

General and Administrative Expense. General and administrative expense decreased $2.0 million, or 39%, from $5.1 million for the year ended December 31, 2009 to $3.1 million for the year ended December 31, 2010. This decrease was primarily due to a reduction in our labor force. As our capital expenditure programs result in increased production levels, we expect that general and administrative expense per unit of production will continue to decrease.

Interest Expense. Interest expense for 2010 was $0.8 million as compared to an interest expense of $0.01 million for 2009. During the year ended December 31, 2010, $0.2 million of our interest was capitalized and our weighted average outstanding principal under our credit agreement was $24.3 million, which was used primarily to fund our increased drilling program. During the year ended December 31, 2009, most of the interest was capitalized and our weighted average outstanding principal was $5.7 million.

Hedging Activities. We have used price swap derivatives to reduce price volatility associated with certain of our oil sales. In these swaps, we received the fixed price per the contract and paid a floating market price to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty. The counterparty to all of our derivative contracts is Hess, which we believe is an acceptable credit risk.

All derivative financial instruments are recorded on our consolidated balance sheets at fair value. The fair value of swaps is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity.

We enter into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, we entered into a swap contract covering 1,680,000 Bbls of oil for the period from January 2008 through December 2012 at various fixed prices. In April 2008, we entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of oil swaps. In June 2009, we entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of oil swaps. We have not entered into any new swap contracts since the initial contract in December 2007. As of December 31, 2010 and 2009, all swap contracts were locked-in with counter swaps.

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the April 2008 settlements as of December 31, 2010 and 2009.

				December 31,	
				2010	2009
Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	Fair Value Liability	Fair Value Liability
Oil Swaps:					
December 2009	22,000	$ 83.75	$102.25 – 105.90	$ —	$ 432,550
January — November 2010	242,000	82.80	99.45 – 103.20	—	4,312,111
December 2010	22,000	82.80	99.45 – 103.20	392,462	390,714
January — December 2011	270,000	82.90	98.50 – 102.20	4,537,009	4,485,047
January — December 2012	270,000	85.07	98.25 – 101.80	3,844,101	3,737,855

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the June 2009 settlements as of December 31, 2010 and 2009.

				December 31,	
				2010	2009
Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	Fair Value Asset	Fair Value Asset
Oil Swaps:					
December 2009	8,000	$ 83.75	$ 71.03	$ —	$ 101,757
January — November 2010	88,000	82.80	75.00	—	685,405
December 2010	8,000	82.80	75.00	62,400	62,108
January — December 2011	90,000	82.90	78.42	402,708	397,880
January — December 2012	90,000	85.07	80.52	406,489	394,696

None of our derivatives have been designated as hedges. As such, all changes in fair value are immediately recognized in earnings. The following summarizes the loss on derivative contracts included in the consolidated statements of operations as follows:

	Years ended December 31,	
	2010	2009
Unrealized loss on locked-in non-hedge derivative instruments	$ —	$ 1,297,979
Loss on settlement of non-hedge derivative instruments	147,983	2,770,026
Loss on derivative contracts	$ 147,983	$ 4,068,005

We are required to provide margin deposits whenever our unrealized losses with Hess exceed predetermined credit limits. We had a margin deposit held by Hess of $6.5 million and $10.3 million as of December 31, 2010 and 2009, respectively. Interest earned on the deposit is remitted to us. As we have a master netting agreement with Hess, we have offset this margin deposit against derivative positions.

Liquidity and Capital Resources

Historically, our primary sources of liquidity have been capital contributions and loans from our equity sponsor, borrowings under our credit facility and cash flows from operations. Our primary use of capital has been for the acquisition, development and exploration of oil and natural gas properties. We regularly evaluate potential capital sources, including equity and debt financings, in an effort to meet our planned capital expenditures and liquidity requirements. Our future success in growing proved reserves and production will be highly dependent on our ability to access outside sources of capital.

Liquidity and cash flow

Our cash flows for the six months ended June 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009 are presented below:

	Six Months Ended June 30,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Net cash provided by operating activities	$ 22,309,321	$ 13,519,386	$ 30,384,194	$ 5,175,824	$ 2,701,566
Net cash used in investing activities	(59,382,142)	(38,363,561)	(76,314,042)	(53,134,641)	(32,149,617)
Net cash provided by financing activities	$ 32,337,149	$ 23,292,499	48,642,492	49,618,254	23,849,250
Net change in cash	$ (4,735,672)	$ (1,551,676)	$ 2,712,644	$ 1,659,437	$ (5,598,801)

Operating Activities

On a historical basis, net cash provided by operating activities was $22.3 million for the six months ended June 30, 2012 as compared to $13.5 million for the six months ended June 30, 2011. The increase in operating cash flows is due to an overall increase in production revenues, partially offset by increased expenses, as discussed above in "—*Results of Operations*" beginning on page 64. The increase in production is largely a result of our increased drilling activities throughout 2012 and 2011.

Net cash provided by operating activities was $30.4 million for the year ended December 31, 2011 as compared to $5.2 million for the year ended December 31, 2010. The increase in operating cash flows is due to an overall increase in production revenues, partially offset by increased expenses, as discussed above in "—*Results of Operations*" on page 64. The increase in production is largely a result of our increased drilling activities throughout 2011.

Net cash provided by operating activities was $5.2 million for the year ended December 31, 2010 as compared to $2.7 million for the year ended December 31, 2009. The increase in operating cash flows is due to an overall increase in production revenues, partially offset by increased expenses, as discussed above in "—*Results of Operations*" on page 64. The increase in production volumes is largely a result of our increased drilling program in 2010. The increase in operating activities was partially offset by changes in our working capital components in 2010 which consisted primarily of the purchase of inventory of tubular goods for our drilling program and increased accounts receivables due to the increase in our drilling activities in 2010.

Our operating cash flow is sensitive to many variables, the most significant of which is the volatility of prices for the oil and natural gas we produce. Prices for these commodities are determined primarily by prevailing market conditions. Regional and worldwide economic activity, weather and other substantially variable factors influence market conditions for these products. These factors are beyond our control and are difficult to predict.

Investing Activities

On a historical basis, we used cash for investing activities of $59.4 million and $38.4 million during the six months ended June 30, 2012 and 2011, respectively.

During the first six months ended 2012, we spent $47.3 million on capital expenditures in conjunction with our drilling program in which we participated in the drilling of 24 gross (16 net) wells. We spent an additional $7.7 million on leasehold costs, $0.6 million for the purchase of other property and equipment and $3.8 million, net, on the settlement of our derivative transactions.

The purchase and development of oil and natural gas properties accounted for the majority of our cash outlays for investing activities. We used cash for investing activities of $76.3 million, $53.1 million and $32.1 million during the years ended December 31, 2011, 2010 and 2009, respectively.

During 2011, we spent $72.2 million on capital expenditures in conjunction with our drilling program in which we participated in the drilling of 54 gross (31 net) wells. We spent an additional $3.2 million on leasehold costs, $0.4 million for the purchase of other property and equipment, $4.2 million for the purchase of certain assets, real estate and leasehold interests which were subsequently contributed to Muskie and $2.5 million for the purchase of drilling rigs and other equipment which were subsequently contributed to Bison. These amounts were partially offset by proceeds of $6.0 million from a partial sale of our equity investment, $0.05 million from the sale of property and equipment and $0.08 million from the settlement of non-hedge derivative investments and margin deposits.

During 2010, we spent $39.0 million on capital expenditures in conjunction with our drilling program in which we participated in the drilling of 40 gross (25 net) wells. We spent an additional $3.5 million for the purchase and development of leasehold interests, $11.7 million for the purchase of drilling rigs, well servicing equipment and other equipment which were subsequently contributed to Bison and $0.2 million for the settlement of non-hedge derivative instruments and margin deposits. These amounts were partially offset by the $1.3 million we received from the sale of approximately 10,946 net acres of non producing acreage in the Permian Basin.

During 2009, we spent $24.0 million on capital expenditures in conjunction with our drilling program in which we participated in the drilling of 12 gross (nine net) wells. We spent an additional $2.7 million for the purchase and development of leasehold interests in the Permian Basin and $5.5 million for the net amount of the settlement of non-hedge derivative instruments and margin deposits.

Our investment activities for the six months ended June 30, 2012 and 2011 and the years ended December 31, 2011, 2010 and 2009 are summarized in the following table:

	Six Months Ended June 30,		Year Ended December 31,		
	2012	2011	2011	2010	2009
Drilling and completion of wells	$ (47,277,804)	$ (32,491,866)	$ (72,165,677)	$ (38,979,629)	$ (23,955,667)
Purchase of leasehold acquisitions	(7,693,156)	(519,058)	(3,213,932)	(3,493,464)	(2,667,068)
Purchase of other property and equipment	(637,160)	(5,494,482)	(7,064,972)	(11,741,073)	(8,856)
Proceeds from sale of property and equipment	9,770	54,909	54,909	1,270,075	2,000
Settlement of non-hedge derivative instruments	(5,262,846)	(2,055,901)	(4,126,800)	(3,962,440)	(2,770,026)
Receipt (payment) on derivative margins	1,479,054	2,152,373	4,202,467	3,771,890	(2,750,000)
Proceeds from equity investment, net	—	(9,536)	5,999,963	—	—
Net cash used in investing activities	(59,382,142)	(38,363,561)	$ (76,314,042)	$ (53,134,641)	$ (32,149,617)

Financing Activities

Net cash provided by financing activities for the first six months of 2012 was $32.3 million as compared to $23.3 million for the first six months of 2011. During the first six months of 2012 and 2011, we borrowed $15.0 million and $23.6 million, respectively, under our revolving credit facility and received capital contributions from entities controlled by Wexford, our equity sponsor, of $4.0 million and zero, respectively. During the first six months of 2012, we also borrowed $14.1 million of subordinated debt from Wexford. These proceeds were used primarily to fund our drilling costs and purchase property and equipment. During the six months ended June 30, 2012, we paid $0.7 million for costs associated with this offering.

Net cash provided by financing activities for 2011 was $48.6 million as compared to $49.6 million for 2010. During 2011, we borrowed $40.2 million under our revolving credit facility and received capital contributions from entities controlled by Wexford, our equity sponsor, of $9.2 million. These proceeds were used primarily to fund our drilling costs and purchase property and equipment.

Net cash provided by financing activities for 2010 was $49.6 million as compared to $23.8 million for 2009. The net cash provided by financing activities in 2010 is primarily attributable to borrowings of $61.1 million under our revolving credit facility, partially offset by principal payments of $24.0 million under our prior credit facility with the Bank of Oklahoma, N.A. During 2010, we received capital contributions from entities controlled by Wexford, our equity sponsor, of $18.8 million which were partially offset by distributions to Wexford of $5.6 million. We paid $0.7 million in debt issuance costs in 2010. We used the net proceeds from our financing activities during 2010 to fund our drilling costs, the purchase of property and equipment, the purchase of tubular goods inventory and the acquisition and development of leasehold.

Net cash provided by financing activities for 2009 was $23.8 million as compared to $80.2 million for 2008. The net cash provided by financing activities in 2009 is attributable to borrowings of $7.7 million under our revolving credit facility and $16.9 million of capital contributions from entities controlled by Wexford, our equity sponsor, which amounts were partially offset by distributions to Wexford of $0.6 million. We paid $0.1 million for debt issuance costs and costs relating to the preparation for the initial public offering. We used the net proceeds from our financing activities to fund our drilling program, the purchase of property and equipment, the acquisition and development of leasehold and the settlement of our non-hedge derivative instruments.

Existing Revolving Credit Facility

On October 15, 2010, we entered into a senior secured revolving credit agreement with BNP Paribas, or BNP, as administrative agent for the several lenders, as amended, providing for a revolving credit facility. The maximum availability under the facility is subject to scheduled semi-annual and other elective collateral borrowing base redeterminations based on our oil and natural gas reserves. The outstanding borrowings bear interest at a rate elected by us that is currently based on the prime, LIBOR or federal funds rate plus margins ranging from 1.25% to 3.50% depending on the base rate used and the amount of the loan outstanding in relation to the borrowing base.

Principal may be optionally repaid from time to time and is required to be paid (a) if the loan amount exceeds the borrowing base, whether due to a borrowing base redetermination or otherwise, and (b) at the maturity date of October 15, 2014. We are obligated to pay a quarterly commitment fee equal to 0.5% per year of the unused portion of the borrowing base. The loan is secured by substantially all of our assets. The borrowing base is re-determined semi-annually with effective dates of April 1st and October 1st. In addition, we may request up to three additional redeterminations of the borrowing base during any 12-month period. The borrowing base was $45.0 million at December 31, 2010. The borrowing base was increased several times during 2011 as a result of redeterminations and at December 31, 2011 the borrowing base was $100.0 million. Under the terms of the revolving credit agreement as currently in effect, the borrowing base will remain at $100.0 million through July 15, 2013 or, if earlier, the closing date of this offering, at which time the borrowing base will be reduced to $90.0 million, subject to the periodic and elective borrowing base redeterminations described above. However, we expect that our borrowing base will be increased above the $90.0 million borrowing base level as a result of our acquisition of the oil and gas properties subject to the Gulfport transaction and those properties owned by Windsor UT. Notwithstanding future redeterminations of the borrowing base, the aggregate maximum credit amount under the revolving credit agreement is $250.0 million. As of June 30, 2012 and December 31, 2011, we had outstanding borrowings of $100.0 million and $85.0 million, respectively. Borrowings under the revolving credit agreement bore interest at a weighted average rate of 3.75% at June 30, 2012 and 3.3% at December 31, 2011. We intend to repay the outstanding borrowings under our revolving credit facility with a portion of the net proceeds of this offering.

Our revolving credit agreement contains various affirmative and restrictive covenants. These covenants, among other things, prohibit additional indebtedness, additional liens, sales of assets, mergers and consolidations, dividends and distributions, transactions with affiliates and entering into certain swap agreements and require the maintenance of various financial ratios described below.

On May 10, 2012, our revolving credit agreement was further amended to provide for the resignation of BNP, and the appointment of Wells Fargo Bank, National Association, or Wells Fargo, as administrative agent for the lenders. The amendment also permitted certain restricted payments and subordinated debt in an initial principal amount not to exceed $30.0 million, including any such indebtedness evidenced by our subordinated note with an affiliate of Wexford described in more detail under "—*Subordinated Note*" below.

As of July 24, 2012, our revolving credit agreement was amended and restated to include Diamondback Energy LLC and its subsidiaries as additional guarantors to the facility. The covenant prohibiting additional indebtedness was also amended to allow the issuance of unsecured debt of up to $250.0 million and, in connection with any such issuance, the reduction of the borrowing base by 25% of the principal amount of such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid. The amendment also provided that redemptions of any unsecured debt will be restricted unless certain liquidity requirements are met. Further, the amendment modified certain financial ratios, the current requirements of which are described below.

Financial Covenant	Required Ratio
Ratio of EBITDAX to interest expense	Not less than 2.5 to 1.0
Ratio of total debt to EBITDAX	Not greater than 4.5 to 1.0
Ratio of total debt to EBITDAX (after closing date of this offering)	Not greater than 4.0 to 1.0
Ratio of debt under revolving credit agreement to EBITDAX	Not greater than 3.0 to 1.0
Ratio of current assets to liabilities	Not less than 1.0 to 1.0

Our revolving credit agreement defines EBITDAX, for any period, as the sum of our consolidated net income for such period plus the following expenses or charges to the extent deducted from our consolidated net income for such period: interest; income taxes; depreciation, depletion, amortization and exploration expenses; extraordinary items and other similar non-cash charges, including expenses related to stock-based compensation and hedging, minus all non-cash income added to our consolidated net income.

On July 31, 2012, we further amended our revolving credit agreement to provide for the issuance to Gulfport of the Gulfport transaction note and the payment of the Gulfport transaction note from the proceeds of this offering.

As of June 30, 2012 and December 31, 2012, we were in compliance with all financial covenants under our revolving credit facility. The lenders may accelerate all of the indebtedness under our revolving credit facility upon the occurrence of any event of default unless we cure any such default within any applicable cure period. For payments of interest under our revolving credit facility, we have a three business day grace period, and a 30-day cure period for most covenant defaults, except for defaults of certain covenants, including the financial covenants and negative covenants under our revolving credit facility.

Subordinated Note

Effective May 14, 2012, we issued a subordinated note to an affiliate of Wexford pursuant to which the Wexford affiliate may, from time to time, advance up to an aggregate $25.0 million. These advances are solely at the lender's discretion and neither Wexford nor any of its affiliates has any commitment or obligation to provide further capital support to us. The note bears interest at a rate equal to LIBOR plus 0.28% or 8% per annum, whichever is lower. Interest is due quarterly in arrears beginning on July 1, 2012. Interest payments are payable in kind by adding such amounts to the principal balance of the note. The unpaid principal balance and all accrued interest on the note are due and payable in full on January 31, 2015 or the earlier completion of this offering. Any indebtedness evidenced by this note is subordinate in the right of payment to any indebtedness outstanding under our revolving credit facility. As of August 13, 2012, there was $24.5 million in aggregate principal amount outstanding under this note. We will repay the outstanding borrowings under this note with a portion of the net proceeds of this offering.

Prior Revolving Credit Facility

On September 17, 2009, we entered into a revolving credit facility with the Bank of Oklahoma, N.A., or BOK. The BOK revolving credit facility had a maximum principal amount of $50.0 million, subject to a collateral borrowing base calculation which was based on the underlying reserve value of the oil and natural gas properties securing the credit facility and outstanding letters of credit. The BOK revolving credit facility was repaid in full in October 2010 with borrowings under the BNP revolving credit facility and then terminated.

Borrowings under the BOK revolving credit facility bore interest at our election of either BOK's listed national prime rate plus an interest rate spread ranging from 1.0% to 2.5% (based on borrowing levels) payable monthly or at LIBOR rates plus an interest rate spread ranging from 2.5% to 4.0% (based on borrowing levels) payable at the end of the applicable interest period. The credit facility agreement allowed BOK to charge a 0.25% commitment fee on the unused available borrowing.

The BOK revolving credit facility was collateralized by oil and natural gas properties and contained certain financial and non-financial covenants, which included: providing quarterly financial statements and annual audited financial statements; providing semi-annual reserve engineering reports; restrictions on distributions to members; restrictions on incurring additional debt; restrictions on financial derivative contracts; maintaining a funded debt to earnings before hedge gains or losses, asset gains or losses, depreciation, depletion, amortization and interest expense of no greater than 3.0 to 1.0.

Capital Requirements and Sources of Liquidity

We currently anticipate our 2012 capital budget for drilling and infrastructure will be approximately $140.0 million to $150.0 million after giving effect to the Transactions. We intend to allocate these expenditures as follows:

- $116.0 million for the drilling and completion of operated wells;
- $10.5 million for our participation in the drilling and completion of non-operated wells;
- $8.0 million for leasehold acquisitions; and
- $6.0 million for the construction of infrastructure to support production, including investments in water disposal infrastructure and gathering line projects.

During the six months ended June 30, 2012, aggregate capital expenditures for drilling and infrastructure after giving effect to the Transactions were $70.7 million while our capital expenditures without giving effect to the Transactions were $56.6 million.

However, the amount and timing of these capital expenditures is largely discretionary and within our control. We could choose to defer a portion of these planned 2012 capital expenditures depending on a variety of factors, including but not limited to the success of our drilling activities, prevailing and anticipated prices for oil and natural gas, the availability of necessary equipment, infrastructure and capital, the receipt and timing of required regulatory permits and approvals, seasonal conditions, drilling and acquisition costs and the level of participation by other interest owners.

Based upon current oil and natural gas price expectations for 2012, following the closing of this offering we believe that our cash flow from operations, proceeds of this offering and borrowings under our revolving credit facility will be sufficient to fund our operations through year-end 2013. However, future cash flows are subject to a number of variables, including the level of oil and natural gas production and prices, and significant additional capital expenditures will be required to more fully develop our properties. We cannot assure you that operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures. Further, our capital expenditure budget for 2012 allocates $8.0 million to leasehold interest and property acquisitions. In the event we make additional acquisitions and the amount of capital required is greater than the amount we have available for acquisitions at that time, we could be required to reduce the expected level of capital expenditures and/or seek additional capital. If we require additional capital for that or other reasons, we may seek such capital through traditional reserve base borrowings, joint venture partnerships, production payment financings, asset sales, offerings of debt and equity securities or other means. We cannot assure you that needed capital will be available on acceptable terms or at all. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our current drilling programs, which could result in a loss of acreage through lease expirations. In addition, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to replace our reserves.

Contractual and Commercial Commitments

The following table summarizes our contractual obligations and commercial commitments as of December 31, 2011:

	Payments Due By Year				
	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
	(in thousands)				
Long term debt[1]	$ —	$85,000	$—	$ —	$ 85,000
Derivative contracts	8,320	6,139	—	—	14,459
Asset retirement obligation[2]	—	—	19	1,061	1,080
Operating leases	219	690	358	—	1,267
Total	$ 8,539	$91,829	$377	$ 1,061	$101,806

(1) Consists of the outstanding principal amount at December 31, 2011 under our revolving credit facility. This table does not include future commitment fees, interest expense or other fees payable under this floating rate facility as we cannot predict the timing of future borrowings and repayments or interest rates to be charged. All borrowings under our revolving credit facility are due on October 15, 2014.

(2) Amounts represent our estimates of future asset retirement obligations. Because these costs typically extend many years into the future, estimating these future costs requires management to make estimates and judgments that are subject to future revisions based upon numerous factors, including the rate of inflation, changing technology and the political and regulatory environment. Please read Note 4 to our audited financial statements.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Below, we have provided expanded discussion of our more significant accounting policies, estimates and judgments. We believe these accounting policies reflect our more significant estimates and assumptions used in preparation of our financial statements. See Note 2 of the notes to our consolidated financial statements appearing elsewhere in this prospectus for a discussion of additional accounting policies and estimates made by management.

Use of Estimates

Certain amounts included in or affecting our consolidated financial statements and related disclosures must be estimated by our management, requiring certain assumptions to be made with respect to values or conditions that cannot be known with certainty at the time the consolidated financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities and our disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

We evaluate these estimates on an ongoing basis, using historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include estimates of proved reserve quantities and related estimates of the present value of future net revenues, the carrying value of oil and gas properties and asset retirement obligations.

Method of accounting for oil and natural gas properties

We account for our oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs and annual lease rentals are capitalized. We also capitalize direct operating costs for services performed with internally owned drilling and well servicing equipment. General and administrative costs capitalized to the full cost pool represent management's estimate of costs incurred directly related to exploration and development activities such as geological and other administrative costs associated with overseeing the exploration and development activities. All general and administrative corporate costs unrelated to drilling activities are expensed as incurred. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless the ratio of cost to proved reserves would significantly change. Income from services provided to working interest owners of properties in which we also own an interest, to the extent they exceed related costs incurred, are accounted for as reductions of capitalized costs of oil and natural gas properties. Depletion of evaluated oil and natural gas properties is computed on the units of production method based on proved reserves.

Costs associated with unevaluated properties are excluded from the full cost pool until we have made a determination as to the existence of proved reserves. We assess all items classified as unevaluated property on a quarterly basis for possible impairment. We assess properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization. The inclusion of our unevaluated costs into the amortization base is expected to be completed within three years.

Oil and natural gas reserve quantities and standardized measure of future net revenue

Our independent engineers and technical staff prepare our estimates of oil and natural gas reserves and associated future net revenues. The SEC has defined proved reserves as the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The process of estimating oil and gas reserves is complex, requiring significant decisions in the evaluation of available geological, geophysical, engineering and economic data. The data for a given property may also change substantially over time as a result of numerous factors, including additional development activity, evolving production history and a continual reassessment of the viability of production under changing economic conditions. As a result, material revisions to existing reserve estimates occur from time to time. Although every reasonable effort is made to ensure that reserve estimates reported represent the most accurate assessments possible, the subjective decisions and variances in available data for various properties increase the likelihood of significant changes in these estimates. If such changes are material, they could significantly affect future amortization of capitalized costs and result in impairment of assets that may be material.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

Revenue recognition

Oil and natural gas revenues are recorded when title passes to the purchaser, net of royalty interests, discounts and allowances, as applicable. We account for oil and natural gas production imbalances using the sales method, whereby a liability is recorded when our volumes exceed our estimated remaining recoverable reserves. No receivables are recorded for those wells where we have taken less than our ownership share of production. We did not have any gas imbalances as of December 31, 2011, 2010 and 2009 or as of June 30, 2012. Revenues from oil and natural gas services are recognized as services are provided.

Impairment

The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10%. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion, amortization, impairment and deferred income taxes exceed the discounted future net revenues of proved oil and natural gas reserves, less any related income tax effects, the excess capitalized costs are charged to expense. In calculating future net revenues, effective December 31, 2009, prices are calculated as the average oil and gas prices during the preceding 12-month period prior to the end of the current reporting period, determined as the unweighted arithmetic average first-day-of-the-month prices for the prior 12-month period and costs used are those as of the end of the appropriate quarterly period.

Asset retirement obligations

ASC Topic 410 requires companies to record a liability relating to the retirement and removal of assets used in their businesses. ASC Topic 410 requires that the fair value of a liability for an asset’s retirement obligation be recorded in the period in which it is incurred if a reasonable estimate of fair value can be made and that the corresponding cost be capitalized as part of the carrying amount of the related long-lived asset. For oil and gas properties, this is the period in which the well is drilled or acquired. The asset retirement obligation represents the estimated amount we will incur to plug, abandon and remediate the properties at the end of their productive lives, in accordance with applicable state laws. The liability is accreted to its present value each period and the capitalized cost is depreciated on the unit-of-production method.

We determine the asset retirement obligation by calculating the present value of estimated cash flows related to the liability. Estimating the future asset retirement obligation requires management to make estimates and judgments regarding timing, existence of a liability, as well as what constitutes adequate restoration. Inherent in the fair value calculation are numerous assumptions and judgments including the ultimate costs, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. To the extent future revisions to these assumptions impact the fair value of the existing asset retirement obligation liability, a corresponding adjustment is made to the related asset.

Derivatives

From time to time, we have used energy derivatives for the purpose of mitigating the risk resulting from fluctuations in the market price of crude oil. We recognize all of our derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further on the type of hedging relationship. We enter into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap. For those derivative instruments that are designated and qualify as hedging instruments, we designate the hedging instrument, based on the exposure being hedged, as either a fair value hedge or a cash flow hedge. Changes in the fair value of instruments designated as a fair value hedge offset changes in the fair value of the hedge item and changes in the fair value of instruments designated as cash flow hedges are shown in accumulated other comprehensive income until the hedged item is recognized in earnings. For derivative instruments not designated as hedging instruments, the unrealized gain or loss on the change in fair value of these instruments are recognized in earnings during the period of change. None of our derivatives were designated as hedging instruments during the years ended December 31, 2011, 2010 and 2009 or for the six months ended June 30, 2012.

Equity-Based Compensation

During the year ended December 31, 2011, we granted to our executive officers options to acquire membership interests in our Company. Such options vest in four equal annual installments commencing on the first anniversary of the date of grant and are exercisable for five years from the date of grant. Generally, in the event more than 50% of the combined voting power of our Company is not owned by Wexford or its affiliates and there is a material change in the terms of the option holder’s employment, the options will vest immediately. Summarized below are the grant dates with the total exercise prices and total fair values of the underlying options:

Months Ended	Membership Interests Granted	Exercise Price	Fair Value at Date of Grant
April 2011	1.00%	$ 3,600,000	$1,452,851
August 2011	1.20%	6,000,000	1,383,976
September 2011	1.25%	5,900,000	1,532,612
November 2011	0.25%	1,250,000	288,328
	3.70%	$16,750,000	$4,657,767

At June 30, 2012 and December 31, 2011, for outstanding options, the intrinsic value was $112,500 and $112,500, respectively, and the weighted-average remaining contractual terms were 4.1 and 4.6 years, respectively. Also, at June 30, 2012 and December 31, 2011, no options were exercisable.

We account for such options issued using a fair-value-based method calculated on the grant-date of the award. The resulting cost is recognized on a straight-line basis over the vesting period of the entire option.

The fair value of the options issued was estimated using the Black-Scholes option-pricing model. One of the inputs to this model is the estimate of the fair value of the underlying membership interest on the date of grant. The other inputs include an estimate of the expected volatility of the membership interest, an option’s expected term, the risk-free interest rate over the option’s expected term, the option’s exercise price and our expectations regarding dividends.

We do not have a history of market prices for our membership interests because such interests are not publicly traded. We utilized the observable data for a group of peer companies that grant options to assist in developing our volatility assumption. The expected volatility was determined using the historical volatility for a peer group of companies. The expected term for options issued was determined based on the contractual terms of the awards. The weighted-average risk-free interest rate was based on the daily U.S. treasury yield curve rate whose term was consistent with the expected life of the options. We do not anticipate paying cash dividends; therefore, the expected dividend yield was assumed to be zero.

A summary of the significant assumptions used to estimate the fair value of the options to acquire membership interests during the year ended December 31, 2011 is as follows:

Expected term	5 years
Risk-free interest rate	0.96%
Expected volatility	45.50%
Expected dividend yield	0.00%

We assumed no annual forfeiture rate because of our lack of turnover and lack of history for this type of award. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior and other factors. Changes in the estimated forfeiture rate can have a significant effect on reported equity-based compensation expense, because the cumulative effect of adjusting the rate for all expense amortization is recognized in the period the forfeiture estimate is changed.

We perform annual valuations to estimate our enterprise value. Our valuations consider a number of objective and subjective factors that we believe market participants would consider, including: (a) our business, financial condition, and results of operations, including related industry trends affecting our operations; (b) our forecasted operating performance and projected future cash flows; (c) the liquid or illiquid nature of our membership interest; (d) liquidation preferences, redemption rights and other rights and privileges of our membership interest; (e) market multiples of our most comparable public peers; and (f) market conditions affecting our industry.

We used the income approach to estimate our enterprise value. The income approach involves applying an appropriate risk-adjusted discount rate to projected cash flows based on forecasted revenue and costs. The valuations were based primarily on our independent engineering oil and gas reserve reports which are generally a cash flow model of the Company. There were no significant events during the year that caused us to adjust these values at the various grant dates.

There is inherent uncertainty in our forecasts and projections and, if we had made different assumptions and estimates than those described previously, the amount of our equity-based compensation expense could have been materially different.

Equity-based compensation expense recorded for the six months ended June 30, 2012 was $582,221. The unrecognized equity-based compensation expense as of June 30, 2012 and December 31, 2011 was $3,531,255 and $4,113,477, respectively, related to these awards which is expected to be recognized over a weight-average period of 3.1 and 3.6 years, respectively. Equity-based compensation expense for the six months ended June 30, 2011 was not material.

Recent accounting pronouncements

Fair Value

In December 2011, the FASB issued Accounting Standards Update, or ASU, No. 2011-11, which increases disclosures about offsetting assets and liabilities. New disclosures are required to enable users of financial statements to understand significant quantitative differences in balance sheets prepared under GAAP and International Financial Reporting Standards related to the offsetting of financial instruments. The existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The guidance in ASU No. 2011-11 is effective for annual and interim reporting periods beginning on or after January 1, 2013. The disclosures should be applied retrospectively for all prior periods presented. We do not expect the adoption of this new guidance to have a significant impact on our financial position, results of operations or cash flow.

Comprehensive Income

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which provides amendments to FASB ASC Topic 220, "Comprehensive Income." The purpose of the amendments in this update is to provide a more consistent method of presenting non-owner transactions that affect an entity's equity. The amendments eliminate the option to report other comprehensive income and its components in the statement of changes in stockholders' equity and require an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. In December 2011, the FASB issued Accounting Standards Update 2011-12 which defers the requirement in Accounting Standards Update 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. Both amendments are effective for interim and annual periods beginning after December 15, 2011 and should be applied retrospectively. The adoption of this guidance will not have a significant impact on our financial position, results of operations or cash flow.

Emerging Growth Company

The JOBS Act permits an "emerging growth company" like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted. This decision to opt out of the extended transition period is irrevocable.

Internal Controls and Procedures

We are not currently required to comply with the SEC's rules implementing Section 404 of the Sarbanes Oxley Act of 2002, and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules implementing Section 302 of the Sarbanes-Oxley Act of 2002, which will require our management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. We will not be required to make our first assessment of our internal control over financial reporting under Section 404 until the year following our first annual report required to be filed with the SEC.

Inflation

Inflation in the United States has been relatively low in recent years and did not have a material impact on our results of operations for the years ended 2009, 2010 and 2011. Although the impact of inflation has been insignificant in recent years, it is still a factor in the United States economy and we tend to experience inflationary pressure on the cost of oilfield services and equipment as increasing oil and gas prices increase drilling activity in our areas of operations.

Quantitative and Qualitative Disclosure about Market Risks

Commodity Price Risk

Our major market risk exposure is in the pricing applicable to our oil and natural gas production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot market prices applicable to our natural gas production. Pricing for oil and natural gas production has been volatile and unpredictable for several years, and we expect this volatility to continue in the future. The prices we receive for production depend on many factors outside of our control.

We use price swap derivatives to reduce price volatility associated with certain of our oil sales. Under these swap contracts, we receive a fixed price per barrel of oil and pay a floating market price per barrel of oil to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty. For the purpose of locking-in the value of a swap, we enter into counter-swaps from time to time. Under the counter-swap, we receive a floating price for the hedged commodity and pay a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, we placed a swap contract covering 1,680,000 Bbls of crude oil for the period from January 2008 to December 2012 at various fixed prices. In April 2008, we entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of crude oil swaps. In June 2009, we entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of crude oil swaps. In October 2011 we placed a swap contract covering 730,000 Bbls of crude oil for the period from January 2012 to December 2013 at a fixed price of $78.50 for 2012 and $80.55 for 2013. Such contracts and any future hedging arrangements may expose us to risk of financial loss in certain circumstances, including instances where production is less than expected or oil prices increase. In addition, these arrangements may limit the benefit to us of increases in the price of oil.

At June 30, 2012, we had a net liability derivative position of $5.5 million related to our price swap derivatives.

Counterparty and Customer Credit Risk

Our principal exposures to credit risk are through receivables resulting from joint interest receivables (approximately $10.5 million at June 30, 2012) and receivables from the sale of our oil and natural gas production (approximately $4.8 million at June 30, 2012).

We are subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. We do not require our customers to post collateral, and the inability of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. For the six months ended June 30, 2012, three purchasers accounted for more than 10% of our revenue: Plains Marketing, L.P. (63%); Andrews Oil Buyers Inc. (13%); and Occidental Energy Marketing, Inc. (12%). For the years ended December 31, 2011 and 2010, one purchaser, Windsor Midstream LLC, an entity controlled by Wexford, our equity sponsor, accounted for approximately 78% and 81% of our revenue, respectively. For the year ended December 31, 2009, two purchasers accounted for more than 10% of our revenue: Windsor Midstream LLC (68%) and DCP Midstream, LP (14%). No other customer accounted for more than 10% of our revenue during these periods.

Joint operations receivables arise from billings to entities that own partial interests in the wells we operate. These entities participate in our wells primarily based on their ownership in leases on which we intend to drill. We have little ability to control whether these entities will participate in our wells. At June 30, 2012, we had two customers that represented approximately 94% of our total joint operations receivables. At each of December 31, 2011 and 2010, we had one customer that represented approximately 68% and 62%, respectively, of our total joint operations receivables. Prior to 2010, we did not operate the wells and, therefore, did not have joint operations receivables.

Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on our indebtedness under our revolving credit facility with Wells Fargo. The terms of our revolving credit facility with Wells Fargo provide for interest on borrowings at a floating rate equal to prime, LIBOR or federal funds rate plus margins ranging from

1.25% to 3.50% depending on the base rate used and the amount of the loan outstanding in relation to the borrowing base. Borrowings under our revolving credit facility bore interest at a weighted average rate of 3.75% as of June 30, 2012. An increase or decrease of 1% in the interest rate would have a corresponding decrease or increase in our net income (loss) of approximately $1.0 million annually, based on the $100.0 million outstanding in the aggregate under our revolving credit facility as of June 30, 2012, and assuming no interest is capitalized. Pending use of the net proceeds from this offering to fund our exploration and development activities and for general corporate purposes, we intend to repay the outstanding borrowings under our revolving credit facility.

Off-Balance Sheet Arrangements

We currently have no off-balance sheet arrangements. Please read Note 11 to our consolidated financial statements included elsewhere in this prospectus for a discussion of our commitments and contingencies, some of which are not recognized in the balance sheets under GAAP.

BUSINESS

General

Overview

We are an independent oil and natural gas company currently focused on the acquisition, development, exploration and exploitation of unconventional, onshore oil and natural gas reserves in the Permian Basin in West Texas. This basin, which is one of the major producing basins in the United States, is characterized by an extensive production history, a favorable operating environment, mature infrastructure, long reserve life, multiple producing horizons, enhanced recovery potential and a large number of operators.

We began operations in December 2007 with our acquisition of 4,134 net acres with production at the time of acquisition of approximately 800 BOE/d from 34 gross (16.8 net) wells in the Permian Basin. Subsequently, we acquired approximately 26,875 additional net acres, which brought our total net acreage position in the Permian Basin to 31,009 net acres at June 30, 2012 and, after giving effect to the Transactions, we had 51,623 net acres. We are the operator of approximately 99% of this acreage. As of June 30, 2012, after giving effect to the Transactions, we had drilled 159 gross (147 net) wells, and participated in an additional 15 gross (six net) non-operated wells, in the Permian Basin. Of these 174 gross wells, 160 were completed as producing wells and 14 were in various stages of completion. In the aggregate, as of June 30, 2012, we held interests in 194 gross (177 net) producing wells in the Permian Basin.

We built our current leasehold position through the following acquisitions and development activities in the Wolfberry play:

- In 2008, we acquired 6,247 net acres at the Spanish Trail and Munn prospects in Midland County, Texas through 11 leases and one mineral deed, with 5,146 net acres attributable to one lease;
- Commencing in 2008 and ending in 2010, we acquired leases at the Barron prospect in Midland County, Texas that currently cover 225 net acres;
- Commencing in 2008 and ending in 2011, we acquired leases at the Gist prospect in Ector County, Texas covering 1,452 net acres;
- Commencing in 2008 and ending in 2012, we acquired 37 leases at the UL prospect in Andrews, Upton and Reagan Counties, Texas covering a total of 10,006 net acres;
- Beginning in 2008, we acquired 17 leases at the Hurt/WHL prospect in Ector County, Texas covering 2,779 net acres;
- In 2009, we acquired one lease at the Cumberland prospect located in Midland County, Texas covering 207 net acres;
- In 2010, we acquired leases at the North Howard prospect located in Howard County, Texas that currently cover 131 net acres;
- In 2010 and 2011, we acquired leases at the Big Max prospect located in Andrews County, Texas that currently cover 848 net acres; and
- In 2012, we acquired leases in the Clete and Hume prospects in Crockett County, Texas that currently cover 4,979 net acres.

Our activities are primarily focused on the Clearfork, Spraberry, Wolfcamp, Cline, Strawn and Atoka formations, which we refer to collectively as the Wolfberry play. The Wolfberry play is characterized by high oil and liquids rich natural gas, multiple vertical and horizontal target horizons, extensive production history, long-lived reserves and high drilling success rates. The Wolfberry play is a modification and extension of the Spraberry play, the majority of which is designated in the Spraberry Trend area field. According to the U.S. Energy Information Administration, the Spraberry trend area ranks as the second largest oilfield in the United States, based on 2009 reserves.

As of December 31, 2011, our estimated proved oil and natural gas reserves pro forma for the Transactions were 39,460 MBOE based on reserve reports prepared by Ryder Scott Company L.P., or Ryder Scott, our independent reserve engineers. Of these reserves, approximately 21.7% are classified as proved developed producing, or PDP. Proved undeveloped, or PUD, reserves included in this estimate are from 329 gross well locations on 40-acre spacing. As of December 31, 2011, these proved reserves were approximately 66% oil, 20% natural gas liquids and 14% natural gas.

We have 925 identified potential vertical drilling locations based on our evaluation of applicable geologic and engineering data, and we have an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. These identified potential drilling locations do not include any potential horizontal drilling locations. We intend to grow our reserves and production through development drilling, exploitation and exploration activities on this multi-year project inventory of identified potential drilling locations and through acquisitions that meet our strategic and financial objectives, targeting oil-weighted reserves. Our estimated ultimate recoveries, or EURs, from future PUD wells on 40-acre spacing, as estimated by Ryder Scott, range from 102 MBOE per well, consisting of 46 MBbls of oil, 143 MMcf of natural gas and 32 MBbls of natural gas liquids, to 158 MBOE per well, consisting of 112 MBbls of oil, 113 MMcf of natural gas and 27 MBbls of natural gas liquids, with an average EUR per well of 135 MBOE, consisting of 93 MBbls of oil, 102 MMcf of natural gas and 25 MBbls of natural gas liquids. We also intend to continue to refine our drilling pattern and completion techniques in an effort to increase our average EUR per well from vertical wells drilled on 40-acre spacing. We currently anticipate a reduction of approximately 20% in our EURs from vertical wells drilled on 20-acre spacing. Our 2012 drilling plan currently contemplates drilling 58 gross (54 net) vertical wells on 40-acre spacing and two gross (two net) horizontal wells in the Wolfberry play. As of June 30, 2012, we were using three drilling rigs and, upon completion of this offering, intend to increase our drilling program to six or seven rigs.

We believe the experience gained from our historical drilling programs and the information obtained from the results of extensive industry drilling activity in the Permian Basin have helped us reduce the risk and uncertainty associated with drilling vertical wells on our Permian Basin acreage. We intend to supplement our vertical development drilling activity with horizontal wells targeting various intervals in the Wolfberry play. Our horizontal drilling program is intended to further capture the upside potential that may exist on our properties and increase our well performance and recoveries as compared to drilling vertical wells alone.

During 2011, we assembled a new executive team and, beginning with the fourth quarter of 2011, this team assumed management control of our operations and development activities in the Permian Basin. With an average of approximately 24 years of industry experience per person, this team has extensive experience in the Permian Basin as well as other resource plays in North America, including significant experience in drilling and completing horizontal wells. Under the direction of our new executive team, the average drilling time required to reach total depth, or TD, was shortened by 25% to 15 days during the fourth quarter of 2011 from 20 days during the second quarter of 2011, and our average gross well cost (including drilling and completion cost) was reduced from $2.6 million during the second quarter of 2011 to $2.5 million during the first quarter of 2012. We also reduced the time from spud to production from an average of 68 days during the fourth quarter of 2011 to an average of 50 days during the first quarter of 2012. Also, during the quarter ended June 30, 2012 our average daily production, pro forma for the Transactions, was 3,637 BOE/d, consisting of 2,579 Bbls/d of oil, 2,757 Mcf/d of natural gas and 599 Bbls/d of natural gas liquids, an increase of 13%, or 409 BOE/d, from 3,229 BOE/d, consisting of 2,365 Bbls/d of oil, 2,267 Mcf/d of natural gas and 486 Bbls/d of natural gas liquids, for the quarter ended March 31, 2012. This increase was due primarily to improved strategies and procedures introduced by our new executive team relating to wellbore configuration, completion, execution, fluid recovery and well pumping practices that significantly reduced the level of required well remediation and the associated loss of production. We anticipate further increases in efficiencies as our new executive team executes on our development strategies across our acreage base.

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The following table provides a summary of selected operating information of our properties, pro forma for the Transactions. The information is as of June 30, 2012 except as otherwise noted.

			Identified Potential Drilling Locations[1]		2012 Budget			Estimated Net Proved Reserves at December 31, 2011		Average Daily
Basin	Net Acreage	Average Working Interest	Gross	Net	Gross Wells[2]	Net Wells[2]	Capex (In millions)	MBOE	% Developed	Production (BOE/d)[3]
Permian	51,623	86.9%	925	855	69	59	$140.0 - $150.0	39,460	23.9	3,822

(1) Reflects identified potential vertical drilling locations on 40-acre spacing based on our evaluation of applicable geologic and engineering data. We have an additional 1,122 gross (1,025 net) identified potential vertical drilling locations based on 20-acre downspacing. These identified potential drilling locations do not include any potential horizontal drilling locations. The drilling locations on which we actually drill wells will ultimately depend on the availability of capital, regulatory approvals, oil and natural gas prices, costs, actual drilling results and other factors.

(2) Includes 60 gross (56 net) wells for which we are the operator and nine gross (three net) non-operated wells.

(3) During June 2012.

We currently anticipate our 2012 capital budget for drilling and infrastructure will be approximately $140.0 million to $150.0 million after giving effect to the Transactions. Of this amount, we plan to spend approximately $116.0 million on the drilling and completion of 58 gross (54 net) operated vertical wells and two gross and two net horizontal wells, $10.5 million for the drilling and completion of nine gross (three net) non-operated wells, $8.0 million for leasehold acquisitions and $6.0 million for the construction of infrastructure to support production, including investments in water disposal infrastructure and gathering line projects. During the six months ended June 30, 2012, our aggregate capital expenditures for drilling and infrastructure after giving effect to the Transactions were $70.7 million.

Our Business Strategy

Our business strategy is to increase stockholder value through the following:

- ***Grow production and reserves by developing our oil-rich resource base***. We intend to actively drill and develop our acreage base in an effort to maximize its value and resource potential. Through the conversion of our undeveloped reserves to developed reserves, we will seek to increase our production, reserves and cash flow while generating favorable returns on invested capital. As of June 30, 2012, after giving effect to the Transactions, we had 925 identified potential vertical drilling locations on our acreage in the Permian Basin based on 40-acre spacing and an additional 1,122 such locations based on 20-acre downspacing. We believe the drilling of these locations will provide us with the critical subsurface data necessary to target potential horizontal horizons. Our 2012 drilling plan currently contemplates drilling 58 gross (54 net) vertical wells and two gross (two net) horizontal wells in the Wolfberry play. We ended 2011 with a two rig drilling program which we increased to four drilling rigs in 2012. As of June 30, 2012, we were using three drilling rigs. Upon completion of this offering, we intend to increase our drilling program to six or seven rigs. Subject to market conditions and rig availability, we expect to operate up to eight rigs in the first half of 2013, which we expect will allow us to significantly increase our drilling program in 2013.
- ***Focus on increasing hydrocarbon recovery through horizontal drilling and increased well density.*** We believe there are opportunities to target various intervals in the Wolfberry play with horizontal wells and we currently plan to drill two gross (two net) horizontal wells in 2012 to target these producing horizons. Our first horizontal well was completed in Upton County in June, 2012 with a 4,000 foot lateral and a 30-day average initial production rate of 486 BOE/d. Our horizontal drilling program is designed to further capture the upside potential that may exist on our properties. We also believe our horizontal drilling program may significantly increase our recoveries per section as compared to drilling vertical wells alone. Horizontal drilling may also be economical in areas where vertical drilling is currently not economical or logistically viable. In addition, we believe increased well density opportunities may exist across our acreage base. We closely monitor industry trends with respect to higher well density, which could increase the recovery factor per section and enhance returns since infrastructure is typically in place.

- ***Leverage our experience operating in the Permian Basin***. Our executive team, which has an average of approximately 24 years of industry experience per person and significant experience in the Permian Basin, intends to continue to seek ways to maximize hydrocarbon recovery by refining and enhancing our drilling and completion techniques. The time to reach TD for our vertical Wolfberry wells decreased from an average of 20 days during the second quarter of 2011 to an average of 15 days during the fourth quarter of 2011, resulting in a lower total well cost. Our focus on efficient drilling and completion techniques, and the resulting reduction in time to reach TD, is an important part of the continuous drilling program we have planned for our significant inventory of identified potential drilling locations. In addition, we believe that the experience of our new executive team in deviated and horizontal drilling and completions should help reduce the execution risk normally associated with these complex well paths. Additionally, our completion techniques are continually evolving as we evaluate hydraulic fracturing practices that may potentially increase recovery and reduce completion costs. Our executive team regularly evaluates our operating results against those of other operators in the area in an effort to benchmark our performance against the best performing operators and evaluate and adopt best practices.
- ***Enhance returns through our low cost development strategy of resource conversion, capital allocation and continued improvements in operational and cost efficiencies.*** In the current commodity price environment, our oil and liquids rich asset base provides attractive returns. Our acreage position in the Wolfberry play is generally in contiguous blocks which allows us to develop this acreage efficiently with a “manufacturing” strategy that takes advantage of economies of scale and uses centralized production and fluid handling facilities. We are the operator of approximately 99% of our acreage. This operational control allows us to more efficiently manage the pace of development activities and the gathering and marketing of our production and control operating costs and technical applications, including horizontal development. Our average 86.2% working interest in our acreage pro forma for the Transactions allows us to realize the majority of the benefits of these expected improvements and cost efficiencies.
- ***Pursue strategic acquisitions with exceptional resource potential***. We have a proven history of acquiring leasehold positions in the Permian Basin that we believe have substantial oil-weighted resource potential and can achieve attractive returns on invested capital. Our executive team, with its extensive experience in the Permian Basin, has what we believe is a competitive advantage in identifying acquisition targets and a proven ability to evaluate resource potential. We intend to continue to pursue acquisitions that meet our strategic and financial targets.
- ***Maintain Financial flexibility***. We seek to maintain a conservative financial position. As of June 30, 2012, on a pro forma basis after giving effect to this offering and the use of proceeds from this offering to repay the outstanding borrowings under our revolving credit facility, we would have had $ million of available borrowing capacity under such facility. We expect that we will fund our capital development plans for 2012 from our operating cash flow and borrowings under our revolving credit facility. We intend to use the net proceeds from this offering to repay the outstanding borrowings under our revolving credit facility pending their use to fund our capital expenditures.

Our Strengths

We believe that the following strengths will help us achieve our business goals:

- ***Oil rich resource base in one of North America’s leading resource plays***. All of our leasehold acreage is located in one of the most prolific oil plays in North America, the Permian Basin in West Texas. As of June 15, 2012, the Baker Hughes Rig Count survey reported that there were 453 rigs drilling in the Permian Basin. The majority of our current properties are well positioned in the core of the Wolfberry play. We believe that our historical vertical development success will be complemented with horizontal drilling locations that could ultimately translate into an increased recovery factor on a per section basis. Our production was approximately 74% oil, 15% natural gas liquids and 11% natural gas for both the year ended December 31, 2011 and the six months ended June 30, 2012. As of December 31, 2011, after giving effect to the Transactions, our estimated net proved reserves were comprised of approximately 66% oil and 20% natural gas liquids. This oil and liquids exposure allows us to benefit from their currently more favorable prices as compared to natural gas.

- ***Multi-year drilling inventory in one of North America's leading oil resource plays***. We have identified a multi-year inventory of potential drilling locations for oil-weighted reserves that we believe provides attractive growth and return opportunities. As of June 30, 2012, after giving effect to the Transactions, we had 925 identified potential vertical drilling locations based on 40-acre spacing and an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. In 2012, after giving effect to the Transactions, we anticipate drilling 58 gross (54 net) vertical operated wells, which represent only approximately 6.2% of our identified vertical potential drilling locations on 40-acre spacing at June 30, 2012. We also believe that there are a significant number of horizontal locations that could be drilled on our acreage. We expect to drill two gross (two net) horizontal operated wells during 2012 targeting three different producing horizons. Management currently estimates that EURs for our horizontal wells will be approximately 400 MBOE. In addition, the liquids rich natural gas component of our inventory adds value with Btu content ranging from 1,225 MMBtu to 1,528 MMBtu and our June 2012 natural gas liquids yield was 118 Bbls/MMcf. In addition, we have approximately 117 square miles of proprietary 3-D seismic data covering our acreage. This data facilitates the evaluation of our existing drilling inventory and provides insight into future development activity, including horizontal drilling opportunities and strategic leasehold acquisitions.
- ***Experienced, incentivized and proven management team***. Our new executive team has an average of approximately 24 years of industry experience per person, most of which is focused on resource play development. This team has a proven track record of executing on multi-rig development drilling programs and extensive experience in the Permian Basin. In addition, our executive team has significant experience with both drilling and completing horizontal wells as well as horizontal well reservoir and geologic expertise, which will be of strategic importance as we expand our future development plans to include horizontal drilling. Prior to joining us, our Chief Executive Officer held management positions at Apache Corporation, Laredo Petroleum Holdings, Inc. and Burlington Resources.
- ***Favorable and stable operating environment***. We have focused our drilling and development operations in the Permian Basin, one of the oldest hydrocarbon basins in the United States, with a long and well-established production history and developed infrastructure. With approximately 380,000 wells drilled in the Permian Basin since the 1940s, we believe that the geological and regulatory environment is more stable and predictable, and that we are faced with less operational risks, in the Permian Basin as compared to emerging hydrocarbon basins.
- ***High degree of operational control***. We are the operator of approximately 99% of our Permian Basin acreage. This operating control allows us to better execute on our strategies of enhancing returns through operational and cost efficiencies and increasing ultimate hydrocarbon recovery by seeking to continually improve our drilling techniques, completion methodologies and reservoir evaluation processes. Additionally, as the operator of substantially all of our acreage, we retain the ability to adjust our capital expenditure program based on commodity price outlooks. This operating control also enables us to obtain data needed for efficient exploration of horizontal prospects.
- ***Financial flexibility to fund expansion***. Upon the completion of this offering, we will have a conservative balance sheet. We will seek to maintain financial flexibility to allow us to actively develop our drilling, exploitation and exploration activities in the Wolfberry play and maximize the present value of our oil-weighted resource potential. As of June 30, 2012, on a pro forma basis after giving effect to this offering and the use of proceeds from this offering to repay the outstanding borrowings under our revolving credit facility, we would have had $90.0 million of available borrowing capacity under our revolving credit facility. We expect that our borrowing base will be increased as a result of the Transaction.

Our Properties

Review of Exploration, Exploitation and Development Activities

The following table summarizes certain operating information of our properties, pro forma for the Transaction. The information is as of June 30, 2012 except as otherwise noted.

Basin	Net Acreage	Average Working Interest	Identified Potential Drilling Locations[1]		2012 Budget			Estimated Net Proved Reserves at December 31, 2011		Average Daily Production (BOE/d)[3]
			Gross	Net	Gross Wells[2]	Net Wells[2]	Capex (In millions)	MBOE	% Developed	
Permian	51,623	86.9%	925	855	69	59	$140.0 - $150.0	39,460	23.9	3,822

(1) Reflects identified potential vertical drilling locations on 40-acre spacing based on our evaluation of applicable geologic and engineering data. We have an additional 1,122 gross (1,025 net) identified potential vertical drilling locations based on 20-acre downspacing. These identified potential drilling locations do not include any potential horizontal drilling locations. The drilling locations on which we actually drill wells will ultimately depend on the availability of capital, regulatory approvals, oil and natural gas prices, costs, actual drilling results and other factors.

(2) Includes 60 gross (56 net) wells for which we are the operator and nine gross (three net) non-operated wells.

(3) During June 2012.

Permian Basin

Location and Land

We acquired approximately 4,134 net acres in West Texas (near Midland) in the Permian Basin on December 20, 2007, with an effective date of November 1, 2007, from ExL Petroleum, LP, Ambrose Energy I, Ltd. and certain other sellers. Subsequently, we acquired approximately 26,875 additional net acres, which brought our total net acreage position in the Permian Basin to approximately 31,009 net acres at June 30, 2012 and, after giving effect to the Transactions, we had 51,623 net acres. Since our initial acquisition in the Permian Basin through June 30, 2012, we drilled or participated in the drilling of 169 gross (101 net) wells (or 174 gross (153 net) wells after giving effect to the Transactions) on our leasehold in this area, primarily targeting the Wolfberry play. We are the operator of approximately 99% of our Permian Basin acreage. The Permian Basin area covers a significant portion of western Texas and eastern New Mexico and is considered one of the major producing basins in the United States.

Area History

Our proved reserves are located in the Permian Basin of West Texas, in particular in the Clearfork, Spraberry, Wolfcamp, Cline, Strawn and Atoka formations. The Spraberry play was initiated with production from several new field discoveries in the late 1940s and early 1950s. It was eventually recognized that a regional productive trend was present, as fields were extended and coalesced over a broad area in the central Midland Basin. Development in the Spraberry play was sporadic over the next several decades due to typically low productive rate wells, with economics being dependent on oil prices and drilling costs.

The Wolfcamp formation is a long-established reservoir in West Texas, first found in the 1950s as wells aiming for deeper targets occasionally intersected slump blocks or debris flows with good reservoir properties. Exploration using 2-D seismic data located additional fields, but it was not until the use of 3-D seismic data in the 1990s that the greater extent of the Wolfcamp formation was revealed. The additional potential of the shales within this formation as reservoir rather than just source rocks was not recognized until very recently.

During the late 1990s, Atlantic Richfield Company, or Arco, began a drilling program targeting the base of the Spraberry formation at 10,000 feet, with an additional 200 to 300 feet drilled to produce from the upper portion of the Wolfcamp formation. Henry Petroleum, a private firm, owned interests in the Pegasus field in Midland and Upton counties. While drilling in the same area as the Arco project, Henry Petroleum decided to drill completely through the Wolfcamp section. Henry Petroleum mapped the trend and began acquiring acreage and drilling wells using multiple slick-water fracturing treatments across the entire Wolfcamp interval. In 2005, former members of Henry Petroleum's Wolfcamp team formed their own private company, ExL Petroleum, and began replicating Henry Petroleum's program. After ExL had drilled 32 productive Wolfcamp/Spraberry wells through late 2007, they monetized a portion of their acreage position, which led to the acquisition that enabled us to begin our participation in this play. Recent advancements in enhanced recovery techniques and horizontal drilling continue to make this play attractive to the oil and gas industry. By mid-2010, approximately half of the rigs active in the Permian Basin were drilling wells in the Wolfberry play. As of June 30, 2012, we held interests in 194 gross (177 net) producing wells.

Geology

The Permian Basin formed as an area of rapid Mississippian-Pennsylvanian subsidence in the foreland of the Ouachita fold belt. It is one of the largest sedimentary basins in the U.S., and has oil and gas production from several reservoirs from Permian through Ordovician in age. The term "Wolfberry" was coined initially to indicate commingled production from the Permian Spraberry, Dean and Wolfcamp formations. In this prospectus, we refer to the Clearfork, Spraberry, Wolfcamp, Cline, Strawn and Atoka formations collectively as the Wolfberry play. The Wolfberry play of the Midland Basin lies in the area where the historically productive Spraberry trend geographically overlaps the productive area of the emerging Wolfcamp play. The Spraberry was deposited as turbidites in a deep water submarine fan environment, while the Wolfcamp reservoirs consist of debris-flow and grain-flow sediments, which were also deposited in a submarine fan setting. The best carbonate reservoirs within the Wolfcamp are generally found in proximity to the Central Basin Platform, while the shale reservoirs within the Wolfcamp thicken basinward away from the Central Basin Platform. Both the Spraberry and Wolfcamp contain organic-rich mudstones and shales which, when buried to sufficient depth for maturation, became the source of the hydrocarbons found in the reservoirs.

The Wolfberry play can be generally characterized as a combination of low-permeability clastic, carbonate and shale reservoirs which are hydrocarbon-charged and are economic due to the overall thickness of the section (more than 3,000 feet) and application of enhanced stimulation (fracking) techniques. The Wolfberry is an unconventional "basin-centered oil" resource play, in the sense that there is no regional downdip oil/water contact.

Several shale intervals within the Wolfcamp formation are currently being evaluated for horizontal development potential, with initial drilling expected in 2012. The shales exhibit micro-darcy permeabilities, which result in relatively small drainage areas and recovery factors. Because of this, we believe the horizontal exploitation of these reservoirs will supplement, and not replace, the vertical development program.

There are also productive carbonate and shale intervals within the shallower Permian Clearfork formation. Two shale intervals within the Clearfork formation are currently being evaluated for potential horizontal development. Below the Wolfcamp formation lie the Pennsylvanian Strawn and Atoka formations. Although difficult to predict, there are conventional pay intervals that develop locally within these formations which, when present, can add significant reserves.

Debris flows within the Spraberry and Wolfcamp carbonates have been observed on 3-D seismic surveys. Initial tests have confirmed the presence of enhanced reservoir. Additionally, structural closures have been mapped and are being evaluated for drilling to test deeper targets. Our extensive geophysical database, which includes approximately 117 square miles of proprietary 3-D seismic data, will be used to enhance grading of future locations.

Ryder Scott, an independent petroleum engineering firm, has estimated that at December 31, 2011, proved reserves net to our interest in these assets were approximately 24,750 MBOE, of which 22.0% were classified as proved developed producing, or PDP. Proved undeveloped, or PUD, reserves included in this estimate were from 293 gross well locations on 40-acre spacing. The proved reserves are generally characterized as long-lived, with predictable production profiles.

Production Status

In June 2012, net production from our Permian Basin acreage, pro forma for the Transactions, was 114,660 BOE, or an average of 3,822 BOE/d, of which 71% was oil, 17% was natural gas liquids and 12% was natural gas. From January 1, 2011 through December 31, 2011, our average daily net production from our Permian Basin acreage, pro forma for the Transactions, was 2,512 BOE/d, of which 72% was from oil, 16% was from natural gas liquids and 12% was from natural gas.

Facilities

Our land oil and gas processing facilities are typical of those found in the Permian Basin. Our facilities located at well locations include storage tank batteries, oil/gas/water separation equipment and pumping units.

Recent and Future Activity

During 2011, 54 gross (31 net) wells were drilled on our Permian Basin acreage for an aggregate estimated net cost of $82.2 million. On a pro forma basis after giving effect to the Transactions, 56 gross (49 net) wells were drilled on our Permian acreage during 2011. As of June 30, 2012, we had 925 identified potential vertical drilling locations based on 40-acre spacing and an additional 1,122 identified potential vertical drilling locations based on 20-acre downspacing. We currently expect to drill an estimated 58 gross (54 net) vertical wells and two gross (two net) horizontal wells on our acreage in 2012. The wells are expected to be drilled to approximately 11,200 feet at an estimated average completed gross well cost of approximately $1.9 million to $2.4 million per vertical well and $6.0 million to $7.0 million per horizontal well. In this prospectus, we define identified potential drilling locations as locations specifically identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic and engineering data on 40-acre or 20-acre downspacing as indicated. The availability of local infrastructure, drilling support assets and other factors as management may deem relevant, such as easement restrictions and state and local regulations, are considered in determining such locations. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results and other factors.

Oil and Gas Data

Proved Reserves

SEC Rule-Making Activity

In December 2008, the SEC released its final rule for “Modernization of Oil and Gas Reporting.” These rules require disclosure of oil and gas proved reserves by significant geographic area, using the arithmetic 12-month average beginning-of-the-month price for the year, as opposed to year-end prices as had previously been required unless contractual arrangements designate the price to be used. Other significant amendments included the following:

- Disclosure of unproved reserves: probable and possible reserves may be disclosed separately on a voluntary basis.
- Proved undeveloped reserve guidelines: reserves may be classified as proved undeveloped if there is a high degree of confidence that the quantities will be recovered and they are scheduled to be drilled within the next five years, unless the specific circumstances justify a longer time.
- Reserves estimation using new technologies: reserves may be estimated through the use of reliable technology in addition to flow tests and production history.

- Reserves personnel and estimation process: additional disclosure is required regarding the qualifications of the chief technical person who oversees the reserves estimation process. We are also required to provide a general discussion of our internal controls used to assure the objectivity of the reserves estimate.
- Non-traditional resources: the definition of oil and gas producing activities has expanded and focuses on the marketable product rather than the method of extraction.

We adopted the rules effective December 31, 2009, as required by the SEC.

Evaluation and Review of Reserves

Our historical reserve estimates were prepared by Ryder Scott as of December 31, 2011 and by Pinnacle as of December 31, 2010 and 2009, in each case with respect to our assets in the Permian Basin. Reserve estimates for properties attributable to Windsor UT and the properties subject to the Gulfport transaction were prepared, in each case, by Ryder Scott as of December 31, 2011.

Each of Ryder Scott and Pinnacle is an independent petroleum engineering firm. The technical persons responsible for preparing our proved reserve estimates meet the requirements with regards to qualifications, independence, objectivity and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. Neither independent third-party engineering firm owns an interest in any of our properties or is employed by us on a contingent basis.

Under SEC rules, proved reserves are those quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. If deterministic methods are used, the SEC has defined reasonable certainty for proved reserves as a "high degree of confidence that the quantities will be recovered." All of our 2011 proved reserves were estimated using a deterministic method. The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions established under SEC rules. The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods, (2) volumetric-based methods and (3) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. The proved reserves for our properties were estimated by performance methods, analogy or a combination of both methods. Approximately 85% of the proved producing reserves attributable to producing wells were estimated by performance methods. These performance methods include, but may not be limited to, decline curve analysis, which utilized extrapolations of available historical production and pressure data. The remaining 15% of the proved reserves were estimated by analogy, or a combination of performance and analogy methods. The analogy method was used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the reserve estimates was considered to be inappropriate. All proved developed non-producing and undeveloped reserves were estimated by the analogy method.

To estimate economically recoverable proved reserves and related future net cash flows, Ryder Scott considered many factors and assumptions, including the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on current costs and the SEC pricing requirements and forecasts of future production rates. To establish reasonable certainty with respect to our estimated proved reserves, the technologies and economic data used in the estimation of our proved reserves included production and well test data, downhole completion information, geologic data, electrical logs, radioactivity logs, core analyses, available seismic data and historical well cost and operating expense data.

We maintain an internal staff of petroleum engineers and geoscience professionals who worked closely with our independent reserve engineers to ensure the integrity, accuracy and timeliness of the data used to calculate our proved reserves relating to our assets in the Permian Basin. Our internal technical team members met with our independent reserve engineers periodically during the period covered by the reserve report to discuss the assumptions and methods used in the proved reserve estimation process. We provide historical information to the independent reserve engineers for our properties such as ownership interest, oil and gas production, well test data, commodity prices and operating and development costs. Our Vice President—Reservoir Engineering is primarily responsible for overseeing the preparation of all of our reserve estimates. Our Vice President—Reservoir Engineering is a petroleum engineer with over 30 years of reservoir and operations experience and our geoscience staff has an average of approximately 26 years of industry experience per person. Our technical staff uses historical information for our properties such as ownership interest, oil and gas production, well test data, commodity prices and operating and development costs.

The preparation of our proved reserve estimates are completed in accordance with our internal control procedures. These procedures, which are intended to ensure reliability of reserve estimations, include the following:

- review and verification of historical production data, which data is based on actual production as reported by us;
- preparation of reserve estimates by our Vice President—Reservoir Engineering or under his direct supervision;
- review by our Vice President—Reservoir Engineering of all of our reported proved reserves at the close of each quarter, including the review of all significant reserve changes and all new proved undeveloped reserves additions;
- direct reporting responsibilities by our Vice President—Reservoir Engineering to our Chief Executive Officer; and
- verification of property ownership by our land department.

The following table presents our estimated net proved oil and natural gas reserves and the present value of our reserves as of December 31, 2011, based on the reserve report prepared by Ryder Scott, and as of December 31, 2010 and 2009, based on the reserve reports prepared by Pinnacle, each an independent petroleum engineering firm, and such reserve reports have been prepared in accordance with the rules and regulations of the SEC. All our proved reserves included in the reserve reports are located in North America. Ryder Scott and Pinnacle prepared all our reserve estimates as of the periods covered by their respective reports. The following table also sets forth estimates of our net proved oil and natural gas reserves as of December 31, 2011 on a pro forma basis after giving effect to the contribution of Windsor UT to Windsor Permian and the Gulfport contribution as if they had occurred on December 31, 2011. The reserves attributable to the Windsor UT properties and the properties subject to the Gulfport transaction have been prepared by Ryder Scott. Copies of the reserve reports as of December 31, 2011 prepared by Ryder Scott with respect to our properties, the Windsor UT properties and the properties subject to the Gulfport transaction are attached to this prospectus as Appendices B, C and D. Our estimates of net proved reserves have not been filed with or included in reports to any federal authority or agency other than the SEC in connection with this offering.

	Pro Forma	Historical		
	Year Ended December 31,	Year Ended December 31,		
	2011	2011	2010	2009
Estimated proved developed reserves:				
Oil (Bbls)	6,046,099	3,805,291	3,307,550	1,954,060
Natural gas (Mcf)	8,335,945	5,186,941	4,255,300	2,453,750
Natural gas liquids (Bbls)	1,969,710	1,233,318	1,105,216	591,532
Total (BOE)	9,405,133	5,903,099	5,121,983	2,954,550
Estimated proved undeveloped reserves:				
Oil (Bbls)	20,140,377	12,911,578	15,511,500	27,276,880
Natural gas (Mcf)	24,261,522	14,431,926	17,407,420	25,028,070
Natural gas liquids (Bbls)	5,870,849	3,529,955	4,458,762	6,930,693
Total (BOE)	30,054,813	18,846,854	22,871,499	38,378,918
Estimated Net Proved Reserves:				
Oil (Bbls)	26,186,476	16,716,869	18,819,050	29,230,940
Natural gas (Mcf)	32,597,467	19,618,867	21,662,720	27,481,820
Natural gas liquids (Bbls)	7,840,559	4,763,273	5,563,978	7,522,225
Total (BOE)(1)	39,459,946	24,749,952	27,993,481	41,333,468
Percent proved developed	23.8%	23.9%	18.3%	7.1%

(1) Estimates of reserves as of December 31, 2011, 2010 and 2009 were prepared using an average price equal to the unweighted arithmetic average of hydrocarbon prices received on a field-by-field basis on the first day of each month within the 12-month periods ended December 31, 2011, 2010 and 2009, respectively, in accordance with revised SEC guidelines applicable to reserves estimates as of the end of such periods. Reserve estimates do not include any value for probable or possible reserves that may exist, nor do they include any value for undeveloped acreage. The reserve estimates represent our net revenue interest in our properties. Although we believe these estimates are reasonable, actual future production, cash flows, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary substantially from these estimates.

The foregoing reserves are all located within the continental United States. Reserve engineering is a subjective process of estimating volumes of economically recoverable oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation. As a result, the estimates of different engineers often vary. In addition, the results of drilling, testing and production may justify revisions of such estimates. Accordingly, reserve estimates often differ from the quantities of oil and natural gas that are ultimately recovered. Estimates of economically recoverable oil and natural gas and of future net revenues are based on a number of variables and assumptions, all of which may vary from actual results, including geologic interpretation, prices and future production rates and costs. See "*Risk Factors*" beginning on page 17 of this prospectus. We have not filed any estimates of total, proved net oil or natural gas reserves with any federal authority or agency other than the SEC.

Additional information regarding our proved reserves can be found in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations*" and "*—Critical Accounting Policies and Estimates*" beginning on pages 59 and 80, respectively, of this prospectus, the notes to our consolidated financial statements included elsewhere in this prospectus and the reserve reports as of December 31, 2011 included as Appendices B, C and D to this prospectus.

Proved Undeveloped Reserves (PUDs)

As of December 31, 2011, our proved undeveloped reserves totaled 12,912 MBbls of oil, 14,432 MMcf of natural gas and 3,530 MBbls of natural gas liquids, for a total of 18,847 MBOE. On a pro forma basis after giving effect to the Transactions, at December 31, 2011 our total proved undeveloped reserves would have totaled 20,140 MBbls of oil, 24,262 MMcf of natural gas and 5,871 MBbls of natural gas liquids for a total of 30,055 MBOE. PUDs will be converted from undeveloped to developed as the applicable wells begin production.

Changes in PUDs that occurred during 2011 on a pro forma basis after giving effect to the Transactions were primarily due to:

- Additions of 7,133 MBOE attributable to extensions resulting from strategic drilling of wells by us to delineate our acreage position;
- Conversion of approximately 3,620 MBOE attributable to PUDs into proved developed reserves;
- Negative revisions of approximately 1,679 MBOE in PUDs due to revisions related to offset well performance;
- Exclusion of 1,447 MBOE attributable to PUD locations that were not scheduled to be drilled within the next five years; and
- Movement of 6,116 MBOE from PUD to probable reserves due to changes in booking methodology used by our new independent petroleum engineers and well performance in one prospect area. The 2011 reserve report prepared by Ryder Scott assigned PUDs only in close proximity to seasoned production. The prior reports prepared by Pinnacle utilized a methodology consistent with large resource basins where geologic risk is minimal. The methodology utilized by Pinnacle typically results in a greater number of PUD locations than the "close proximity" method used by Ryder Scott. There was also a shift of 2,748 MBOE from proved to probable reserves in one prospect area where existing well performance declined more quickly than originally projected. Locations in this area were moved to the probable reserve category until more production history is obtained to confirm the economic viability of the area.

Costs incurred relating to the development of PUDs were approximately $53.9 million during 2011 and approximately $80.9 million on a pro forma basis after giving effect to the Transactions as if they had occurred on January 1, 2011. Estimated future development costs relating to the development of PUDs are projected to be approximately $106.9 million in 2012, $165.2 million in 2013, $151.3 million in 2014, $131.0 million in 2015 and $124.0 million in 2016 after giving effect to the Transactions. Since our new executive team assumed management control in 2011, our average drilling costs and drilling times have been reduced. As we continue to develop our properties and have more well production and completion data, we believe we will continue to realize cost savings and experience lower relative drilling and completion costs as we convert PUDs into proved developed reserves in upcoming years.

All of our PUD drilling locations are scheduled to be drilled prior to the end of 2016.

As of December 31, 2011, 2% of our total proved reserves were classified as proved developed non-producing.

Oil and Gas Production Prices and Production Costs

Production and Price History

The following table sets forth information regarding net production of oil, natural gas and natural gas liquids, and certain price and cost information for each of the periods indicated:

	Pro Forma		Historical				
	Six Months Ended June 30, 2012	Year Ended December 31, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Production Data:							
Oil (Bbls)	446,349	657,803	311,175	199,331	441,822	280,721	168,741
Natural gas (Mcf)	457,197	685,633	290,171	182,862	413,640	323,847	253,321
Natural gas liquids (Bbl)	98,732	144,818	65,188	44,820	86,815	79,978	70,384
Combined volumes (BOE)	621,281	916,893	424,725	274,628	597,577	414,674	281,345
Daily combined volumes (BOE/d)	3,414	2,512	2,334	1,517	1,637	1,136	771
Average Prices[(1)]:							
Oil (per Bbl)	$ 92.51	$ 91.80	$ 91.23	$ 95.60	$ 92.26	$ 76.51	$ 58.01
Natural gas (per Mcf)	2.39	3.96	2.27	4.03	3.98	4.32	3.64
Natural gas liquids (per Bbl)	42.39	54.02	41.58	50.09	54.98	44.56	28.49
Combined (per BOE)	74.96	77.36	74.77	80.25	78.95	63.77	45.20
Average Costs (per BOE):							
Lease operating expense	$ 16.47	$ 17.54	$ 14.44	$ 15.60	$ 17.31	$ 11.07	$ 8.41
Gathering and transportation expense	0.24	0.22	0.34	0.31	0.34	0.26	0.15
Production taxes	3.72	3.97	3.65	3.98	3.91	3.25	2.36
Production taxes as a % of sales	5.0%	5.1%	4.9%	5.0%	4.9%	5.1%	5.2%
Depreciation, depletion and amortization			24.10	27.10	25.78	19.64	11.43
General and administrative	4.64	3.84	6.63	5.18	6.03	7.36	17.99

(1) After giving effect to our hedging arrangements in effect during the six months ended June 30, 2012 and 2011, respectively, the average prices per Bbl of oil and per BOE were $80.07 and $66.60, respectively, during the six months ended June 30, 2012 and $95.46 and $80.15, respectively, during the six months ended June 30, 2011. After giving effect to our hedging arrangements in effect during 2009, the average prices per Bbl of oil and per BOE (on a combined basis) were $41.59 and $35.35, respectively, during that year. Average prices for our hydrocarbons were not impacted by our hedging arrangements during 2011 or 2010.

Productive Wells

As of June 30, 2012, we owned an average 58.5% working interest in 190 gross (111 net) productive wells. On a pro forma basis after giving effect to the Transactions, at June 30, 2012 we would have owned an average 91.0% working interest in 194 gross (177 net) productive wells. Productive wells consist of producing wells and wells capable of production, including natural gas wells awaiting pipeline connections to commence deliveries and oil wells awaiting connection to production facilities. Gross wells are the total number of producing wells in which we have an interest, and net wells are the sum of our fractional working interests owned in gross wells.

Developed and Undeveloped Acreage

The following table sets forth information as of June 30, 2012 relating to our leasehold acreage:

	Developed Acreage[(1)]		Undeveloped Acreage[(2)]		Total Acreage	
Basin	Gross[(3)]	Net[(4)]	Gross[(3)]	Net[(4)]	Gross[(3)]	Net[(4)]
Permian	8,000	4,505	46,428	26,504	54,428	31,009

(1) Developed acres are acres spaced or assigned to productive wells and does not include undrilled acreage held by production under the terms of the lease.
(2) Undeveloped acres are acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil or natural gas, regardless of whether such acreage contains proved reserves.
(3) A gross acre is an acre in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.
(4) A net acre is deemed to exist when the sum of the fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

On a pro forma basis after giving effect to the Transactions, at June 30, 2012 our net developed, undeveloped and total acreage would have been 7,073, 44,550 and 51,623, respectively.

Many of the leases comprising the undeveloped acreage set forth in the table above will expire at the end of their respective primary terms unless production from the leasehold acreage has been established prior to such date, in which event the lease will remain in effect until the cessation of production. The following table sets forth the gross and net undeveloped acreage (after giving effect to the Transactions) that will expire over the next five years unless production is established within the spacing units covering the acreage or the lease is renewed or extended under continuous drilling provisions prior to the primary term expiration dates.

	Remaining 2012		2013		2014		2015		2016	
Basin	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Permian	361	361	400	222	2,651	2,065	21,395	17,846	7,133	7,133

Drilling Results

The following table sets forth information with respect to the number of wells completed during the periods indicated. The information should not be considered indicative of future performance, nor should it be assumed that there is necessarily any correlation between the number of productive wells drilled, quantities of reserves found or economic value. Productive wells are those that produce commercial quantities of hydrocarbons, whether or not they produce a reasonable rate of return.

	Year ended December 31,					
	2011		2010		2009	
	Gross	Net	Gross	Net	Gross	Net
Development:						
Productive	39	23	41	27	11	8
Dry	—	—	—	—	—	—
Exploratory:						
Productive	7	4	—	—	—	—
Dry	—	—	—	—	—	—
Total:						
Productive	46	27	41	27	11	8
Dry	—	—	—	—	—	—

As of December 31, 2011, we had 12 gross (6.4 net) wells in the process of drilling, completing or dewatering or shut in awaiting infrastructure that are not reflected in the above table. Since our initial acquisition in the Permian Basin through June 30, 2012, we drilled or participated in the drilling of 169 gross (101 net) wells in the Permian Basin (or 174 gross (153 net) wells after giving effect to the Transactions), of which we operate 154 gross (95 net) wells (or 159 gross (147 net) net wells after giving effect to the Transactions). Of the 174 gross wells drilled, 160 were completed as producing wells and 14 are in various stages of completion.

Operations

General

We are the operator of approximately 99% of our Permian Basin acreage. As operator, we design and manage the development of a well and supervise operation and maintenance activities on a day-to-day basis. Independent contractors engaged by us provide all the equipment and personnel associated with these activities. We employ petroleum engineers, geologists and land professionals who work to improve production rates, increase reserves and lower the cost of operating our oil and natural gas properties.

Marketing and Customers

We market the majority of the oil and natural gas production from properties we operate for both our account and the account of the other working interest owners in these properties. We sell our natural gas production to purchasers at market prices. In March 2009, we entered into an agreement with Windsor Midstream LLC, or Midstream, an entity controlled by Wexford, our equity sponsor. During 2010 and 2011, Midstream purchased a significant portion of our oil volumes. For a description of this agreement, see "*Related Party Transactions—Marketing Services*" on page 133 of this prospectus. We sell all of our natural gas under contracts with terms of greater than twelve months and all of our oil under contracts with terms of twelve months or less.

We normally sell production to a relatively small number of customers, as is customary in the exploration, development and production business. For the six months ended June 30, 2012, three purchasers accounted for more than 10% of our revenue: Plains Marketing, L.P. (63%); Andrews Oil Buyers, Inc. (13%); and Occidental Energy Marketing, Inc. (12%). For the years ended December 31, 2011 and 2010, one purchaser, Midstream, accounted for approximately 78% and 81% of our revenue, respectively. For the year ended December 31, 2009, two purchasers accounted for more than 10% of our revenue: Windsor Midstream LLC (68%) and DCP Midstream, LP (14%). No other customer accounted for more than 10% of our revenue during these periods. If a major customer decided to stop purchasing oil and natural gas from us, revenue could decline and our operating results and financial condition could be harmed. However, based on the current demand for oil and natural gas, and the availability of other purchasers, we believe that the loss of any one or all of our major purchasers would not have a material adverse effect on our financial condition and results of operations, as crude oil and natural gas are fungible products with well-established markets and numerous purchasers.

On May 24, 2012, we entered into an oil purchase agreement with Shell Trading (US) Company, or Shell Trading, in which we agreed to sell specified quantities of oil to Shell Trading. We are obligated to commence delivery of our oil to Shell Trading upon completion of the reversal of the Longhorn pipeline and its conversion for oil shipment, which we refer to as the completion date, which is currently anticipated to occur at the end of the first quarter of 2013. Our agreement with Shell Trading has an initial term of five years from the completion date. Each party has the right to terminate the agreement by written notice to the other party without any obligations to the other party in the event that the completion date does not occur by January 15, 2014. The agreement may also be terminated by Shell Trading by written notice to us in the event that Shell Trading's contract for transportation on the pipeline is terminated.

Our delivery obligation under this agreement is 5,000 barrels per day from the service commencement date to March 31, 2013, 6,000 barrels per day from April 1, 2013 to September 30, 2013 and 8,000 barrels per day during the remainder of the term of the agreement. We have a one-time right to elect to decrease the contract quantity by not more than 20% of the then-current quantity, which decreased contract quantity will be effective for the remainder of the term of the agreement. Shell Trading has agreed to pay to us the price per barrel of oil based on the arithmetic average of the daily settlement price for “Light Sweet Crude Oil” Prompt Month future contracts reported by the New York Mercantile Exchange over the one-month period, as adjusted based on adjustment formulas specified in the agreement. If we fail to deliver the required quantities of oil under the agreement, we have agreed to pay Shell Trading certain deficiency payments.

Transportation

During the initial development of our fields we consider all gathering and delivery infrastructure in the areas of our production. Our oil is transported from the wellhead to our tank batteries by our gathering systems. The oil is then transported by the purchaser by truck to a tank farm where it is further transported by pipeline. Our natural gas is generally transported from the wellhead to the purchaser’s pipeline interconnection point through our gathering system.

Competition

The oil and natural gas industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and natural gas, but also carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive oil and natural gas properties and exploratory prospects or to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. In addition, these companies may have a greater ability to continue exploration activities during periods of low oil and natural gas market prices. Our larger or more integrated competitors may be able to absorb the burden of existing, and any changes to, federal, state and local laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, because we have fewer financial and human resources than many companies in our industry, we may be at a disadvantage in bidding for exploratory prospects and producing oil and natural gas properties.

Title to Properties

As is customary in the oil and gas industry, we initially conduct only a cursory review of the title to our properties. At such time as we determine to conduct drilling operations on those properties, we conduct a thorough title examination and perform curative work with respect to significant defects prior to commencement of drilling operations. To the extent title opinions or other investigations reflect title defects on those properties, we are typically responsible for curing any title defects at our expense. We generally will not commence drilling operations on a property until we have cured any material title defects on such property. We have obtained title opinions on substantially all of our producing properties and believe that we have satisfactory title to our producing properties in accordance with standards generally accepted in the oil and gas industry. Prior to completing an acquisition of producing oil and natural gas leases, we perform title reviews on the most significant leases and, depending on the materiality of properties, we may obtain a title opinion, obtain an updated title review or opinion or review previously obtained title opinions. Our oil and natural gas properties are subject to customary royalty and other interests, liens for current taxes and other burdens which we believe do not materially interfere with the use of or affect our carrying value of the properties.

Oil and Natural Gas Leases

The typical oil and natural gas lease agreement covering our properties provides for the payment of royalties to the mineral owner for all oil and natural gas produced from any wells drilled on the leased premises. The lessor royalties and other leasehold burdens on our properties generally range from 18.75% to 25.00%, resulting in a net revenue interest to us generally ranging from 81.25% to 75.00%.

Regulation

Environmental Matters and Regulation

Our oil and natural gas exploration, development and production operations are subject to stringent laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency, or EPA, issue regulations which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties and may result in injunctive obligations for non-compliance. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive and other protected areas, require action to prevent or remediate pollution from current or former operations, such as plugging abandoned wells or closing pits, result in the suspension or revocation of necessary permits, licenses and authorizations, require that additional pollution controls be installed and impose substantial liabilities for pollution resulting from our operations or relate to our owned or operated facilities. The strict and joint and several liability nature of such laws and regulations could impose liability upon us regardless of fault. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances, hydrocarbons or other waste products into the environment. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly pollution control or waste handling, storage, transport, disposal or cleanup requirements could materially adversely affect our operations and financial position, as well as the oil and natural gas industry in general. Our management believes that we are in substantial compliance with applicable environmental laws and regulations and we have not experienced any material adverse effect from compliance with these environmental requirements. This trend, however, may not continue in the future.

Waste Handling. The Resource Conservation and Recovery Act, as amended, or RCRA, and comparable state statutes and regulations promulgated thereunder, affect oil and natural gas exploration, development and production activities by imposing requirements regarding the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. With federal approval, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Although most wastes associated with the exploration, development and production of crude oil and natural gas are exempt from regulation as hazardous wastes under RCRA, such wastes may constitute “solid wastes” that are subject to the less stringent requirements of non-hazardous waste provisions. However, we cannot assure you that the EPA or state or local governments will not adopt more stringent requirements for the handling of non-hazardous wastes or categorize some non-hazardous wastes as hazardous for future regulation. Indeed, legislation has been proposed from time to time in Congress to re-categorize certain oil and natural gas exploration, development and production wastes as “hazardous wastes.” Any such changes in the laws and regulations could have a material adverse effect on our capital expenditures and operating expenses.

Administrative, civil and criminal penalties can be imposed for failure to comply with waste handling requirements. We believe that we are in substantial compliance with applicable requirements related to waste handling, and that we hold all necessary and up-to-date permits, registrations and other authorizations to the extent that our operations require them under such laws and regulations. Although we do not believe the current costs of managing our wastes, as presently classified, to be significant, any legislative or regulatory reclassification of oil and natural gas exploration and production wastes could increase our costs to manage and dispose of such wastes.

Remediation of Hazardous Substances. The Comprehensive Environmental Response, Compensation and Liability Act, as amended, also known as CERCLA or the “Superfund” law, and analogous state laws, generally imposes strict and joint and several liability, without regard to fault or legality of the original conduct, on classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment.

These persons include the current owner or operator of a contaminated facility, a former owner or operator of the facility at the time of contamination, and those persons that disposed or arranged for the disposal of the hazardous substance at the facility. Under CERCLA and comparable state statutes, persons deemed "responsible parties" may be subject to strict and joint and several liability for the costs of removing or remediating previously disposed wastes (including wastes disposed of or released by prior owners or operators) or property contamination (including groundwater contamination), for damages to natural resources and for the costs of certain health studies. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. In the course of our operations, we use materials that, if released, would be subject to CERCLA and comparable state statutes. Therefore, governmental agencies or third parties may seek to hold us responsible under CERCLA and comparable state statutes for all or part of the costs to clean up sites at which such "hazardous substances" have been released.

Water Discharges. The Federal Water Pollution Control Act of 1972, as amended, also known as the "Clean Water Act," the Safe Drinking Water Act, the Oil Pollution Act, or OPA, and analogous state laws and regulations promulgated thereunder impose restrictions and strict controls regarding the unauthorized discharge of pollutants, including produced waters and other gas and oil wastes, into navigable waters of the United States, as well as state waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or the state. The Clean Water Act and regulations implemented thereunder also prohibit the discharge of dredge and fill material into regulated waters, including jurisdictional wetlands, unless authorized by an appropriately issued permit. Spill prevention, control and countermeasure plan requirements under federal law require appropriate containment berms and similar structures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak. These laws and regulations also prohibit certain activity in wetlands unless authorized by a permit issued by the U.S. Army Corps of Engineers. The EPA has also adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain individual permits or coverage under general permits for storm water discharges. In addition, on October 20, 2011, the EPA announced a schedule to develop pre-treatment standards for wastewater discharges produced by natural gas extraction from underground coalbed and shale formations. The EPA stated that it will gather data, consult with stakeholders, including ongoing consultation with industry, and solicit public comment on a proposed rule for coalbed methane in 2013 and a proposed rule for shale gas in 2014. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans, as well as for monitoring and sampling the storm water runoff from certain of our facilities. Some states also maintain groundwater protection programs that require permits for discharges or operations that may impact groundwater conditions.

The Oil Pollution Act is the primary federal law for oil spill liability. The OPA contains numerous requirements relating to the prevention of and response to petroleum releases into waters of the United States, including the requirement that operators of offshore facilities and certain onshore facilities near or crossing waterways must develop and maintain facility response contingency plans and maintain certain significant levels of financial assurance to cover potential environmental cleanup and restoration costs. The OPA subjects owners of facilities to strict, joint and several liability for all containment and cleanup costs and certain other damages arising from a release, including, but not limited to, the costs of responding to a release of oil to surface waters.

Noncompliance with the Clean Water Act or OPA may result in substantial administrative, civil and criminal penalties, as well as injunctive obligations. We believe we are in material compliance with the requirements of each of these laws.

Air Emissions. The federal Clean Air Act, as amended, and comparable state laws and regulations, regulate emissions of various air pollutants through the issuance of permits and the imposition of other requirements. The EPA has developed, and continues to develop, stringent regulations governing emissions of air pollutants at specified sources. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to obtain additional permits and incur capital costs in order to remain in compliance. For example, on April 17, 2012, the EPA approved final regulations under the federal Clean Air Act that establish new emission controls for oil and natural gas production and processing operations, which regulations are discussed in more detail on page 107 in "—*Regulation of Hydraulic Fracturing*." These laws and regulations may increase the costs of compliance for some facilities we own or operate, and federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the federal Clean Air Act and associated state laws and regulations. We believe that we are in substantial compliance with all applicable air emissions regulations and that we hold all necessary and valid construction and operating permits for our operations. Obtaining or renewing permits has the potential to delay the development of oil and natural gas projects.

Climate Change. Many nations have agreed to limit emissions of "greenhouse gases" pursuant to the United Nations Framework Convention on Climate Change, also known as the "Kyoto Protocol." Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of oil, natural gas and refined petroleum products, are "greenhouse gases," or GHGs, regulated by the Kyoto Protocol. Although the United States is not participating in the Kyoto Protocol at this time, several states or geographic regions have adopted legislation and regulations to reduce emissions of GHGs. Additionally, on April 2, 2007, the U.S. Supreme Court ruled, in *Massachusetts, et al. v. EPA*, that the EPA has the authority to regulate the emission of carbon dioxide from automobiles as an "air pollutant" under the federal Clean Air Act. Thereafter, in December 2009, the EPA determined that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment because, according to the EPA, emissions of such gases contribute to warming of the earth's atmosphere and other climatic changes. These findings by the EPA allowed the agency to proceed with the adoption and implementation of regulations that would restrict emissions of GHGs under existing provisions of the federal Clean Air Act. Subsequently, the EPA adopted two sets of related rules, one of which purports to regulate emissions of GHGs from motor vehicles and the other of which regulates emissions of GHGs from certain large stationary sources of emissions such as power plants or industrial facilities. The EPA finalized the motor vehicle rule in April 2010 and it became effective January 2011, although it does not require immediate reductions in GHG emissions. The EPA adopted the stationary source rule, also known as the "Tailoring Rule," in May 2010, and it also became effective January 2011, although it remains subject of several pending lawsuits filed by industry groups. Additionally, in September 2009, the EPA issued a final rule requiring the reporting of GHG emissions from specified large GHG emission sources in the U.S., including natural gas liquids fractionators and local natural gas/distribution companies, beginning in 2011 for emissions occurring in 2010. More recently, in November 2010, the EPA expanded its existing GHG reporting rule to include onshore and offshore oil and natural gas production and onshore processing, transmission, storage and distribution facilities, which may include certain of our facilities, beginning in 2012 for emissions occurring in 2011. In addition, the EPA has continued to adopt GHG regulations of other industries, such as the March 2012 proposed GHG rule restricting future development of coal-fired power plants. As a result of this continued regulatory focus, future GHG regulations of the oil and gas industry remain a possibility.

In addition, the U.S. Congress has from time to time considered adopting legislation to reduce emissions of greenhouse gases and almost one-half of the states have already taken legal measures to reduce emissions of greenhouse gases primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Although the U.S. Congress has not adopted such legislation at this time, it may do so in the future and many states continue to pursue regulations to reduce greenhouse gas emissions. Most of these cap and trade programs work by requiring major sources of emissions, such as electric power plants or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances that correspond to their annual emissions of GHGs. The number of allowances available for purchase is reduced each year until the overall GHG emission reduction goal is achieved. As the number of GHG emission allowances declines each year, the cost or value of such allowances is expected to escalate significantly.

Restrictions on emissions of methane or carbon dioxide that may be imposed in various states could adversely affect the oil and natural gas industry. Currently, while we are subject to certain federal GHG monitoring and reporting requirements, our operations are not adversely impacted by existing federal, state and local climate change initiatives and, at this time, it is not possible to accurately estimate how potential future laws or regulations addressing GHG emissions would impact our business.

Regulation of Hydraulic Fracturing

Hydraulic fracturing is an important common practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations, including shales. The process involves the injection of water, sand and chemicals under pressure into formations to fracture the surrounding rock and stimulate production. The Safe Drinking Water Act, or SDWA, regulates the underground injection of substances through the Underground Injection Control, or UIC, program. Hydraulic fracturing generally is exempt from regulation under the UIC program, and the hydraulic fracturing process is typically regulated by state oil and gas commissions. The EPA, however, has recently taken the position that hydraulic fracturing with fluids containing diesel fuel is subject to regulation under the UIC program, specifically as “Class II” UIC wells. At the same time, the EPA has commenced a study of the potential environmental impacts of hydraulic fracturing activities, and a committee of the U.S. House of Representatives is also conducting an investigation of hydraulic fracturing practices. Moreover, the EPA announced on October 20, 2011 that it is also launching a study regarding wastewater resulting from hydraulic fracturing activities and currently plans to propose standards by 2014 that such wastewater must meet before being transported to a treatment plant. As part of these studies, both the EPA and the House committee have requested that certain companies provide them with information concerning the chemicals used in the hydraulic fracturing process. These studies, depending on their results, could spur initiatives to regulate hydraulic fracturing under the SDWA or otherwise.

In March 2011, companion bills entitled the Fracturing Responsibility and Awareness of Chemicals (FRAC) Act, first introduced in 2009, were reintroduced in the United States Senate and House of Representatives. These bills, which are currently under consideration by Congress, would repeal the exemption for hydraulic fracturing from the SDWA, which would have the effect of allowing the EPA to promulgate regulations requiring permits and implementing potential new requirements on hydraulic fracturing under the SDWA. This development could, in turn, require state regulatory agencies in states with programs delegated under the SDWA to impose additional requirements on hydraulic fracturing operations. In addition, the bills would require persons using hydraulic fracturing, such as us, to disclose the chemical constituents, but not the proprietary formulas, of their fracturing fluids to a regulatory agency, which would make the information public via the internet. Additionally, fracturing companies would be required to disclose specific chemical contents of fluids, including proprietary chemical formulas, to state authorities or to a requesting physician or nurse if deemed necessary by the physician or nurse in connection with a medical emergency.

On April 17, 2012 the EPA approved final regulations under the federal Clean Air Act that establish new air emission controls for oil and natural gas production and natural gas processing operations. Specifically, the EPA’s rule package includes New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds , or VOCs, and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. The final rule includes a 95% reduction in VOCs emitted by requiring the use of reduced emission completions or “green completions” on all hydraulically-fractured wells constructed or refractured after January 1, 2015. The rules also establish specific new requirements regarding emissions from compressors, controllers, dehydrators, storage tanks and other production equipment. These rules will require a number of modifications to our operations, including the installation of new equipment to control emissions from our wells by January 1, 2015. Compliance with such rules could result in significant costs, including increased capital expenditures and operating costs, and could adversely impact our business.

In addition, there are certain governmental reviews either underway or being proposed that focus on environmental aspects of hydraulic fracturing practices. The federal government is currently undertaking several studies of hydraulic fracturing’s potential impacts, the results of which are expected between later in 2012 and 2014.

These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory authorities.

Several states, including Texas, and the Department of the Interior, in a May 4, 2012 proposed rule covering federal lands, have adopted, or are considering adopting, regulations that could restrict or prohibit hydraulic fracturing in certain circumstances and/or require the disclosure of the composition of hydraulic fracturing fluids. On May 31, 2011, the Texas Legislature adopted new legislation requiring oil and gas operators to publicly disclose the chemicals used in the hydraulic fracturing process. It was signed into law on June 17, 2011, effective as of September 1, 2011. The Texas Railroad Commission has adopted rules and regulations implementing this legislation that will apply to all wells for which the Railroad Commission issues an initial drilling permit on or after February 1, 2012. The new law requires that the well operator disclose the list of chemical ingredients subject to the requirements of the federal Occupational Safety and Health Act (OSHA) for disclosure on an internet website and also file the list of chemicals with the Texas Railroad Commission with the well completion report. The total volume of water used to hydraulically fracture a well must also be disclosed to the public and filed with the Texas Railroad Commission.

There has been increasing public controversy regarding hydraulic fracturing with regard to use of fracturing fluids, impacts on drinking water supplies, use of waters and the potential for impacts to surface water, groundwater and the environment generally. A number of lawsuits and enforcement actions have been initiated across the country implicating hydraulic fracturing practices. If new laws or regulations that significantly restrict hydraulic fracturing, such as the FRAC Act, are adopted, such laws could make it more difficult or costly for us to perform fracturing to stimulate production from tight formations as well as make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, if hydraulic fracturing is further regulated at the federal or state level, our fracturing activities could become subject to additional permitting and financial assurance requirements, more stringent construction specifications, increased monitoring, reporting and recordkeeping obligations, plugging and abandonment requirements and also to attendant permitting delays and potential increases in costs. Such legislative changes could cause us to incur substantial compliance costs, and compliance or the consequences of any failure to comply by us could have a material adverse effect on our financial condition and results of operations. At this time, it is not possible to estimate the impact on our business of newly enacted or potential federal or state legislation governing hydraulic fracturing.

Other Regulation of the Oil and Natural Gas Industry

The oil and natural gas industry is extensively regulated by numerous federal, state and local authorities. Legislation affecting the oil and natural gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden. Also, numerous departments and agencies, both federal and state, are authorized by statute to issue rules and regulations that are binding on the oil and natural gas industry and its individual members, some of which carry substantial penalties for failure to comply. Although the regulatory burden on the oil and natural gas industry increases our cost of doing business and, consequently, affects our profitability, these burdens generally do not affect us any differently or to any greater or lesser extent than they affect other companies in the industry with similar types, quantities and locations of production.

The availability, terms and cost of transportation significantly affect sales of oil and natural gas. The interstate transportation and sale for resale of oil and natural gas is subject to federal regulation, including regulation of the terms, conditions and rates for interstate transportation, storage and various other matters, primarily by the Federal Energy Regulatory Commission, or FERC. Federal and state regulations govern the price and terms for access to oil and natural gas pipeline transportation. FERC’s regulations for interstate oil and natural gas transmission in some circumstances may also affect the intrastate transportation of oil and natural gas.

Although oil and natural gas prices are currently unregulated, Congress historically has been active in the area of oil and natural gas regulation. We cannot predict whether new legislation to regulate oil and natural gas might be proposed, what proposals, if any, might actually be enacted by Congress or the various state legislatures, and what effect, if any, the proposals might have on our operations. Sales of condensate and oil and natural gas liquids are not currently regulated and are made at market prices.

Drilling and Production. Our operations are subject to various types of regulation at the federal, state and local level. These types of regulation include requiring permits for the drilling of wells, drilling bonds and reports concerning operations. The state, and some counties and municipalities, in which we operate also regulate one or more of the following:

- the location of wells;
- the method of drilling and casing wells;
- the timing of construction or drilling activities, including seasonal wildlife closures;
- the rates of production or “allowables”;
- the surface use and restoration of properties upon which wells are drilled;
- the plugging and abandoning of wells; and
- notice to, and consultation with, surface owners and other third parties.

State laws regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and natural gas properties. Some states allow forced pooling or integration of tracts to facilitate exploration while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may reduce our interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and natural gas wells, generally prohibit the venting or flaring of natural gas and impose requirements regarding the ratability of production. These laws and regulations may limit the amount of oil and natural gas we can produce from our wells or limit the number of wells or the locations at which we can drill. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of oil, natural gas and natural gas liquids within its jurisdiction. States do not regulate wellhead prices or engage in other similar direct regulation, but we cannot assure you that they will not do so in the future. The effect of such future regulations may be to limit the amounts of oil and natural gas that may be produced from our wells, negatively affect the economics of production from these wells or to limit the number of locations we can drill.

Federal, state and local regulations provide detailed requirements for the abandonment of wells, closure or decommissioning of production facilities and pipelines and for site restoration in areas where we operate. The U.S. Army Corps of Engineers and many other state and local authorities also have regulations for plugging and abandonment, decommissioning and site restoration. Although the U.S. Army Corps of Engineers does not require bonds or other financial assurances, some state agencies and municipalities do have such requirements.

Natural Gas Sales and Transportation. Historically, federal legislation and regulatory controls have affected the price of the natural gas we produce and the manner in which we market our production. FERC has jurisdiction over the transportation and sale for resale of natural gas in interstate commerce by natural gas companies under the Natural Gas Act of 1938 and the Natural Gas Policy Act of 1978. Since 1978, various federal laws have been enacted which have resulted in the complete removal of all price and non-price controls for sales of domestic natural gas sold in “first sales,” which include all of our sales of our own production. Under the Energy Policy Act of 2005, FERC has substantial enforcement authority to prohibit the manipulation of natural gas markets and enforce its rules and orders, including the ability to assess substantial civil penalties.

FERC also regulates interstate natural gas transportation rates and service conditions and establishes the terms under which we may use interstate natural gas pipeline capacity, which affects the marketing of natural gas that we produce, as well as the revenues we receive for sales of our natural gas and release of our natural gas pipeline capacity. Commencing in 1985, FERC promulgated a series of orders, regulations and rule makings that significantly fostered competition in the business of transporting and marketing gas. Today, interstate pipeline companies are required to provide nondiscriminatory transportation services to producers, marketers and other shippers, regardless of whether such shippers are affiliated with an interstate pipeline company. FERC's initiatives have led to the development of a competitive, open access market for natural gas purchases and sales that permits all purchasers of natural gas to buy gas directly from third-party sellers other than pipelines. However, the natural gas industry historically has been very heavily regulated; therefore, we cannot guarantee that the less stringent regulatory approach currently pursued by FERC and Congress will continue indefinitely into the future nor can we determine what effect, if any, future regulatory changes might have on our natural gas related activities.

Under FERC's current regulatory regime, transmission services must be provided on an open-access, non-discriminatory basis at cost-based rates or at market-based rates if the transportation market at issue is sufficiently competitive. Gathering service, which occurs upstream of jurisdictional transmission services, is regulated by the states onshore and in state waters. Although its policy is still in flux, FERC has in the past reclassified certain jurisdictional transmission facilities as non-jurisdictional gathering facilities, which has the tendency to increase our costs of transporting gas to point-of-sale locations.

Oil Sales and Transportation. Sales of crude oil, condensate and natural gas liquids are not currently regulated and are made at negotiated prices. Nevertheless, Congress could reenact price controls in the future.

Our crude oil sales are affected by the availability, terms and cost of transportation. The transportation of oil in common carrier pipelines is also subject to rate regulation. FERC regulates interstate oil pipeline transportation rates under the Interstate Commerce Act and intrastate oil pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate oil pipeline regulation, and the degree of regulatory oversight and scrutiny given to intrastate oil pipeline rates, varies from state to state. Insofar as effective interstate and intrastate rates are equally applicable to all comparable shippers, we believe that the regulation of oil transportation rates will not affect our operations in any materially different way than such regulation will affect the operations of our competitors.

Further, interstate and intrastate common carrier oil pipelines must provide service on a non-discriminatory basis. Under this open access standard, common carriers must offer service to all shippers requesting service on the same terms and under the same rates. When oil pipelines operate at full capacity, access is governed by prorationing provisions set forth in the pipelines' published tariffs. Accordingly, we believe that access to oil pipeline transportation services generally will be available to us to the same extent as to our competitors.

State Regulation. Texas regulates the drilling for, and the production, gathering and sale of, oil and natural gas, including imposing severance taxes and requirements for obtaining drilling permits. Texas currently imposes a 4.6% severance tax on oil production and a 7.5% severance tax on natural gas production. States also regulate the method of developing new fields, the spacing and operation of wells and the prevention of waste of natural gas resources. States may regulate rates of production and may establish maximum daily production allowables from natural gas wells based on market demand or resource conservation, or both. States do not regulate wellhead prices or engage in other similar direct economic regulation, but we cannot assure you that they will not do so in the future. The effect of these regulations may be to limit the amount of natural gas that may be produced from our wells and to limit the number of wells or locations we can drill.

The petroleum industry is also subject to compliance with various other federal, state and local regulations and laws. Some of those laws relate to resource conservation and equal employment opportunity. We do not believe that compliance with these laws will have a material adverse effect on us.

Operational Hazards and Insurance

The oil business involves a variety of operating risks, including the risk of fire, explosions, blow outs, pipe failures and, in some cases, abnormally high pressure formations which could lead to environmental hazards such as oil spills, natural gas leaks and the discharge of toxic gases. If any of these should occur, we could incur legal defense costs and could be required to pay amounts due to injury, loss of life, damage or destruction to property, natural resources and equipment, pollution or environmental damage, regulatory investigation and penalties and suspension of operations.

In accordance with what we believe to be industry practice, we maintain insurance against some, but not all, of the operating risks to which our business is exposed. We currently have insurance policies for property (including leased oil and gas properties), general liability, operational control of certain wells, pollution, commercial auto, umbrella liability, inland marine, workers compensation and other coverage. The limits for certain of our policies are as follows:

- oil and gas lease property: $21,888,656 with a deductible ranging from $5,000 to $20,000 based on property value;
- general liability: $1,000,000 per occurrence and $2,000,000 in the aggregate with a $25,000 deductible;
- pollution: $1,000,000 per occurrence and $2,000,000 in the aggregate with a $50,000 deductible;
- umbrella liability: $5,000,000 per occurrence with $5,000,000 aggregate coverage; and
- inland marine: limit varies on a per rig basis from $3,586,000 to $7,155,000 with a $250,000 deductible per accident.

As noted above, most of our insurance coverage includes deductibles that must be met prior to recovery. Additionally, our insurance is subject to exclusion and limitations, and there is no assurance that such coverage will fully or adequately protect us against liability from all potential consequences, damages and losses. Any of these operational hazards could cause a significant disruption to our business. A loss not fully covered by insurance could have a material adverse affect on our financial position, results of operations and cash flows.

We reevaluate the purchase of insurance, policy terms and limits annually. Future insurance coverage for our industry could increase in cost and may include higher deductibles or retentions. In addition, some forms of insurance may become unavailable in the future or unavailable on terms that we believe are economically acceptable. No assurance can be given that we will be able to maintain insurance in the future at rates that we consider reasonable and we may elect to maintain minimal or no insurance coverage. We may not be able to secure additional insurance or bonding that might be required by new governmental regulations. This may cause us to restrict our operations, which might severely impact our financial position. The occurrence of a significant event, not fully insured against, could have a material adverse effect on our financial condition and results of operations.

Generally, we also require our third party vendors to sign master service agreements in which they agree to indemnify us for injuries and deaths of the service provider’s employees as well as contractors and subcontractors hired by the service provider.

Employees

As of June 30, 2012, we had approximately 54 full time employees, including three geologists, three engineers and three land professionals, all of whom are salaried administrative or supervisory employees. Of these 54 full time employees, 14 work in our office in Midland, Texas. None of our employees are represented by labor unions or covered by any collective bargaining agreements. We also hire independent contractors and consultants involved in land, technical, regulatory and other disciplines to assist our full time employees.

Facilities

Our corporate headquarters is located in Midland, Texas. We also lease additional office space in Midland and in Oklahoma City, Oklahoma. We believe that our facilities are adequate for our current operations.

Legal Proceedings

Due to the nature of our business, we are, from time to time, involved in routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations.

MANAGEMENT

Executive Officers and Directors

Set forth below is the name, age, position and a brief account of the business experience of each of our executive officers and directors as of August 15, 2012.

Name	Age	Position
Travis D. Stice	50	Chief Executive Officer
Teresa L. Dick	42	Chief Financial Officer, Senior Vice President
Russell Pantermuehl	53	Vice President — Reservoir Engineering
Paul Molnar	56	Vice President — Geoscience
Michael Hollis	36	Vice President — Drilling
William Franklin	58	Vice President — Land
Jeff White	56	Vice President — Operations
Randall J. Holder	58	Vice President, General Counsel and Secretary
Steven E. West	52	Director
Michael P. Cross	61	Director Nominee
Paul Jacobi	45	Director Nominee
David L. Houston	59	Director Nominee
Mark L. Plaumann	56	Director Nominee

Travis D. Stice—Chief Executive Officer—Mr. Stice has served as our Chief Executive Officer since January 2012. Prior to his current position with us, he served as our President and Chief Operating Officer from April 2011 to January 2012. Mr. Stice has also served on the board of managers of MidMar Gas LLC, or MidMar, an entity that owns a gas gathering system and processing plant, since 2011 and as Vice President and Secretary of MidMar since April 2012. From November 2010 to April 2011, Mr. Stice served as a Production Manager of Apache Corporation, an oil and gas exploration company. Mr. Stice served as a Vice President of Laredo Petroleum Holdings, Inc, an oil and gas exploration company, from September 2008 to September 2010. From April 2006 until August 2008, Mr. Stice served as a Development Manager of ConocoPhillips/Burlington Resources Mid-Continent Business Unit, an oil and gas exploration company. Prior to that, Mr. Stice held a series of positions at Burlington Resources, an oil and gas exploration company, most recently as a General Manager, Engineering, Operations and Business Reporting of its Mid Continent Division from January 2001 until Burlington Resources' acquisition by ConocoPhillips in March 2006. Mr. Stice has over 26 years of industry experience in production operations, reservoir engineering, production engineering and unconventional oil and gas exploration and over 18 years of management experience. Mr. Stice graduated from Texas A&M University with a Bachelor of Science degree in Petroleum Engineering. Mr. Stice is a registered engineer in the State of Texas, and is a 25-year member of the Society of Petroleum Engineers.

Teresa L. Dick—Chief Financial Officer, Senior Vice President—Ms. Dick has served as our Chief Financial Officer and Senior Vice President since November 2009. Prior to her current position with us, Ms. Dick served as our Corporate Controller from November 2007 until November 2009. From June 2006 to November 2007, Ms. Dick held a key management position as the Controller/Tax Director at Hiland Partners, a publicly-traded midstream energy master limited partnership. Ms. Dick has over 19 years of accounting experience, including over eight years of public company experience in both audit and tax areas. Ms. Dick received her Bachelor of Business Administration degree in Accounting from the University of Northern Colorado. Ms. Dick is a certified public accountant and a member of the American Institute of CPAs and the Council of Petroleum Accountants Societies.

Russell Pantermuehl—Vice President—Reservoir Engineering—Mr. Pantermuehl joined us in August 2011 as Vice President—Reservoir Engineering. Prior to his current position with us, Mr. Pantermuehl served as a reservoir engineering supervisor for Concho Resources Inc., an oil and gas exploration company, from March 2010 to August 2011. Mr. Pantermuehl worked for ConocoPhillips Company as a reservoir engineering advisor from January 2005 to March 2010. Mr. Pantermuehl also worked as an independent consultant in the oil and gas industry from March 2000 to December 2004. Mr. Pantermuehl received a Bachelor of Science degree in Petroleum Engineering from Texas A&M University.

Paul Molnar—Vice President—Geoscience—Mr. Molnar joined us in August 2011 as Vice President—Geoscience. Prior to his current position with us, Mr. Molnar served as a Senior District Geologist for Samson Investment Company, an oil and gas exploration company, from March 2011 to August 2011. Mr. Molnar worked as an asset supervisor and geosciences supervisor for ConocoPhillips Company from April 2006 to February 2011. Mr. Molnar also worked as a geologic advisor for Burlington Resources, an oil and gas exploration company, from December 1996 to March 2006. Mr. Molnar has over 31 years of industry experience. Mr. Molnar received a Master of Science degree in Geology from The State University of New York at Buffalo, New York.

Michael Hollis—Vice President—Drilling—Mr. Hollis joined us in September 2011 as Vice President—Drilling. Prior to his current position with us, Mr. Hollis served in various roles, most recently as drilling manager at Chesapeake Energy Corporation, an oil and gas exploration company, from June 2006 to September 2011. Mr. Hollis worked for ConocoPhillips Company as a senior drilling engineer from January 2004 to June 2006 and as a process engineer from 2001 to 2003. Mr. Hollis also worked as a production engineer for Burlington Resources from 1998 to 2001 as well as from June 2003 to January 2004. Mr. Hollis received his Bachelor of Science degree in Chemical Engineering from Louisiana State University.

William Franklin—Vice President—Land—Mr. Franklin joined us in August 2011 as Vice President—Land. Prior to his current position with us, Mr. Franklin worked for ConocoPhillips Company in various land management roles from May 1983 until July 2011. Mr. Franklin received a Bachelor of Arts degree in History from Oklahoma City University.

Jeff White—Vice President—Operations—Mr. White joined us in September 2011 as Vice President—Operations. Prior to his current position with us, Mr. White worked for Laredo Petroleum Holdings, Inc. as a completion manager from May 2010 to September 2011. Mr. White also worked as a staff engineer for ConocoPhillips from February 2007 to May 2009. In addition, he worked in various engineering and management positions with Anadarko Petroleum from June 1988 to June 2005. Mr. White received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University. He also received a Bachelor of Science degree in Fishery Biology from New Mexico State University.

Randall J. Holder—Vice President, General Counsel and Secretary—Mr. Holder joined us in November 2011 as General Counsel and Vice President responsible for legal and human resources. Prior to his current position with us, Mr. Holder served as General Counsel and Vice President for Great White Energy Services LLC, an oilfield services company, from November 2008 to November 2011. Mr. Holder served as Executive Vice President and General Counsel for R.L. Hudson and Company, a supplier of molded rubber and plastic components, from February 2007 to October 2008. Mr. Holder was in private practice of law and a member of Holder Betz LLC from February 2005 to February 2007. Mr. Holder served as Vice President and Assistant General Counsel for Dollar Thrifty Automotive Group, a vehicle rental company, from January 2003 to February 2005 and, before that, as Vice President and General Counsel for Thrifty Rent-A-Car System, Inc., a vehicle rental company, from September 1996 to December 2002. He also served as Vice President and General Counsel for Pentastar Transportation Group, Inc. from November 1992 to September 1996, which was wholly-owned by Chrysler Corporation. Mr. Holder started his legal career with Tenneco Oil Company where he served as a Division Attorney providing legal services to the company's mid-continent division for ten years. Mr. Holder received a Juris Doctorate degree from Oklahoma City University.

Steven E. West—Director—Mr. West has served as a director of our company since December 2011. Mr. West served as our Chief Executive Officer from January 1, 2009 to December 31, 2011. Since January 2011, Mr. West has been a partner at Wexford, focusing on Wexford's private equity energy investments. From August 2006 until December 2010, Mr. West served as senior portfolio advisor at Wexford. From August 2003 until August 2006, Mr. West was the chief financial officer of Sunterra Corporation, a former Wexford portfolio company. From December 1993 until July 2003, Mr. West held senior financial positions at Coast Asset Management and IndyMac Bank. Prior to that, Mr. West worked at First Nationwide Bank, Lehman Brothers and Peat Marwick Mitchell & Co., the predecessor of KPMG LLP. Mr. West holds a Bachelor of Science degree in Accounting from California State University, Chico. We believe Mr. West's background in finance, accounting and private equity energy investments, as well as his executive management skills developed as part of his career with Wexford, its portfolio companies and other financial institutions qualify him to serve on our board of directors.

Michael P. Cross—Director Nominee—Mr. Cross has agreed to serve as a director of our company and is expected to join our board prior to the closing of this offering. Mr. Cross is President and owner of Michael P. Cross, Inc., an independent oil and natural gas producer, a position he has held since July 1994. Mr. Cross also currently serves as a director of Warren Equipment Company, a position he has held since 2002. Mr. Cross has also served as a member of the Oklahoma Energy Resources Board since February 2005 and has been a member of the Executive Committee since 2007. Mr. Cross also served as a member of the Board of Directors of the Oklahoma Independent Petroleum Association for over 15 years. Mr. Cross served on the Board of Directors for OGE Energy GP LLC from October 2007 to October 2008. Mr. Cross also served as CEO and President of Windsor Energy Resources, Inc. from December 2005 until December 2006. Mr. Cross served as President and Manager of Twister Gas Services, L.L.C., an oil and gas exploration, production and marketing company, from its inception in 1996 until June 2003 and served as President of its predecessor, Twister Transmission Company, from 1990 to 1996. Mr. Cross graduated from Oklahoma State University in 1973 with a BS in Business Administration. We believe that Mr. Cross's strong oil and gas background and executive management experience qualify him for service on our board of directors.

Paul Jacobi—Director Nominee—Mr. Jacobi has agreed to serve as a director of our company and is expected to join our board prior to the closing of this offering. Since 1996, Mr. Jacobi has served in various positions at Wexford, including as a Vice President, and became a partner at Wexford in 2012, focusing on Wexford's private equity energy investments. From 1995 to 1996, Mr. Jacobi worked for Moody's Investors Services as an analyst covering the investment banking and asset management industries. From 1993 to 1995, Mr. Jacobi was employed by Kidder Peabody & Co. as a senior financial analyst in the investment banking group. From 1988 to 1993, Mr. Jacobi worked for KPMG Peat Marwick as an audit manager in the financial services practice. Mr. Jacobi holds a BS in accounting from Villanova University. We believe Mr. Jacobi's background in finance, accounting and private equity energy investments, as well as his executive management skills developed as part of his career with Wexford, its portfolio companies and other financial institutions qualify him to serve on our board of directors.

David L. Houston—Director Nominee—Mr. Houston has agreed to serve as a director of our company and is expected to join our board prior to the closing of this offering. Since 1991, Mr. Houston has been the principal of Houston & Associates, a firm that offers life and disability insurance, compensation and benefits plans and estate planning. Prior to 1991, Mr. Houston was President and Chief Executive Officer of Equity Bank for Savings, F.A., an Oklahoma-based savings bank. Mr. Houston served on the board of directors and executive committee of Deaconess Hospital, Oklahoma City, Oklahoma, from January 1993 until December 2008 and is the former chair of the Oklahoma State Ethics Commission and the Oklahoma League of Savings Institutions. Mr. Houston has served as a director of Gulfport since July 1998 and is the chairman of its audit committee. He also served as a director of Bronco Drilling Company from May 2005 until December 2010 and was a member of its audit committee. Mr. Houston received a Bachelor of Science degree in business from Oklahoma State University and a graduate degree in banking from Louisiana State University. We believe that Mr. Houston's financial background and his executive management experience qualify him for service on our board of directors.

Mark L. Plaumann—Director Nominee—Mr. Plaumann has agreed to serve as a director of our company and is expected to join our board prior to the closing of this offering. He is currently a Managing Member of Greyhawke

Capital Advisors LLC, or Greyhawke, which he co-founded in 1998. Prior to founding Greyhawke, Mr. Plaumann was a Senior Vice President of Wexford. Mr. Plaumann was formerly a Managing Director of Alvarez & Marsal, Inc. and the President of American Healthcare Management, Inc. He also was Senior Manager at Ernst & Young LLP. Mr. Plaumann served as a director and audit committee chairman for ICx Technologies, Inc. until October 2010 and currently serves as a director and audit committee chairman of Republic Airways Holdings, Inc., and a director of one private company. Mr. Plaumann also has served as a director, an audit committee chairman and a member of the conflicts committee of the general partner of Rhino Resource Partners LP, a coal operating company, since October 2010. Mr. Plaumann holds an M.B.A. and a B.A. in Business from the University of Central Florida. We believe that Mr. Plaumann's service on the boards of other public companies and his executive management experience, including previous experience as chairman of audit committees, qualifies him for service on our board of directors.

Our Board of Directors and Committees

Upon completion of this offering, our board of directors will consist of five directors, at least three of whom will satisfy the independence requirements of current SEC rules and The NASDAQ Global Market listing standards. Our certificate of incorporation provides that the terms of office of the directors are one year from the time of their election until the next annual meeting of stockholders or until their successors are duly elected and qualified.

Our certificate of incorporation provides that the authorized number of directors will generally be not less than five nor more than thirteen, and the exact number of directors will be fixed from time to time exclusively by the board of directors pursuant to a resolution adopted by a majority of the whole board. In addition, our certificate of incorporation and our bylaws provide that, in general, vacancies on the board may be filled by a majority of directors in office, although less than a quorum.

Our board of directors will establish an audit committee in connection with this offering whose functions include the following:

- assist the board of directors in its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent accountant's qualifications and independence and our accounting and financial reporting processes of and the audits of our financial statements;
- prepare the report required by the SEC for inclusion in our annual proxy or information statement;
- appoint, retain, compensate, evaluate and terminate our independent accountants;
- approve audit and non-audit services to be performed by the independent accountants;
- review and approve related party transactions; and
- perform such other functions as the board of directors may from time to time assign to the audit committee.

The specific functions and responsibilities of the audit committee will be set forth in the audit committee charter. Upon completion of this offering, our audit committee will include three directors who satisfies the independence requirements of current SEC rules and The NASDAQ Global Market listing standards. We expect that one of the members of the audit committee will qualify as an audit committee financial expert as defined under these rules and listing standards, and the other members of our audit committee will satisfy the financial literacy standards for audit committee members under these rules and listing standards.

Pursuant to our bylaws, our board of directors may, from time to time, establish other committees to facilitate the management of our business and operations. In connection with this offering, we will establish a compensation committee composed of at least two independent directors. See "*—Executive Compensation—Compensation Discussion and Analysis—Compensation Policy*" on page 118 of this prospectus. We will also establish a nominating committee composed of at least three independent directors.

In connection with the Gulfport transaction, Gulfport will have the right to designate one individual as a nominee to serve on our board of directors for so long as Gulfport beneficially owns more than 10% of our outstanding common stock. Such nominee, if elected to our board, will also serve on each committee of the board so long as he or she satisfies the independence and other requirements for service on the applicable committee. So long as Gulfport has the right to designate a nominee to our board and there is no Gulfport nominee actually serving as a director, Gulfport shall have the right to appoint one individual as an advisor to the board who shall be entitled to attend board and committee meetings.

Director Compensation

To date, none of our directors has received compensation for services rendered as a board member. Members of our board of directors who are also officers or employees of our company will not receive compensation for their services as directors. It is anticipated that after the completion of this offering, we will pay our non-employee directors a monthly retainer of $1,000 and a per meeting attendance fee of $500 and reimburse all ordinary and necessary expenses incurred in the conduct of our business.

In connection with this offering, we intend to implement an equity incentive plan. Under the plan, certain non-employee directors will be granted 6,666 restricted stock units, which will vest in three equal annual installments beginning on the date of grant.

Compensation Committee Interlocks and Insider Participation

We do not currently have a compensation committee. None of our executive officers serves, or has served during the past year, as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as a member of our board of directors or compensation committee.

Executive Compensation

Compensation Discussion and Analysis

Compensation Practices

Historically, our equity sponsor, Wexford, determined our overall compensation philosophy and set the compensation of our named executive officers, after taking into consideration recommendations of our then serving chief executive officer. In the case of our named executives with employment agreements, the compensation of such individuals is determined in accordance with their respective employment agreements.

Prior to the completion of this offering, our board of directors intends to establish a compensation committee comprised of at least two independent, non-employee directors and adopt a written charter for the compensation committee setting forth the compensation committee's purpose and responsibilities. The principal responsibilities of the compensation committee will be to review and approve corporate goals and objectives relevant to the compensation of our executive officers, evaluate their performance in light of these goals and, subject to the terms of the employment agreements with our named executive officers, determine and approve our executive officers' compensation based on such evaluation and establish policies, including with respect to the following:

- the determination of the elements of executive compensation and allocation among different types of executive compensation;

- the determination as to when awards are granted, including awards of equity-based compensation such as restricted stock units, restricted stock and/or options;
- stock ownership guidelines and any policies regarding hedging the economic risk of such ownership; and
- the review of the risks and rewards associated with our compensation policies and programs.

The compensation committee will seek to provide a total compensation package designed to drive performance and reward contributions in support of our business strategies and to attract, motivate and retain high quality talent with the skills and competencies required by us. It is possible that the compensation committee will examine the compensation practices of our peer companies and may also review compensation data from the oil and natural gas industry generally to the extent the competition for executive talent is broader than a group of selected peer companies, but any decisions regarding possible benchmarking will be made following the completion of this offering. In addition, the compensation committee may review and, in certain cases, participate in, various relevant compensation surveys and consult with compensation consultants with respect to determining any changes in the compensation for our named executive officers, subject to the terms of their respective employment agreements. We expect that our Chief Executive Officer will provide periodic recommendations to the compensation committee regarding such determinations. We expect that the compensation committee will design our compensation policies and programs to encourage and reward prudent business judgment and appropriate risk taking over the long term.

Compensation Policy

Our general compensation policy is guided by several key principles:

- designing competitive total compensation programs to enhance our ability to attract and retain knowledgeable and experienced senior management level employees;
- motivating employees to deliver outstanding financial performance and meet or exceed general and specific business, operational and individual objectives;
- setting compensation and incentive levels relevant to the market in which the employee provides service; and
- providing a meaningful portion of the total compensation to our named executive officers in equity, thus assuring an alignment of interests between our senior management level employees and our stockholders.

Upon completion of this offering, our compensation committee will determine, subject to the terms of the employment agreements with our named executive officers, the mix of compensation, both among short-term and long-term compensation and cash and non-cash compensation, to establish structures that it believes are appropriate for each of our named executive officers. In making compensation decisions with respect to each element of compensation, the compensation committee is expected to consider numerous factors, including:

- the individual’s particular background and circumstances, including training and prior relevant work experience;
- the individual’s role with us and the compensation paid to similar persons at comparable companies;
- the demand for individuals with the individual’s specific expertise and experience at the time of hire;
- achievement of individual and company performance goals and other expectations relating to the position;
- comparison to other executives within our company having similar levels of expertise and experience and the uniqueness of the individual’s industry skills; and
- aligning the compensation of our executives with the performance of our company on both a short-term and long-term basis.

Although we expect the compensation committee to follow these policies, it is possible that the compensation committee could develop a compensation philosophy different than that discussed here.

Historic Elements of Compensation

Historically the principal elements of compensation for our named executive officers have been:

- base salary;
- bonus awards;
- equity awards contained in their employment agreements; and
- health insurance, life and disability insurance and 401(k) plan benefits available to all of our other employees.

We believe that our company does not utilize compensation policies and programs that create risks that are reasonably likely to have a material adverse impact on our company. Historically, certain management, administrative and treasury functions were provided to us by Everest, an entity controlled by Wexford, our equity sponsor. For purposes of presenting the consolidated financial statements, included elsewhere in this prospectus, allocations were made to determine the cost of general and administrative activities performed attributable to us. The allocations were made based upon underlying salary costs of employees performing Company related functions, payroll, revenue or headcount relative to other companies managed by Everest, or specifically identified invoices processed, depending on the nature of the cost. Currently, we employ all our named executive officers directly.

Components of Compensation Following the Completion of the Offering

We believe a material amount of executive compensation should be tied to our performance, and a significant portion of the total prospective compensation of each named executive officer should be tied to measurable financial and operational objectives. These objectives may include absolute performance or performance relative to a peer group. During periods when performance meets or exceeds established objectives, our named executive officers should be paid at or above targeted levels, respectively. When our performance does not meet key objectives, incentive award payments, if any, should be less than such targeted levels.

Following the completion of this offering, we anticipate that the compensation committee will seek to balance awards based on short-term annual results with awards intended to compensate our executives based on our long-term viability and success. Consequently, in addition to annual bonuses, in the future we may provide long-term incentives to our executives in the form of equity based awards to continue to align the interests of our named executive officers with those of our equity holders. These awards would be in addition to the equity awards contained in their employment agreements. In connection with this offering, our board of directors will adopt a long-term incentive plan, which we believe will further incentivize the executive officers to perform their duties in a way that will enhance our long-term success.

As discussed above, following the completion of this offering and subject to the terms of the employment agreements with our named executive officers, our compensation committee will determine the mix of compensation, both among short-term and long-term compensation and cash and non-cash compensation, to establish structures that it believes are appropriate for each of our named executive officers. We believe that the mix of base salary, performance-based incentive compensation, bonus awards, existing equity awards under their employment agreements, awards under the long-term incentive plan and the other benefits that are or will be available to our named executive officers will accomplish our overall compensation objectives. We believe that these elements of compensation create competitive compensation opportunities to align and drive employee performance in support of our business strategies and to attract, motivate and retain high quality talent with the skills and competencies required by us.

Base Salary

Our named executive officers' base salaries are determined in accordance with their respective employment agreements. We have not retained compensation consultants to advise us on compensation matters. Subject to applicable employment agreements, the compensation committee may increase base salaries to align such salaries with market levels for comparable positions in other companies in our industry if we identify significant market changes. Additionally, the compensation committee may adjust base salaries as warranted throughout the year for promotions or other changes in the scope or breadth of an executive's role or responsibilities. The compensation committee may also evaluate our named executive officers' salaries together with other components of their compensation to ensure that the executive's total compensation is in line with our overall compensation philosophy. Upon completion of this offering, our named executive officers will, initially, continue to be compensated at their current annual rates, as specified in the Summary Compensation Table below.

Discretionary Annual Performance Bonus

In accordance with our named executive officers' employment agreements, the board of directors will have the authority to award annual cash bonuses to our named executive officers that have achieved their respective performance goals determined by the board of directors for the applicable year. Pursuant to the terms of their respective employment agreements, the amount of the annual cash bonus that each of our named executive officers (with the exception of Mr. Stice) is eligible to receive is equal to 50% of such officer's annual base salary. Mr. Stice is entitled to receive an annual bonus of at least $200,000 and may receive an annual bonus of up to $400,000 upon the achievement of performance goals to be determined by the board of directors. We have not established any specific performance goals for our named executive officers. For 2011, the discretionary annual bonuses were paid to our named executive officers based on their respective performances and contribution to our company in 2011 and other factors generally, including our company's performance in 2011, the value these executives bring to our company, market trends, economic climate, experience, leadership and employee retention. None of these factors was given materially greater weight than the other factors in determining the officers' bonuses. The discretionary annual cash bonuses received by our named executive officers for 2011 are set forth in the table under the caption "*Summary of Compensation of Our Named Executive Officers*" included beginning on page 121 of this prospectus.

Long Term Equity Incentive Compensation

We will seek to promote an ownership culture among our executive officers in an effort to enhance our long-term performance. We believe the use of stock and stock-based awards offers the best approach to achieving our compensation goals. Each of our named executive officers has been awarded an option to purchase shares of our common stock in accordance with the terms of his or her employment agreement. See "—*Employment Agreements*" beginning on page 123 of this prospectus. To date, we have not adopted stock ownership guidelines for our executives. In connection with this offering, we intend to implement an equity incentive plan. The purpose of this plan will be to continue to enable us, and our affiliates, to attract and retain the services of the types of employees, consultants and directors who will contribute to our long term success and to provide incentives that will be linked directly to increases in share value that will inure to the benefit of our stockholders. The plan will provide a means by which eligible recipients of awards may be given an opportunity to benefit from increases in value of our common stock through the granting of equity awards. The terms of our equity incentive plan are described in more detail following the Summary Compensation Table.

Other Compensation and Perquisites

Consistent with our compensation philosophy, we anticipate that our compensation committee will continue to provide benefits to our executives that are substantially the same as those currently being offered to our other employees, including health insurance, life and disability insurance and a 401(k) plan. The benefits and perquisites that may be available to our executive officers in addition to those available to our other employees include a car allowance and club dues.

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Tax Implications of Executive Compensation Policy

Under Section 162(m) of the Internal Revenue Code, a public company generally may not deduct compensation in excess of $1.0 million per year per person paid to its principal executive officer, principal financial officer and the three other most highly compensated executive officers whose compensation is disclosed in its proxy statement as a result of their total compensation, subject to certain exceptions. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. Although our long-term and incentive compensation plans and agreements have provisions that are intended to satisfy the performance-based compensation exception to the Section 162(m) deduction limit, regulations under Section 162(m) also provide a transition reliance period in the case of a corporation that is not publicly held and becomes publicly held in connection with an initial public offering. During the reliance period, the deduction limit of Section 162(m) does not apply to any compensation paid pursuant to a plan or agreement that existed during the period that the corporation was not publicly held, provided the prospectus accompanying the initial public offering discloses information concerning the plans or agreements in accordance with applicable securities laws. The reliance period ends on the earliest of (1) the expiration of the plan or agreement; (2) the material modification of the plan or agreement; (3) the issuance of all employer stock or compensation reserved under the plan; or (4) the first meeting of stockholders at which directors are elected that occurs after the close of the third calendar year following the calendar year in which the initial public offering occurs.

We anticipate that our compensation committee will structure our long-term and incentive compensation programs to preserve the tax deductibility of compensation paid to our executive officers. However, our compensation committee will have the authority to award performance-based compensation that is not deductible and we cannot guarantee that it will only award deductible compensation to our executive officers. In addition, notwithstanding our compensation committee's efforts, ambiguities and uncertainties regarding the application and interpretation of Section 162(m) make it impossible to provide assurance that any performance based compensation will, in fact, satisfy the requirements for deductibility under Section 162(m). Time vested restricted stock awards will not be treated as performance based compensation and, as a result, the deductibility of such awards could be limited. Also, base salaries and other non-performance based compensation as defined in Section 162(m) in excess of $1.0 million paid to these executive officers in any year would not qualify for deductibility under Section 162(m).

Summary of Compensation for Our Named Executive Officers

The following table shows the compensation of all individuals serving as our principal executive officer and principal financial officer during 2011 and of our next most highly compensated executive officer serving as of December 31, 2011, whose total compensation exceeded $100,000 for the fiscal year ended December 31, 2011.

	Year	Salary	Bonus[1]	Option Awards[2]	All Other Compensation[3]	Total
Steven E. West[4] Former Chief Executive Officer	2011	$ —	$ —	$ —	$ —	$ —
Travis D. Stice[5] Current Chief Executive Officer; Former President and Chief Operating Officer	2011	$115,880	$225,000	$1,452,851	$ 5,874	$1,799,605
Teresa L. Dick Chief Financial Officer, Senior Vice President	2011	$ 98,517	$112,631	$ 379,299	$ 3,558	$ 594,005
Jeff White Vice President — Operations	2011	$ 55,846	$112,500	$ 576,657	$ 309	$ 748,561

(1) Mr. Stice received a $225,000 annual incentive bonus, Ms. Dick received a $46,820 retention bonus and a $65,811 annual incentive bonus and Mr. White received an $85,000 signing bonus and a $27,500 annual incentive bonus.

(2) Reflects the aggregate fair value of the option award granted to each named executive officer under his or her employment agreement with us as computed in accordance with FASB ASC Topic 718. The amount was calculated using certain assumptions set forth in Note 8 to our historical financial statements included in this prospectus. In connection with the closing of this offering, these options will be cancelled and replaced with the right to receive cash payments of $1,000,000, $300,000 and $350,000 for Mr. Stice, Ms. Dick and Mr. White, respectively, which, in the case of Mr. Stice, will be payable two-thirds at the time of the offering and one-third on the first anniversary of the offering, restricted stock units in an amount equal to $1,000,000, $300,000 and $600,000 divided by the initial price per share of our common stock to the public in this offering, or the IPO price per share, for Mr. Stice, Ms. Dick and Mr. White, respectively, and options to purchase 300,000, 50,000 and 100,000 shares of our common stock at the IPO price per share for Mr. Stice, Ms. Dick and Mr. White, respectively.

(3) Amounts for Mr. Stice include our 401(k) plan contributions of $1,832, car allowance of $3,666 and life insurance premium payments of $377. Amounts for Ms. Dick include our 401(k) plan contributions of $2,736 and life insurance premium payments of $824. Amounts for Mr. White include life insurance premium payments of $309.

(4) Mr. West resigned as our chief executive officer in December 2011. Mr. West did not receive any compensation from us in 2011.

(5) Mr. Stice became our President and Chief Operating Officer in April 2011. On January 1, 2012, Mr. Stice resigned as President and Chief Operating Officer and became our Chief Executive Officer. Mr. Stice's annual base salary remains at $300,000.

2011 Grants of Plan-Based Awards

The following table presents information regarding each grant of an award made to our named executive officers in 2011 under any Company plan.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)[1]	Exercise or Base Price of Option Awards ($/Sh)[2]	Grant Date Fair Value of Stock and Option Awards ($)[3]
Steve E. West	—	—	—	—
Travis D. Stice	4/18/2011	1.00%	$3,600,000	1,452,851
Teresa L. Dick	9/1/2011	0.25%	$ 900,000	379,299
Jeff White	9/30/2011	0.50%	$2,500,000	576,657

(1) All option awards shown represent an option to acquire a membership interest percentage in Windsor Permian. In connection with the closing of this offering, these options will be cancelled and replaced with the right to receive cash payments of $1,000,000, $300,000 and $350,000 for Mr. Stice, Ms. Dick and Mr. White, respectively, which, in the case of Mr. Stice, will be payable two-thirds at the time of the offering and one-third on the first anniversary of the offering, restricted stock units in an amount equal to $1,000,000, $300,000 and $600,000 divided by the IPO price per share for Mr. Stice, Ms. Dick and Mr. White, respectively, and options to purchase 300,000, 50,000 and 100,000 shares of our common stock at the IPO price per share for Mr. Stice, Ms. Dick and Mr. White, respectively.

(2) The exercise price shown represents the aggregate exercise price for the option to acquire the entire membership interest percentage in Windsor Permian.

(3) Grant date fair value of the option award granted to each named executive officer in 2011 is computed in accordance with FASB ASC Topic 718 and reflects the total amount of the award to be spread over the applicable vesting period. Each named executive officer's option award vests as described in such named executive officer's employment agreement under "—*Employment Agreements*" below beginning on page 123.

2011 Outstanding Equity Awards at Year-End Table

The following table presents, for each of the named executive officers, information regarding outstanding equity awards held as of December 31, 2011.

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)(2)	Option Expiration Date
Steven E. West	—	—	—	—	—
Travis D. Stice	—	1.00%	—	$3,600,000	4/18/2016
Teresa L. Dick	—	0.25%	—	$ 900,000	9/1/2016
Jeff White	—	0.50%	—	$2,500,000	9/30/2016

(1) All option awards shown represent an option to acquire a membership interest percentage in Windsor Permian. In connection with the closing of this offering, these options will be replaced with the right to receive cash payments of $1,000,000, $300,000 and $350,000 for Mr. Stice, Ms. Dick and Mr. White, respectively, which, in the case of Mr. Stice, will be payable two-thirds at the time of the offering and one-third on the first anniversary of the offering, restricted stock units in an amount equal to $1,000,000, $300,000 and $600,000 divided by the IPO price per share for Mr. Stice, Ms. Dick and Mr. White, respectively, and options to purchase 300,000, $50,000 and $100,000 shares of our common stock at the IPO price per share for Mr. Stice, Ms. Dick and Mr. White, respectively.

(2) The exercise price shown represents the aggregate exercise price for the option to acquire the entire membership interest percentage in Windsor Permian.

Employment Agreements

The following summarizes the material terms of the employment agreements we have with our named executive officers.

Travis D. Stice. Effective April 2011, we entered into an employment agreement with Mr. Stice, our Chief Executive Officer. The employment agreement has a three-year term and provides for an annual base salary of $300,000. Mr. Stice is also entitled to receive an annual bonus of at least $200,000, which could be increased up to $400,000 depending upon his achievement of certain performance goals as determined by our board of directors. Mr. Stice is entitled to participate in such life and medical insurance plans and other similar plans that we establish from time to time for our executive employees, and is paid a $900 monthly vehicle allowance. Pursuant to the terms of his employment agreement, Mr. Stice has an option to acquire a 1.0% membership interest in our subsidiary Windsor Permian LLC for an aggregate exercise price of $3.6 million, subject to adjustment in the event of certain asset sales. Such option vests in four equal annual installments commencing on the first anniversary of the effective date of Mr. Stice's employment agreement and will be exercisable for five years from the effective date of his employment agreement or until his earlier termination. In connection with this offering, this option will be cancelled and replaced with the right to receive $1,000,000 in cash, of which two-thirds will be payable at the time of the offering and one-third will be payable on the first anniversary if Mr. Stice is still employed by us or if he terminated by us prior to that date without "cause" as defined below, restricted stock units in an amount equal to $1,000,000 divided by the IPO price per share and options to purchase 300,000 shares of our common stock at the IPO price per share. The vesting schedule and exercise rights for these options and the restricted stock units will remain the same as the original option. Mr. Stice has agreed to certain restrictive covenants in his employment agreement, including, without limitation, his agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Mr. Stice's affiliation with us and for a period of six months thereafter. Mr. Stice's continued employment with us is "at-will," meaning that either we or Mr. Stice may terminate the employment relationship at any time and for any reason, with or without notice. However, if we terminate Mr. Stice's employment without "cause," we will be obligated to continue paying Mr. Stice's annual base salary until the expiration of the term of his employment agreement and pay a prorated portion of Mr. Stice's minimum annual bonus for the period prior to termination, subject to Mr. Stice's compliance with the restrictive covenants discussed above and his execution of a full general release in our favor. If Mr. Stice's employment is terminated due to death or disability, our sole obligation, subject to Mr. Stice's compliance with the restrictive covenants discussed above, will be to pay any earned but unpaid base salary and a prorated portion of Mr. Stice's minimum annual bonus for the period prior to termination. In the event Mr. Stice's employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses and the option described above effective as of the termination date. For purposes of Mr. Stice's employment agreement, "cause" is generally defined as Mr. Stice's (a) willful and knowing refusal or failure to perform his duties in any material respect, (b) willful misconduct or gross negligence in performing his duties, (c) material breach of his employment agreement or any other agreement with us, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition or (g) failure to comply with directives of our board of directors. In addition, in the event that more than 50% of the combined voting power of our then outstanding stock is controlled by one or more parties that is not Wexford or an affiliate of Wexford, the options described above will vest immediately. The benefits Mr. Stice is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "*Potential Payments Upon Termination, Resignation or Change of Control*" on page 128 of this prospectus.

Teresa L. Dick. Effective September 2011, we entered into an employment agreement with Ms. Dick, our Senior Vice President and Chief Financial Officer. The employment agreement has a one-year term and provides for an annual base salary of $250,000. Subject to Ms. Dick's achievement of certain performance goals as determined by our board of directors for each fiscal year, Ms. Dick is entitled to an annual bonus of 50% of her annual base salary. Ms. Dick is also entitled to participate in any life and medical insurance plans and other similar plans that we establish from time to time for our executive employees. Pursuant to the terms of her employment agreement, Ms. Dick has an option to acquire a 0.25% membership interest in our subsidiary Windsor Permian LLC for an aggregate exercise price of $900,000, subject to adjustment in the event of certain asset sales. Such option vests in four equal annual installments commencing on the first anniversary of the effective date of Ms. Dick's employment agreement and will be exercisable for five years from the effective date of such employment agreement or until her earlier termination (except for termination upon death, disability or by us without cause). In connection with the closing of this offering, this option will be cancelled and replaced with the right to receive $300,000 in cash, restricted stock units in an amount equal to $300,000 divided by the IPO price per share and options to purchase 50,000 shares of our common stock at the IPO price per share. The vesting schedule and exercise rights for these options and the restricted stock units will remain the same as the original option. Ms. Dick has agreed to certain restrictive covenants in her employment agreement, including, without limitation, her agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Ms. Dick's affiliation with us and for a period of six months thereafter. Ms. Dick's continued employment with us is "at-will," meaning that either we or Ms. Dick may terminate the employment relationship at any time and for any reason, with or without notice. However, if (i) we terminate Ms. Dick's employment without "cause," (ii) Ms. Dick resigns for good reason, meaning such resignation follows a material uncured breach by us of the employment agreement or a material diminution in Ms. Dick's position, duties or authority, or (iii) Ms. Dick's employment is terminated due to death or disability, then we will be obligated to continue paying Ms. Dick's base annual salary until the expiration of the term of her employment agreement and, in the case of termination without cause or upon death or disability, to honor our obligations with respect to the option described above; provided, in each case, that Ms. Dick continues to comply with the restrictive covenants described above and (except in the case of clause (iii) above) executes a full general release in our favor. In the event Ms. Dick's employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses and the option described above effective as of the termination date. For purposes of Ms. Dick's employment agreement, "cause" is generally defined as Ms. Dick's (a) willful and knowing refusal or failure to perform her duties in any material respect, (b) willful misconduct or gross negligence in performing her duties, (c) material breach of her employment agreement or any other agreement with us, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition, (g) dishonesty in connection with her responsibilities as an employee or (h) failure to comply with directives of our board of directors. In addition, (x) in the event that more than 50% of the combined voting power of our then outstanding stock is controlled by one or more parties that is not Wexford, an affiliate of Wexford or an underwriter temporarily holding securities pursuant to an offering of securities and there is a material change in Ms. Dick's position, duties or authority or (y) upon termination without cause or due to death or disability, the options and restricted stock units described above will vest immediately. The benefits Ms. Dick is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "*Potential Payments Upon Termination, Resignation or Change of Control*" on page 128 of this prospectus.

Jeff White. Effective September 2011, we entered into an employment agreement with Mr. White, our Vice President—Operations. The employment agreement has a three-year term and provides for an annual base salary of $220,000. Subject to Mr. White's achievement of certain performance goals as determined by our board of directors for each fiscal year, Mr. White is entitled to an annual bonus of 50% of his annual base salary. Upon entering into the employment agreement, Mr. White received an $85,000 signing bonus and, if this offering is completed within one year of Mr. White's hiring, he will be entitled to receive shares of our common stock with a value equal to $170,000. If we do not complete this offering within one year of his hiring, Mr. White will receive a $170,000 cash bonus. Mr. White is also entitled to participate in any life and medical insurance plans and other similar plans that we establish from time to time for our executive employees. Pursuant to the terms of his employment agreement, Mr. White has an option to acquire a 0.5% membership interest in our subsidiary Windsor Permian LLC for an aggregate exercise price of $2.5 million, subject to adjustment in the event of certain asset sales. Such option vests in four equal annual installments commencing on the first anniversary of the effective date of Mr. White's employment agreement and will be exercisable for five years from the effective date of his employment agreement or until his earlier termination (except for termination upon death, disability or by us without cause). In connection with the closing of this offering, this option will be cancelled and replaced with the right to receive $350,000 in cash, restricted stock units in an amount equal to $600,000 divided by the IPO price per share and options to purchase 100,000 shares of our common stock at the IPO price per share. The vesting schedule and exercise rights for these options and the restricted stock units will remain the same as the original option. Mr. White has agreed to certain restrictive covenants in his employment agreement, including, without limitation, his agreement not to compete with us, not to interfere with any of our employees, suppliers or regulators and not to solicit our customers or employees, in each case during Mr. White's affiliation with us and for a period of six months thereafter. Mr. White's continued employment with us is "at-will," meaning that either we or Mr. White may terminate the employment relationship at any time and for any reason, with or without notice. However, if (i) we terminate Mr. White's employment without "cause," (ii) Mr. White resigns for good reason, meaning such resignation follows a material uncured breach by us of the employment agreement or a material diminution in Mr. White's position, duties or authority, or (iii) Mr. White's employment is terminated due to death or disability, then we will be obligated to continue paying Mr. White's base annual salary until the expiration of the term of his employment agreement and, in the case of termination without cause or upon death or disability, to honor our obligations with respect to the option described above; provided, in each case, that Mr. White continues to comply with the restrictive covenants described above and (except in the case of clause (iii) above) executes a full general release in our favor. In the event Mr. White's employment is terminated for "cause," our obligations will terminate with respect to the payment of any base salary or bonuses and the option described above effective as of the termination date. For purposes of Mr. White's employment agreement, "cause" is generally defined as Mr. White's (a) willful and knowing refusal or failure to perform his duties in any material respect, (b) willful misconduct or gross negligence in performing his duties, (c) material breach of his employment agreement or any other agreement with us, (d) conviction of, or a plea of guilty or nolo contendere to, a criminal act that constitutes a felony or involves fraud, dishonesty or moral turpitude, (e) indictment for a felony involving embezzlement, theft or fraud, (f) filing of a voluntary, or consent to an involuntary, bankruptcy petition, (g) dishonesty in connection with his responsibilities as an employee or (h) failure to comply with directives of our board of directors. In addition, (x) in the event that more than 50% of the combined voting power of our then outstanding stock is controlled by one or more parties that is not Wexford, an affiliate of Wexford or an underwriter temporarily holding securities pursuant to an offering of securities and there is either a material change in Mr. White's position, duties or authority or Mr. White is required to move outside a 50 mile radius of Midland, Texas or (y) upon termination without cause or due to death or disability, the options and restricted stock units described above will vest immediately. The benefits Mr. White is entitled to receive upon certain terminations, resignations and changes of control are summarized below in "*Potential Payments Upon Termination, Resignation or Change of Control*" on page 128 of this prospectus.

Equity Incentive Plan

Prior to the completion of this offering, we did not have any stock option or other equity incentive plan except for the equity awards granted in the employment agreements with our named executive officers and, except for such awards, there are no stock options, restricted stock units or other equity awards outstanding for any of our named executive officers. Prior to this offering, we intend to implement our equity incentive plan.

Eligible award recipients are employees, consultants and directors of our company and its affiliates. Incentive stock options may be granted only to our employees. Awards other than incentive stock options may be granted to employees, consultants and directors. The shares that may be issued pursuant to awards consist of our authorized but unissued common stock, and the maximum aggregate amount of such common stock which may be issued upon exercise of all awards under the plan, including incentive stock options, may not exceed   shares, subject to adjustment to reflect certain corporate transactions or changes in our capital structure. To the extent that an award is intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code, then the maximum number of shares of common stock issuable in the form of each type of award under our equity incentive plan to any one participant during a calendar year shall not exceed   shares. Additionally, no participant shall receive in excess of the aggregate amount of 1,000,000 shares pursuant to all awards issued under our equity incentive plan during any calendar year.

We anticipate granting options and restricted stock units to employees and certain non-employee directors under the plan upon completion of this offering in the amount to be determined by the compensation committee.

Share Reserve. The aggregate number of shares of common stock initially authorized for issuance under the plan is 2,500,000 shares. However, (i) shares covered by an award that expires or otherwise terminates without having been exercised in full and (ii) shares that are forfeited to, or repurchased by, us pursuant to a forfeiture or repurchase provision under the plan may return to the plan and be available for issuance in connection with a future award.

Administration. Our board of directors (or our compensation committee or any other committee of the board of directors as may be appointed by our board of directors from time to time) administers the plan. Among other responsibilities, the plan administrator selects participants from among the eligible individuals, determines the number of shares that will be subject to each award and determines the terms and conditions of each award, including methods of payment, vesting schedules and limitations and restrictions on awards. The plan administrator may amend, suspend, or terminate the plan at any time. Amendments will not be effective without stockholder approval if stockholder approval is required by applicable law or stock exchange requirements. Unless terminated earlier, our equity incentive plan will terminate in August 2022.

Stock Options. Incentive and nonstatutory stock options are granted pursuant to incentive and nonstatutory stock option agreements. Employees, directors and consultants may be granted nonstatutory stock options, but only employees may be granted incentive stock options. The plan administrator determines the exercise price of a stock option, provided that the exercise price of a stock option generally cannot be less than 100% (and in the case of an incentive stock option granted to a more than 10% stockholder, 110%) of the fair market value of our common stock on the date of grant, except when assuming or substituting options in limited situations such as an acquisition. Generally, options granted under the plan vest ratably over a five-year period and have a term of ten years (five years in the case of an incentive stock option granted to a more than 10% stockholder), unless specified otherwise by the plan administrator in the option agreement.

Acceptable consideration for the purchase of common stock issued upon the exercise of a stock option will be determined by the plan administrator and may include (i) cash or check, (ii) a broker-assisted cashless exercise, (iii) the tender of common stock previously owned by the optionee, (iv) stock withholding and (v) other legal consideration approved by the plan administrator, such as exercise with a full recourse promissory note (not applicable for directors and executive officers).

Unless the plan administrator provides otherwise (solely with respect to intervivos transfers to certain family members and estate planning vehicles), nonstatutory options generally are not transferable except by will or the laws of descent and distribution. An optionee may designate a beneficiary, however, who may exercise the option following the optionee's death. Incentive stock options are not transferable except by will or the laws of descent and distribution.

Restricted Awards. Restricted awards are awards of either actual shares of common stock (e.g., restricted stock awards), or of hypothetical share units (e.g., restricted stock units) having a value equal to the fair market value of an identical number of shares of common stock, that will be settled in the form of shares of common stock upon vesting or other specified payment date, and which may provide that such restricted awards may not be sold, transferred, or otherwise disposed of for such period as the plan administrator determines. The purchase price and vesting schedule, if applicable, of restricted awards are determined by the plan administrator. A restricted stock unit is similar to a restricted stock award except that participants holding restricted stock units do not have any stockholder rights until the stock unit is settled with shares. Stock units represent an unfunded and unsecured obligation for us and a holder of a stock unit has no rights other than those of a general creditor.

Performance Awards. Performance awards entitle the recipient to vest in or acquire shares of common stock, or hypothetical share units having a value equal to the fair market value of an identical number of shares of common stock that will be settled in the form of shares of common stock upon the attainment of specified performance goals. Performance awards may be granted independent of or in connection with the granting of any other award under the plan. Performance goals will be established by the plan administrator based on one or more business criteria that apply to the plan participant, a business unit, or our company and our affiliates. Performance goals will be objective and will be intended to meet the requirements of Section 162(m) of the Code. Performance goals must be determined prior to the time 25% of the service period has elapsed but not later than 90 days after the beginning of the service period. No payout will be made on a performance award granted to a named executive officer unless all applicable performance goals and service requirements are achieved. Performance awards may not be sold, assigned, transferred, pledged or otherwise encumbered and terminate upon the termination of the participant's service to us or our affiliates.

Stock Appreciation Rights. Stock appreciation rights may be granted independent of or in tandem with the granting of any option under the plan. Stock appreciation rights are granted pursuant to stock appreciation rights agreements. The exercise price of a stock appreciation right granted independent of an option is determined by the plan administrator, but as a general rule will be no less than 100% of the fair market value of our common stock on the date of grant. The exercise price of a stock appreciation right granted in tandem with an option is the same as the exercise price of the related option. Upon the exercise of a stock appreciation right, we will pay the participant an amount equal to the product of (i) the excess of the per share fair market value of our common stock on the date of exercise over the strike price, multiplied by (ii) the number of shares of common stock with respect to which the stock appreciation right is exercised. Payment will be made in cash, delivery of stock, or a combination of cash and stock as deemed appropriate by the plan administrator.

Adjustments in capitalization. In the event that there is a specified type of change in our common stock without the receipt of consideration by us, such as pursuant to a merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction, appropriate adjustments will be made to the various limits under, and the share terms of, the plan including (i) the number and class of shares reserved under the plan, (ii) the maximum number of stock options and stock appreciation rights that can be granted to any one person in a calendar year and (iii) the number and class of shares and exercise price, strike price, or purchase price, if applicable, of all outstanding stock awards.

Corporate Transactions. In the event of a change in control transaction (other than a transaction resulting in Wexford or an entity controlled by, or under common control with Wexford maintaining direct or indirect control over the Company), or a corporate transaction such as a dissolution or liquidation of our company, or any corporate separation or division, including, but not limited to, a split-up, a split-off or a spin-off, or a sale in one or a series of related transactions, of all or substantially all of the assets of our company or a merger, consolidation, or reverse merger in which we are not the surviving entity, then all outstanding stock awards under the plan may be assumed, continued or substituted for by any surviving or acquiring entity (or its parent company), or may be cancelled either with or without consideration for the vested portion of the awards, all as determined by the plan administrator. In the event an award would be cancelled without consideration paid to the extent vested, the award recipient may exercise the award in full or in part for a period of ten days.

401(k) Plan

We participate in a 401(k) Plan. Employees may elect to defer a portion of their compensation up to the statutorily prescribed limit. Each pay period we make a matching contribution to each employee's deferral, not to exceed six percent. An employee's interests in his or her deferrals are 100% vested when contributed. An employee's interests in the matching contribution are vested at the rate of 20% for each completed year of eligibility. The 401(k) Plan is intended to qualify under Section 401(a) of the Internal Revenue Code. As such, contributions to the 401(k) Plan and earnings on those contributions are not taxable to the employee until distributed from the 401(k) Plan, and all contributions are deductible by us when made.

Potential Payments Upon Termination, Resignation or Change of Control

The following table shows the estimated benefits payable to our named executive officers in various hypothetical scenarios as of December 31, 2011:

	Termination Without Cause or Upon Death or Disability[1][2]				Resignation for Good Reason[3]				Change of Control			
Name	Base Salary	Bonus	Options[4]	Total	Base Salary	Bonus	Options[4]	Total	Base Salary	Bonus	Options	Total
Steven West	—	—	—	—	—	—	—	—	—	—	—	—
Travis D. Stice	$688,767[5][6]	$200,000[6]	—	$888,767[5][6]	—	—	—	—	—	—	$90,000[7][8]	$90,000[7][8]
Teresa L. Dick	$186,986[9]	—	$ 22,500[7][8]	$186,986[9]	$186,986[9]	—	—	$186,986[9]	—	—	$22,500[7][8]	$22,500[7][8]
Jeff White	$659,507[10]	—	—[7][8]	$659,507[10]	$659,507[10]	—	—	$659,507[10]	—	—	—[7][8]	—[7][8]

(1) In the event a named executive officer (except for Mr. West) is terminated upon death or disability, the receipt of the payments and benefits described in this table is subject to such executive's continued compliance with the non-competition, confidentiality, non-interference, proprietary information, return of property, non-solicitation and non-disparagement provisions of such executive's employment agreement.

(2) In the event a named executive officer is terminated without cause, the receipt of the payments and benefits described in this table are subject to (a) such executive's continued compliance with the non-competition, confidentiality, non-interference, proprietary information, return of property, non-solicitation and non-disparagement provisions of such executive's employment agreement and (b) such executive executing (and not revoking) a full general release of all claims, known or unknown against us, Wexford and various other parties affiliated with Wexford.

(3) Under the terms of the employment agreements with our named executive officers (except for Mr. Stice), the applicable officer is entitled to certain benefits in the event such officer resigns for good cause, which means such resignation follows any (a) material breach by us of the terms of the applicable employment agreement or (b) material diminution in

the officer's position, duties or authority which in either case is not cured within thirty (30) business days following our receipt of notice thereof, subject to (i) such executive's continued compliance with the non-competition, confidentiality, non-interference, proprietary information, return of property, non-solicitation and non-disparagement provisions of such executive's employment agreement and (ii) such executive executing (and not revoking) a full general release of all claims, known or unknown against us, Wexford and various other parties affiliated with Wexford.

(4) Reflects the difference between the option exercise price and fair market value of the option at December 31, 2011. In connection with the closing of this offering, these options will be cancelled and replaced with the right to receive cash payments of $1,000,000, $300,000 and $350,000 for Mr. Stice, Ms. Dick and Mr. White, respectively, which, in the case of Mr. Stice, will be payable two-thirds at the time of the offering and one-third on the first anniversary of the offering, restricted stock units in an amount equal to $1,000,000, $300,000 and $600,000 divided by the IPO price per share for Mr. Stice, Ms. Dick and Mr. White, respectively, and options to purchase 300,000, 50,000 and 100,000 shares of our common stock at the IPO price per share for Mr. Stice, Ms. Dick and Mr. White, respectively.

(5) Represents the amount payable under Mr. Stice's employment agreement upon termination without cause and is equal to Mr. Stice's base salary for the remainder of the term of his employment agreement, which expires on April 18, 2014.

(6) Mr. Stice is entitled to no benefits upon his death or disability except for any earned but unpaid salary and a prorated portion of his minimum bonus for the period prior to such event.

(7) Under the terms of Mr. Stice's employment agreement, Mr. Stice's equity awards granted pursuant to such agreement shall vest immediately in the event that more than 50% of the combined voting power of our then outstanding stock is controlled by one or more parties that is not us, Wexford or an affiliate of Wexford.

(8) Under the terms of our employment agreement with each of Ms. Dick and Mr. White the equity awards granted under such agreement will vest immediately (a) in the event that more than 50% of the combined voting power of our then outstanding stock is controlled by one or more parties that is not us, Wexford, an affiliate of Wexford or an underwriter temporarily holding securities pursuant to an offering of securities and either there is a material change in the applicable named executive officer's position, duties or authority or such officer is required to relocate to a location outside of a 50 mile radius of Midland, Texas or (b) upon termination without cause or upon death or disability.

(9) Represents the amount payable under Ms. Dick's employment agreement and is equal to Mr. Dick's base salary for the remainder of the term of her employment agreement, which expires on September 1, 2012.

(10) Represents the amount payable under Mr. White's employment agreement and is equal to Mr. White's base salary for the remainder of the term of his employment agreement, which expires on September 30, 2014.

Limitations on Liability and Indemnification of Officers and Directors

Certificate of Incorporation and Bylaws

Our certificate of incorporation provides that no director shall be personally liable to us or any of our stockholders for monetary damages resulting from breaches of their fiduciary duty as directors, except to the extent such limitation on or exemption from liability is not permitted under the Delaware General Corporation Law, or DGCL. The effect of this provision of our certificate of incorporation is to eliminate our rights and those of our stockholders (through stockholders' derivative suits on our behalf) to recover monetary damages against a director for breach of the fiduciary duty of care as a director, including breaches resulting from negligent or grossly negligent behavior, except, as restricted by the DGCL:

- for any breach of the director's duty of loyalty to the company or its stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- in respect of certain unlawful dividend payments or stock redemptions or repurchases; and
- for any transaction from which the director derives an improper personal benefit.

This provision does not limit or eliminate our rights or the rights of any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director's duty of care.

Our certificate of incorporation also provides that we will, to the fullest extent permitted by Delaware law, indemnify our directors and officers against losses that they may incur in investigations and legal proceedings resulting from their service.

Our bylaws include provisions relating to advancement of expenses and indemnification rights consistent with those provided in our certificate of incorporation. In addition, our bylaws provide:

- for a right of indemnitee to bring a suit in the event a claim for indemnification or advancement of expenses is not paid in full by us within a specified period of time; and
- permit us to purchase and maintain insurance, at our expense, to protect us and any of our directors, officers and employees against any loss, whether or not we would have the power to indemnify that person against that loss under Delaware law.

Indemnification Agreements

We will enter into indemnification agreements with each of our current directors and executive officers effective upon the closing of this offering. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

Liability Insurance

We intend to provide liability insurance for our directors and officers, including coverage for public securities matters. There is no pending litigation or proceeding involving any of our directors, officers or employees for which indemnification from us is sought. We are not aware of any threatened litigation that may result in claims for indemnification from us.

RELATED PARTY TRANSACTIONS

Review and Approval of Related Party Transactions

We do not currently have a written policy regarding the review and approval of related party transactions, but intend to implement such a policy in connection with, and prior to the completion of, this offering. In connection with this offering, we will establish an audit committee consisting solely of independent directors whose functions will be set forth in the audit committee charter. We anticipate that one of the audit committee's functions will be to review and approve all relationships and transactions in which we and our directors, director nominees and executive officers and their immediate family members, as well as holders of more than 5% of any class of our voting securities and their immediate family members, have a direct or indirect material interest. We anticipate that such policy will be a written policy included as part the audit committee charter that will be implemented by the audit committee and in the Code of Business Conduct and Ethics that our board of directors will adopt prior to the completion of this offering.

Historically, the review and approval of related party transactions have been the responsibility of our management, and all of the transactions discussed under "*Related Party Transactions*" below have been approved by our management, subject to a conflicts of interest policy set forth in our employee handbook, pursuant to which all of our employees must avoid any situations where their personal outside interest could conflict, or even appear to conflict, with the interests of the Company. Although our management believes that the terms of the related party transactions described below are reasonable, it is possible that we could have negotiated more favorable terms for such transactions with unrelated third parties.

Our management will continue to review and approve related party transactions, subject to the above-referenced conflicts of interest policy, until the adoption of the policy regarding the review and approval of such transactions by the audit committee, which we intend to adopt in connection with, and prior to the completion of, this offering.

Gulfport Transaction and Investor Rights Agreement

On May 7, 2012, we entered into an agreement with Gulfport in which we agreed to acquire from Gulfport, prior to the effectiveness of the registration statement of which this prospectus is a part, all of its oil and natural gas properties in the Permian Basin in exchange for (i) shares of our common stock representing 35% of our common stock outstanding immediately prior to the closing of this offering and (ii) approximately $63.6 million in the form of a non-interest bearing promissory note that will be repaid in full upon the closing of this offering with a portion of the net proceeds from this offering. The aggregate consideration payable to Gulfport is subject to a post-closing cash adjustment and will be increased or decreased by an amount equal to the difference between $118.1 million and the "final capital amount," divided by 65% and then multiplied by 35%. For purposes of our agreement with Gulfport, "final capital amount" means Windsor Permian's (a) total current assets, consisting of cash, trade accounts receivable (net of an allowance for doubtful accounts), inventory, prepaid expenses, other current assets and other assets, less (b) total current liabilities, consisting of trade accounts payable, accounts payable to related parties, accrued capital and other expenses, long-term debt and asset retirement obligations, in each case as of the closing date of the transaction. Accordingly, for purposes of illustration only, if the final capital amount is $110.0 million, we would owe Gulfport an additional approximately $4.4 million and if the final capital amount is $125.0 million, Gulfport would owe us approximately $3.7 million. Gulfport's obligation to complete this transaction is contingent upon, among other things, the contribution to us of all the outstanding equity interests in Windsor Permian and Gulfport's satisfaction with the terms of this offering. Under the agreement, Gulfport is generally responsible for all liabilities and obligations with respect to its Permian Basin properties arising prior to the closing of the transaction and we are responsible for such liabilities and obligations arising after the closing of the transaction. At the closing of the Gulfport transaction, we will enter into an investor rights agreement with Gulfport in which Gulfport will be granted certain (i) demand and "piggyback" registration rights, (ii) director nomination rights and (iii) information rights. For additional information regarding the terms of the Gulfport transaction agreement and the investor rights agreement, see "*Prospectus Summary—The Transactions*," "*Management—Our Board of Directors and Committees*" and "*Shares Eligible for Future Sale—Registration Rights*" beginning on pages 7, 116 and 142, respectively, of this prospectus. Mike Liddell, who served as the Operating Member and Chairman of Windsor Permian prior to the completion of this offering, is also the Chairman of the Board and a director of Gulfport and has an interest in DB Holdings. Charles E. Davidson, the Chairman and Chief Investment Officer of Wexford, beneficially owned approximately 9.5% of Gulfport's outstanding common stock as of March 13, 2012.

Administrative Services

We are a party to a shared services agreement, dated March 1, 2008, with Everest Operations Management LLC (formerly, Windsor Energy Resources LLC), or Everest, an entity controlled by Wexford, our equity sponsor. Under this agreement, Everest provided us with administrative and payroll services and office space in Oklahoma City, Oklahoma and we reimbursed Everest in an amount determined by Everest's management based on estimates of the amount of office space provided and the amount of its employees' time spent performing services for us. For purposes of presenting the consolidated financial statements, included elsewhere in this prospectus, allocations were made to determine the cost of general and administrative activities performed attributable to us. The allocations were made based upon underlying salary costs of employees performing Company related functions, payroll, revenue or headcount relative to other companies managed by Everest, or specifically identified invoices processed, depending on the nature of the cost.

The initial term of the shared services agreement with Everest was two years. Since the expiration of such two-year period on March 1, 2010, the agreement, by its terms, has continued on a month-to-month basis and will continue to do so until terminated by either party upon thirty days prior written notice. For the six months ended June 30, 2012 and the years ended December 31, 2011, 2010 and 2009, we incurred total costs to Everest of approximately $4.1 million, $10.0 million, $8.0 million and $5.5 million, respectively, and at June 30, 2012 and December 31, 2011, 2010 and 2009, we owed $0.0 million, $0.8 million, $0.4 million and $0.9 million, respectively, under this shared services agreement. We expect to discontinue all services under this shared services agreement prior to the closing of this offering.

Effective January 1, 2012, we entered into a shared services agreement with Everest under which we provide Everest and, at its request, certain of its affiliates with consulting, technical and administrative services, including payroll, human resources administration, accounts payable and treasury services. The initial term of the shared services agreement is two years. Upon expiration of the initial term, the agreement will continue on a month-to-month basis until cancelled by either party upon thirty days prior written notice. Everest, or its affiliates, reimburse us for our dedicated employee time and administrative costs based on the pro rata share of time our employees spend performing these services, including pro rata benefits and bonuses of such employees. For the six months ended June 30, 2012, Everest and its affiliates reimbursed us $1,058,043 for services and overhead under the shared services agreement and at June 30, 2012, Everest and its affiliates owed us $135,811.

Windsor Permian

The historical financial and operating information included in this prospectus pertains to the assets, liabilities, revenues and expenses of Windsor Permian. Prior to the effectiveness of the registration statement of which this prospectus is a part, Diamondback Energy LLC will be merged with and into Diamondback Energy, Inc. and Diamondback Energy, Inc. will continue as the surviving corporation. In the merger, DB Holdings will be issued shares of our common stock and Windsor Permian will become our wholly-owned subsidiary. In addition, Wexford has agreed to cause all the outstanding equity interests in Windsor UT to be contributed to Windsor Permian prior to the merger. For additional information regarding the merger and this contribution by Wexford, see "*Prospectus Summary—Our History*" on page 8 of this prospectus.

Subordinated Note

Effective May 14, 2012, we issued a subordinated note to an affiliate of Wexford pursuant to which the Wexford affiliate may, from time to time, advance up to an aggregate $25.0 million. These advances are solely at the lender's discretion and neither Wexford nor any of its affiliates has any commitment or obligation to provide future capital support to us. The note bears interest at a rate equal to LIBOR plus 0.28% or 8% per annum, whichever is lower. Interest is due quarterly in arrears beginning on July 1, 2012. Interest payments are payable in kind by adding such amounts to the principal balance of this note. The unpaid principal balance and all accrued interest on the note is due and payable in full on January 31, 2015 or the earlier completion of this offering. Any indebtedness evidenced by this note is subordinate in the right of payment to any indebtedness outstanding under our revolving credit facility. On August 13, 2012, there was $24.5 million in aggregate principal amount outstanding under this note. We will repay the outstanding borrowings under this note with a portion of the net proceeds of this offering.

Drilling Services

Bison Drilling and Field Services LLC, or Bison, has performed drilling and field services for us under master drilling agreements. Under our most recent master drilling agreement with Bison, effective as of January 1, 2012, Bison committed to accept orders from us for the use of at least two of its rigs. As of June 30, 2012, we were using three Bison drilling rigs and will seek to utilize additional Bison rigs, subject to availability, as we increase our drilling program through 2013. This master drilling agreement is terminable by either party on 30 day's prior written notice, although neither party will be relieved of its respective obligations arising from a drilling contract being performed prior to the termination of the master drilling agreement. Bison was a wholly-owned subsidiary of Windsor Permian until March 31, 2011, when various entities controlled by Wexford started contributing capital to Bison. These contributions aggregated $11.5 million and ultimately diluted Windsor Permian's ownership interest to 52.2%. In September 2011, Windsor Permian sold a 25% interest in Bison to Gulfport for $6.0 million, subject to adjustment. At the time of the transaction, an affiliate of Wexford beneficially owned approximately 13.3% of Gulfport's common stock, but that ownership is now less than 10%. In April 2012, Gulfport increased its ownership interest in Bison to 40%. As a result of these transactions, Windsor Permian's ownership interest in Bison was reduced to 22%, with the remaining equity interests in Bison held by Gulfport and various entities controlled by Wexford. In June 2012, Windsor Permian distributed its remaining interest in Bison to its member. As a result, we will not acquire any interest in Bison when Diamondback Energy LLC is merged with and into Diamondback Energy, Inc. prior to the effectiveness of the registration statement of which this prospectus is a part. For the period April 1, 2011 through December 31, 2011 and the six months ended June 30, 2012, we were billed $16.3 million and $7.5 million, respectively, by Bison for drilling services. We owed $1,101,754 to Bison as of June 30, 2012.

Completion and Well Servicing Services

We contracted with Great White Energy Services, or Great White, an entity formerly controlled by Wexford, for certain well completion services. For the year ended December 31, 2010 and 2009, we were billed $7.7 million and $3.3 million by Great White, and we owed $3.1 million for such services at December 31, 2010 and no amounts at December 31, 2009. Effective August 24, 2011, Great White was sold to an unrelated third party and, therefore, Great White is no longer a related party. While still a related party, during the year ended December 31, 2011 Great White billed us $12.5 million for such services.

Marketing Services

On March 1, 2009, we entered into an agreement with Windsor Midstream LLC, or Midstream, an entity controlled by Wexford, pursuant to which Midstream purchased a significant portion of our oil volumes. For the years ended December 31, 2011, 2010 and 2009, our revenues from Midstream were $38.2 million, $21.4 million and $8.8 million, respectively, and at June 30, 2012 and December 31, 2011, 2010 and 2009 we had an accounts receivable balance of zero, $4.1 million, $2.7 million and $1.5 million, respectively. Effective December 1, 2011, we ceased all sales of our oil production to Midstream under this agreement.

Midland Lease

We occupy our corporate headquarters in Midland, Texas under a five-year lease, effective May 15, 2011, with Fasken Midland, LLC, or Fasken, an entity controlled by an affiliate of Wexford. Through December 31, 2011, we paid $40,080 to Fasken under this lease. Our monthly rent as of June 30, 2012 under the lease was $7,371, and this amount will increase approximately 4% annually on June 1 of each year during the remainder of the lease term.

Oklahoma City Lease

We occupy office space in Oklahoma City, Oklahoma under a sixty-seven month lease agreement, effective January 1, 2012, with Caliber Investment Group, LLC, or Caliber, an entity controlled by an affiliate of Wexford. Through June 30, 2012, we paid $206,429 to Caliber under this lease. Our monthly base rent as of June 30, 2012 was $15,352, which will increase to $16,687 on August 1, 2012 for the remainder of the lease term. We are also responsible for paying a portion of specified costs, fees and expenses associated with the operation of the premises.

Area of Mutual Interest and Related Agreements

Effective as of November 1, 2007, we and Gulfport entered into an area of mutual interest agreement to jointly acquire oil and gas leases in the Permian Basin. The agreement provides that each party must offer the other party the right to participate in 50% of each such acquisition. The parties also agreed, subject to certain exceptions, to share third-party costs and expenses in proportion to their respective participating interests and pay certain other fees as provided in the agreement. The agreement continues in force on a month-to-month basis until terminated by either party upon 30 days prior written notice.

In connection with the area of mutual interest agreement, we, Gulfport and Windsor Energy Group, L.L.C., or Energy Group, an entity controlled by Wexford, as the operator, entered into a joint development agreement, effective as of November 1, 2007, pursuant to which we and Gulfport agreed to develop certain jointly-held oil and gas leases in the Permian Basin and Energy Group agreed to act as the operator under the terms of a joint operating agreement, effective as of November 1, 2007. In the event either party has a majority interest in a prospect (as defined in the development agreement), the majority party may designate the operator of its choice. The parties agreed to designate Energy Group as the operator with respect to the contract area as provided in the joint operating agreement. As operator of these properties, Energy Group was responsible for the daily operations, monthly operation billings and monthly revenue disbursements for the properties in which we held an interest. Effective February 26, 2010, the agreement with Energy Group was terminated and we became the operator of these properties. As of December 31, 2011 we did not owe Energy Group any amounts. For the years ended December 31, 2010 and 2009, Energy Group billed us approximately $4.4 million and $20.7 million, respectively, and at December 31, 2010 and 2009, we owed $0.07 million and $2.8 million, respectively, for these services.

Upon becoming operator effective February 26, 2010, we began providing joint interest billing services to certain of our affiliates. For the six months ended June 30, 2012 and the years ended December 31, 2011 and 2010, we billed Gulfport $25.6 million, $56.7 million and $32.4 million, respectively, and we billed an entity controlled by Wexford $0.7 million, $5.3 million and $8.8 million, respectively, for such services. At June 30, 2012 and December 31, 2011 and 2010, Gulfport owed us $7.5 million, $8.6 million and $5.6 million, respectively, and the Wexford controlled entity owed us $0.1 million, $0.4 million and zero, respectively.

Our area of mutual interest agreement and joint development agreement, each with Gulfport, will be terminated upon the Gulfport transaction.

Investment in Muskie Holdings LLC

During 2011, Windsor Permian purchased certain assets, real estate and rights in a lease covering land in Wisconsin that is prospective for mining oil and natural gas fracture grade sand for $4.2 million from an unrelated third party. On October 7, 2011, Windsor Permian contributed these assets, real estate and lease rights to a newly-formed entity, Muskie Holdings LLC, or Muskie, in exchange for a 48.6% equity interest. The remaining equity interests in Muskie are held 25% by Gulfport and 26.4% by entities controlled by Wexford. Through additional contributions from the Wexford-controlled entities to Muskie, Windsor Permian's equity interest decreased to approximately 33%. In June 2012, Windsor Permian distributed its remaining interest in Muskie to its member. As a result, we will not acquire any interest in Muskie when Diamondback Energy LLC is merged with and into Diamondback Energy, Inc. prior to the effectiveness of the registration statement of which this prospectus is a part.

MidMar

We are party to a gas purchase agreement, dated May 1, 2009, as amended, with MidMar Gas LLC, or MidMar, an entity that owns a gas gathering system and processing plant in the Permian Basin. Under this agreement, MidMar is obligated to purchase from us, and we are obligated to sell to MidMar, all of the gas conforming to certain quality specifications produced from certain of our Permian Basin acreage. Following the expiration of the initial ten-year term, the agreement will continue on a year-to-year basis until terminated by either party on 30 days written notice. Under the gas purchase agreement, MidMar is obligated to pay us 87% of the net revenue received by MidMar for all components of our dedicated gas, including liquid hydrocarbons, and the sale of residue gas, in each case, extracted, recovered or otherwise processed at MidMar's gas processing plant; and 94.56% of the net revenue received by MidMar from the sale of such gas components and residue gas, extracted, recovered or otherwise processed at the Chevron Headlee plant. Travis D. Stice, our Chief Executive Officer, has served as a manager on MidMar's board of managers since April 2011 and as Vice President and Secretary of MidMar since April 2012. An entity controlled by Wexford in which Gulfport and certain entities controlled by Wexford are members owns approximately a 28% equity interest in MidMar. The remaining equity interests in MidMar are owned by nonaffiliated third parties. For the six months ended June 30, 2012 and the years ended December 31, 2011 and 2010, MidMar paid us $1.2 million, $3.1 million and $1.1 million, respectively, and at June 30, 2012 and December 31, 2011 and 2010, MidMar owed us $0.3 million, $0.4 million and $0.1 million, respectively, for our portion of the net proceeds from the sale of such gas products and residue gas by MidMar. We were not paid, nor were we owed, any amounts for 2009 by MidMar.

Advisory Services Agreement

During the six months ended June 30, 2012, Wexford provided certain professional services to us, for which we were billed approximately $94,200. As of June 30, 2012, we owed Wexford $46,790 for such services. Prior to the closing of this offering we will enter into an advisory services agreement with Wexford under which Wexford will provide us with general financial and strategic advisory services related to our business in return for an annual fee of $500,000, plus reasonable out-of-pocket expenses. This agreement has a term of two years commencing on the completion of this offering. The agreement will continue for additional one-year periods unless terminated in writing by either party at least ten days prior to the expiration of the then current term. The agreement may be terminated at any time by either party upon 30 days' prior written notice. In the event we terminate the agreement, we are obligated to pay all amounts due through the remaining term of the agreement. In addition, in this agreement we have agreed to pay Wexford to-be-negotiated market-based fees approved by our independent directors for such services as may be provided by Wexford at our request in connection with future acquisitions and divestitures, financings or other transactions in which we may be involved. The services provided by Wexford under the advisory services agreement will not extend to our day-to-day business or operations. In this agreement, we have agreed to indemnify Wexford and its affiliates from any and all losses arising out of or in connection with the agreement except for losses resulting from Wexford's or its affiliates' gross negligence or willful misconduct.

Registration Rights

Prior to the closing of this offering, we will enter a registration rights agreements with DB Holdings and Gulfport under which we will grant DB Holdings and Gulfport certain demand and "piggyback" registration rights. For more information regarding this agreement, see "*Shares Eligible for Future Sale—Registration Rights*" on page 142 of this prospectus.

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PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock by:

- each stockholder known by us to be the beneficial owner of more than five percent of the outstanding shares of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

Except as otherwise indicated, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned.

Name of Beneficial Owner	Shares Beneficially Owned Prior to Offering[1]		Shares Beneficially Owned After Offering[1]		Shares Beneficially Owned After Offering if Option to Purchase Additional Shares Is Exercised in Full	
	Number	Percentage	Number	Percentage	Number	Percentage
5% Stockholders:						
DB Energy Holdings LLC[2]						
Gulfport Energy Corporation						
Executive Officers and Directors:						
Travis D. Stice[3]						
Teresa L. Dick[4]						
Russell Pantermuehl[5]						
Paul Molnar[6]						
Michael Hollis[7]						
William Franklin[8]						
Jeff White[9]						
Randall J. Holder[10]						
Steven E. West[11]			2,222		2,222	
Michael P. Cross[11]			2,222		2,222	
Paul Jacobi[11]			2,222		2,222	
David L. Houston[11]			2,222		2,222	
Mark L. Plaumann[11]			2,222		2,222	
All executive officers, directors and director nominees as a group (13 persons)						

* Less than 1%.

(1) Percentage of beneficial ownership is based upon shares of common stock outstanding immediately prior to the offering after giving effect to the Transactions, and (including shares of common stock issuable on the closing date of this offering upon vesting of certain restricted stock units granted to our executive officers and directors) shares of common stock (or shares of common stock if the underwriters' option to purchase additional shares is exercised in full) outstanding after the offering. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares which such person has the right to acquire within 60 days. For purposes of computing the percentage of outstanding shares held by each person or group of persons named above, any security which such person or group of persons has the right to acquire within 60 days is deemed to be outstanding for the purpose of computing the percentage ownership for such person or persons, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. As a result, the denominator used in calculating the beneficial ownership among our stockholders may differ.

(2) Wexford is the manager of DB Holdings. As manager of DB Holdings, Wexford has the exclusive authority to, among other things, purchase, hold and dispose of its assets, including the shares of our common stock that will be owned by DB Holdings. Wexford may, by reason of its status as manager of DB Holdings, be deemed to beneficially own the interest in the shares of our common stock owned by DB Holdings. Each of Charles E. Davidson and Joseph M. Jacobs may, by reason of his status as a controlling person of Wexford, be deemed to beneficially own the interests in the shares of our common stock owned by DB Holdings. Each of Charles E. Davidson, Joseph M. Jacobs and Wexford share the power to vote and to dispose of the interests in the shares of our common stock owned by DB Holdings. Each of Messrs. Davidson and Jacobs disclaims beneficial ownership of the shares of our common stock owned by DB Holdings and Wexford. Wexford's address is Wexford Plaza, 411 West Putnam Avenue, Greenwich, Connecticut 06830.

(3) Includes (i) options to purchase shares of our common stock and (ii) restricted stock units, all of which will be vested on the closing date of this offering. Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case, in three remaining approximately equal annual installments beginning on April 18, 2013.

(4) Includes (i) options to purchase shares of our common stock and (ii) restricted stock units, all of which will be vested within 60 days of the closing date of this offering. Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case, in three remaining approximately equal annual installments beginning on September 1, 2013.

(5) Includes (i) options to purchase shares of our common stock and (ii) restricted stock units, all of which will be vested within 60 days of the closing date of this offering. Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case, in three remaining approximately equal annual installments beginning on August 15, 2013.

(6) Includes (i) options to purchase shares of our common stock and (ii) restricted stock units, all of which will be vested within 60 days of the closing date of this offering. Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case, in three remaining approximately equal annual installments beginning on August 15, 2013.

(7) Includes (i) options to purchase shares of our common stock and (ii) restricted stock units, all of which will be vested within 60 days of the closing date of this offering. Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case, in three remaining approximately equal annual installments beginning on September 12, 2013.

(8) Includes (i) options to purchase shares of our common stock and (ii) restricted stock units, all of which will be vested within 60 days of the closing date of this offering. Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case, in three remaining approximately equal annual installments beginning on August 8, 2013.

(9) Includes (i) options to purchase shares of our common stock and (ii) restricted stock units, all of which will be vested within 60 days of the closing date of this offering. Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case, in three remaining approximately equal annual installments beginning on September 30, 2013.

(10) Excludes (i) options to purchase shares of our common stock and (ii) restricted stock units, which will vest, in each case in four approximately equal annual installments beginning on November 18, 2012.

(11) Includes 2,222 restricted stock units, all of which will be vested on the closing date of this offering. Excludes 4,444 restricted stock units, which will vest in two remaining equal annual installments beginning on the first anniversary date of this offering.

DESCRIPTION OF CAPITAL STOCK

We will amend and restate our certificate of incorporation and bylaws in connection with this offering. The following description of our common stock, certificate of incorporation and our bylaws are summaries thereof and are qualified by reference to our certificate of incorporation and our bylaws as so amended and restated, copies of which will be filed with the SEC as exhibits to the registration statement of which this prospectus is a part.

Our authorized capital stock consists of 100,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share. We have applied to have our shares of common stock listed on The NASDAQ Global Market under the symbol "FANG."

Common Stock

Holders of shares of common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. Shares of common stock do not have cumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of the board of directors can elect all the directors to be elected at that time, and, in such event, the holders of the remaining shares will be unable to elect any directors to be elected at that time. Our certificate of incorporation denies stockholders any preemptive rights to acquire or subscribe for any stock, obligation, warrant or other securities of ours. Holders of shares of our common stock have no redemption or conversion rights nor are they entitled to the benefits of any sinking fund provisions.

In the event of our liquidation, dissolution or winding up, holders of shares of common stock shall be entitled to receive, pro rata, all the remaining assets of our company available for distribution to our stockholders after payment of our debts and after there shall have been paid to or set aside for the holders of capital stock ranking senior to common stock in respect of rights upon liquidation, dissolution or winding up the full preferential amounts to which they are respectively entitled.

Holders of record of shares of common stock are entitled to receive dividends when and if declared by the board of directors out of any assets legally available for such dividends, subject to both the rights of all outstanding shares of capital stock ranking senior to the common stock in respect of dividends and to any dividend restrictions contained in debt agreements. All outstanding shares of common stock and any shares sold and issued in this offering will be fully paid and nonassessable by us.

Preferred Stock

Our board of directors is authorized to issue up to 10,000,000 shares of preferred stock in one or more series. The board of directors may fix for each series:

- the distinctive serial designation and number of shares of the series;
- the voting powers and the right, if any, to elect a director or directors;
- the terms of office of any directors the holders of preferred shares are entitled to elect;
- the dividend rights, if any;
- the terms of redemption, and the amount of and provisions regarding any sinking fund for the purchase or redemption thereof;
- the liquidation preferences and the amounts payable on dissolution or liquidation;
- the terms and conditions under which shares of the series may or shall be converted into any other series or class of stock or debt of the corporation; and
- any other terms or provisions which the board of directors is legally authorized to fix or alter.

We do not need stockholder approval to issue or fix the terms of the preferred stock. The actual effect of the authorization of the preferred stock upon your rights as holders of common stock is unknown until our board of directors determines the specific rights of owners of any series of preferred stock. Depending upon the rights granted to any series of preferred stock, your voting power, liquidation preference or other rights could be adversely affected. Preferred stock may be issued in acquisitions or for other corporate purposes. Issuance in connection with a stockholder rights plan or other takeover defense could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of our company. We have no present plans to issue any shares of preferred stock.

Related Party Transactions and Corporate Opportunities

Subject to the limitations of applicable law, our certificate of incorporation, among other things:

- permits us to enter into transactions with entities in which one or more of our officers or directors are financially or otherwise interested so long as it has been approved by our board of directors;
- permits any of our stockholders, officers or directors to conduct business that competes with us and to make investments in any kind of property in which we may make investments; and
- provides that if any director or officer of one of our affiliates who is also one of our officers or directors becomes aware of a potential business opportunity, transaction or other matter (other than one expressly offered to that director or officer in writing solely in his or her capacity as our director or officer), that director or officer will have no duty to communicate or offer that opportunity to us, and will be permitted to communicate or offer that opportunity to such affiliates and that director or officer will not be deemed to have (i) acted in a manner inconsistent with his or her fiduciary or other duties to us regarding the opportunity or (ii) acted in bad faith or in a manner inconsistent with our best interests.

Anti-takeover Effects of Provisions of Our Certificate of Incorporation and Our Bylaws

Some provisions of our certificate of incorporation and our bylaws contain provisions that could make it more difficult to acquire us by means of a merger, tender offer, proxy contest or otherwise, or to remove our incumbent officers and directors. These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because negotiation of such proposals could result in an improvement of their terms.

Undesignated preferred stock. The ability to authorize and issue undesignated preferred stock may enable our board of directors to render more difficult or discourage an attempt to change control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, the board of directors were to determine that a takeover proposal is not in our best interest, the board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group.

Stockholder meetings. Our certificate of incorporation and bylaws provide that a special meeting of stockholders may be called only by the Chairman of the Board, the Chief Executive Officer or by a resolution adopted by a majority of our board of directors.

Requirements for advance notification of stockholder nominations and proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors.

Stockholder action by written consent. Our bylaws provide that, except as may otherwise be provided with respect to the rights of the holders of preferred stock, no action that is required or permitted to be taken by our stockholders at any annual or special meeting may be effected by written consent of stockholders in lieu of a meeting of stockholders, unless the action to be effected by written consent of stockholders and the taking of such action by such written consent have expressly been approved in advance by our board. This provision, which may not be amended except by the affirmative vote of at least 66 2/3% of the voting power of all then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class, makes it difficult for stockholders to initiate or effect an action by written consent that is opposed by our board.

Amendment of the bylaws. Under Delaware law, the power to adopt, amend or repeal bylaws is conferred upon the stockholders. A corporation may, however, in its certificate of incorporation also confer upon the board of directors the power to adopt, amend or repeal its bylaws. Our certificate of incorporation and bylaws grant our board the power to adopt, amend and repeal our bylaws at any regular or special meeting of the board on the affirmative vote of a majority of the directors then in office. Our stockholders may adopt, amend or repeal our bylaws but only at any regular or special meeting of stockholders by an affirmative vote of holders of at least 66 2/3% of the voting power of all then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

Removal of Director. Our certificate of incorporation and bylaws provide that members of our board of directors may only be removed by the affirmative vote of holders of at least 66 2/3% of the voting power of all then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

Amendment of the Certificate of Incorporation. Our certificate of incorporation provides that, in addition to any other vote that may be required by law or any preferred stock designation, the affirmative vote of the holders of at least 66 2/3% of the voting power of all then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class, is required to amend, alter or repeal, or adopt any provision as part of our certificate of incorporation inconsistent with the provisions of our certificate of incorporation dealing with distributions on our common stock, related party transactions, our board of directors, our bylaws, meetings of our stockholders or amendment of our certificate of incorporation.

The provisions of our certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Transfer Agent and Registrar

Computershare Trust Company, N.A. will be the transfer agent and registrar for our common stock.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the perception that such sales may occur, could adversely affect the prevailing market price of our common stock. We cannot predict the effect, if any, that future sales of shares, or the availability of shares for future sales, will have on the market price of our common stock prevailing from time to time.

Sale of Restricted Shares

Upon completion of this offering, we will have shares of common stock outstanding. Of these shares of common stock, the shares of common stock being sold in this offering, plus any shares sold upon exercise of the underwriters' option to purchase additional shares, will be freely tradable without restriction under the Securities Act, except for any such shares held or acquired by an "affiliate" of ours, as that term is defined in Rule 144 promulgated under the Securities Act, which shares will be subject to the volume limitations and other restrictions of Rule 144 described below. The remaining shares of common stock held by our existing stockholders upon completion of this offering, will be "restricted securities," as that phrase is defined in Rule 144, and may be resold only after registration under the Securities Act or pursuant to an exemption from such registration, including, among others, the exemptions provided by Rule 144 and 701 under the Securities Act, which rules are summarized below. These remaining shares of common stock held by our existing stockholder upon completion of this offering will be available for sale in the public market after the expiration of the lock-up agreements described in "*Underwriting* " beginning on page 147 of this prospectus, taking into account the provisions of Rules 144 and 701 under the Securities Act.

Rule 144

In general, under Rule 144 as currently in effect, persons who became the beneficial owner of shares of our common stock prior to the completion of this offering may sell their shares upon the earlier of (1) the expiration of a six-month holding period, if we have been subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), for at least 90 days prior to the date of the sale and have filed all reports required thereunder, or (2) the expiration of a one-year holding period.

At the expiration of the six-month holding period, assuming we have been subject to the Exchange Act reporting requirements for at least 90 days and have filed all reports required thereunder, a person who was not one of our affiliates at any time during the three months preceding a sale would be entitled to sell an unlimited number of shares of our common stock, and a person who was one of our affiliates at any time during the three months preceding a sale would be entitled to sell, within any three-month period, a number of shares of common stock that does not exceed the greater of either of the following:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock on The NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

At the expiration of the one-year holding period, a person who was not one of our affiliates at any time during the three months preceding a sale would be entitled to sell an unlimited number of shares of our common stock without restriction. A person who was one of our affiliates at any time during the three months preceding a sale would remain subject to the volume restrictions described above.

Sales under Rule 144 by our affiliates are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchased shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering, or who purchased shares from us after that date upon the exercise of options granted before that date, are eligible to resell such shares in reliance upon Rule 144 beginning 90 days after the date of this prospectus. If such person is not an affiliate, the sale may be made subject only to the manner-of-sale restrictions of Rule 144. If such a person is an affiliate, the sale may be made under Rule 144 without compliance with its one-year minimum holding period, but subject to the other Rule 144 restrictions.

Registration Rights

Prior to the closing of this offering, we will enter into a registration rights agreements with DB Holdings and an investor rights agreement with Gulfport. Under these agreements, each of DB Holdings and Gulfport has demand and “piggyback” registration rights. The demand rights enable each such stockholder to require us to register its shares of our common stock with the SEC at any time, subject to the 180-day lock-up agreement it has entered into in connection with this offering. The piggyback rights will allow each such stockholder to register the shares of our common stock that it owns along with any shares that we register with the SEC. These registration rights are subject to customary conditions and limitations, including the right of the underwriters of an offering to limit the number of shares.

Stock Plans

We intend to file one or more registration statements on Form S-8 under the Securities Act to register shares of our common stock issued or reserved for issuance under our equity incentive plan. The first such registration statement is expected to be filed soon after the date of this prospectus and will automatically become effective upon filing with the SEC. Accordingly, shares registered under such registration statement will be available for sale in the open market following the effective date, unless such shares are subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates or the lock-up restrictions described below.

Lock-Up Agreements

We, each of our directors and executive officers, DB Holdings and Gulfport have agreed that, subject to certain exceptions, without the prior written consent of Credit Suisse Securities (USA) LLC, we and they will not, directly or indirectly, for a period of 180 days after the date of the offering (a period that may be extended for up to 18 days under certain circumstances), offer, pledge, sell, contract to sell or otherwise transfer or dispose of any shares of our common stock (other than the shares of our common stock subject to this offering) or any other securities convertible into or exercisable or exchangeable for our common stock. For additional information, see “*Underwriting*” beginning on page 147 of this prospectus.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of material U.S. federal income and estate tax consequences of the ownership and disposition of our common stock by a non-U.S. holder (as defined below). This discussion deals only with common stock purchased in this offering that is held as a "capital asset" within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code (generally, property held for investment), by a non-U.S. holder. Except as modified for estate tax purposes, the term "non-U.S. holder" means a beneficial owner of our common stock that is not a "U.S. person" or a partnership for U.S. federal income and estate tax purposes. A U.S. person is any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust, or if it has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person.

An individual may generally be treated as a resident of the United States in any calendar year for U.S. federal income tax purposes, by, among other ways, being present in the United States for at least 31 days in that calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For purposes of the 183-day calculation, all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year are counted. Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens.

This discussion is based upon provisions of the Code, and Treasury Regulations, administrative rulings and judicial decisions, all as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those discussed below. No ruling has been or will be sought from the Internal Revenue Service, or IRS, with respect to the matters discussed below, and there can be no assurance the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock, or that such contrary position would not be sustained by a court. This discussion does not address all aspects of U.S. federal income and estate taxation and does not deal with other U.S. federal tax laws (such as gift tax laws) or foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their personal circumstances. In addition, this discussion does not address tax considerations applicable to investors that may be subject to special treatment under the U.S. federal income tax laws, such as (without limitation):

- certain former U.S. citizens or residents;
- shareholders that hold our common stock as part of a straddle, constructive sale transaction, synthetic security, hedge, conversion transaction or other integrated investment or risk reduction transaction;
- shareholders that acquired our common stock through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan;
- shareholders that are partnerships or entities treated as partnerships for U.S. federal income tax purposes or other pass-through entities or owners thereof;
- shareholders that own, or are deemed to own, more than five percent (5%) of our outstanding common stock (except to the extent specifically set forth below);
- shareholders subject to the alternative minimum tax;

- financial institutions, banks and thrifts;
- insurance companies;
- tax-exempt entities;
- real estate investment trusts;
- “controlled foreign corporations,” “passive foreign investment companies” or corporations that accumulate earnings to avoid U.S. federal income tax;
- broker-dealers or dealers in securities or foreign currencies; and
- traders in securities that use a mark-to-market method of accounting for U.S. federal income tax purposes.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds our common stock, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holding our common stock, you should consult your tax advisor.

THIS DISCUSSION IS FOR GENERAL INFORMATION ONLY AND SHOULD NOT BE VIEWED AS TAX ADVICE. INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON STOCK SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME AND ESTATE AND GIFT TAX LAWS TO THEIR PARTICULAR SITUATION AS WELL AS THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS OR TAX TREATIES AND ANY OTHER U.S. FEDERAL TAX LAWS.

Distributions on Common Stock

We do not expect to pay any cash distributions on our common stock in the foreseeable future. However, in the event we do make such cash distributions, these distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If any such distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a non-taxable return of capital to the extent of the non-U.S. holder’s tax basis in our common stock and thereafter as capital gain from the sale or exchange of such common stock. See “—*Gain on Disposition of Common Stock*” below. Dividends paid to a non-U.S. holder of our common stock that are not effectively connected with the non-U.S. holder’s conduct of a trade or business within the United States will be subject to U.S. withholding tax at a 30% rate, or if an income tax treaty applies, a lower rate specified by the treaty. In order to receive a reduced treaty rate, a non-U.S. holder must provide to us or our withholding agent IRS Form W-8BEN (or applicable substitute or successor form) properly certifying eligibility for the reduced rate. Non-U.S. holders that do not timely provide us or our withholding agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Dividends that are effectively connected with a non-U.S. holder’s conduct of a trade or business in the United States and, if an income tax treaty so requires, are attributable to a permanent establishment maintained by the non-U.S. holder in the United States, are taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons. In that case, we or our withholding agent will not have to withhold U.S. federal withholding tax if the non-U.S. holder complies with applicable certification and disclosure requirements (which may generally be met by providing an IRS Form W-8ECI). In addition, a “branch profits tax” may be imposed at a 30% rate (or a lower rate specified under an applicable income tax treaty) on a foreign corporation’s effectively connected earnings and profits for the taxable year, as adjusted for certain items. Non-U.S. holders should consult any applicable income tax treaties that may provide for different rules.

Gain on Disposition of Common Stock

Subject to the discussion below regarding backup withholding, a non-U.S. holder generally will not be subject to U.S. federal income tax on gain recognized on a disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States and, if an income tax treaty applies, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States, in which case, the gain will be taxed on a net income basis at the U.S. federal income tax rates and in the manner applicable to U.S. persons, and if the non-U.S. holder is a foreign corporation, the branch profits tax described above may also apply;
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and meets other requirements, in which case, the non-U.S. holder will be subject to a flat 30% tax on the gain derived from the disposition (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses, provided the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses; or
- we are or have been a "United States real property holding corporation", or USRPHC, for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of disposition or the period that the non-U.S. holder held our common stock.

Generally, a corporation is a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We believe we currently are a USRPHC. If we are or become a USRPHC, a non-U.S holder nonetheless will not be subject to U.S. federal income tax or withholding in respect of any gain realized on a sale or other disposition of our common stock so long as (i) our common stock is "regularly traded on an established securities market" for U.S. federal income tax purposes and (ii) such non-U.S. holder does not actually or constructively own, at any time during the applicable period described in the third bullet point, above, more than 5% of our outstanding common stock. We expect our common stock to be "regularly traded" on an established securities market, although we cannot guarantee it will be so traded. Accordingly, a non-U.S holder who actually or constructively owns more than 5% of our common stock would be subject to U.S. federal income tax and withholding in respect of any gain realized on any sale or other disposition of common stock (taxed in the same manner as gain that is effectively connected income, except that the branch profits tax would not apply). Non-U.S. holders should consult their own advisor about the consequences that could result if we are, or become, a USRPHC.

Information Reporting and Backup Withholding Tax

Dividends paid to you will generally be subject to information reporting and may be subject to U.S. backup withholding. You will be exempt from backup withholding if you properly provide a Form W-8BEN certifying under penalties of perjury that you are a non-U.S. holder or otherwise meet documentary evidence requirements for establishing that you are a non-U.S. holder, or you otherwise establish an exemption. Copies of the information returns reporting such dividends and the tax withheld with respect to such dividends also may be made available to the tax authorities in the country in which you reside.

The gross proceeds from the disposition of our common stock may be subject to information reporting and backup withholding. If you receive payments of the proceeds of a disposition of our common stock to or through a U.S. office of a broker, the payment will be subject to both U.S. backup withholding and information reporting unless you properly provide an IRS Form W-8BEN certifying under penalties of perjury that you are a non-U.S. person (and the payor does not have actual knowledge or reason to know that you are a U.S. person) or you otherwise establish an exemption. If you sell your common stock outside the United States through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you outside the United States, then the U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S.

information reporting, but not backup withholding, will generally apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your common stock through a non-U.S. office of a broker that has certain relationships with the United States unless the broker has documentary evidence in its files that you are a non-U.S. person and certain other conditions are met, or you otherwise establish an exemption.

Backup withholding is not an additional tax. You may obtain a refund or credit of any amounts withheld under the backup withholding rules that exceed your U.S. federal income tax liability, if any, provided the required information is timely furnished to the IRS.

Additional Withholding Requirements

Withholding taxes may apply to certain types of payments made to “foreign financial institutions” (as defined in the Code) and certain other non-U.S. entities. Specifically, the relevant withholding agent may be required to withhold 30% of any dividends and the proceeds of a sale or other disposition of our common stock paid to (i) a foreign financial institution unless such foreign financial institution undertakes certain diligence and reporting and enters into an agreement with the IRS requiring, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S. owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to non-compliant foreign financial institutions and certain other account holders or (ii) a non-financial foreign entity that is the beneficial owner of the payment unless such entity certifies that it does not have any substantial United States owners or provides the name, address and taxpayer identification number of each substantial United States owner and such entity meets certain other requirements.

Although these rules currently apply to applicable payments made after December 31, 2012, the IRS has issued Proposed Treasury Regulations providing that withholding will only be made on payments of dividends made on or after January 1, 2014, and on other withholdable payments (including payments of gross proceeds) made on or after January 1, 2015. The Proposed Treasury Regulations described above will not be effective until they are issued in their final form, and as of the date of this prospectus, it is not possible to determine whether the proposed regulations will be finalized in their current form or at all. Prospective investors should consult their tax advisors regarding these withholding provisions.

Federal Estate Tax

Our common stock that is owned (or treated as owned) by an individual who is not a citizen or resident of the United States (as specially defined for U.S. federal estate tax purposes) at the time of death will be included in such individual’s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and, therefore, may be subject to U.S. federal estate tax.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated , 2012 we have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC is acting as representative, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
Total	

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the option described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We have granted to the underwriters a 30-day option to purchase up to an aggregate of additional shares at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of common stock.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of $ per share. The underwriters and selling group members may allow a discount of $ per share on sales to other broker/dealers. After the initial public offering the representatives may change the public offering price and concession and discount to broker/dealers. The offering of the shares by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

The following table summarizes the compensation and estimated expenses we will pay:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by us	$	$	$	$
Expenses payable by us	$	$	$	$

We estimate that our out of pocket expenses for this offering will be approximately $.

The representative has informed us that it does not expect sales to accounts over which the underwriters have discretionary authority to exceed 5% of the shares of common stock being offered.

We have agreed that, subject to certain exceptions, we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse Securities (USA) LLC for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the "lock-up" period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the "lock-up" period, we announce that we will release earnings results during the 16-day period beginning on the last day of the "lock-up" period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC waives, in writing, such an extension.

Our officers, directors and the principal stockholders have each agreed that, subject to certain exceptions, they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC for a period of 180 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable, unless Credit Suisse Securities (USA) LLC waives, in writing, such an extension.

Credit Suisse Securities (USA) LLC, in its sole discretion, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time. When determining whether or not to release the common stock and other securities from lock-up agreements, Credit Suisse Securities (USA) LLC will consider, among other factors, the holder’s reasons for requesting the release and the number of shares of common stock or other securities for which the release is being requested.

The underwriters have reserved for sale at the initial public offering price up to   shares of the common stock for employees, directors and other persons associated with us who have expressed an interest in purchasing common stock in the offering. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares.

We have agreed to indemnify the underwriters against liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in that respect.

We have applied to list the shares of our common stock on The NASDAQ Global Market under the symbol “FANG”.

In connection with the listing of our common stock on The NASDAQ Global Market, the underwriters will undertake to sell round lots of 100 shares or more to a minimum of 400 beneficial owners.

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our common stock will be determined by negotiation between us and the underwriters. The principal factors to be considered in determining the initial public offering price include the following:

- the general condition of the securities markets;
- market conditions for initial public offerings;
- the market for securities of companies in businesses similar to ours;
- the history and prospects for the industry in which we compete;
- our past and present operations and earnings and our current financial position;

- the history and prospects for our business;
- an assessment of our management; and
- other information included in this prospectus and otherwise available to the underwriters.

We cannot assure you that the initial public offering price will correspond to the price at which our common stock will trade in the public market subsequent to this offering or that an active trading market will develop and continue after this offering.

Certain of the underwriters and their respective affiliates have from time to time performed, and may in the future perform, various financial advisory, commercial banking and investment banking services for us and for our affiliates in the ordinary course of business for which they have received and would receive customary compensation.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the NASDAQ Global Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representative may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each such state being referred to herein as a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (each such date being referred to herein as a Relevant Implementation Date) it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for any such offer; or

(d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or the FSMA, received by it in connection with the issue or sale of the shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, or the Financial Instruments and Exchange Law, and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

LEGAL MATTERS

The validity of the shares of common stock that are offered hereby by us will be passed upon by Akin Gump Strauss Hauer & Feld LLP. The underwriters have been represented by Latham & Watkins LLP, Houston, Texas.

EXPERTS

The audited financial statements included in this prospectus and elsewhere in the registration statement have been so included in reliance upon the reports of Grant Thornton LLP, independent registered public accountants, upon the authority of said firm as experts in accounting and auditing.

Information referenced in this prospectus regarding our estimated quantities of oil and gas reserves and the discounted present value of future net cash flows therefrom is based upon estimates of such reserves and present values prepared by Ryder Scott Company L.P. as of December 31, 2011 and by Pinnacle Energy Services, LLC as of December 31, 2010 and 2009, each an independent petroleum engineering firm. Information referenced in this prospectus regarding estimated quantities of oil and gas reserves and the discounted present value of future net cash flows attributable to the Windsor UT properties and the properties subject to the Gulfport transaction is based upon estimates of such reserves and present values prepared in each case by Ryder Scott Company L.P. as of December 31, 2011.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act covering the securities offered by this prospectus, which constitutes a part of that registration statement. Items included in the registration statement as Part II are omitted from this prospectus in accordance with the rules and regulations of the SEC. For further information about us and the common stock offered by this prospectus, reference is made to the registration statement and the exhibits filed with the registration statement. Statements contained in this prospectus and any prospectus supplement as to the contents of any contract or other document referred to are qualified by reference to each such contract or document filed as part of the registration statement. When we complete this offering, we will be required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read any materials we file with the SEC free of charge at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Copies of all or any part of these documents may be obtained from such office upon the payment of the fees prescribed by the SEC. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is www.sec.gov. The registration statement, including all exhibits thereto and amendments thereof, has been filed electronically with the SEC.

Appendix A

GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a description of the meanings of some of the oil and natural gas industry terms used in this prospectus.

3-D seismic. Geophysical data that depict the subsurface strata in three dimensions. 3-D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2-D, or two-dimensional, seismic.

Basin-centered gas. A regional abnormally-pressured, gas-saturated accumulation in low-permeability reservoirs.

Bbl. Stock tank barrel, or 42 U.S. gallons liquid volume, used in this prospectus in reference to crude oil or other liquid hydrocarbons.

Bbls/d. Bbls per day.

BOE. Barrels of oil equivalent, with six thousand cubic feet of natural gas being equivalent to one barrel of oil.

BOE/d. BOE per day.

Btu or British thermal unit. The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

Coalbed methane (CBM). Natural gas formed as a byproduct of the coal formation process, which is trapped in coal seams and produced by non-traditional means.

Completion. The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Condensate. Liquid hydrocarbons associated with the production of a primarily natural gas reserve.

Developed acreage. The number of acres that are allocated or assignable to productive wells or wells capable of production.

Development well. A well drilled within the proved area of a natural gas or oil reservoir to the depth of a stratigraphic horizon known to be productive.

Deviated well. A well purposely deviated from the vertical using controlled angles to reach an objective location other than directly below the surface location.

Dry hole. A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

Exploratory well. A well drilled to find and produce natural gas or oil reserves not classified as proved, to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir or to extend a known reservoir.

Field. An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Finding and Development Costs. Capital costs incurred in the acquisition, exploitation and exploration of proved oil and natural gas reserves divided by proved reserve additions and revisions to proved reserves.

Fracturing. The process of creating and preserving a fracture or system of fractures in a reservoir rock typically by injecting a fluid under pressure through a wellbore and into the targeted formation.

Gross acres or gross wells. The total acres or wells, as the case may be, in which a working interest is owned.

Horizontal drilling. A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle with a specified interval.

MBbls. Thousand barrels of crude oil or other liquid hydrocarbons.

MBOE. One thousand barrels of crude oil equivalent, determined using a ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids.

Mcf. Thousand cubic feet of natural gas.

Mcf/d. Mcf per day.

MMBtu. Million British Thermal Units.

MMcf. Million cubic feet of natural gas.

Net acres or net wells. The sum of the fractional working interest owned in gross acres or gross wells, as the case may be.

Net revenue interest. An owner’s interest in the revenues of a well after deducting proceeds allocated to royalty and overriding interests.

PDP. Proved developed producing.

Play. A set of discovered or prospective oil and/or natural gas accumulations sharing similar geologic, geographic and temporal properties, such as source rock, reservoir structure, timing, trapping mechanism and hydrocarbon type.

Plugging and abandonment. Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.

PUD. Proved undeveloped.

Productive well. A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

Prospect. A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

Proved developed reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved reserves. The estimated quantities of oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved undeveloped reserves. Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

Recompletion. The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

Stratigraphic play. An oil or natural gas formation contained within an area created by permeability and porosity changes characteristic of the alternating rock layer that result from the sedimentation process.

Structural play. An oil or natural gas formation contained within an area created by earth movements that deform or rupture (such as folding or faulting) rock strata.

Tight formation. A formation with low permeability that produces natural gas with very low flow rates for long periods of time.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.

Workover. The repair or stimulation of an existing production well for the purpose of restoring, prolonging or enhancing the production of hydrocarbons.

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Appendix B

WINDSOR PERMIAN LLC

Estimated
Future Reserves and Income
Attributable to Certain
Leasehold Interests

SEC Parameters
As of
December 31, 2011

/s/ Don P. Griffin, P.E.
Don P. Griffin, P.E.
TBPE License No. 64150
Senior Vice President

RYDER SCOTT COMPANY, L.P.
TBPE Firm License No. F-1580

[SEAL]

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
TBPE REGISTERED ENGINEERING FIRM F-1580
1100 LOUISIANA SUITE 3800 HOUSTON, TEXAS 77002-5235 FAX (713) 651-0849 TELEPHONE (713) 651-9191

May 31, 2012

Windsor Permian LLC
500 West Texas, Suite 1210
Midland, Texas 79701

Gentlemen:

At your request, Ryder Scott Company (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold interests of Windsor Permian LLC (Windsor) as of December 31, 2011. This report supersedes our report of January 20, 2012 and reflects a revised drilling schedule. The subject properties are located in the state of Texas. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on January 20, 2012 and presented herein, was prepared for public disclosure in Windsor's filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations.

The properties evaluated by Ryder Scott represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves of Windsor as of December 31, 2011.

The results of this study are summarized below.

SEC PARAMETERS
Estimated Net Reserves and Income Data
Certain Leasehold Interests of **Windsor Permian LLC**
As of December 31, 2011

	Proved			
	Developed			
	Producing	Non-Producing	Undeveloped	Total Proved
Net Remaining Reserves				
Oil/Condensate – MBbl	3,494	311	12,912	16,717
Plant Products – MBbl	1,143	90	3,530	4,763
Gas – MMCF	4,799	388	14,432	19,619
MBOE	5,437	466	18,847	24,750
Income Data ($M)				
Future Gross Revenue	$386,409	$ 33,732	$1,383,373	$1,803,514
Deductions	115,007	10,909	706,770	832,686
Future Net Income (FNI)	$271,402	$ 22,823	$ 676,603	$ 970,828
Discounted FNI @ 10%	$147,447	$ 12,090	$ 187,482	$ 347,019

SUITE 600, 1015 4TH STREET, S.W. CALGARY, ALBERTA T2R 1J4 TEL (403) 262-2799 FAX (403) 262-2790
621 17TH STREET, SUITE 1550 DENVER, COLORADO 80293-1501 TEL (303) 623-9147 FAX (303) 623-4258

The estimated reserves and future net income amounts presented in this report, as of December 31, 2011 are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the un-weighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report.

Liquid hydrocarbons are expressed in thousands of standard 42 gallon barrels (MBbl). All gas volumes are reported on an "as sold basis" expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. The net remaining reserves are also shown herein on an equivalent unit basis wherein natural gas is converted to oil equivalent using a factor of 6,000 cubic feet of natural gas per one barrel of oil equivalent. MBOE means thousands barrels of oil equivalent. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars (M$).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the economic software package Aries™ System Petroleum Economic Evaluation Software, a copyrighted program of Halliburton. The program was used solely at the request of Windsor. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of operating the wells, ad valorem taxes, recompletion costs and development costs. The future net income is before the deduction of state and federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist nor does it include any adjustment for cash on hand or undistributed income.

Liquid hydrocarbon reserves account for approximately 96.0 percent and gas reserves account for the remaining 4.0 percent of total future gross revenue from proved reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary form as follows.

	Discounted Future Net Income As of December 31, 2011 ($M)
Discount Rate Percent	Total Proved
5	$542,432
15	$240,230
20	$174,762
25	$131,473

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definitions as set forth in the Securities and Exchange Commission's Regulations Part 210.4-10(a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled "Petroleum Reserves Definitions" is included as an attachment to this report.

The various reserve status categories are defined under the attachment entitled "Petroleum Reserves Definitions" in this report. The proved developed non-producing reserves included herein consist of the shut-in category.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The proved gas volumes included herein do not attribute gas consumed in operations as reserves.

Reserves are "estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations." All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Windsor's request, this report addresses the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward. If deterministic methods are used, the SEC has defined reasonable certainty for proved reserves as a "high degree of confidence that the quantities will be recovered."

Reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that "as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease." Moreover, estimates of proved reserves may be revised as a result of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

Windsor's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

The estimates of reserves presented herein were based upon a detailed study of the properties in which Windsor owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission's Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods, (2) volumetric-based methods and (3) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the "quantities actually recovered are much more likely than not to be achieved." The SEC states that "probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered." The SEC states that "possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves." All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The proved reserves for the properties included herein were estimated by performance methods, analogy, or a combination of both methods. Approximately 85 percent of the proved producing reserves attributable to producing wells were estimated by performance methods. These performance methods include, but may not be limited to, decline curve analysis, which utilized extrapolations of historical production and pressure data available through December, 2011 in those cases where such data were considered to be definitive. The data utilized in this analysis were furnished to Ryder Scott by Windsor and were considered sufficient for the purpose thereof. The remaining 15 percent of the proved reserves were estimated by analogy, or a combination of performance and analogy methods. The analogy method was used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the reserve estimates was considered to be inappropriate.

All proved developed non-producing and undeveloped reserves included herein were estimated by the analogy method**.**

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates.

Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Windsor has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Windsor with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, ad valorem and production taxes, recompletion and development costs, product prices based on the SEC regulations, adjustments or differentials to product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Windsor. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the "SEC Regulations." In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Windsor. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Windsor Permian LLC
May 31, 2012
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Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices, including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. Upon contract expiration, the prices were adjusted to the 12-month un-weighted arithmetic average as previously described.

As noted above, Windsor furnished us with the average prices in effect on December 31, 2011. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the “benchmark prices” and “price reference” used for the geographic area included in the report. In certain geographic areas, the price reference and benchmark prices may be defined by contractual arrangements.

The product prices which were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, gathering and transportation fees and/or distance from market, referred to herein as “differentials.” The differentials used in the preparation of this report were furnished to us by Windsor and were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the data used by Windsor to determine these differentials.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the “average realized prices.” The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves by reserve category for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

Geographic Area	Product	Price Reference	Avg Benchmark Prices	Avg Proved Realized Prices
North America				
United States	Oil/Condensate	WTI Cushing	$ 96.19/Bbl	$ 93.09/Bbl
	NGLs	WTI Cushing	$ 61.97/Bbl	$ 56.33/Bbl
	Gas	Henry Hub	$ 4.12/MMBTU	$ 3.90/MCF

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the leases and wells in this report are based on the operating expense reports of Windsor and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. The operating costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the operating cost data used by Windsor. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Windsor and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. Windsor's estimates of zero abandonment costs after salvage value for onshore properties were used in this report. Ryder Scott has not performed a detailed study of the abandonment costs or the salvage value and makes no warranty for Windsor's estimate.

The proved developed non-producing and undeveloped reserves in this report have been incorporated herein in accordance with Windsor's plans to develop these reserves as of December 31, 2011. The implementation of Windsor's development plans as presented to us and incorporated herein is subject to the approval process adopted by Windsor's management. As the result of our inquiries during the course of preparing this report, Windsor has informed us that the development activities included herein have been subjected to and received the internal approvals required by Windsor's management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Windsor. Additionally, Windsor has informed us that they are not aware of any legal, regulatory, political or economic obstacles that would significantly alter their plans.

Current costs used by Windsor were held constant throughout the life of the properties.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over seventy years. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Windsor. Neither we nor any of our employees have any interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and intended for public disclosure as an exhibit in filings made with the SEC by Windsor.

We have provided Windsor with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Windsor and the original signed report letter, the original signed report letter shall control and supersede the digital version.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

/s/ Don P. Griffin, P.E.
Don P. Griffin, P.E.
TBPE License No. 64150
Senior Vice President

DPG/pl

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Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Don P. Griffin was the primary technical person responsible for overseeing the estimate of the reserves, future production and income presented herein.

Mr. Griffin, an employee of Ryder Scott Company L.P. (Ryder Scott) since 1981, is a Senior Vice President responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Griffin served in a number of engineering positions with Amoco Production Company. For more information regarding Mr. Griffin's geographic and job specific experience, please refer to the Ryder Scott Company website at http://www.ryderscott.com/Experience/Employees.php.

Mr. Griffin graduated with honors from Texas Tech University with a Bachelor of Science degree in Electrical Engineering in 1975 and is a licensed Professional Engineer in the State of Texas. He is also a member of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Griffin fulfills. Mr. Griffin attended an additional 15 hours of training during 2011 covering such topics as reservoir engineering, geoscience and petroleum economics evaluation methods, procedures and software and ethics for consultants.

Based on his educational background, professional training and more than 30 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Griffin has attained the professional qualifications as a Reserves Estimator and Reserves Auditor as set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

PETROLEUM RESERVES DEFINITIONS

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

PREAMBLE

On January 14, 2009, the United States Securities and Exchange Commission (SEC) published the "Modernization of Oil and Gas Reporting; Final Rule" in the Federal Register of National Archives and Records Administration (NARA). The "Modernization of Oil and Gas Reporting; Final Rule" includes revisions and additions to the definition section in Rule 4-10 of Regulation S-X, revisions and additions to the oil and gas reporting requirements in Regulation S-K, and amends and codifies Industry Guide 2 in Regulation S-K. The "Modernization of Oil and Gas Reporting; Final Rule", including all references to Regulation S-X and Regulation S-K, shall be referred to herein collectively as the "SEC regulations". The SEC regulations take effect for all filings made with the United States Securities and Exchange Commission as of December 31, 2009, or after January 1, 2010. Reference should be made to the full text under Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) for the complete definitions (direct passages excerpted in part or wholly from the aforementioned SEC document are denoted in italics herein).

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Under the SEC regulations as of December 31, 2009, or after January 1, 2010, a company may optionally disclose estimated quantities of probable or possible oil and gas reserves in documents publicly filed with the SEC. The SEC regulations continue to prohibit disclosure of estimates of oil and gas resources other than reserves and any estimated values of such resources in any document publicly filed with the SEC unless such information is required to be disclosed in the document by foreign or state law as noted in §229.1202 Instruction to Item 1202.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, natural gas cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves categories.

RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

Reserves. *Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.*

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

PROVED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.*

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

PROVED RESERVES (SEC DEFINITIONS) CONTINUED

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

RESERVES STATUS DEFINITIONS AND GUIDELINES

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

and

PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by: SOCIETY OF
PETROLEUM ENGINEERS (SPE) WORLD
PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on excerpts from the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics herein).

DEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Developed Producing (SPE-PRMS Definitions)

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified according to the guidance contained in the SPE-PRMS as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing

Developed Non-Producing Reserves include shut-in and behind-pipe reserves.

Shut-In

Shut-in Reserves are expected to be recovered from:

(1) completion intervals which are open at the time of the estimate, but which have not started producing;

(2) wells which were shut-in for market conditions or pipeline connections; or

(3) wells not capable of production for mechanical reasons.

Behind-Pipe

Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

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Appendix C

WINDSOR UT, LLC

Estimated
Future Reserves and Income
Attributable to Certain
Leasehold Interests

SEC Parameters
As of
December 31, 2011

/s/ Don P. Griffin, P.E.

Don P. Griffin, P.E.
TBPE License No. 64150
Senior Vice President

RYDER SCOTT COMPANY, L.P.
TBPE Firm License No. F-1580

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RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS
TBPE REGISTERED ENGINEERING FIRM F-1580
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May 31, 2012

Windsor UT, LLC
500 West Texas, Suite 1210
Midland, Texas 79701

Gentlemen:

At your request, Ryder Scott Company (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold interests of Windsor UT (Windsor) as of December 31, 2011. This report supersedes our report of January 20, 2012 and reflects a revised drilling schedule. The subject properties are located in the state of Texas. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on January 20, 2012 and presented herein, was prepared for public disclosure in Windsor's filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations.

The properties evaluated by Ryder Scott represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves of Windsor as of December 31, 2011.

The results of this study are summarized below.

SEC PARAMETERS
Estimated Net Reserves and Income Data
Certain Leasehold Interests of
Windsor UT, LLC
As of December 31, 2011

	Proved			
	Developed			Total
	Producing	Non-Producing	Undeveloped	Proved
Net Remaining Reserves				
Oil/Condensate – MBbl	109	34	1,240	1,383
Plant Products – MBbl	23	7	256	286
Gas – MMCF	76	23	834	933
MBOE	145	45	1,635	1,825
Income Data ($M)				
Future Gross Revenue	$ 11,199	$ 3,512	$ 126,439	$ 141,150
Deductions	3,327	1,561	70,584	75,472
Future Net Income (FNI)	$ 7,872	$ 1,951	$ 55,855	$ 65,678
Discounted FNI @ 10%	$ 4,449	$ 829	$ 12,315	$ 17,593

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The estimated reserves and future net income amounts presented in this report, as of December 31, 2011 are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the un-weighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report.

Liquid hydrocarbons are expressed in thousands of standard 42 gallon barrels (MBbl). All gas volumes are reported on an “as sold basis” expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. The net remaining reserves are also shown herein on an equivalent unit basis wherein natural gas is converted to oil equivalent using a factor of 6,000 cubic feet of natural gas per one barrel of oil equivalent. MBOE means thousands barrels of oil equivalent. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars (M$).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the economic software package Aries™ System Petroleum Economic Evaluation Software, a copyrighted program of Halliburton. The program was used solely at the request of Windsor. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of operating the wells, ad valorem taxes, recompletion costs and development

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costs. The future net income is before the deduction of state and federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist nor does it include any adjustment for cash on hand or undistributed income.

Liquid hydrocarbon reserves account for approximately 97.5 percent and gas reserves account for the remaining 2.5 percent of total future gross revenue from proved reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary form as follows.

	Discounted Future Net Income As of December 31, 2011 ($M)	
Discount Rate Percent	Total Proved	
5	$	32,102
15	$	10,095
20	$	5,763
25	$	3,080

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definitions as set forth in the Securities and Exchange Commission's Regulations Part 210.4-10(a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled "Petroleum Reserves Definitions" is included as an attachment to this report.

The various reserve status categories are defined under the attachment entitled "Petroleum Reserves Definitions" in this report. The proved developed non-producing reserves included herein consist of the shut-in category.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The proved gas volumes included herein do not attribute gas consumed in operations as reserves.

Reserves are "estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations." All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Windsor's request, this report addresses the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward. If deterministic methods are used, the SEC has defined reasonable certainty for proved reserves as a "high degree of confidence that the quantities will be recovered."

Reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that "as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease." Moreover, estimates of proved reserves may be revised as a result of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

Windsor's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax and are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

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May 31, 2012
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The estimates of reserves presented herein were based upon a detailed study of the properties in which Windsor owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the Securities and Exchange Commission's Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods, (2) volumetric-based methods and (3) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the "quantities actually recovered are much more likely than not to be achieved." The SEC states that "probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered." The SEC states that "possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves." All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The proved reserves for the properties included herein were estimated by performance methods, analogy, or a combination of both methods. Approximately 85 percent of the proved producing reserves attributable to producing wells were estimated by performance methods. These performance methods include, but may not be limited to, decline curve analysis, which utilized extrapolations of historical production and pressure data available through December, 2011 in those cases where such data were considered to be definitive. The data utilized in this analysis were furnished to Ryder Scott by Windsor and were considered sufficient for the purpose thereof. The remaining 15 percent of the proved reserves were estimated by analogy, or a combination of performance and analogy methods. The analogy method was used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the reserve estimates was considered to be inappropriate.

All proved developed non-producing and undeveloped reserves included herein were estimated by the analogy method**.**

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data which cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Windsor has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Windsor with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, ad valorem and production taxes, recompletion and development costs, product prices based on the SEC regulations, adjustments or differentials to product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Windsor. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the “SEC Regulations.” In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Windsor. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices, including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. Upon contract expiration, the prices were adjusted to the 12-month un-weighted arithmetic average as previously described.

As noted above, Windsor furnished us with the average prices in effect on December 31, 2011. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the “benchmark prices” and “price reference” used for the geographic area included in the report. In certain geographic areas, the price reference and benchmark prices may be defined by contractual arrangements.

The product prices which were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, gathering and transportation fees and/or distance from market, referred to herein as "differentials." The differentials used in the preparation of this report were furnished to us by Windsor and were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the data used by Windsor to determine these differentials.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the "average realized prices." The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves by reserve category for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

Geographic Area	Product	Price Reference	Avg Benchmark Prices	Avg Proved Realized Prices
North America				
United States	Oil/Condensate	WTI Cushing	$96.19/Bbl	$92.99/Bbl
	NGLs	WTI Cushing	$61.97/Bbl	$56.74/Bbl
	Gas	Henry Hub	$4.12/MMBTU	$3.92/MCF

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the leases and wells in this report are based on the operating expense reports of Windsor and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. The operating costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the operating cost data used by Windsor. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Windsor and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. Windsor's estimates of zero abandonment costs after salvage value for onshore properties were used in this report. Ryder Scott has not performed a detailed study of the abandonment costs or the salvage value and makes no warranty for Windsor's estimate.

The proved developed non-producing and undeveloped reserves in this report have been incorporated herein in accordance with Windsor's plans to develop these reserves as of December 31, 2011. The implementation of Windsor's development plans as presented to us and incorporated herein is subject to the approval process adopted by Windsor's management. As the result of our inquiries during the course of preparing this report, Windsor has informed us that the development activities included herein have been subjected to and received the internal approvals required by Windsor's management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Windsor. Additionally, Windsor has informed us that they are not aware of any legal, regulatory, political or economic obstacles that would significantly alter their plans.

Current costs used by Windsor were held constant throughout the life of the properties.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over seventy years. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Windsor. Neither we nor any of our employees have any interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties which were reviewed.

Windsor UT, LLC
May 31, 2012
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The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and intended for public disclosure as an exhibit in filings made with the SEC by Windsor.

We have provided Windsor with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Windsor and the original signed report letter, the original signed report letter shall control and supersede the digital version.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

/s/ Don P. Griffin, P.E.

Don P. Griffin, P.E.
TBPE License No. 64150
Senior Vice President

DPG/pl

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Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Don P. Griffin was the primary technical person responsible for overseeing the estimate of the reserves, future production and income presented herein.

Mr. Griffin, an employee of Ryder Scott Company L.P. (Ryder Scott) since 1981, is a Senior Vice President responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Griffin served in a number of engineering positions with Amoco Production Company. For more information regarding Mr. Griffin's geographic and job specific experience, please refer to the Ryder Scott Company website at http://www.ryderscott.com/Experience/Employees.php.

Mr. Griffin graduated with honors from Texas Tech University with a Bachelor of Science degree in Electrical Engineering in 1975 and is a licensed Professional Engineer in the State of Texas. He is also a member of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Griffin fulfills. Mr. Griffin attended an additional 15 hours of training during 2011 covering such topics as reservoir engineering, geoscience and petroleum economics evaluation methods, procedures and software and ethics for consultants.

Based on his educational background, professional training and more than 30 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Griffin has attained the professional qualifications as a Reserves Estimator and Reserves Auditor as set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

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PETROLEUM RESERVES DEFINITIONS

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

PREAMBLE

On January 14, 2009, the United States Securities and Exchange Commission (SEC) published the "Modernization of Oil and Gas Reporting; Final Rule" in the Federal Register of National Archives and Records Administration (NARA). The "Modernization of Oil and Gas Reporting; Final Rule" includes revisions and additions to the definition section in Rule 4-10 of Regulation S-X, revisions and additions to the oil and gas reporting requirements in Regulation S-K, and amends and codifies Industry Guide 2 in Regulation S-K. The "Modernization of Oil and Gas Reporting; Final Rule", including all references to Regulation S-X and Regulation S-K, shall be referred to herein collectively as the "SEC regulations". The SEC regulations take effect for all filings made with the United States Securities and Exchange Commission as of December 31, 2009, or after January 1, 2010. Reference should be made to the full text under Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) for the complete definitions (direct passages excerpted in part or wholly from the aforementioned SEC document are denoted in italics herein).

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Under the SEC regulations as of December 31, 2009, or after January 1, 2010, a company may optionally disclose estimated quantities of probable or possible oil and gas reserves in documents publicly filed with the SEC. The SEC regulations continue to prohibit disclosure of estimates of oil and gas resources other than reserves and any estimated values of such resources in any document publicly filed with the SEC unless such information is required to be disclosed in the document by foreign or state law as noted in §229.1202 Instruction to Item 1202.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, natural gas cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations. Petroleum accumulations are considered as either conventional or unconventional based on the nature

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of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves categories.

RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

Reserves. *Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.*

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

PROVED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.*

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

PROVED RESERVES (SEC DEFINITIONS) CONTINUED

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

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RESERVES STATUS DEFINITIONS AND GUIDELINES

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

and

PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE)
WORLD PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on excerpts from the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics herein).

DEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

> *(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and*
>
> *(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.*

Developed Producing (SPE-PRMS Definitions)

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified according to the guidance contained in the SPE-PRMS as Producing or Non-Producing.

Developed Producing Reserves
Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing
Developed Non-Producing Reserves include shut-in and behind-pipe reserves.

Shut-In
Shut-in Reserves are expected to be recovered from:

(1) completion intervals which are open at the time of the estimate, but which have not started producing;
(2) wells which were shut-in for market conditions or pipeline connections; or
(3) wells not capable of production for mechanical reasons.

Behind-Pipe
Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

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Appendix D

GULFPORT ENERGY CORPORATION

Estimated

Future Reserves and Income

Attributable to Certain

Leasehold Interests

SEC Parameters

As of

December 31, 2011

\s\ Don P. Griffin

Don P. Griffin, P.E.
TBPE License No. 64150
Senior Vice President

[SEAL]

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

RYDER SCOTT COMPANY PETROLEUM CONSULTANTS

RYDER SCOTT COMPANY
PETROLEUM CONSULTANTS

TBPE REGISTERED ENGINEERING FIRM F-1580 FAX (713) 651-0849
1100 LOUISIANA SUITE 3800 HOUSTON, TEXAS 77002-5235 TELEPHONE(713) 651-9191

May 29, 2012

Gulfport Energy Corporation
14313 N. May, Suite 100
Oklahoma City, Oklahoma 73134

Gentlemen:

At your request, Ryder Scott Company (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold interests of Gulfport Energy Corporation (Gulfport) as of December 31, 2011. This report corrects a mis-statement in our January 13, 2012 letter concerning the geographical area of coverage. The subject properties are located in the state of Texas. The reserves and income data were estimated based on the definitions and disclosure guidelines of the United States Securities and Exchange Commission (SEC) contained in Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register (SEC regulations). Our third party study, completed on January 6, 2012, and presented herein, was prepared for public disclosure by Gulfport in filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations.

The properties evaluated by Ryder Scott represent 100 percent of the total net proved liquid hydrocarbon reserves and 100 percent of the total net proved gas reserves in Gulfport's Permian Basin area as of December 31, 2011.

The results of this study are summarized below.

SEC PARAMETERS
Estimated Net Reserves and Income Data
Certain Leasehold Interests of
Gulfport Energy Corporation
As of December 31, 2011

	Proved			
	Developed			
	Producing	Non-Producing	Undeveloped	Total Proved
Net Remaining Reserves				
Oil/Condensate – Mbbl	1,853	244	5,989	8,086
Plant Products – Mbbl	660	46	2,085	2,791
Gas – MMCF	2,853	197	8,996	12,046
Income Data ($M)				
Future Gross Revenue	$210,025	$ 24,859	$ 675,799	$910,683
Deductions	52,844	2,238	348,154	403,236
Future Net Income (FNI)	$157,181	$ 22,621	$ 327,645	$507,447
Discounted FNI @ 10%	$ 84,900	$ 14,551	$ 102,837	$202,288

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621 17TH STREET, SUITE 1550 DENVER, COLORADO 80293-1501 TEL (303) 623-9147 FAX (303) 623-4258

The estimated reserves and future net income amounts presented in this report, as of December 31, 2011, are related to hydrocarbon prices. The hydrocarbon prices used in the preparation of this report are based on the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements, as required by the SEC regulations. Actual future prices may vary significantly from the prices required by SEC regulations; therefore, volumes of reserves actually recovered and the amounts of income actually received may differ significantly from the estimated quantities presented in this report.

Liquid hydrocarbons are expressed in thousands of standard 42 gallon barrels (Mbbl). All gas volumes are reported on an “as sold basis” expressed in millions of cubic feet (MMCF) at the official temperature and pressure bases of the areas in which the gas reserves are located. In this report, the revenues, deductions, and income data are expressed as thousands of U.S. dollars (M$).

The estimates of the reserves, future production, and income attributable to properties in this report were prepared using the economic software package Aries™ System Petroleum Economic Evaluation Software, a copyrighted program of Halliburton. The program was used solely at the request of Gulfport. Ryder Scott has found this program to be generally acceptable, but notes that certain summaries and calculations may vary due to rounding and may not exactly match the sum of the properties being summarized. Furthermore, one line economic summaries may vary slightly from the more detailed cash flow projections of the same properties, also due to rounding. The rounding differences are not material.

The future gross revenue is after the deduction of production taxes. The deductions incorporate the normal direct costs of operating the wells, ad valorem taxes, recompletion costs, and development costs. The future net income is before the deduction of state and federal income taxes and general administrative overhead, and has not been adjusted for outstanding loans that may exist, nor does it include any adjustment for cash on hand or undistributed income. Liquid hydrocarbon reserves account for approximately 94.9 percent and gas reserves account for the remaining 5.1 percent of total future gross revenue from proved reserves.

The discounted future net income shown above was calculated using a discount rate of 10 percent per annum compounded monthly. Future net income was discounted at four other discount rates which were also compounded monthly. These results are shown in summary form as follows.

	Discounted Future Net Income ($M) As of December 31, 2011
Discount Rate Percent	Total Proved
5	$303,812
15	$144,573
20	$108,577
25	$ 84,579

The results shown above are presented for your information and should not be construed as our estimate of fair market value.

Reserves Included in This Report

The proved reserves included herein conform to the definition as set forth in the Securities and Exchange Commission’s Regulations Part 210.4-10(a). An abridged version of the SEC reserves definitions from 210.4-10(a) entitled “Petroleum Reserves Definitions” is included as an attachment to this report.

The various proved reserve status categories are defined under the attachment entitled "Petroleum Reserves Definitions" in this report. The proved developed non-producing reserves included herein consist of the shut-in category.

No attempt was made to quantify or otherwise account for any accumulated gas production imbalances that may exist. The proved gas volumes included herein do not attribute gas consumed in operations as reserves.

Reserves are "estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations." All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves, and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. At Gulfport's request, this report addresses only the proved reserves attributable to the properties evaluated herein.

Proved oil and gas reserves are those quantities of oil and gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward. The proved reserves included herein were estimated using deterministic methods. If deterministic methods are used, the SEC has defined reasonable certainty for proved reserves as a "high degree of confidence that the quantities will be recovered."

Proved reserve estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change. For proved reserves, the SEC states that "as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to the estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease." Moreover, estimates of proved reserves may be revised as a result of future operations, effects of regulation by governmental agencies or geopolitical or economic risks. Therefore, the proved reserves included in this report are estimates only and should not be construed as being exact quantities, and if recovered, the revenues therefrom, and the actual costs related thereto, could be more or less than the estimated amounts.

Gulfport's operations may be subject to various levels of governmental controls and regulations. These controls and regulations may include, but may not be limited to, matters relating to land tenure and leasing, the legal rights to produce hydrocarbons, drilling and production practices, environmental protection, marketing and pricing policies, royalties, various taxes and levies including income tax are subject to change from time to time. Such changes in governmental regulations and policies may cause volumes of proved reserves actually recovered and amounts of proved income actually received to differ significantly from the estimated quantities.

The estimates of proved reserves presented herein were based upon a detailed study of the properties in which Gulfport owns an interest; however, we have not made any field examination of the properties. No consideration was given in this report to potential environmental liabilities that may exist nor were any costs included for potential liabilities to restore and clean up damages, if any, caused by past operating practices.

Estimates of Reserves

The estimation of reserves involves two distinct determinations. The first determination results in the estimation of the quantities of recoverable oil and gas and the second determination results in the estimation of the uncertainty associated with those estimated quantities in accordance with the definitions set forth by the

Securities and Exchange Commission's Regulations Part 210.4-10(a). The process of estimating the quantities of recoverable oil and gas reserves relies on the use of certain generally accepted analytical procedures. These analytical procedures fall into three broad categories or methods: (1) performance-based methods; (2) volumetric-based methods; and (3) analogy. These methods may be used singularly or in combination by the reserve evaluator in the process of estimating the quantities of reserves. Reserve evaluators must select the method or combination of methods which in their professional judgment is most appropriate given the nature and amount of reliable geoscience and engineering data available at the time of the estimate, the established or anticipated performance characteristics of the reservoir being evaluated and the stage of development or producing maturity of the property.

In many cases, the analysis of the available geoscience and engineering data and the subsequent interpretation of this data may indicate a range of possible outcomes in an estimate, irrespective of the method selected by the evaluator. When a range in the quantity of reserves is identified, the evaluator must determine the uncertainty associated with the incremental quantities of the reserves. If the reserve quantities are estimated using the deterministic incremental approach, the uncertainty for each discrete incremental quantity of the reserves is addressed by the reserve category assigned by the evaluator. Therefore, it is the categorization of reserve quantities as proved, probable and/or possible that addresses the inherent uncertainty in the estimated quantities reported. For proved reserves, uncertainty is defined by the SEC as reasonable certainty wherein the "quantities actually recovered are much more likely than not to be achieved." The SEC states that "probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered." The SEC states that "possible reserves are those additional reserves that are less certain to be recovered than probable reserves and the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves." All quantities of reserves within the same reserve category must meet the SEC definitions as noted above.

Estimates of reserves quantities and their associated reserve categories may be revised in the future as additional geoscience or engineering data become available. Furthermore, estimates of reserves quantities and their associated reserve categories may also be revised due to other factors such as changes in economic conditions, results of future operations, effects of regulation by governmental agencies or geopolitical or economic risks as previously noted herein.

The proved reserves for the properties included herein were estimated by performance methods, analogy, or a combination of methods. Approximately 90 percent of the proved producing reserves attributable to producing wells and/or reservoirs were estimated by performance methods**.** These performance methods involved decline curve analysis which utilized extrapolations of historical production and pressure data available through October 2011 in those cases where such data were considered to be definitive. The data utilized in this analysis were furnished to Ryder Scott by Gulfport or obtained from public data sources and were considered sufficient for the purpose thereof. The remaining 10 percent of the proved producing reserves were estimated by analogy or a combination of performance and analogy. These methods were used where there were inadequate historical performance data to establish a definitive trend and where the use of production performance data as a basis for the reserve estimates was considered to be inappropriate.

All of the proved developed non-producing and undeveloped reserves included herein were estimated by the analogy method. The data utilized from the analogues were considered sufficient for the purpose thereof.

To estimate economically recoverable proved oil and gas reserves and related future net cash flows, we consider many factors and assumptions including, but not limited to, the use of reservoir parameters derived from geological, geophysical and engineering data that cannot be measured directly, economic criteria based on current costs and SEC pricing requirements, and forecasts of future production rates. Under the SEC regulations 210.4-10(a)(22)(v) and (26), proved reserves must be anticipated to be economically producible from a given date forward based on existing economic conditions including the prices and costs at which economic producibility from a reservoir is to be determined. While it may reasonably be anticipated that the future prices received for the sale of production and the operating costs and other costs relating to such production may increase or decrease from those under existing economic conditions, such changes were, in accordance with rules adopted by the SEC, omitted from consideration in making this evaluation.

Gulfport has informed us that they have furnished us all of the material accounts, records, geological and engineering data, and reports and other data required for this investigation. In preparing our forecast of future proved production and income, we have relied upon data furnished by Gulfport with respect to property interests owned, production and well tests from examined wells, normal direct costs of operating the wells or leases, other costs such as transportation and/or processing fees, ad valorem and production taxes, and development costs, product prices based on the SEC regulations, adjustments or differentials to product prices, geological structural and isochore maps, well logs, core analyses, and pressure measurements. Ryder Scott reviewed such factual data for its reasonableness; however, we have not conducted an independent verification of the data furnished by Gulfport. We consider the factual data used in this report appropriate and sufficient for the purpose of preparing the estimates of reserves and future net revenues herein.

In summary, we consider the assumptions, data, methods and analytical procedures used in this report appropriate for the purpose hereof, and we have used all such methods and procedures that we consider necessary and appropriate to prepare the estimates of reserves herein. The proved reserves included herein were determined in conformance with the United States Securities and Exchange Commission (SEC) Modernization of Oil and Gas Reporting; Final Rule, including all references to Regulation S-X and Regulation S-K, referred to herein collectively as the "SEC Regulations." In our opinion, the proved reserves presented in this report comply with the definitions, guidelines and disclosure requirements as required by the SEC regulations.

Future Production Rates

For wells currently on production, our forecasts of future production rates are based on historical performance data. If no production decline trend has been established, future production rates were held constant, or adjusted for the effects of curtailment where appropriate, until a decline in ability to produce was anticipated. An estimated rate of decline was then applied to depletion of the reserves. If a decline trend has been established, this trend was used as the basis for estimating future production rates.

Test data and other related information were used to estimate the anticipated initial production rates for those wells or locations that are not currently producing. For reserves not yet on production, sales were estimated to commence at an anticipated date furnished by Gulfport. Wells or locations that are not currently producing may start producing earlier or later than anticipated in our estimates due to unforeseen factors causing a change in the timing to initiate production. Such factors may include delays due to weather, the availability of rigs, the sequence of drilling, completing and/or recompleting wells and/or constraints set by regulatory bodies.

The future production rates from wells currently on production or wells or locations that are not currently producing may be more or less than estimated because of changes including, but not limited to, reservoir performance, operating conditions related to surface facilities, compression and artificial lift, pipeline capacity and/or operating conditions, producing market demand and/or allowables or other constraints set by regulatory bodies.

Hydrocarbon Prices

The hydrocarbon prices used herein are based on SEC price parameters using the average prices during the 12-month period prior to the ending date of the period covered in this report, determined as the unweighted arithmetic averages of the prices in effect on the first-day-of-the-month for each month within such period, unless prices were defined by contractual arrangements. For hydrocarbon products sold under contract, the contract prices, including fixed and determinable escalations, exclusive of inflation adjustments, were used until expiration of the contract. Upon contract expiration, the prices were adjusted to the 12-month unweighted arithmetic average as previously described.

Gulfport furnished us with the above mentioned average prices in effect on December 31, 2011. These initial SEC hydrocarbon prices were determined using the 12-month average first-day-of-the-month benchmark prices appropriate to the geographic area where the hydrocarbons are sold. These benchmark prices are prior to the adjustments for differentials as described herein. The table below summarizes the "benchmark prices" and "price reference" used for the geographic area included in the report. In certain geographic areas, the price reference and benchmark prices may be defined by contractual arrangements.

The product prices that were actually used to determine the future gross revenue for each property reflect adjustments to the benchmark prices for gravity, quality, local conditions, gathering and transportation fees**,** and/or distance from market, referred to herein as "differentials." The differentials used in the preparation of this report were furnished to us by Gulfport. The differentials furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the data used by Gulfport to determine these differentials.

In addition, the table below summarizes the net volume weighted benchmark prices adjusted for differentials and referred to herein as the "average realized prices." The average realized prices shown in the table below were determined from the total future gross revenue before production taxes and the total net reserves for the geographic area and presented in accordance with SEC disclosure requirements for each of the geographic areas included in the report.

Geographic Area	Product	Price Reference	Average Benchmark Prices	Average Realized Prices
North America				
United States	Oil/Condensate	WTI Cushing	$ 96.19/Bbl	$ 93.11/Bbl
	NGLs	WTI Cushing	$ 96.19/Bbl	$ 57.09/Bbl
	Gas	Henry Hub — Colorado Interstate	$ 4.12/MMBTU	$ 4.04/MCF

The effects of derivative instruments designated as price hedges of oil and gas quantities are not reflected in our individual property evaluations.

Costs

Operating costs for the leases and wells in this report are based on the operating expense reports of Gulfport and include only those costs directly applicable to the leases or wells. The operating costs include a portion of general and administrative costs allocated directly to the leases and wells. The operating costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of the operating cost data used by Gulfport. No deduction was made for loan repayments, interest expenses, or exploration and development prepayments that were not charged directly to the leases or wells.

Development costs were furnished to us by Gulfport and are based on authorizations for expenditure for the proposed work or actual costs for similar projects. The development costs furnished to us were accepted as factual data and reviewed by us for their reasonableness; however, we have not conducted an independent verification of these costs. Gulfport's estimates of zero abandonment costs after salvage value for onshore properties were used in this report. Ryder Scott has not performed a detailed study of the abandonment costs or the salvage value and makes no warranty for Gulfport's estimate.

The proved developed non-producing and undeveloped reserves in this report have been incorporated herein in accordance with Gulfport's plans to develop these reserves as of December 31, 2011. The implementation of Gulfport's development plans as presented to us and incorporated herein is subject to the approval process adopted by Gulfport's management. As the result of our inquiries during the course of preparing this report, Gulfport has informed us that the development activities included herein have been subjected to and received the internal approvals required by Gulfport's management at the appropriate local, regional and/or corporate level. In addition to the internal approvals as noted, certain development activities may still be subject to specific partner AFE processes, Joint Operating Agreement (JOA) requirements or other administrative approvals external to Gulfport. Additionally, Gulfport has informed us that they are not aware of any legal, regulatory, political or economic obstacles that would significantly alter their plans.

Current costs used by Gulfport were held constant throughout the life of the properties.

Standards of Independence and Professional Qualification

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world for over seventy years. Ryder Scott is employee-owned and maintains offices in Houston, Texas; Denver, Colorado; and Calgary, Alberta, Canada. We have over eighty engineers and geoscientists on our permanent staff. By virtue of the size of our firm and the large number of clients for which we provide services, no single client or job represents a material portion of our annual revenue. We do not serve as officers or directors of any publicly-traded oil and gas company and are separate and independent from the operating and investment decision-making process of our clients. This allows us to bring the highest level of independence and objectivity to each engagement for our services.

Ryder Scott actively participates in industry-related professional societies and organizes an annual public forum focused on the subject of reserves evaluations and SEC regulations. Many of our staff have authored or co-authored technical papers on the subject of reserves related topics. We encourage our staff to maintain and enhance their professional skills by actively participating in ongoing continuing education.

Prior to becoming an officer of the Company, Ryder Scott requires that staff engineers and geoscientists have received professional accreditation in the form of a registered or certified professional engineer's license or a registered or certified professional geoscientist's license, or the equivalent thereof, from an appropriate governmental authority or a recognized self-regulating professional organization.

We are independent petroleum engineers with respect to Gulfport. Neither we nor any of our employees have any interest in the subject properties and neither the employment to do this work nor the compensation is contingent on our estimates of reserves for the properties which were reviewed.

The results of this study, presented herein, are based on technical analysis conducted by teams of geoscientists and engineers from Ryder Scott. The professional qualifications of the undersigned, the technical person primarily responsible for the evaluation of the reserves information discussed in this report, are included as an attachment to this letter.

Terms of Usage

The results of our third party study, presented in report form herein, were prepared in accordance with the disclosure requirements set forth in the SEC regulations and intended for public disclosure as an exhibit in filings made with the SEC by Gulfport.

We have provided Gulfport with a digital version of the original signed copy of this report letter. In the event there are any differences between the digital version included in filings made by Gulfport and the original signed report letter, the original signed report letter shall control and supersede the digital version.

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The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please contact us if we can be of further service.

Very truly yours,

RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

\s\ Don P. Griffin

Don P. Griffin P.E.
TBPE License No. 64150
Senior Vice President

[SEAL]

DPG/pl

Professional Qualifications of Primary Technical Person

The conclusions presented in this report are the result of technical analysis conducted by teams of geoscientists and engineers from Ryder Scott Company, L.P. Don P. Griffin was the primary technical person responsible for overseeing the estimate of the reserves, future production and income presented herein.

Mr. Griffin, an employee of Ryder Scott Company L.P. (Ryder Scott) since 1981, is a Senior Vice President responsible for coordinating and supervising staff and consulting engineers of the company in ongoing reservoir evaluation studies worldwide. Before joining Ryder Scott, Mr. Griffin served in a number of engineering positions with Amoco Production Company. For more information regarding Mr. Griffin's geographic and job specific experience, please refer to the Ryder Scott Company website at http://www.ryderscott.com/Experience/Employees.php.

Mr. Griffin graduated with honors from Texas Tech University with a Bachelor of Science degree in Electrical Engineering in 1975 and is a licensed Professional Engineer in the State of Texas. He is also a member of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers.

In addition to gaining experience and competency through prior work experience, the Texas Board of Professional Engineers requires a minimum of fifteen hours of continuing education annually, including at least one hour in the area of professional ethics, which Mr. Griffin fulfills. As part of his 2009 continuing education hours, Mr. Griffin attended an internally presented 16 hours of formalized training relating to the definitions and disclosure guidelines contained in the United States Securities and Exchange Commission Title 17, Code of Federal Regulations, Modernization of Oil and Gas Reporting, Final Rule released January 14, 2009 in the Federal Register. Mr. Griffin attended an additional 15 hours of training during 2010 covering such topics as reservoir engineering, geoscience and petroleum economics evaluation methods, procedures and software and ethics for consultants.

Based on his educational background, professional training and more than 30 years of practical experience in the estimation and evaluation of petroleum reserves, Mr. Griffin has attained the professional qualifications as a Reserves Estimator and Reserves Auditor as set forth in Article III of the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers as of February 19, 2007.

PETROLEUM RESERVES DEFINITIONS

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

PREAMBLE

On January 14, 2009, the United States Securities and Exchange Commission (SEC) published the "Modernization of Oil and Gas Reporting; Final Rule" in the Federal Register of National Archives and Records Administration (NARA). The "Modernization of Oil and Gas Reporting; Final Rule" includes revisions and additions to the definition section in Rule 4-10 of Regulation S-X, revisions and additions to the oil and gas reporting requirements in Regulation S-K, and amends and codifies Industry Guide 2 in Regulation S-K. The "Modernization of Oil and Gas Reporting; Final Rule", including all references to Regulation S-X and Regulation S-K, shall be referred to herein collectively as the "SEC regulations". The SEC regulations take effect for all filings made with the United States Securities and Exchange Commission as of December 31, 2009, or after January 1, 2010. Reference should be made to the full text under Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) for the complete definitions (direct passages excerpted in part or wholly from the aforementioned SEC document are denoted in italics herein).

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. All reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Unproved reserves are less certain to be recovered than proved reserves and may be further sub-classified as probable and possible reserves to denote progressively increasing uncertainty in their recoverability. Under the SEC regulations as of December 31, 2009, or after January 1, 2010, a company may optionally disclose estimated quantities of probable or possible oil and gas reserves in documents publicly filed with the SEC. The SEC regulations continue to prohibit disclosure of estimates of oil and gas resources other than reserves and any estimated values of such resources in any document publicly filed with the SEC unless such information is required to be disclosed in the document by foreign or state law as noted in §229.1202 Instruction to Item 1202.

Reserves estimates will generally be revised only as additional geologic or engineering data become available or as economic conditions change.

Reserves may be attributed to either natural energy or improved recovery methods. Improved recovery methods include all methods for supplementing natural energy or altering natural forces in the reservoir to increase ultimate recovery. Examples of such methods are pressure maintenance, natural gas cycling, waterflooding, thermal methods, chemical flooding, and the use of miscible and immiscible displacement fluids. Other improved recovery methods may be developed in the future as petroleum technology continues to evolve.

Reserves may be attributed to either conventional or unconventional petroleum accumulations. Petroleum accumulations are considered as either conventional or unconventional based on the nature of their in-place characteristics, extraction method applied, or degree of processing prior to sale. Examples of unconventional petroleum accumulations include coalbed or coalseam methane (CBM/CSM), basin-centered gas, shale gas, gas hydrates, natural bitumen and oil shale deposits. These unconventional accumulations may require specialized extraction technology and/or significant processing prior to sale.

Reserves do not include quantities of petroleum being held in inventory.

Because of the differences in uncertainty, caution should be exercised when aggregating quantities of petroleum from different reserves categories.

RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(26) defines reserves as follows:

Reserves. *Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.*

Note to paragraph (a)(26): Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

PROVED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(22) defines proved oil and gas reserves as follows:

Proved oil and gas reserves. *Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.*

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and

(B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

PROVED RESERVES (SEC DEFINITIONS) CONTINUED

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

RESERVES STATUS DEFINITIONS AND GUIDELINES

As Adapted From:
RULE 4-10(a) of REGULATION S-X PART 210
UNITED STATES SECURITIES AND EXCHANGE COMMISSION (SEC)

and

PETROLEUM RESOURCES MANAGEMENT SYSTEM (SPE-PRMS)
Sponsored and Approved by:
SOCIETY OF PETROLEUM ENGINEERS (SPE)
WORLD PETROLEUM COUNCIL (WPC)
AMERICAN ASSOCIATION OF PETROLEUM GEOLOGISTS (AAPG)
SOCIETY OF PETROLEUM EVALUATION ENGINEERS (SPEE)

Reserves status categories define the development and producing status of wells and reservoirs. Reference should be made to Title 17, Code of Federal Regulations, Regulation S-X Part 210, Rule 4-10(a) and the SPE-PRMS as the following reserves status definitions are based on excerpts from the original documents (direct passages excerpted from the aforementioned SEC and SPE-PRMS documents are denoted in italics herein).

DEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(6) defines developed oil and gas reserves as follows:

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Developed Producing (SPE-PRMS Definitions)

While not a requirement for disclosure under the SEC regulations, developed oil and gas reserves may be further sub-classified according to the guidance contained in the SPE-PRMS as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing

Developed Non-Producing Reserves include shut-in and behind-pipe reserves.

Shut-In

Shut-in Reserves are expected to be recovered from:

(1) completion intervals which are open at the time of the estimate, but which have not started producing;

(2) wells which were shut-in for market conditions or pipeline connections; or

(3) wells not capable of production for mechanical reasons.

Behind-Pipe

Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

UNDEVELOPED RESERVES (SEC DEFINITIONS)

Securities and Exchange Commission Regulation S-X §210.4-10(a)(31) defines undeveloped oil and gas reserves as follows:

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

INDEX TO FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Members
Windsor Permian LLC

We have audited the accompanying consolidated balance sheets of Windsor Permian LLC and subsidiaries (collectively the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in member's equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Windsor Permian LLC and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Company adopted the new oil and gas reserve estimation and disclosure requirements as of December 31, 2009.

/s/ Grant Thornton LLP
Oklahoma City, Oklahoma
March 23, 2012

Windsor Permian LLC and Subsidiaries

Consolidated Balance Sheets

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 6,802,389	$ 4,089,745
Accounts receivable:		
Joint interest and other	3,734,513	3,540,244
Oil and natural gas sales	838,791	305,500
Related party	13,122,589	8,342,033
Inventories	6,006,355	8,433,734
Prepaid expenses and other	428,202	326,148
Total current assets	30,932,839	25,037,404
Property and equipment		
Oil and natural gas properties, at cost, based on the full cost method of accounting ($1,732,329 and $825,742 excluded from amortization at December 31, 2011 and December 31, 2010, respectively)	325,510,080	239,771,620
Other property and equipment	1,016,574	11,915,780
Accumulated depletion, depreciation, amortization and impairment	(119,500,035)	(104,845,670)
	207,026,619	146,841,730
Investments-equity method	10,309,668	—
Other assets	1,214,759	637,562
Total assets	$ 249,483,885	$ 172,516,696
Liabilities and Member's Equity		
Current liabilities:		
Accounts payable trade	$ 8,769,491	$ 8,641,089
Accounts payable–related party	3,436,195	4,785,810
Accrued capital expenditures	13,922,932	5,387,746
Other accrued liabilities	4,804,069	696,583
Revenues and royalties payable	3,165,267	499,048
Derivative contracts	8,320,351	—
Total current liabilities	42,418,305	20,010,276
Note payable credit facility–long term	85,000,000	44,766,687
Derivative contracts	6,138,573	1,373,864
Asset retirement obligations	1,079,725	727,826
Total liabilities	134,636,603	66,878,653
Commitments and contingencies (Note 11)		
Member's equity	114,847,282	105,638,043
Total liabilities and member's equity	$ 249,483,885	$ 172,516,696

See accompanying notes to consolidated financial statements.

Windsor Permian LLC and Subsidiaries

Consolidated Statements of Operations

	Year Ended December 31, 2011	2010	2009
Revenues:			
Oil sales-related party	$ 38,178,686	$ 21,402,799	$ 8,815,681
Oil sales	2,582,019	74,574	973,058
Natural gas sales	1,646,848	1,400,584	922,137
Natural gas liquid sales	4,773,249	3,563,970	2,005,135
Oil and natural gas services-related party	1,490,910	811,247	—
Total revenues	48,671,712	27,253,174	12,716,011
Costs and expenses:			
Lease operating expenses	8,218,217	3,039,462	1,551,047
Lease operating expenses-related party	2,127,138	1,549,097	815,576
Production taxes-related party	1,759,601	993,383	406,627
Production taxes	574,252	353,496	256,441
Gathering and transportation	201,828	105,870	42,091
Oil and natural gas services	1,207,101	228,046	—
Oil and natural gas services –related party	525,791	583,201	—
Depreciation, depletion and amortization	15,402,826	8,145,143	3,215,891
General and administrative expenses-related party	3,160,512	2,656,278	4,632,671
General and administrative expenses	442,967	395,349	429,947
Asset retirement obligation accretion expense	63,259	37,856	27,934
Total costs and expenses	33,683,492	18,087,181	11,378,225
Income from operations	14,988,220	9,165,993	1,337,786
Other income (expense)			
Interest income	11,197	34,474	35,075
Interest expense	(2,528,058)	(836,265)	(10,938)
Loss on derivative contracts	(13,009,393)	(147,983)	(4,068,005)
Loss from equity investment	(7,017)	—	—
Total other expense, net	(15,533,271)	(949,774)	(4,043,868)
Net income (loss)	$ (545,051)	$ 8,216,219	$ (2,706,082)
Pro forma information-(unaudited)			
Net income (loss) before income taxes, as reported	$ (545,051)	$ 8,216,219	$ (2,706,082)
Pro forma provision (benefit) for income tax	—	—	—
Pro forma net (loss) income	$ (545,051)	$ 8,216,219	$ (2,706,082)
Pro forma income (loss) per common share — basic and diluted	$ (0.04)		
Weighted average pro forma shares outstanding — basic and diluted	15,500,000		

See accompanying notes to consolidated financial statements.

Windsor Permian LLC and Subsidiaries

Consolidated Statement of Changes in Member's Equity

	Total member's equity
Balance at January 1, 2009	$ 70,615,293
Contributions	16,893,000
Distributions	(600,000)
Net loss	(2,706,082)
Balance at December 31, 2009	84,202,211
Contributions	18,798,613
Distributions	(5,579,000)
Net income	8,216,219
Balance at December 31, 2010	105,638,043
Contributions	9,210,000
Equity based compensation	544,290
Net loss	(545,051)
Balance at December 31, 2011	$ 114,847,282

See accompanying notes to consolidated financial statements.

Windsor Permian LLC and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended December 31, 2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	$ (545,051)	$ 8,216,219	$ (2,706,082)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Asset retirement obligation accretion expense	63,259	37,856	27,934
Depreciation, depletion, and amortization	15,905,315	8,145,143	3,215,891
Amortization of debt issuance costs	250,010	163,297	10,937
Loss on derivative contracts	13,009,393	147,983	4,068,005
(Gain) loss on sale of assets	(22,942)	(4,675)	1,588
Equity-based compensation expense	544,290	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(1,085,025)	(1,822,949)	592,489
Accounts receivable-related party	(4,780,556)	(6,793,208)	(1,548,825)
Inventories	(871,969)	(4,896,909)	83,048
Prepaid expenses and other	(201,732)	(326,148)	—
Accounts payable and accrued liabilities	2,656,836	1,952,645	(597,506)
Accounts payable and accrued liabilities-related party	759,377	(408,892)	(445,913)
Revenues and royalties payable	2,666,219	499,048	—
Revenues and royalties payable-related party	2,036,770	266,414	—
Net cash provided by operating activities	30,384,194	5,175,824	2,701,566
Cash flows from investing activities:			
Additions to oil and natural gas properties	(58,159,977)	(7,623,975)	(26,622,735)
Additions to oil and natural gas properties-related party	(17,219,632)	(34,849,118)	—
Proceeds from sale of oil and natural gas properties	—	1,250,000	—
Purchase of other property and equipment	(7,064,972)	(11,741,073)	(8,856)
Proceeds from sale of property and equipment	54,909	20,075	2,000
Settlement of non-hedge derivative instruments	(4,126,800)	(3,962,440)	(2,770,026)
Receipt (payment) on derivative margins	4,202,467	3,771,890	(2,750,000)
Deconsolidation of Bison	(9,536)	—	—
Proceeds from sale of membership interest in equity investment	6,009,499	—	—
Net cash used in investing activities	(76,314,042)	(53,134,641)	(32,149,617)
Cash flows from financing activities:			
Borrowing on credit facility	40,233,313	61,066,687	7,650,000
Repayment on credit facility	—	(23,950,000)	—
Debt issuance costs	(770,462)	(718,046)	(50,000)
Initial public offering costs	(30,359)	—	(43,750)
Contributions by members	9,210,000	18,798,613	16,893,000
Distributions by members	—	(5,579,000)	(600,000)
Net cash provided by financing activities	48,642,492	49,618,254	23,849,250
Net increase (decrease) in cash and cash equivalents	2,712,644	1,659,437	(5,598,801)
Cash and cash equivalents at beginning of period	4,089,745	2,430,308	8,029,109
Cash and cash equivalents at end of period	$ 6,802,389	$ 4,089,745	$ 2,430,308
Supplemental cash flow information			
Interest paid, net of capitalized interest	$ 2,265,005	$ 600,194	$ —
Asset retirement obligation incurred, including changes in estimate	$ 288,640	$ 208,083	$ 79,666

See accompanying notes to consolidated financial statements.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization

Windsor Permian LLC (“Windsor”) is a limited liability company formed on October 23, 2007 to acquire, produce, develop and exploit oil and natural gas properties. As a limited liability company, the members of Windsor are not liable for the liabilities or other obligations of Windsor. Windsor is wholly owned by an investment fund which is controlled and managed by Wexford Capital LP (“Wexford”). Collectively, Windsor and its subsidiaries, Bison Drilling and Field Services LLC (formerly known as Windsor Drilling LLC) through March 31, 2011, and West Texas Field Services LLC, are referred to in these financial statements as the “Company”.

The Company is engaged in the acquisition, exploitation, development and production of oil and natural gas properties and related sale of oil, natural gas and natural gas liquids. The Company’s reserves are located in the Southern region of the United States. The Company’s results of operations are largely dependent on the difference between the prices received for its oil, natural gas and natural gas liquids and the cost to find, develop, produce and market such resources. Oil and natural gas prices are subject to fluctuations in response to changes in supply, market uncertainty and a variety of other factors beyond the Company’s control. These factors include worldwide political instability, quantity of natural gas in storage, foreign supply of oil and natural gas, the price of foreign imports, the level of consumer demand and the price of available alternative fuels, among others.

2. Summary of Significant Accounting Policies

The Company’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Windsor and its wholly owned subsidiaries, except for the accounts of Bison Drilling and Field Services LLC, which has been excluded from the Company’s consolidated financial statements effective March 31, 2011 (Note 5). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

Certain amounts included in or affecting the Company’s consolidated financial statements and related disclosures must be estimated by management, requiring certain assumptions to be made with respect to values or conditions that cannot be known with certainty at the time the consolidated financial statements are prepared. These estimates and assumptions affect the amounts the Company reports for assets and liabilities and the Company’s disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

The Company evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods the Company considers reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from the Company’s estimates. Any effects on the Company’s business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include estimates of proved reserve quantities and related estimates of the present value of future net revenues, the carrying value of oil and gas properties and asset retirement obligations.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less and money market funds to be cash equivalents. The Company utilizes bank deposit accounts which periodically sweep available cash into uninsured short-term investment securities. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such accounts.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

Accounts Receivable

Accounts receivable consist of receivables from joint interest owners on properties the Company operates and oil and natural gas production delivered to purchasers. The purchasers remit payment for production directly to the Company. As discussed in Note 10, through February 26, 2010 a significant portion of the Company's oil and natural gas properties were contractually operated by an affiliate. Prior to February 26, 2010, purchasers remitted payment for production to the affiliated operator and the affiliated operator, in turn, remitted payment to the Company. Most payments are received within three months after the production date.

Accounts receivable are stated at amounts due from joint interest owners or purchasers, net of an allowance for doubtful accounts when the Company believes collection is doubtful. For receivables from joint interest owners, the Company typically has the ability to withhold future revenue disbursements to recover any non-payment of joint interest billings. Accounts receivable outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the debtor's current ability to pay its obligation to the Company, the condition of the general economy and the industry as a whole. The Company writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. No allowance was deemed necessary at December 31, 2011, 2010 and 2009.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, payables, derivatives and note payable. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value because of the short-term nature of the instruments. The fair value of the revolving credit facility approximates its carrying value based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities. Derivatives are recorded at fair value (see Note 9).

Oil and Natural Gas Properties

The Company accounts for its oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration, and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals are capitalized. General and administrative costs capitalized to the full cost pool represent management's estimate of costs incurred directly related to exploration and development activities such as geological and other administrative costs associated with overseeing the exploration and development activities. All general and administrative costs not directly associated with exploration and development activities are charged to expense as they are incurred. Capitalized general and administrative costs were $871,036 for the year ended December 31, 2011, and no amounts were capitalized for the years ended December 31, 2010 and 2009. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless the ratio of cost to proved reserves would significantly change. Any income from services provided by subsidiaries to working interest owners of properties in which the Company also owns an interest, to the extent they exceed related costs incurred, are accounted for as reductions of capitalized costs of oil and natural gas properties proportionate to the Company's investment in the subsidiary (see Note 5). Depletion of evaluated oil and natural gas properties is computed on the units of production method based on proved reserves. The average depletion rate per barrel equivalent unit of production was $25.40, $17.78 and $11.21 for the years ended December 31, 2011, 2010 and 2009, respectively. Depreciation, depletion and amortization expense for oil and natural gas properties was $15,178,366, $7,373,126 and $3,155,084 for the years ended December 31, 2011, 2010 and 2009, respectively.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10%. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion, amortization and impairment exceed the discounted future net revenues of proved oil and natural gas reserves, the excess capitalized costs are charged to expense.

Beginning December 31, 2009, the Company used the unweighted arithmetic average first day of the month price for oil and natural gas for the 12-month period preceding the calculation date in estimating discounted future net revenues. No impairment on proved oil and natural gas properties was recorded for the years ended December 31, 2011, 2010 or 2009.

Costs associated with unevaluated properties are excluded from the full cost pool until the Company has made a determination as to the existence of proved reserves. The Company assesses all items classified as unevaluated property on an annual basis for possible impairment. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization. The inclusion of the Company’s unevaluated costs into the amortization base is expected to be completed within three years.

Other Property and Equipment

Other property and equipment is recorded at cost. The Company expenses maintenance and repairs in the period incurred. Upon retirements or disposition of assets, the cost and related accumulated depreciation are removed from the consolidated balance sheet with the resulting gains or losses, if any, reflected in operations. Depreciation of other property and equipment is computed using the straight line method over their estimated useful lives, which range from three to fifteen years. Depreciation expense was $726,949, $772,017 and $60,807 for the years ended December 31, 2011, 2010 and 2009, respectively.

Impairment of Long-Lived Assets

Other long-lived assets, drilling rigs and related equipment used in operations are reviewed whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized only if the carrying amount of a long-lived asset is not recoverable from its estimated future undiscounted cash flows. An impairment loss is the difference between the carrying amount and fair value of the asset. The Company had no such impairment losses for the years ended December 31, 2011, 2010 or 2009.

Capitalized Interest

The Company capitalizes interest on expenditures made in connection with exploration and development projects that are not subject to current amortization. Interest is capitalized only for the period that activities are in progress to bring these projects to their intended use. Capitalized interest cannot exceed gross interest expense. During the years ended December 31, 2010 and 2009, the Company capitalized interest expense totaling $150,280 and $54,322, respectively. During the year ended December 31, 2011, the Company did not capitalize any interest expense.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

Inventories

Inventories are stated at the lower of cost or market and consist of the following:

	December 31,	
	2011	2010
Tubular goods and equipment	$ 5,630,208	$ 8,269,628
Crude oil	376,147	164,106
	$ 6,006,355	$ 8,433,734

The Company's tubular goods and equipment is primarily comprised of oil and gas drilling or repair items such as tubing, casing and pumping units. The inventory is primarily acquired for use in future drilling or repair operations and is carried at lower of cost or market. "Market", in the context of inventory valuation, represents net realizable value, which is the amount that the Company is allowed to bill to the joint accounts under joint operating agreements to which the Company is a party. As of December 31, 2011, the Company estimated that all of its tubular goods and equipment will be utilized within one year. The total inventory includes tubular goods in transit of $1,093,708 and $1,377,567 at December 31, 2011 and 2010, respectively. Some of the tubular and casing pipe has been purchased, at cost, from an affiliated company. The Company owed this affiliate $68,875 at December 31, 2010, and did not have an outstanding balance with the affiliated company at December 31, 2011. This amount is included in accounts payable-related party in the consolidated balance sheets.

Debt issuance costs

The Company amortizes debt issuance costs related to its credit facility as interest expense over the scheduled maturity period of the debt. Unamortized debt issuance costs were $1,167,621 and $637,562 as of December 31, 2011 and 2010, respectively. The Company includes the unamortized costs in other assets in its consolidated balance sheets.

Revenue and Royalties Payable

For certain oil and natural gas properties, where the Company serves as operator, the Company receives production proceeds from the purchaser and further distributes such amounts to other revenue and royalty owners. Production proceeds applicable to other revenue and royalty owners are reflected as revenue and royalties payable in the accompanying consolidated balance sheets. The Company recognizes revenue for only its net revenue interest in oil and natural gas properties.

Revenue Recognition

Oil and natural gas revenues are recorded when title passes to the purchaser, net of royalty interests, discounts and allowances, as applicable. The Company accounts for oil and natural gas production imbalances using the sales method, whereby a liability is recorded when the Company's overtake volumes exceed its estimated remaining recoverable reserves. No receivables are recorded for those wells where the Company has taken less than its ownership share of production. The Company did not have any gas imbalances as of December 31, 2011 and 2010. Revenues from oil and natural gas services are recognized as services are provided.

Investments

Equity investments in which the Company exercises significant influence but does not control, are accounted for using the equity method. Under the equity method, generally the Company's share of investees' earnings or loss

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

is recognized in the statement of operations. However, because substantially all of Bison’s earnings are generated by performing services on properties owned and operated by the Company, the Company’s share of Bison’s earnings has not been recognized but has been credited to oil and gas properties. The Company reviews its investments to determine if a loss in value which is other than a temporary decline has occurred. If such loss has occurred, the Company would recognize an impairment provision. There was no impairment for the Company’s equity investments at December 31, 2011. For additional information on the Company’s investments, see Note 5.

Accounting for Equity-Based Compensation

The Company accounts for equity-based compensation in accordance with the provisions of FASB ASC Topic 718, “Compensation—Stock Compensation” (“FASB ASC 718”). FASB ASC 718 requires equity-based payments to employees to be recognized as expense over the applicable service period based on the fair value of the award on the date of grant.

Concentrations

The Company is subject to risk resulting from the concentration of its crude oil and natural gas sales and receivables with several significant purchasers. For the years ended December 31, 2011 and 2010, Windsor Midstream LLC, an entity controlled by Wexford, our equity sponsor, accounted for 78% and 81% of our revenue, respectively. For the year ended December 31, 2009, two purchasers accounted for more than 10% of our revenue: Windsor Midstream LLC (68.3%) and DCP Midstream, LP (14.8%). The Company does not require collateral and does not believe the loss of any single purchaser would materially impact its operating results, as crude oil and natural gas are fungible products with well-established markets and numerous purchasers.

Commodity Risk Management

The Company has used energy derivatives for the purpose of mitigating the risk resulting from fluctuations in the market price of crude oil. The Company recognizes all of its derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company designates the hedging instrument, based on the exposure being hedged, as either a fair value hedge or a cash flow hedge. Changes in the fair value of instruments designated as a fair value hedge offset changes in the fair value of the hedged item and changes in the fair value of instruments designated as cash flow hedges are shown in accumulated other comprehensive income until the hedged item is recognized in earnings. For derivative instruments not designated as hedging instruments, the unrealized gain or loss on the change in fair value of these instruments are recognized in earnings during the period of change. None of the Company’s derivatives were designated as hedging instruments during the years ended December 31, 2011, 2010 and 2009.

Environmental Compliance and Remediation

Environmental compliance and remediation costs, including ongoing maintenance and monitoring, are expensed as incurred. Liabilities are accrued when environmental assessments and remediation are probable, and the costs can be reasonably estimated.

Income Taxes

The operations of the Company, as limited liability companies, are not subject to federal income taxes. As appropriate, the taxable income or loss applicable to those operations is included in the federal income tax returns

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

of the respective owners and no income tax effect is included in the accompanying consolidated financial statements. The Company is subject to margin tax in the state of Texas. During the years ended December 31, 2011, 2010 and 2009, there was no margin tax expense. The Company's 2008, 2009 and 2010 federal income tax and state margin tax returns remain open to examination by tax authorities. As of December 31, 2011 and 2010, the Company has no unrecognized tax benefits that would have a material impact on the effective rate. The Company is continuing its practice of recognizing interest and penalties related to income tax matters as interest expense and general and administrative expenses, respectively. During the years ended December 31, 2011, 2010 and 2009, there was no interest or penalties associated with uncertain tax positions in the Company's consolidated financial statements.

Unaudited Pro Forma Income Taxes and Earnings Per Share

Prior to the completion of a proposed 2012 initial public offering of common stock ("IPO") by Diamondback Energy, Inc. ("Diamondback"), Diamondback Energy LLC will be merged with and into Diamondback and Diamondback will continue as the surviving entity and as a result of the merger, Windsor will become a wholly-owned subsidiary of Diamondback ("Proposed Merger"). Diamondback, a holding company formed on December 30, 2011 which will not conduct any material business operations prior to the Proposed Merger, is a C-Corp under the Internal Revenue Code and is subject to income taxes. Accordingly, the Company computed a pro forma income tax provision as if the Company were a C-Corp for all periods presented. The pro forma tax provision has been calculated at a rate based upon a federal corporate level tax rate and a state tax rate, net of federal benefit, incorporating permanent differences. However, on a pro forma basis, management has determined that any net deferred income tax asset would not be realizable; therefore, tax expense would be zero for all periods. Additionally, upon Windsor becoming a subsidiary of Diamondback, the Company will establish a net deferred tax liability for differences between the tax and book basis of the Company's assets and liabilities, and record a corresponding "first day" tax expense to net income from continuing operations. On a pro forma basis, at December 31, 2011 the amount of this charge would have been approximately $26.2 million.

Also, upon completion of the Proposed Merger, the Company will present pro forma earnings per share for the most recent period. Pro forma basic and diluted income per share will be computed by dividing net income attributable to the Company by the number of shares of common stock outstanding as if the shares of Diamondback issued in the Proposed Merger were issued and outstanding for the year ended December 31, 2011.

Recently issued accounting standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS," which provides a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards. This new guidance changes some fair value measurement principles and disclosure requirements, but does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The update is effective for annual periods beginning after December 15, 2011. The adoption of this guidance will not have a significant impact on our financial position, results of operations or cash flow.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which provides amendments to FASB ASC Topic 220, "Comprehensive Income" ("FASB ASC 220"). The purpose of the amendments in this update is to provide a

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

more consistent method of presenting non-owner transactions that affect an entity's equity. The amendments eliminate the option to report other comprehensive income and its components in the statement of changes in equity and require an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. In December 2011, the FASB issued Accounting Standards Update 2011-12 which defers the requirement in Accounting Standards Update 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. Both amendments are effective for interim and annual periods beginning after December 15, 2011 and should be applied retrospectively. The adoption of this guidance will not have a significant impact on our financial position, results of operations or cash flow.

3. Property and Equipment

Property and equipment includes the following:

	December 31, 2011	December 31, 2010
Oil and natural gas properties:		
Subject to depletion	$ 323,777,751	$ 238,945,878
Not subject to depletion-acquisition costs		
Incurred in 2011	1,199,679	—
Incurred in 2010	—	293,092
Incurred in 2009	532,650	532,650
Total not subject to depletion	1,732,329	825,742
Gross oil and natural gas properties	325,510,080	239,771,620
Less accumulated depreciation, depletion, amortization and impairment	(119,167,476)	(103,989,110)
Oil and natural gas properties, net	206,342,604	135,782,510
Drilling rigs	—	7,622,586
Workover rigs and related equipment	—	3,304,577
Other property and equipment	1,016,574	988,617
Less accumulated depreciation	(332,559)	(856,560)
Other property and equipment, net	684,015	11,059,220
Property and equipment, net of accumulated depreciation, depletion, amortization and impairment	$ 207,026,619	$ 146,841,730

4. Asset Retirement Obligations

The Company measures the future cost to retire its tangible long-lived assets and recognizes such cost as a liability in accordance with ASC Topic 410, *Asset Retirement and Environmental Obligations* ("ASC Topic 410"), which provides accounting and reporting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or normal operation of a long-lived asset.

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Notes to Consolidated Financial Statements-(Continued)

ASC Topic 410 requires companies to record a liability relating to the retirement and removal of assets used in their businesses. For the Company, asset retirement obligations represent the future abandonment costs of tangible assets, namely wells. ASC Topic 410 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred if a reasonable estimate of fair value can be made and that the corresponding cost be capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, the difference is recorded in oil and natural gas properties.

A reconciliation of the asset retirement obligation is as follows:

	Year Ended December 31,		
	2011	2010	2009
Asset retirement obligation, beginning of period	$ 727,826	$ 481,887	$ 374,287
Additional liability incurred	288,640	208,083	79,666
Accretion expense	63,259	37,856	27,934
Asset retirement obligation, end of period	1,079,725	727,826	481,887
Less current portion	—	—	—
Asset retirement obligations - long-term	$1,079,725	$ 727,826	$ 481,887

5. Equity Method Investments

Bison Drilling and Field Services LLC

The Company held a wholly owned subsidiary, Bison Drilling and Field Services LLC ("Bison"), formerly known as Windsor Drilling LLC, formed on November 15, 2010. In addition, the Company also held a wholly owned subsidiary, West Texas Field Services LLC, formed on March 2, 2010 which, on January 1, 2011, contributed all of its assets and liabilities to Bison. Bison owns and operates four drilling rigs and various oil and gas well servicing equipment.

Beginning on March 31, 2011, various related party investors contributed capital to Bison diluting the Company's ownership interest. The Company assessed its ability to exercise financial control over Bison and based on the results of its assessment, the Company concluded it maintained significant influence but it no longer had the ability to exercise control over Bison. The Company deconsolidated Bison for financial reporting purposes as of March 31, 2011 and the previously consolidated amounts were removed from the consolidated balance sheet and reflected as an equity method investment. The Company now reflects its investment in Bison on the equity method basis of accounting. The Company eliminates any intercompany profits or losses in relation to its continuing involvement with Bison, proportionate to its equity interest.

An entity is required to deconsolidate a subsidiary when the entity ceases to have a controlling financial interest in the subsidiary. Upon deconsolidation of a subsidiary, an entity recognizes a gain or loss on the transaction and measures any retained investment in the subsidiary at fair value. The gain or loss includes any gain or loss associated with the difference between the fair value of the retained investment in the subsidiary and its carrying amount at the date the subsidiary is deconsolidated.

The Company internally reviewed the balance sheet of Bison to determine its fair value. At the time of the transaction Bison was still a recently formed company and had not yet built value in its operations. Bison's assets consisted primarily of four recently purchased drilling rigs. Two of the drilling rigs were purchased at market

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Notes to Consolidated Financial Statements-(Continued)

price from a third party in December 2010 and the second two were purchased from the same third party in April 2011. The Company also reviewed pricing of similar rigs in the market through retail and auction transactions. Because the rigs had just recently been purchased and this purchase price was in line with other outside transactions, the Company determined that Bison's book value equaled fair value. There was no gain or loss recorded and the retained investment was recorded at fair value which equaled book value.

In September 2011, the Company completed the sale of 25% of its membership interest in Bison to a related party. The Company internally reviewed the fair value of Bison and, because the effective date of this transaction was May 1, 2011 and was within thirty days of the above valuation, the Company concluded the value of Bison had not changed. The Company determined that fair value equaled book value at the date of this transaction. There was no gain or loss recorded and the retained investment was recorded at fair value which equaled book value.

The Company has a 27.2% ownership in Bison at December 31, 2011. As of December 31, 2011, the Company's investment in Bison is reflected as a non-current asset of $6,172,480.

The table below summarizes financial information for Bison as of December 31, 2011:

	December 31, 2011
Current assets	$ 4,438,458
Property and equipment, net	21,707,528
Other assets	880,213
Current liabilities	2,418,902
Equity	24,607,297

Muskie Holdings LLC

During 2011, the Company paid approximately $4,200,000 for land and various other capital items related to the land. On October 7, 2011, the Company contributed these assets to a newly formed entity, Muskie Holdings LLC, a Delaware limited liability company, for a 48.6% equity interest. Through additional contributions to Muskie from a related party and various Wexford portfolio companies, it is expected that the Company's interest in Muskie will decrease through 2012 to approximately 13%. Muskie generated a loss in 2011 and the Company has recorded its share of this loss. As of December 31, 2011, the Company's investment in Muskie is reflected as a non-current asset of $4,137,188.

The table below summarizes financial information for Muskie as of December 31, 2011:

	December 31, 2011
Current assets	$ 994,166
Property and equipment, net	7,584,779
Current liabilities	26,816
Equity	8,552,129

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Notes to Consolidated Financial Statements-(Continued)

6. Revolving Bank Credit Facility

Credit Facility-BNP Paribus

On October 15, 2010, the Company executed a secured loan agreement with BNP Paribas ("BNP") as the administrative agent, sole book runner and lead arranger. The loan agreement originally provided for a maximum principal amount of $100 million and was increased to $250 million through an amendment dated December 30, 2011. The loan agreement is subject to a collateral borrowing base calculation which is based on the Company's oil and natural gas reserves (the "borrowing base"). The loan bears interest at a rate elected by the Company that is based on the prime, LIBOR or federal funds rate plus margins ranging from 1.25% to 3.00% depending on the base rate used and the amount of the loan outstanding in relation to the borrowing base.

Principal is payable voluntarily by the Company or is required to be paid (i) if the loan amount exceeds the borrowing base; (ii) if the lender elects to require periodic payments as a part of a borrowing base re-determination; and (iii) at the maturity date of October 15, 2014. The Company is obligated to pay, quarterly, a commitment fee equal to 0.5% per year of the unused portion of the borrowing base. The loan is secured by substantially all of the Company's assets. The borrowing base is re-determined semi-annually with effective dates of April 1st and October 1st (a "scheduled redetermination"). In addition, the Company may request an additional three redeterminations of the borrowing base between scheduled redeterminations. The borrowing base was $45 million at December 31, 2010. The borrowing base increased throughout 2011 through various redeterminations and at December 31, 2011 the borrowing base was $100 million. The current lenders and their percentage commitments in the reserve-based credit facility are BNP (45%), Amegy Bank of Texas (25%), US Bancorp (25%) and West Texas National Bank (5%).

As of December 31, 2011 and 2010, the Company had outstanding borrowings of $85,000,000 and $44,766,687, respectively. The credit facility bears a weighted average interest rate of 3.3% and 3.5% as of December 31, 2011 and 2010, respectively.

The agreement contains various affirmative and restrictive covenants. These covenants, among other things, prohibit additional indebtedness, sales of assets, mergers and consolidations, dividends and distributions, and changes in management and require the maintenance of various financial ratios defined below.

Financial Covenant	Required Ratio
Ratio of EBITDAX to interest expense, as defined in the credit agreement	Not less than 2.5 to 1.0
Ratio of total debt to EBITDAX	Not greater than 3.5 to 1.0
Current ratio, as defined in the credit agreement	Not less than 1.0 to 1.0

As of December 31, 2011 and 2010, the Company was in compliance with all financial covenants under the revolving bank credit facility. The lenders may accelerate all of the indebtedness under the revolving bank credit facility upon the occurrence of any event of default unless the Company cures any such default within any applicable grace period. For payments of principal and interest under the revolving bank credit facility, the Company generally has a three business day grace period, and a 30-day cure period for most covenant defaults, but not for defaults of certain specific covenants, including the financial covenants and negative covenants.

Credit Facility-Bank of Oklahoma, N.A.

On September 17, 2009, the Company entered into a revolving credit facility with the Bank of Oklahoma, N.A. ("BOK"). This revolving credit facility was repaid and closed in October 2010 with borrowings from the BNP revolving credit facility. The BOK revolving credit facility had a maximum principal amount of $50 million; subject to a collateral borrowing base calculation, which was based on the underlying reserve value of the oil and natural gas properties securing the credit facility and outstanding letters of credit.

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Notes to Consolidated Financial Statements-(Continued)

7. Derivatives

The Company has used price swap derivatives to reduce price volatility associated with certain of its oil sales. In these swaps, the Company receives the fixed price per the contract and pays a floating market price to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty. The counterparties to the Company's derivative contracts are BNP Paribas ("BNP") and Hess Corporation ("Hess"), who the Company believes are acceptable credit risks.

All derivative financial instruments are recorded on the consolidated balance sheets at fair value. The fair value of swaps is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity.

On October 4, 2011, in order to lock-in prices on the anticipated base level of production, while at the same time providing downside protection for the Borrowing Base, the Company executed with BNP, West Texas Intermediate light sweet crude oil swaps on the NYMEX for calendar year 2012 and 2013 of one thousand barrels per day priced at $78.50 and $80.55, respectively.

Set forth below are the summarized amounts, terms and fair values of outstanding instruments held as of December 31, 2011.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	December 31, 2011 Fair Value Liability
Crude Oil Swaps:			
January – November 2012	335,000	$ 78.50	$6,833,265
December 2012	31,000	$ 78.50	594,223
January – December 2013	365,000	$ 80.55	5,544,350

The Company enters into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, the Company receives a floating price for the hedged commodity and pays a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, the Company placed a swap contract with Hess covering 1,680,000 Bbls of crude oil for the period from January 2008 to December 2012 at various fixed prices. In April 2008, the Company entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of crude oil swaps. In June 2009, the Company entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of crude oil swaps.

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Notes to Consolidated Financial Statements-(Continued)

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the April 2008 settlements as of December 31, 2011 and 2010, respectively.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	December 31, 2011 Fair Value Liability	December 31, 2010 Fair Value Liability
Crude Oil Swaps:					
December 2010	22,000	$ 82.80	$99.45–103.20	$ —	$ 392,462
January – November 2011	180,000	82.90	98.50–102.20	—	4,159,695
December 2011	90,000	82.90	98.50–102.20	378,750	377,314
January – December 2012	270,000	85.07	98.25–101.80	3,876,959	3,844,101

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the June 2009 settlements as of December 31, 2011 and 2010, respectively.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	December 31, 2011 Fair Value Asset	December 31, 2010 Fair Value Asset
Crude Oil Swaps:					
December 2010	8,000	82.80	75.00	$ —	$ 62,400
January – November 2011	82,500	82.90	78.42	—	369,205
December 2011	7,500	82.90	78.42	33,600	33,503
January – December 2012	90,000	85.07	80.52	409,380	406,489

None of the Company's derivatives have been designated as hedges. As such, all changes in fair value are immediately recognized in earnings. The following summarizes the loss on derivative contracts included in the consolidated statements of operations:

	Years Ended December 31, 2011	2010	2009
Unrealized loss on open non-hedge derivative instruments	$ 12,971,838	$ —	$ —
Unrealized loss on locked-in non-hedge derivative instruments	—	—	1,297,979
Loss on settlement of non-hedge derivative instruments	37,555	147,983	2,770,026
Loss on derivative contracts	$ 13,009,393	$ 147,983	$ 4,068,005

The Company is required to provide margin deposits to Hess whenever its unrealized losses exceed predetermined credit limits. The Company had a margin deposit held by Hess of $2,325,643 and $6,528,111 as of December 31, 2011 and 2010, respectively, which earns interest that is remitted to the Company. As the Company has a master netting agreement with Hess, the Company has offset this margin deposit against its derivative positions.

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Notes to Consolidated Financial Statements-(Continued)

8. Equity-Based Compensation

During the year ended December 31, 2011, the Company granted to its executive officers options to acquire membership interests in the Company. Such options vest in four equal annual installments commencing on the first anniversary of the date of grant and are exercisable for five years from the date of grant. Generally, in the event more than 50% of the combined voting power of the Company is not owned by Wexford or its affiliates and there is a material change in the terms of the option holder's employment, the options will vest immediately. Summarized below are the grant dates with the total exercise prices and total fair values of the underlying options:

Grants Made During the Months Ended	Membership Interest Granted	Exercise Price	Fair Value at Date of Grant
April 2011	1.00%	$ 3,600,000	$1,452,851
August 2011	1.20%	6,000,000	1,383,976
September 2011	1.25%	5,900,000	1,532,612
November 2011	0.25%	1,250,000	288,328
	3.70%	$16,750,000	$4,657,767

At December 31, 2011, for outstanding options, the intrinsic value was $112,500 and the weighted-average remaining contractual terms were 4.6 years. Also, at December 31, 2011, no options were exercisable.

The Company accounts for such options issued using a fair-value-based method calculated on the grant-date of the award. The resulting cost is recognized on a straight-line basis over the vesting period of the entire option.

The fair value of the options issued was estimated using the Black-Scholes option-pricing model. One of the inputs to this model is the estimate of the fair value of the underlying membership interest on the date of grant. The other inputs include an estimate of the expected volatility of the membership interest, an option's expected term, the risk-free interest rate over the option's expected term, the option's exercise price, and the Company's expectations regarding dividends.

The Company does not have a history of market prices for its membership interests because such interests are not publicly traded. The expected volatility was determined using the historical volatility for a peer group of companies. The expected term for options issued was determined based on the contractual term of the awards. The weighted-average risk-free interest rate was based on the daily U.S. treasury yield curve rate whose term was consistent with the expected life of the options. The Company does not anticipate paying cash dividends; therefore, the expected dividend yield was assumed to be zero.

A summary of the significant assumptions used to estimate the fair value of the options to acquire membership interests during the year ended December 31, 2011 was as follows:

	Year Ended December 31, 2011
Expected term	5 years
Risk-free interest rate	0.96%
Expected volatility	45.50%
Expected dividend yield	0.00%

As of December 31, 2011, the Company assumed no annual forfeiture rate because of its lack of turnover and lack of history for this type of award. The Company will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior, and other factors.

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Notes to Consolidated Financial Statements-(Continued)

Changes in the estimated forfeiture rate can have a significant effect on reported equity-based compensation expense, because the cumulative effect of adjusting the rate for all expense amortization is recognized in the period the forfeiture estimate is changed.

Equity-based compensation expense recorded for the year ended December 31, 2011 was $544,290. The unrecognized equity-based compensation expense as of December 31, 2011 was $4,113,477 related to these awards which is expected to be recognized over a weighted-average period of 3.6 years. No equity-based compensation expense was recorded for the years ended December 31, 2010 and 2009 as the Company had not historically issued equity-based compensation awards.

9. Fair Value Measurements

The Company measures and discloses fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

ASC Topic 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Company's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The Company uses appropriate valuation techniques based on available inputs to measure the fair values of its assets and liabilities.

The three levels of the fair value hierarchy defined by ASC Topic 820 are as follows:

Level 1—Pricing inputs include quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2—Pricing inputs include quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace. Level 2 instruments primarily include non-exchange traded derivatives such as over-the-counter commodity price swaps, basis swaps, investments and interest rate swaps. The Company's valuation models are primarily industry-standard models that consider various inputs including: (i) quoted forward prices for commodities, (ii) time value and (iii) current market and contractual prices for the underlying instruments, as well as other relevant economic measures. The Company utilizes its counterparties' valuations to assess the reasonableness of its prices and valuation techniques.

Level 3—Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

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Notes to Consolidated Financial Statements-(Continued)

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2011 and 2010.

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Cash Collateral[1]	Net Fair Value
Financial Liabilities					
			December 31, 2011		
Derivative contracts	$ —	$16,784,567	$ —	$(2,325,643)	$14,458,924
			December 31, 2010		
Derivative contracts	$ —	$ 7,901,975	$ —	$(6,528,111)	$ 1,373,864

(1) Represents the impact of netting cash collateral with a counterparty with which the right of offset exists.

Level 2 Fair Value Measurements

Derivative contracts-The fair values of the Company's crude oil swaps are measured internally using established index prices and other sources. These are based upon, among other things, futures prices and time to maturity.

Asset Retirement and Environmental Obligations

The Company estimates asset retirement obligations pursuant to the provisions of FASB ASC Topic 410, "*Asset Retirement and Environmental Obligations*" ("FASB ASC 410"). The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Given the unobservable nature of the inputs, including plugging costs and reserve lives, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs. See Note 4 for further discussion of the Company's asset retirement obligations. Asset retirement obligations incurred were $288,640, $208,083 and $79,666 during the years ended December 31, 2011, 2010 and 2009, respectively.

10. Related Party Transactions

Administrative Services

An entity under common management provided technical, administrative and payroll services to the Company under a shared services agreement which began January 1, 2008. The reimbursement amount for indirect expenses is determined by the affiliate's management based on estimates of office space provided and time devoted to the Company. During the years ended December 31, 2011, 2010 and 2009, the Company incurred total costs of $10,020,059, $7,982,816 and $5,464,190, respectively. Costs incurred unrelated to drilling activities are expensed and costs incurred in the acquisition, exploration, and development of proved oil and natural gas properties have been capitalized. The expensed costs were partially offset in general and administrative expenses by overhead reimbursements of $1,896,829, $1,375,267 and $831,519 for the years ended December 31, 2011, 2010 and 2009, respectively. Amounts received until February 26, 2010 were through the related party operator discussed below from the Company's working interest partners. As of December 31, 2011 and December 31, 2010, the Company owed the administrative services affiliate $769,278 and $372,121, respectively and such amounts are included in accounts payable-related party in the accompanying consolidated balance sheets.

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Notes to Consolidated Financial Statements-(Continued)

Operating Services

An entity under common management operated a significant portion of the oil and natural gas properties in which the Company has working and revenue interests. As operator of these properties, this entity was responsible for the daily operations, monthly operation billings and monthly revenue disbursements for the properties in which the Company holds an interest. Effective February 26, 2010, the agreement with this entity was terminated and the Company took over as operator of the properties. As of December 31, 2011, the Company did not have a balance payable to this entity. As of December 31, 2010, the Company had an accounts payable-related party balance to this entity of $73,322.

As of December 31, 2011, amounts due to affiliated parties related to property operations consist of drilling and servicing costs of $153,827, prepaid drilling costs of $209,906 and revenues payable of $2,303,184. As of December 31, 2010 amounts due to affiliated parties consist of prepaid drilling costs of $943,390, tubular goods of $68,875 and revenues payable of $266,414. These amounts are included in accounts payable-related party in the accompanying consolidated balance sheets. Each of these affiliated parties is either controlled by or was an affiliate of Wexford.

As of December 31, 2011 and 2010, amounts due from affiliates related to joint interest billings and included in accounts receivable-related party in the accompanying consolidated balance sheets is $8,990,273 and $5,611,550, respectively. Each of these affiliated parties is either controlled by or was an affiliate of Wexford.

Completion and Well Servicing Services

The Company contracted with an affiliate for certain of its well completion services. Effective August 24, 2011, the affiliate was sold to a non-related third party. While still an affiliate of the Company, the Company was billed $12,511,084, $7,709,051 and $3,261,932 during the years ended December 31, 2011, 2010 and 2009, respectively. Such amounts are capitalized in oil and natural gas properties in the accompanying consolidated balance sheet. At December 31, 2010, approximately $3,061,688 in charges were owed under monthly operations billings and included in accounts payable-related party in the accompanying consolidated balance sheets. At December 31, 2011, the entity was no longer a related party.

Marketing Services

The Company entered into an agreement on March 1, 2009 with an entity under common management that purchases and receives a significant portion of the Company’s oil volumes. The Company’s revenues from the affiliate were $38,178,686, $21,402,799 and $8,815,681 during the years ended December 31, 2011, 2010 and 2009, respectively, and such amounts are included in oil sales in the accompanying consolidated statements of operations. As of December 31, 2011 and 2010, the Company had an accounts receivable-related party balance with the affiliate of $4,132,316 and $2,730,483, respectively, and such amounts are included in the accompanying consolidated balance sheets.

Midland Lease

Effective May 15, 2011, the Company occupied corporate office space in Midland, Texas under a lease with a five-year term. The office space is owned by an entity controlled by an affiliate of Wexford. Through December 31, 2011, the Company paid $40,080 under this lease. The current monthly rent under the lease will increase approximately 4% annually on June 1 of each year during the lease term.

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Notes to Consolidated Financial Statements-(Continued)

Reliance on Wexford

As discussed in Note 1, the Company is wholly owned by an investment fund which is controlled and managed by Wexford. Management believes the credit facility combined with the cash flow generated from operations will be sufficient to sustain the Company's operations through the end of 2012; however, if additional financing is required management will seek additional sources with could include Wexford.

11. Commitments and Contingencies

The Company could be subject to various possible loss contingencies which arise primarily from interpretation of federal and state laws and regulations affecting the natural gas and crude oil industry. Such contingencies include differing interpretations as to the prices at which natural gas and crude oil sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Management believes it has complied with the various laws and regulations, administrative rulings and interpretations.

In March 2011, the Company began leasing field office space in Midland, Texas from an unrelated party. The lease term is 84 months with equal monthly installments that escalate 3% annually on March 1st of each year. In May 2011, the Company began leasing corporate office space in Midland, Texas from an entity controlled by an affiliate of Wexford with a lease term of five years. (See Note 10) Future minimum lease payments for these leases are as follows as of December 31, 2011:

2012	$ 219,074
2013	222,379
2014	229,566
2015	237,929
2016	185,358
Thereafter	172,600
Total	$ 1,266,906

Rent expense for the year ended December 31, 2011 was $74,279.

12. Subsequent Events

The Company has evaluated the period after December 31, 2011 through March 23, 2012, the date the financial statements were available to be issued, noting no subsequent events or transactions that required recognition or disclosure in the financial statements, other than noted below.

On February 21, 2012, Wells Fargo & Company announced it had agreed to purchase BNP Paribas' energy lending business in the United States and that the purchase is subject to regulatory and other approvals and is expected to close in the second quarter of 2012. BNP Paribas is administrative agent, sole book runner and lead arranger of our reserve-based credit facility with 45% of our current borrowing base of $100 million, and a counterparty to certain of our commodity derivatives. The purchase of BNP's energy lending business by Wells Fargo & Company should not have an effect on the Company's credit facility.

13. Supplemental Information on Oil and Natural Gas Operations (Unaudited)

The following supplemental unaudited information regarding the oil and natural gas activities of the Company is presented pursuant to the disclosure requirements promulgated by the United States Securities and Exchange Commission (the "SEC") and the FASB ASU 2010-03, "Extractive Activities-Oil and Gas (Topic 932)". The

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

reserve reports were prepared in accordance with guidelines established by the SEC and, accordingly, were based on existing economic and operating conditions.

Proved oil and natural gas reserve estimates as of December 31, 2010 and 2009 were prepared by Pinnacle Energy Services, LLC and as of December 31, 2011 were prepared by Ryder Scott Company L.P., both independent petroleum engineers.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

The Company's oil and natural gas reserves are attributable solely to properties within the United States.

Costs incurred in oil and natural gas property acquisition, exploration and development activities are as follows:

	Year Ended December 31, 2011	2010	2009
Acquisition costs:			
Proved properties	$ —	$ —	$ —
Unproved properties	3,213,932	2,393,744	1,816,032
Development costs	72,661,524	47,434,500	16,399,583
Exploration costs	9,574,364	3,394,329	851,036
Capitalized asset retirement costs	288,640	208,083	79,666
Total	$ 85,738,460	$ 53,430,656	$ 19,146,317

Results of Operations from Oil and Natural Gas Producing Activities

The Company's results of operations from oil, natural gas and natural gas liquid producing activities are presented below for years ended December 31, 2011, 2010 and 2009. It does not include any interest costs or general and administrative costs and, therefore, is not necessarily indicative of the contribution to consolidated net operating results of our oil, natural gas and natural gas liquids operations.

	Year Ended December 31, 2011	2010	2009
Oil, natural gas and natural gas liquid sales	$ 47,180,802	$ 26,441,927	$ 12,716,011
Lease operating expenses	(10,345,355)	(4,588,559)	(2,366,623)
Production taxes	(2,333,853)	(1,346,879)	(663,068)
Gathering and transportation	(201,828)	(105,870)	(42,091)
Depreciation, depletion and amortization	(15,178,366)	(7,373,126)	(3,155,084)
Results of operations from oil, natural gas and natural gas liquids	$ 19,121,400	$ 13,027,493	$ 6,489,145

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

Oil and Natural Gas Reserves

The changes in estimated proved reserves are as follows:

	Oil (Bbls)	Natural Gas Liquids (Bbls)	Natural Gas (Mcf)
Proved Developed and Undeveloped Reserves:			
As of January 1, 2009	1,750,440	771,625	2,945,130
Extensions and discoveries	746,019	128,998	478,092
Revisions of previous estimates	26,903,222	6,691,986	24,311,919
Purchase of reserves in place	—	—	—
Production	(168,741)	(70,384)	(253,321)
Sales of reserves in place	—	—	—
As of December 31, 2009	29,230,940	7,522,225	27,481,820
Extensions and discoveries	1,591,094	1,194,217	13,011,377
Revisions of previous estimates	(11,722,263)	(3,072,486)	(18,506,630)
Purchase of reserves in place	—	—	—
Production	(280,721)	(79,978)	(323,847)
Sales of reserves in place	—	—	—
As of December 31, 2010	18,819,050	5,563,978	21,662,720
Extensions and discoveries	1,705,682	448,164	1,824,339
Revisions of previous estimates	(3,366,041)	(1,162,054)	(3,454,552)
Purchase of reserves in place	—	—	—
Production	(441,822)	(86,815)	(413,640)
Sales of reserves in place	—	—	—
As of December 31, 2011	16,716,869	4,763,273	19,618,867
Proved Developed Reserves:			
January 1, 2009	1,750,440	771,625	2,945,130
December 31, 2009	1,954,060	591,532	2,453,750
December 31, 2010	3,307,550	1,105,216	4,255,300
December 31, 2011	3,805,291	1,233,318	5,186,941
Proved Undeveloped Reserves:			
January 1, 2009	—	—	—
December 31, 2009	27,276,880	6,930,693	25,028,070
December 31, 2010	15,511,500	4,458,762	17,407,420
December 31, 2011	12,911,578	3,529,955	14,431,926

As of December 31, 2011, 2010 and 2009 reserves were computed using the 12-month unweighted average of the first-day-of-the-month prices, in accordance with revised guidelines of the SEC applicable to reserves estimates as of year-end 2009.

Revisions represent changes in previous reserves estimates, either upward or downward, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors, such as commodity prices, operating costs or development costs.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

The Company experienced downward reserve revisions in estimated proved reserves in 2011. These downward revisions were primarily the result of negative revisions in proved undeveloped wells due to offset well performance; exclusion of proved undeveloped locations that were not scheduled to be drilled within the next five years; and the movement of reserves previously categorized as proved undeveloped to probable reserves due to changes in booking methodology used by our independent petroleum engineers as well as performance of wells in one prospect area.

The Company experienced downward reserve revisions in 2010, due to undeveloped locations being scheduled for development beyond five years and thus being excluded from proved reserves.

The Company experienced upward reserve revisions in 2009, due to the pricing recovery in 2009 and the amendments of ASC 932 in ASU 2010-03.

The increase in 2009 reserves described above had an effect on our depletion and net loss in 2009. The Company is unable to estimate the effect on the 2009 financial statements of the SEC Modernization of the Oil and Gas Reporting Requirement rule that was effective as of December 31, 2009 because a comparative reserve report prepared under the previous rules does not exist.

As of December 31, 2008 all proved undeveloped reserves were noneconomic due to the commodity pricing utilized for the reserve estimate at year end.

Standardized Measure of Discounted Future Net Cash Flows

The following information has been prepared in accordance with the provisions of the FASB ASU 2010-03, "Extractive Activities—Oil and Gas (Topic 932)." As of December 31, 2011, 2010 and 2009 the standardized measure of discounted future net cash flows are based on the average, first-day-of-the-month price.

The projections should not be viewed as realistic estimates of future cash flows, nor should the "standardized measure" be interpreted as representing current value to the Company. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary. The Company's investment and operating decisions are not based on the information presented, but on a wide range of reserve estimates that include probable as well as proved reserves and on different price and cost assumptions.

The standardized measure is intended to provide a better means for comparing the value of the Company's proved reserves at a given time with those of other oil and gas producing companies than is provided by a comparison of raw proved reserve quantities.

	December 31,		
	2011(1)	2010	2009
Future cash inflows	$ 1,900,958,750	$ 1,776,887,010	$ 2,040,811,600
Future development costs	(373,750,281)	(376,204,640)	(397,076,030)
Future production costs	(458,936,062)	(365,712,860)	(429,507,800)
Future production taxes	(97,444,617)	(121,987,210)	(138,799,710)
Future net cash flows	970,827,790	912,982,300	1,075,428,060
10% discount to reflect timing of cash flows	(623,808,665)	(582,624,480)	(682,509,150)
Standardized measure of discounted future net cash flows	$ 347,019,125	$ 330,357,820	$ 392,918,910

(1) 2011 amounts have been revised from those previously reported to reflect reserve report changes, primarily relating to the timing of development of proved undeveloped reserves.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)

In the table below the average first-day-of–the-month price for oil, natural gas and natural gas liquids is presented, all utilized in the computation of future cash inflows.

	December 31,		
	2011	2010	2009
	Unweighted Arithmetic Average First-Day-of-the- Month Prices		
Oil (per Bbl)	$93.09	$77.61	$58.84
Natural gas (per Mcf)	$ 3.91	$ 4.14	$ 3.64
Natural gas liquids (per Bbl)	$56.33	$40.74	$29.37

The effect of the adoption of the revised SEC rules as of December 31, 2009 with respect to the use of the 12-month unweighted average price caused decreases in reserve volumes and pricing as follows:

- oil volumes of 515,390 Bbls and $18.18 per Bbl;
- natural gas liquids volumes of 130,100 Bbls and $8.85 per Bbl; and
- gas volumes of 537,010 Mcf and $1.84 per Mcf.

Principal changes in the standardized measure of discounted future net cash flows attributable to the Company's proved reserves are as follows:

	Year Ended December 31,		
	2011	2010	2009
Standardized measure of discounted future net cash flows at the beginning of the period	$ 330,357,820	$ 392,918,910	$ 41,435,980
Sales of oil and natural gas, net of production costs	(34,299,766)	(20,400,619)	(9,644,229)
Purchase of minerals in place	—	—	—
Extensions and discoveries, net of future development costs	69,375,680	52,678,768	18,489,620
Previously estimated development costs incurred during the period	83,166,092	51,023,970	16,345,261
Net changes in prices and production costs	80,480,005	178,197,726	7,580,209
Changes in estimated future development costs	(76,990,690)	(23,991,650)	(409,015,151)
Revisions of previous quantity estimates	(100,433,225)	(292,306,238)	798,975,216
Sales of reserves in place, net of future development costs	—	—	—
Accretion of discount	33,035,782	39,291,891	4,143,598
Net changes in timing of production and other(1)	(37,672,573)	(47,054,938)	(75,391,594)
Standardized measure of discounted future net cash flows at the end of the period(1)	$ 347,019,125	$ 330,357,820	$ 392,918,910

(1) 2011 amounts have been revised from those previously reported to reflect reserve report changes, primarily relating to the timing of development of proved undeveloped reserves.

Windsor Permian LLC and Subsidiaries

Consolidated Balance Sheets

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 2,066,717	$ 6,802,389
Accounts receivable:		
Joint interest and other	2,784,300	3,734,513
Oil and natural gas sales	4,513,477	838,791
Related party	7,990,689	13,122,589
Inventories	5,890,578	6,006,355
Prepaid expenses and other	2,018,004	428,202
Total current assets	25,263,765	30,932,839
Property and equipment		
Oil and natural gas properties, at cost, based on the full cost method of accounting ($7,341,053 and $1,732,329 excluded from amortization at June 30, 2012 and December 31, 2011, respectively)	383,400,698	325,510,080
Other property and equipment	2,049,800	1,016,574
Accumulated depletion, depreciation, amortization and impairment	(129,720,725)	(119,500,035)
	255,729,773	207,026,619
Investments-equity method	—	10,309,668
Other assets	1,997,772	1,214,759
Total assets	$ 282,991,310	$ 249,483,885
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable trade	$ 10,101,407	$ 8,769,491
Accounts payable–related party	2,067,101	3,436,195
Accrued capital expenditures	17,477,625	13,922,932
Other accrued liabilities	5,428,368	4,804,069
Revenues and royalties payable	2,816,385	3,165,267
Derivative contracts	3,843,506	8,320,351
Note payable–short term	72,546	—
Note payable credit facility-short term	10,000,000	—
Total current liabilities	51,806,938	42,418,305
Note payable–long term	338,560	—
Note payable credit facility-long term	90,000,000	85,000,000
Note payable–related party–long term	14,109,782	—
Derivative contracts	1,666,639	6,138,573
Asset retirement obligations	1,195,662	1,079,725
Total liabilities	159,117,581	134,636,603
Commitments and contingencies (Note 11)		
Members' equity	123,873,729	114,847,282
Total liabilities and members' equity	$ 282,991,310	$ 249,483,885

See accompanying notes to consolidated financial statements.

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Windsor Permian LLC and Subsidiaries

Consolidated Statements of Operations
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenues:		
Oil sales	$28,389,422	$ 638,081
Oil sales-related party	—	18,418,388
Natural gas sales	396,837	544,448
Natural gas sales-related party	261,085	192,662
Natural gas liquid sales	1,574,832	1,547,085
Natural gas liquid sales-related party	1,135,747	698,065
Oil and natural gas services-related party	—	1,490,910
Total revenues	31,757,923	23,529,639
Costs and expenses:		
Lease operating expenses	5,573,859	3,761,542
Lease operating expenses-related party	560,855	522,129
Production taxes	1,450,626	174,827
Production taxes-related party	99,528	919,072
Gathering and transportation	51,961	17,465
Gathering and transportation–related party	94,359	68,479
Oil and natural gas services	—	1,207,101
Oil and natural gas services–related party	—	525,791
Depreciation, depletion and amortization	10,235,730	7,441,366
General and administrative expenses	1,445,502	198,951
General and administrative expenses-related party	1,369,549	1,222,362
Asset retirement obligation accretion expense	40,195	28,736
Total costs and expenses	20,922,164	16,087,821
Income from operations	10,835,759	7,441,818
Other income (expense)		
Interest income	2,004	6,988
Interest expense	(2,053,706)	(1,097,053)
Other income–related party	1,058,043	—
Gain (loss) on derivative contracts	5,164,987	(28,181)
Loss from equity investment	(66,654)	—
Total other income (expense), net	4,104,674	(1,118,246)
Net income	$14,940,433	$ 6,323,572
Pro forma information		
Net income before income taxes, as reported	$14,940,433	$ 6,323,572
Pro forma provision for income tax	—	—
Pro forma net income	$14,940,433	$ 6,323,572
Pro forma income per common share – basic and diluted	$	
Weighted average pro forma shares outstanding – basic and diluted		

See accompanying notes to consolidated financial statements.

Windsor Permian LLC and Subsidiaries

Consolidated Statement of Changes in Members' Equity
(Unaudited)

	Total members' equity
Balance at January 1, 2012	$ 114,847,282
Contributions	4,007,813
Distributions of equity method investments	(10,504,020)
Equity based compensation	582,221
Net income	14,940,433
Balance at June 30, 2012	$ 123,873,729
Balance at January 1, 2011	$ 105,638,043
Net income	6,323,572
Balance at June 30, 2011	$ 111,961,615

See accompanying notes to consolidated financial statements.

Windsor Permian LLC and Subsidiaries

Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 14,940,433	$ 6,323,572
Adjustments to reconcile net income to net cash provided by operating activities:		
Asset retirement obligation accretion expense	40,195	28,736
Depreciation, depletion, and amortization	10,235,730	7,943,855
Amortization of debt issuance costs	212,146	143,334
(Gain) loss on derivative contracts	(5,164,987)	28,181
Loss from equity investment	66,654	—
Equity-based compensation expense	582,221	—
Gain on sale of assets	(9,770)	(22,942)
Changes in operating assets and liabilities:		
Accounts receivable	(3,059,749)	1,263,913
Accounts receivable-related party	7,069,704	(4,823,618)
Inventories	180,730	(200,453)
Prepaid expenses and other	(1,589,802)	(186,169)
Accounts payable and accrued liabilities	2,057,868	303,936
Accounts payable and accrued liabilities-related party	(1,308,638)	2,059,205
Revenues and royalties payable	(348,882)	543,472
Revenues and royalties payable-related party	(1,594,532)	114,364
Net cash provided by operating activities	22,309,321	13,519,386
Cash flows from investing activities:		
Additions to oil and natural gas properties	(50,575,975)	(20,591,998)
Additions to oil and natural gas properties-related party	(4,394,985)	(12,418,926)
Purchase of other property and equipment	(637,160)	(5,494,482)
Proceeds from sale of property and equipment	9,770	54,909
Settlement of non-hedge derivative instruments	(5,262,846)	(2,055,901)
Receipt on derivative margins	1,479,054	2,152,373
Deconsolidation of Bison	—	(9,536)
Net cash used in investing activities	(59,382,142)	(38,363,561)
Cash flows from financing activities:		
Proceeds from borrowings on credit facility	15,000,000	23,633,313
Proceeds from note payable — related party	14,100,000	—
Debt issuance costs	(42,157)	(340,814)
Initial public offering costs	(728,507)	—
Contributions by members	4,007,813	—
Net cash provided by financing activities	32,337,149	23,292,499
Net decrease in cash and cash equivalents	(4,735,672)	(1,551,676)
Cash and cash equivalents at beginning of period	6,802,389	4,089,745
Cash and cash equivalents at end of period	$ 2,066,717	$ 2,538,069
Supplemental cash flow information		
Interest paid, net of capitalized interest	$ 875,937	$ 514,655
Asset retirement obligation incurred, including changes in estimate	$ 95,077	$ 136,909
Distribution of equity method investments	$ 10,504 020	$ —
Note payable exchanged for computer equipment	$ 411,106	$ —

See accompanying notes to consolidated financial statements.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements
(Unaudited)

1. Organization

Windsor Permian LLC ("Windsor") is a limited liability company formed on October 23, 2007 to acquire, produce, develop and exploit oil and natural gas properties. As a limited liability company, the members of Windsor are not liable for the liabilities or other obligations of Windsor. Windsor is controlled by Wexford Capital LP ("Wexford"). Collectively, Windsor and its subsidiaries, Diamondback E&P LLC, formed on February 17, 2012, Bison Drilling and Field Services LLC (formerly known as Windsor Drilling LLC) through March 31, 2011, and West Texas Field Services LLC through its dissolution on June 12, 2012, are referred to in these financial statements as the "Company".

The Company is engaged in the acquisition, exploitation, development and production of oil and natural gas properties and related sale of oil, natural gas and natural gas liquids. The Company's reserves are located in the Southern region of the United States. The Company's results of operations are largely dependent on the difference between the prices received for its oil, natural gas and natural gas liquids and the cost to find, develop, produce and market such resources. Oil and natural gas prices are subject to fluctuations in response to changes in supply, market uncertainty and a variety of other factors beyond the Company's control. These factors include worldwide political instability, quantity of natural gas in storage, foreign supply of oil and natural gas, the price of foreign imports, the level of consumer demand and the price of available alternative fuels, among others.

2. Summary of Significant Accounting Policies

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of Windsor and its wholly owned subsidiaries, except for the accounts of Bison Drilling and Field Services LLC, which has been excluded from the Company's consolidated financial statements effective March 31, 2011 (Note 5). All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of normal and recurring accruals) considered necessary to present fairly our financial position as of June 30, 2012, and our results of operations, changes in members' equity and cash flows for the six months ended June 30, 2012 and 2011. Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the full year because of the impact of fluctuations in prices received for natural gas and oil, natural production declines, timing of development and exploration activities, the uncertainty of exploration and development drilling results and other factors. For a more complete understanding of our operations, financial position and accounting policies, these financial statements should be read in conjunction with our annual financial statements.

Use of estimates

Certain amounts included in or affecting the Company's consolidated financial statements and related disclosures must be estimated by management, requiring certain assumptions to be made with respect to values or conditions that cannot be known with certainty at the time the consolidated financial statements are prepared. These estimates and assumptions affect the amounts the Company reports for assets and liabilities and the Company's disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from those estimates.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

The Company evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods the Company considers reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include estimates of proved reserve quantities and related estimates of the present value of future net revenues, the carrying value of oil and gas properties and asset retirement obligations.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less and money market funds to be cash equivalents. The Company utilizes bank deposit accounts which periodically sweep available cash into uninsured short-term investment securities. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such accounts.

Accounts Receivable

Accounts receivable consist of receivables from joint interest owners on properties the Company operates and oil and natural gas production delivered to purchasers. The purchasers remit payment for production directly to the Company. Most payments are received within three months after the production date.

Accounts receivable are stated at amounts due from joint interest owners or purchasers, net of an allowance for doubtful accounts when the Company believes collection is doubtful. For receivables from joint interest owners, the Company typically has the ability to withhold future revenue disbursements to recover any non-payment of joint interest billings. Accounts receivable outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the debtor's current ability to pay its obligation to the Company, the condition of the general economy and the industry as a whole. The Company writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. No allowance was deemed necessary at June 30, 2012 or December 31, 2011.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, payables, derivatives and notes payable. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value because of the short-term nature of the instruments. The fair value of the revolving credit facility approximates its carrying value based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities. The fair value of the note payable and note payable – related party are carried at cost, which approximates fair value due to the nature of the instruments and relatively short maturities. Derivatives are recorded at fair value (see Note 9).

Oil and Natural Gas Properties

The Company accounts for its oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration, and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals are

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

capitalized. General and administrative costs capitalized to the full cost pool represent management's estimate of costs incurred directly related to exploration and development activities such as geological and other administrative costs associated with overseeing the exploration and development activities. All general and administrative costs not directly associated with exploration and development activities are charged to expense as they are incurred. Capitalized general and administrative costs were $1,774,539 for the six months ended June 30, 2012, and no amounts were capitalized for the six months ended June 30, 2011. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless the ratio of cost to proved reserves would significantly change. Any income from services provided by subsidiaries to working interest owners of properties in which the Company also owns an interest, to the extent they exceed related costs incurred, are accounted for as reductions of capitalized costs of oil and natural gas properties proportionate to the Company's investment in the subsidiary (see Note 5). Depletion of evaluated oil and natural gas properties is computed on the units of production method based on proved reserves. The average depletion rate per barrel equivalent unit of production was $24.22 and $26.72 for the six months ended June 30, 2012 and 2011, respectively. Depreciation, depletion and amortization expense for oil and natural gas properties was $10,043,901 and $7,336,891 for the six months ended June 30, 2012 and 2011, respectively.

The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10%. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion, amortization and impairment exceed the discounted future net revenues of proved oil and natural gas reserves, the excess capitalized costs are charged to expense. No impairment on proved oil and natural gas properties was recorded for the six months ended June 30, 2012 or 2011.

Costs associated with unevaluated properties are excluded from the full cost pool until the Company has made a determination as to the existence of proved reserves. The Company assesses all items classified as unevaluated property on an annual basis for possible impairment. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization. The inclusion of the Company's unevaluated costs into the amortization base is expected to be completed within three years.

Other Property and Equipment

Other property and equipment is recorded at cost. The Company expenses maintenance and repairs in the period incurred. Upon retirements or disposition of assets, the cost and related accumulated depreciation are removed from the consolidated balance sheet with the resulting gains or losses, if any, reflected in operations. Depreciation of other property and equipment is computed using the straight line method over their estimated useful lives, which range from three to fifteen years. Depreciation expense was $191,829 and $606,553 for the six months ended June 30, 2012, and 2011, respectively.

Impairment of Long-Lived Assets

Other long-lived assets, drilling rigs and related equipment used in operations are reviewed whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is

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recognized only if the carrying amount of a long-lived asset is not recoverable from its estimated future undiscounted cash flows. An impairment loss is the difference between the carrying amount and fair value of the asset. The Company had no such impairment losses for the six months ended June 30, 2012 or 2011.

Capitalized Interest

The Company capitalizes interest on expenditures made in connection with exploration and development projects that are not subject to current amortization. Interest is capitalized only for the period that activities are in progress to bring these projects to their intended use. Capitalized interest cannot exceed gross interest expense. During the six months ended June 30, 2012 and 2011 the Company did not capitalize any interest expense.

Inventories

Inventories are stated at the lower of cost or market and consist of the following:

	June 30, 2012	December 31, 2011
Tubular goods and equipment	$ 5,695,162	$ 5,630,208
Crude oil	195,416	376,147
	$ 5,890,578	$ 6,006,355

The Company's tubular goods and equipment is primarily comprised of oil and gas drilling or repair items such as tubing, casing and pumping units. The inventory is primarily acquired for use in future drilling or repair operations and is carried at lower of cost or market. "Market", in the context of inventory valuation, represents net realizable value, which is the amount that the Company is allowed to bill to the joint accounts under joint operating agreements to which the Company is a party. As of June 30, 2012 and December 31, 2011, the Company estimated that all of its tubular goods and equipment will be utilized within one year. The total inventory includes tubular goods held by others of $1,093,708 at both June 30, 2012 and December 31, 2011.

Debt issuance costs

The Company amortizes debt issuance costs related to its credit facility as interest expense over the scheduled maturity period of the debt. Unamortized debt issuance costs were $1,017,315 and $1,167,621 as of June 30, 2012 and December 31, 2011, respectively. The Company includes the unamortized costs in other assets in its consolidated balance sheets.

Revenue and Royalties Payable

For certain oil and natural gas properties, where the Company serves as operator, the Company receives production proceeds from the purchaser and further distributes such amounts to other revenue and royalty owners. Production proceeds applicable to other revenue and royalty owners are reflected as revenue and royalties payable in the accompanying consolidated balance sheets. The Company recognizes revenue for only its net revenue interest in oil and natural gas properties.

Revenue Recognition

Oil and natural gas revenues are recorded when title passes to the purchaser, net of royalty interests, discounts and allowances, as applicable. The Company accounts for oil and natural gas production imbalances using the

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sales method, whereby a liability is recorded when the Company's overtake volumes exceed its estimated remaining recoverable reserves. No receivables are recorded for those wells where the Company has taken less than its ownership share of production. The Company did not have any gas imbalances as of June 30, 2012 or December 31, 2011. Revenues from oil and natural gas services are recognized as services are provided.

Investments

Equity investments in which the Company exercises significant influence but does not control are accounted for using the equity method. Under the equity method, generally the Company's share of investees' earnings or loss is recognized in the statement of operations. However, because substantially all of Bison's earnings are generated by performing services on properties owned and operated by the Company, the Company's share of Bison's earnings has not been recognized but has been credited to oil and gas properties. The Company reviews its investments to determine if a loss in value which is other than a temporary decline has occurred. If such loss has occurred, the Company would recognize an impairment provision. There was no impairment for the Company's equity investments for the periods ended June 30, 2012 or December 31, 2011. For additional information on the Company's investments, see Note 5.

Accounting for Equity-Based Compensation

The Company accounts for equity-based compensation in accordance with the provisions of FASB ASC Topic 718, "Compensation—Stock Compensation" ("FASB ASC 718"). FASB ASC 718 requires equity-based payments to employees to be recognized as expense over the applicable service period based on the fair value of the award on the date of grant.

Concentrations

The Company is subject to risk resulting from the concentration of its crude oil and natural gas sales and receivables with several significant purchasers. For the six months ended June 30, 2012 three purchasers accounted for more than 10% of our revenue: Plains Marketing, LP (63%); Andrews Oil Buyers, Inc. (13%); and Occidental Energy Marketing, Inc. (12%). For the six months ended June 30, 2011 Windsor Midstream LLC, an entity controlled by Wexford, our equity sponsor, accounted for 84% of our revenue. The Company does not require collateral and does not believe the loss of any single purchaser would materially impact its operating results, as crude oil and natural gas are fungible products with well-established markets and numerous purchasers.

Commodity Risk Management

The Company has used energy derivatives for the purpose of mitigating the risk resulting from fluctuations in the market price of crude oil. The Company recognizes all of its derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Company designates the hedging instrument, based on the exposure being hedged, as either a fair value hedge or a cash flow hedge. Changes in the fair value of instruments designated as a fair value hedge offset changes in the fair value of the hedged item and changes in the fair value of instruments designated as cash flow hedges are shown in accumulated other comprehensive income until the hedged item is recognized in earnings. For derivative instruments not designated as hedging instruments, the unrealized gain or loss on the change in fair

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value of these instruments are recognized in earnings during the period of change. None of the Company’s derivatives were designated as hedging instruments.

Environmental Compliance and Remediation

Environmental compliance and remediation costs, including ongoing maintenance and monitoring, are expensed as incurred. Liabilities are accrued when environmental assessments and remediation are probable, and the costs can be reasonably estimated.

Income Taxes

The operations of the Company, as limited liability companies, are not subject to federal income taxes. As appropriate, the taxable income or loss applicable to those operations is included in the federal income tax returns of the respective owners and no income tax effect is included in the accompanying consolidated financial statements. The Company is subject to margin tax in the state of Texas. During the six months ended June 30, 2012 and 2011, there was no margin tax expense. The Company’s 2008, 2009 and 2010 federal income tax and state margin tax returns remain open to examination by tax authorities. As of June 30, 2012 and December 31, 2011 the Company had no unrecognized tax benefits that would have a material impact on the effective rate. The Company is continuing its practice of recognizing interest and penalties related to income tax matters as interest expense and general and administrative expenses, respectively. During the six months ended June 30, 2012 and 2011, there was no interest or penalties associated with uncertain tax positions recognized in the Company’s consolidated financial statements.

Unaudited Pro Forma Income Taxes and Earnings Per Share

Prior to the completion of a proposed 2012 initial public offering of common stock (“IPO”) by Diamondback Energy, Inc. (“Diamondback”), all the equity interests in Windsor will be contributed to Diamondback and Windsor will become a wholly-owned subsidiary of Diamondback (Proposed Contribution Transaction). Diamondback, a holding company formed on December 30, 2011 which will not conduct any material business operations prior to the Proposed Contribution Transaction, is a C-Corp under the Internal Revenue Code and is subject to income taxes. Accordingly, the Company computed a pro forma income tax provision as if the Company were a C-Corp for all periods presented. The pro forma tax provision has been calculated at a rate based upon a federal corporate level tax rate and a state tax rate, net of federal benefit, incorporating permanent differences. However, on a pro forma basis, management has determined that any net deferred income tax asset would not be realizable; therefore tax expense would be zero for all periods. Additionally, upon Windsor becoming a subsidiary of Diamondback, the Company will establish a net deferred tax liability for differences between the tax and book basis of the Company’s assets and liabilities, and record a corresponding “first day” tax expense to net income from continuing operations. On a pro forma basis, at June 30, 2012 the amount of this charge would have been approximately $37.4 million.

Also, upon completion of the Proposed Contribution Transaction, the Company will present pro forma earnings per share for the most recent period. Pro forma basic and diluted income per share will be computed by dividing net income attributable to the Company by the number of shares of common stock outstanding as if the shares of Diamondback Energy, Inc., issued in the Proposed Contribution Transaction, were issued and outstanding for the six months ended June 30, 2012.

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New Pronouncements Issued but Not Yet Adopted

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, which increases disclosures about offsetting assets and liabilities. New disclosures are required to enable users of financial statements to understand significant quantitative differences in balance sheets prepared under GAAP and International Financial Reporting Standards related to the offsetting of financial instruments. The existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The guidance in ASU No. 2011-11 is effective for annual and interim reporting periods beginning on or after January 1, 2013. The disclosures should be applied retrospectively for all prior periods presented. The Company does not expect the adoption of this guidance to have a significant impact on its financial position, results of operations or cash flow.

3. Property and Equipment

Property and equipment includes the following:

	June 30, 2012	December 31, 2011
Oil and natural gas properties:		
Subject to depletion	$ 376,059,645	$ 323,777,751
Not subject to depletion-acquisition costs		
Incurred in 2012	5,625,809	—
Incurred in 2011	1,176,508	1,199,679
Incurred in 2009	538,736	532,650
Total not subject to depletion	7,341,053	1,732,329
Gross oil and natural gas properties	383,400,698	325,510,080
Less accumulated depreciation, depletion, amortization and impairment	(129,211,377)	(119,167,476)
Oil and natural gas properties, net	254,189,321	206,342,604
Other property and equipment	2,049,800	1,016,574
Less accumulated depreciation	(509,348)	(332,559)
Other property and equipment, net	1,540,452	684,015
Property and equipment, net of accumulated depreciation, depletion, amortization and impairment	$ 255,729,773	$ 207,026,619

4. Asset Retirement Obligations

The Company measures the future cost to retire its tangible long-lived assets and recognizes such cost as a liability in accordance with ASC Topic 410, *Asset Retirement and Environmental Obligations* (“ASC Topic 410”), which provides accounting and reporting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or normal operation of a long-lived asset.

ASC Topic 410 requires companies to record a liability relating to the retirement and removal of assets used in their businesses. For the Company, asset retirement obligations represent the future abandonment costs of tangible assets, namely wells. ASC Topic 410 requires that the fair value of a liability for an asset’s retirement

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obligation be recorded in the period in which it is incurred if a reasonable estimate of fair value can be made and that the corresponding cost be capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, the difference is recorded in oil and natural gas properties.

A reconciliation of the asset retirement obligation for the six months ended June 30, 2012 and 2011 is as follows:

	Six Months Ended June 30,	
	2012	2011
Asset retirement obligation, beginning of period	$ 1,079,725	$ 727,826
Additional liability incurred	95,077	136,909
Accretion expense	40,195	28,736
Asset retirement obligation, end of period	1,214,997	893,471
Less current portion	19,335	—
Asset retirement obligations—long-term	$ 1,195,662	$ 893,471

5. Equity Method Investments

Bison Drilling and Field Services LLC

The Company held a wholly owned subsidiary, Bison Drilling and Field Services LLC (“Bison”), formerly known as Windsor Drilling LLC, formed on November 15, 2010. In addition, the Company also held a wholly owned subsidiary, West Texas Field Services LLC, formed on March 2, 2010 which, on January 1, 2011, contributed all of its assets and liabilities to Bison and subsequently dissolved on June 12, 2012. Bison owns and operates drilling rigs and various oil and gas well servicing equipment.

Beginning on March 31, 2011, various related party investors contributed capital to Bison diluting the Company’s ownership interest. The Company assessed its ability to exercise financial control over Bison and based on the results of its assessment, the Company concluded it maintained significant influence but it no longer had the ability to exercise control over Bison. The Company deconsolidated Bison for financial reporting purposes as of March 31, 2011 and the previously consolidated amounts were removed from the consolidated balance sheet and reflected as an equity method investment. Under the equity method, the Company eliminated intercompany profits or losses in relation to its continuing involvement with Bison, proportionate to its equity interest.

An entity is required to deconsolidate a subsidiary when the entity ceases to have a controlling financial interest in the subsidiary. Upon deconsolidation of a subsidiary, an entity recognizes a gain or loss on the transaction and measures any retained investment in the subsidiary at fair value. The gain or loss includes any gain or loss associated with the difference between the fair value of the retained investment in the subsidiary and its carrying amount at the date the subsidiary is deconsolidated.

The Company internally reviewed the balance sheet of Bison to determine its fair value. At the time of the transaction Bison was still a recently formed company and had not yet built value in its operations. Bison’s assets consisted primarily of four recently purchased drilling rigs. Two of the drilling rigs were purchased at market price from a third party in December 2010 and the second two were purchased from the same third party in April 2011. The Company also reviewed pricing of similar rigs in the market through retail and auction transactions.

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Because the rigs had just recently been purchased and this purchase price was in line with other outside transactions the Company determined that Bison's book value equaled fair value. There was no gain or loss recorded and the retained investment was recorded at fair value which equaled book value.

In September 2011, the Company completed the sale of 25% of its membership interest in Bison to a related party. The Company internally reviewed the fair value of Bison and because the effective date of this transaction was May 1, 2011 and was within thirty days of the above valuation the Company concluded the value of Bison had not changed. The Company determined that fair value equaled book value at the date of this transaction. There was no gain or loss recorded and the retained investment was recorded at fair value which equaled book value.

As of June 15, 2012, the Company distributed its remaining interest in Bison to an entity which is controlled and managed by Wexford. As the transaction was between entities under common management, the Company has recognized the distribution of $6,437,000 as an equity transaction. Bison continues to be a related party with the Company.

Muskie Holdings LLC

During 2011, the Company paid approximately $4,200,000 for land and various other capital items related to the land. On October 7, 2011, the Company contributed these assets to a newly formed entity, Muskie Holdings LLC, a Delaware limited liability company, for a 48.6% equity interest. Through additional contributions to Muskie from a related party and various Wexford portfolio companies, the Company's interest in Muskie decreased to 33% as of June 15, 2012. Muskie generated a loss during the period from January 1, 2012 through June 15, 2012 and the Company has recorded its share of this loss.

As of June 15, 2012, the Company distributed its remaining interest in Muskie to an entity which is controlled and managed by Wexford. As the transaction was between entities under common management, the Company has recognized the distribution of $4,067,020 as an equity transaction. Muskie continues to be a related party with the Company.

6. Debt

Credit Facility-Wells Fargo Bank

On October 15, 2010, the Company executed a secured loan agreement with BNP Paribas ("BNP") as the administrative agent, sole book runner and lead arranger, as amended, providing for a revolving credit facility. On May 10, 2012, the revolving credit agreement was further amended to provide for the resignation of BNP, and the appointment of Wells Fargo Bank, National Association, as administrative agent for the lenders. The amendment also permitted subordinated debt in an initial principal amount not to exceed $30.0 million, including any such indebtedness evidenced by the Company's subordinated note with an affiliate of Wexford described in more detail under "*-Subordinated Note*" below. The aggregate maximum credit amount under the revolving credit agreement is $250 million notwithstanding future redeterminations of the borrowing base. The outstanding borrowings bear interest at a rate elected by the Company that is based on the prime, LIBOR or federal funds rate plus margins ranging from 1.25% to 3.50% depending on the base rate used and the amount of the loan outstanding in relation to the borrowing base.

Principal may be optionally repaid from time to time and is required to be paid (i) if the loan amount exceeds the borrowing base; (ii) if the lender elects to require periodic payments as a part of a borrowing base re-determination; and (iii) at the maturity date of October 15, 2014. The Company is obligated to pay, quarterly, a commitment fee equal to 0.5% per year of the unused portion of the borrowing base. The loan is secured by

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substantially all of the Company's assets. The borrowing base is re-determined semi-annually with effective dates of April 1st and October 1st (a "scheduled redetermination"). In addition, the Company may request an additional three redeterminations of the borrowing base during any 12-month period. The borrowing base was $45 million at December 31, 2010. The borrowing base increased throughout 2011 through various redeterminations and at December 31, 2011 the borrowing base was $100 million. Under the terms of the revolving credit agreement as currently in effect, the borrowing base will remain at $100 million through July 15, 2013 or the date of the closing of an initial public offering, at which time the borrowing base will be reduced to $90 million, subject to the periodic and elective borrowing base redeterminations described above. As of June 30, 2012, the Company has classified $10 million of the outstanding borrowings under this credit facility as short term based on management's expectation of the timing of closing an initial public offering.

The current lenders and their percentage commitments in the reserve-based credit facility are Wells Fargo Bank, NA (45%), Amegy Bank of Texas (25%), US Bancorp (25%) and West Texas National Bank (5%).

As of June 30, 2012 and December 31, 2011, the Company had outstanding borrowings of $100.0 million and $85.0 million, respectively. Outstanding borrowings under the credit facility bore a weighted average interest rate of 3.75% and 3.30% as of June 30, 2012 and December 31, 2011, respectively.

The agreement contains various affirmative and restrictive covenants. These covenants, among other things, prohibit additional indebtedness, sales of assets, mergers and consolidations, dividends and distributions, and changes in management and require the maintenance of various financial ratios defined below.

Financial Covenant	Required Ratio
Ratio of EBITDAX to interest expense, as defined in the credit agreement	Not less than 2.5 to 1.0
Ratio of total debt to EBITDAX	Not greater than 3.5 to 1.0
Current ratio, as defined in the credit agreement	Not less than 1.0 to 1.0

As of June 30, 2012 and December 31, 2011, the Company was in compliance with all financial covenants under the revolving bank credit facility. The lenders may accelerate all of the indebtedness under the revolving bank credit facility upon the occurrence of any event of default unless the Company cures any such default within any applicable grace period. For payments of principal and interest under the revolving bank credit facility, the Company generally has a three business day grace period, and a 30-day cure period for most covenant defaults, but not for defaults of certain specific covenants, including the financial covenants and negative covenants.

Subordinated Note

Effective May 14, 2012, the Company issued a subordinated note to an affiliate of Wexford pursuant to which the Wexford affiliate may, from time to time, advance up to an aggregate of $25.0 million. These advances are solely at the lender's discretion and neither Wexford nor any of its affiliates has any commitment or obligation to provide further capital support to the Company. The note bears interest at a rate equal to LIBOR plus 0.28% or 8% per annum, whichever is lower. Interest is due quarterly in arrears beginning on July 1, 2012. Interest payments are payable in kind by adding such amounts to the principal balance of the note. The unpaid principal balance and all accrued interest on the note are due and payable in full on January 31, 2015 or the earlier completion of an initial public offering. Any indebtedness evidenced by this note is subordinate in the right of payment to any indebtedness outstanding under the Company's revolving credit facility. As of June 30, 2012, there was $14.1 million in aggregate principal amount outstanding under this note.

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Note Payable

The Company entered into an installment payment contract with EMC Corporation for the purchase of computer equipment. The contract is payable in equal installments over a period of 36 months. As of June 30, 2012 there was $411,106 outstanding under this note.

7. Derivatives

The Company has used price swap derivatives to reduce price volatility associated with certain of its oil sales. In these swaps, the Company receives the fixed price per the contract and pays a floating market price to the counterparty based on New York Mercantile Exchange Light Sweet Crude Oil pricing. The fixed-price payment and the floating-price payment are offset, resulting in a net amount due to or from the counterparty. The counterparties to the Company's derivative contracts are BNP Paribas ("BNP") and Hess Corporation ("Hess"), who the Company believes are acceptable credit risks.

All derivative financial instruments are recorded on the consolidated balance sheets at fair value. The fair value of swaps is generally determined using established index prices and other sources which are based upon, among other things, futures prices and time to maturity.

On October 4, 2011, in order to lock-in prices on the anticipated base level of production, while at the same time providing downside protection for the Borrowing Base, the Company executed with BNP, West Texas Intermediate light sweet crude oil swaps on the NYMEX for calendar year 2012 and 2013 of one thousand barrels per day priced at $78.50 and $80.55, respectively.

Set forth below are the summarized amounts, terms and fair values of outstanding instruments held as of June 30, 2012 and December 31, 2011.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	June 30, 2012 Fair Value Liability	December 31, 2011 Fair Value Liability
Crude Oil Swaps:				
January – May 2012	152,000	$ 78.50	$ —	$3,149,475
June-November 2012	183,000	$ 78.50	1,253,237	3,683,790
December 2012	31,000	$ 78.50	270,388	594,223
January – May 2013	151,000	$ 80.55	1,143,741	2,445,330
June – November 2013	183,000	$ 80.55	1,433,554	2,674,819
December 2013	31,000	$ 80.55	233,087	424,201

The Company enters into counter-swaps from time to time for the purpose of locking-in the value of a swap. Under the counter-swap, the Company receives a floating price for the hedged commodity and pays a fixed price to the counterparty. The counter-swap is effective in locking-in the value of a swap since subsequent changes in the market value of the swap are entirely offset by subsequent changes in the market value of the counter-swap.

In December 2007, the Company placed a swap contract with Hess covering 1,680,000 Bbls of crude oil for the period from January 2008 to December 2012 at various fixed prices. In April 2008, the Company entered into a series of counter-swaps to lock-in the value of certain of these swaps settling 1,188,000 Bbls of crude oil swaps. In June 2009, the Company entered into an additional series of counter-swaps to lock-in the value of the remaining swaps settling 324,000 Bbls of crude oil swaps.

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Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the April 2008 settlements as of June 30, 2012 and December 31, 2011, respectively.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	June 30, 2012 Fair Value Liability	December 31, 2011 Fair Value Liability
Crude Oil Swaps:					
December 2011	22,500	$ 82.90	$98.50–$102.20	$ —	$ 378,750
January-May 2012	112,500	$ 85.07	$98.25–$101.80	—	1,615,774
June-December 2012	157,500	$ 85.07	$98.25–$101.80	2,261,527	2,261,185

Set forth below are the summarized amounts, terms and fair values of the locked-in swaps from the June 2009 settlements as of June 30, 2012 and December 31, 2011, respectively.

Description and Production Period	Volume (Bbls)	Original Strike Price (per Bbl)	Lock-in Price (per Bbl)	June 30, 2012 Fair Value Asset	December 31, 2011 Fair Value Asset
Crude Oil Swaps:					
December 2011	7,500	$ 82.90	$ 78.42	$ —	$ 33,600
January-May 2012	37,500	$ 85.07	$ 80.52	—	170,615
June- December 2012	52,500	$ 85.07	$ 80.52	238,801	238,765

None of the Company's derivatives have been designated as hedges. As such, all changes in fair value are immediately recognized in earnings. The following summarizes the loss on derivative contracts included in the consolidated statements of operations:

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Unrealized (gain) on open non-hedge derivative instruments	$(8,637,831)	$ —
Loss on settlement of non-hedge derivative instruments	3,472,844	28,181
(Gain) Loss on derivative contracts	$(5,164,987)	$28,181

The Company is required to provide margin deposits to Hess whenever its unrealized losses exceed predetermined credit limits. The Company had a margin deposit held by Hess of $846,588 and $2,325,643 as of June 30, 2012 and December 31, 2011, respectively, which earns interest that is remitted to the Company. As the Company has a master netting agreement with Hess, the Company has offset this margin deposit against its derivative positions.

8. Equity-Based Compensation

During the year ended December 31, 2011, the Company granted to its executive officers options to acquire membership interests in the Company. Such options vest in four equal annual installments commencing on the first anniversary of the date of grant and are exercisable for five years from the date of grant. Generally, in the event more than 50% of the combined voting interests of the Company is not owned by Wexford or its affiliates and there is a material change in the terms of the option holder's employment, the options will vest immediately. Under one agreement, however, the options will vest solely in the event that more than 50% of the voting interests of the Company is not owned by Wexford or its affiliates.

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Summarized below are the grant dates with the total exercise prices and total fair values of the underlying options:

Grants Made During the Months Ended	Membership Interest Granted	Exercise Price	Fair Value at Date of Grant
April 2011	1.00%	$ 3,600,000	$1,452,851
August 2011	1.20%	6,000,000	1,383,976
September 2011	1.25%	5,900,000	1,532,612
November 2011	0.25%	1,250,000	288,328
	3.70%	$16,750,000	$4,657,767

At June 30, 2012 and December 31, 2011, for outstanding options, the intrinsic value was $112,500 and $112,500, respectively, and the weighted-average remaining contractual terms were 4.1 and 4.6 years, respectively. Also, at June 30, 2012 and December 31, 2011, no options were exercisable.

The Company accounts for such options issued using a fair-value-based method calculated on the grant-date of the award. The resulting cost is recognized on a straight-line basis over the vesting period of the entire option.

The fair value of the options issued was estimated using the Black-Scholes option-pricing model. One of the inputs to this model is the estimate of the fair value of the underlying membership interest on the date of grant. The other inputs include an estimate of the expected volatility of the membership interest, an option's expected term, the risk-free interest rate over the option's expected term, the option's exercise price, and the Company's expectations regarding dividends.

The Company does not have a history of market prices for its membership interests because such interests are not publicly traded. The expected volatility was determined using the historical volatility for a peer group of companies. The expected term for options issued was determined based on the contractual term of the awards. The weighted-average risk-free interest rate was based on the daily U.S. treasury yield curve rate whose term was consistent with the expected life of the options. The Company does not anticipate paying cash dividends; therefore, the expected dividend yield was assumed to be zero.

A summary of the significant assumptions used to estimate the fair value of the options to acquire membership interests during the year ended December 31, 2011 was as follows:

Expected term	5 years
Risk-free interest rate	0.96%
Expected volatility	45.50%
Expected dividend yield	0.00%

The Company assumed no annual forfeiture rate because of its lack of turnover and lack of history for this type of award. The Company will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behavior, and other factors. Changes in the estimated forfeiture rate can have a significant effect on reported equity-based compensation expense, because the cumulative effect of adjusting the rate for all expense amortization is recognized in the period the forfeiture estimate is changed.

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Equity-based compensation expense recorded for the six months ended June 30, 2012 was $582,221. The unrecognized equity-based compensation expense as of June 30, 2012 and December 31, 2011 was $3,531,255 and $4,113,477, respectively, related to these awards which is expected to be recognized over a weighted-average period of 3.1 and 3.6 years, respectively. Equity-based compensation expense for the six months ended June 30, 2011 was not material.

9. Fair Value Measurements

The Company measures and discloses fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* (“ASC Topic 820”). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

ASC Topic 820 describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value. The Company’s assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy. The Company uses appropriate valuation techniques based on available inputs to measure the fair values of its assets and liabilities.

The three levels of the fair value hierarchy defined by ASC Topic 820 are as follows:

Level 1—Pricing inputs include quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2—Pricing inputs include quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the full term of the derivative instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace. Level 2 instruments primarily include non-exchange traded derivatives such as over-the-counter commodity price swaps, basis swaps, investments and interest rate swaps. The Company’s valuation models are primarily industry-standard models that consider various inputs including: (i) quoted forward prices for commodities, (ii) time value and (iii) current market and contractual prices for the underlying instruments, as well as other relevant economic measures. The Company utilizes its counterparties’ valuations to assess the reasonableness of its prices and valuation techniques.

Level 3—Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management’s best estimate of fair value.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011.

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Cash Collateral(1)	Net Fair Value
Financial Liabilities					
			June 30, 2012		
Derivative contracts	$ —	$ 6,356,733	$ —	$ (846,588)	$ 5,510,145
			December 31, 2011		
Derivative contracts	$ —	$16,784,567	$ —	$(2,325,643)	$14,458,924

(1) Represents the impact of netting cash collateral with a counterparty with which the right of offset exists.

Level 2 Fair Value Measurements

Derivative contracts-The fair values of the Company's crude oil swaps are measured internally using established index prices and other sources. These are based upon, among other things, futures prices and time to maturity.

Asset Retirement and Environmental Obligations

The Company estimates asset retirement obligations pursuant to the provisions of FASB ASC Topic 410, "*Asset Retirement and Environmental Obligations*" ("FASB ASC 410"). The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Given the unobservable nature of the inputs, including plugging costs and reserve lives, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs. See Note 4 for further discussion of the Company's asset retirement obligations. Asset retirement obligations incurred were $95,077 and $136,909 during the six months ended June 30, 2012 and 2011, respectively.

10. Related Party Transactions

Administrative Services

An entity under common management provided technical, administrative and payroll services to the Company under a shared services agreement which began January 1, 2008. Through December 31, 2011, amounts charged to the Company included those costs directly attributable to the Company as well as indirect costs allocated to the Company. The reimbursement amount for indirect costs is determined by the affiliate's management based on estimates of time devoted to the Company. During the six months ended June 30, 2012 and 2011, the Company incurred total costs of $4,122,515 and $4,504,043 respectively. Costs incurred unrelated to drilling activities are expensed and costs incurred in the acquisition, exploration, and development of proved oil and natural gas properties have been capitalized. The expensed costs were partially offset in general and administrative expenses by overhead reimbursements of $1,151,985 and $908,807 for the six months ended June 30, 2012 and 2011, respectively. As of June 30, 2012, the Company had no outstanding balance and as of December 31, 2011, the Company owed the administrative services affiliate $769,278. This amount is included in accounts payable-related party in the accompanying consolidated balance sheets.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

Effective January 1, 2012, the Company entered into an additional shared services agreement with this entity. Under this agreement, the Company provides this entity and, at its request, certain affiliates, with consulting, technical and administrative services. The initial term of the additional shared services agreement is two years. Upon expiration of the initial term the agreement will continue on a month-to-month basis until cancelled by either party upon thirty days prior written notice. Costs that are attributable to and billed to other affiliates are reported as other income-related party. For the six months ended June 30, 2012, the affiliate reimbursed the Company $1,058,043 for services under the shared services agreement and at June 30, 2012, the affiliate owed the Company $135,811 and this amount is included in accounts receivable-related party in the accompanying consolidated balance sheets.

Operating Services

The Company operates all of the oil and natural gas properties in which it has a working and revenue interest. As operator of these properties, the Company is responsible for the daily operations, monthly operation billings and monthly revenue disbursements for the properties.

As of June 30, 2012, the Company had amounts due to affiliated parties related to revenue distributions payable of $918,558. As of December 31, 2011, amounts due to affiliated parties related to prepaid drilling costs of $209,906 and revenue distributions payable of $2,303,184. These amounts are included in accounts payable-related party in the accompanying consolidated balance sheets. Each of these affiliated parties is either controlled by or was an affiliate of Wexford.

As of June 30, 2012 and December 31, 2011, amounts due from affiliates related to joint interest billings and included in accounts receivable-related party in the accompanying consolidated balance sheets is $7,584,997 and $8,990,273, respectively. Each of these affiliated parties is either controlled by or was an affiliate of Wexford.

Drilling Services

Bison has performed drilling and field services for the Company under master drilling agreements. Under the Company’s most recent master drilling agreement with Bison, effective as of January 1, 2012, Bison committed to accept orders from the Company for the use of at least two of its rigs, and at June 30, 2012 was providing drilling services to the Company using two of its rigs. This master drilling agreement is terminable by either party on 30 days’ prior written notice, although neither party will be relieved of its respective obligations arising from a drilling contract being performed prior to the termination of the master drilling agreement. For the three months ended March 31, 2011, Bison was a wholly-owned subsidiary thus intercompany amounts were eliminated in consolidation. The Company owed Bison $1,101,754 as of June 30, 2012 and $153,826 as of December 31, 2011.

Completion and Well Servicing Services

The Company contracted with an affiliate for certain of its well completion services. Effective August 24, 2011, the affiliate was sold to a non-related third party. While still an affiliate of the Company, the Company was billed $10,006,747 during the six months ended June 30, 2011. Such amounts are capitalized in oil and natural gas properties in the accompanying consolidated balance sheet. At June 30, 2012 and December 31, 2011, the entity was no longer a related party.

Marketing Services

The Company entered into an agreement on March 1, 2009 with an entity under common management that purchases and receives a significant portion of the Company’s oil volumes. Effective January 1, 2012 the

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

agreement with the affiliate was cancelled. The Company's revenues from the affiliate were $18,418,388 during the six months ended June 30, 2011, respectively, and such amounts are included in oil sales in the accompanying consolidated statements of operations. As of December 31, 2011, the Company had an accounts receivable-related party balance with the affiliate of $4,132,316 and such amount is included in the accompanying consolidated balance sheets.

MidMar

The Company is party to a gas purchase agreement, dated May 1, 2009, as amended, with MidMar Gas LLC, or MidMar, an entity affiliated with Wexford that owns a gas gathering system and processing plant in the Permian Basin. Under this agreement, MidMar is obligated to purchase from the Company, and the Company is obligated to sell to MidMar, all of the gas conforming to certain quality specifications produced from certain of the Company's Permian Basin acreage. Following the expiration of the initial ten-year term, the agreement will continue on a year-to-year basis until terminated by either party on 30 days written notice. Under the gas purchase agreement, MidMar is obligated to pay the Company 87% of the net revenue received by MidMar for all components of the Company's dedicated gas, including the liquid hydrocarbons, and the sale of residue gas, in each case extracted, recovered or otherwise processed at MidMar's gas processing plant, and 94.56% of the net revenue received by MidMar from the sale of such gas components and residue gas, extracted, recovered or otherwise processed at Chevron's Headlee plant. For the six months ended June 30, 2012, MidMar paid the Company $1,202,946. For the six months ended June 30, 2011, MidMar through its affiliate, paid the Company $759,201. As of June 30, 2012 and December 31, 2011, MidMar owed the Company $269,880 and $461,956, respectively, for the Company's portion of the net proceeds from the sale of gas, gas products and residue gas.

Midland Lease

Effective May 15, 2011, the Company occupied corporate office space in Midland, Texas under a lease with a five-year term. The office space is owned by an entity controlled by an affiliate of Wexford. For the six months ended June 30, 2012 and 2011, the Company paid $71,525 and $8,067, respectively. The current monthly rent under the lease will increase approximately 4% annually on June 1 of each year during the lease term.

Oklahoma City Lease

Effective January 1, 2012, the Company occupied corporate office space in Oklahoma City, Oklahoma under a lease with a 67 month term. The office space is owned by an entity controlled by an affiliate of Wexford. For the six months ended June 30, 2012, the Company paid $206,429 under this lease. The current monthly rent under the lease will increase $2.00 per square foot on August 1, 2012 with no further escalations for the remaining term of the lease.

Reliance on Wexford

As discussed in Note 1, the Company is controlled by Wexford. Management believes the credit facility combined with the cash flow generated from operations will be sufficient to sustain the Company's operations; however, if additional financing is required management will seek additional sources which could include Wexford. During the six months ended June 30, 2012, Wexford provided certain professional services to the Company, for which the Company was billed $94,239. As of June 30, 2012, the Company owed Wexford $46,790, and this amount is included in accounts payable-related party in the accompanying consolidated balance sheets. The Company did not incur any costs for technical services from Wexford during the six months ended June 30, 2011.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

11. Commitments and Contingencies

The Company could be subject to various possible loss contingencies which arise primarily from interpretation of federal and state laws and regulations affecting the natural gas and crude oil industry. Such contingencies include differing interpretations as to the prices at which natural gas and crude oil sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Management believes it has complied with the various laws and regulations, administrative rulings and interpretations.

In March 2011, the Company began leasing field office space in Midland, Texas from an unrelated party. The lease term is 84 months with equal monthly installments that escalate 3% annually on March 1st of each year. In May 2011, the Company began leasing corporate office space in Midland, Texas from an entity controlled by an affiliate of Wexford with a lease term of five years. In January 2012, the Company began leasing corporate office space in Oklahoma City, Oklahoma from an entity controlled by an affiliate of Wexford with a lease term of 67 months. (See Note 10)

Future minimum lease payments for these leases are as follows as of June 30, 2012:

2012	$ 212,615
2013	422,629
2014	429,816
2015	438,179
2016	385,608
Thereafter	306,100
Total	$ 2,269,854

Rent expense for the six months ended June 30, 2012 and 2011 was $287,895 and $10,729, respectively.

12. Subsequent Events

The Company has evaluated the period after June 30, 2012 through August 17, 2012, the date the financial statements were available to be issued, noting no subsequent events or transactions that required recognition or disclosure in the financial statements, other than noted below.

Diamondback Energy LLC (“Diamondback LLC”) is a limited liability company formed on July 3, 2012. Windsor Permian LLC became a wholly owned subsidiary of Diamondback LLC on July 20, 2012. Diamondback is managed and controlled by Wexford.

Windsor Permian LLC and Subsidiaries

Notes to Consolidated Financial Statements-(Continued)
(Unaudited)

As of July 24, 2012, the Company's revolving credit agreement was amended and restated to include Diamondback Energy LLC and its subsidiaries as additional guarantors to the facility. The covenant prohibiting additional indebtedness was also amended to allow the issuance of unsecured debt of up to $250.0 million and, in connection with any such issuance, the reduction of the borrowing base by 25% of the principal amount of such issuance. A borrowing base reduction in connection with such issuance may require a portion of the outstanding principal of the loan to be repaid. The amendment also provided that redemptions of any unsecured debt will be restricted unless certain liquidity requirements are met. Further, the amendment modified certain financial ratios, the current requirements of which are described below.

Financial Covenant	Required Ratio
Ratio of EBITDAX to interest expense	Not less than 2.5 to 1.0
Ratio of total debt to EBITDAX	Not greater than 4.5 to 1.0
Ratio of total debt to EBITDAX (after closing date of this offering)	Not greater than 4.0 to 1.0
Ratio of debt under revolving credit agreement to EBITDAX	Not greater than 3.0 to 1.0
Ratio of current assets to liabilities	Not less than 1.0 to 1.0

On July 20, 2012 and August 10, 2012, the Company borrowed an additional $4.0 million and $6.4 million, respectively, under the subordinated note with an affiliate of Wexford.

Report of Independent Certified Public Accountants

Members
Windsor UT LLC

We have audited the accompanying balance sheets of Windsor UT LLC (a Delaware limited liability company) as of December 31, 2011 and 2010, and the related statements of operations, changes in members' equity and cash flows for the year ended December 31, 2011 and the period from inception (April 28, 2010) to December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Windsor UT LLC as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the year ended December 31, 2011 and the period from inception (April 28, 2010) to December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Oklahoma City, Oklahoma
May 1, 2012

Windsor UT LLC

Balance Sheets

	December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 156,733	$ 29,536
Accounts receivable-related party	214,633	—
Total current assets	371,366	29,536
Property and equipment		
Oil and natural gas properties, at cost, based on the full cost method of accounting ($2,796,065 and $7,144,265 excluded from amortization at December 31,2011 and 2010, respectively)	14,321,344	9,458,667
Accumulated depletion, depreciation and amortization	(198,712)	—
	14,122,632	9,458,667
Prepaid drilling costs-related party	—	251,715
Total assets	$ 14,493,998	$ 9,739,918
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 395	$ 1,100
Accounts payable–related party	279,988	15,849
Total current liabilities	280,383	16,949
Asset retirement obligations	24,267	14,436
Total liabilities	304,650	31,385
Commitments and contingencies (Note 6)		
Members' equity	14,189,348	9,708,533
Total liabilities and members' equity	$ 14,493,998	$ 9,739,918

See accompanying notes to financial statements.

Windsor UT LLC

Statements of Operations

	Year Ended December 31, 2011	Period from Inception (April 28, 2010) to December 31, 2010
Revenues:		
Oil sales-related party	$ 694,666	$ —
Total revenues	694,666	—
Costs and expenses:		
Lease operating expenses	251,824	—
Production taxes	32,016	—
Depreciation, depletion and amortization	198,712	—
General and administrative expenses	37,044	—
Asset retirement obligation accretion expense	1,255	—
Total costs and expenses	520,851	—
Net income	$ 173,815	$ —

See accompanying notes to financial statements.

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Windsor UT LLC

Statement of Changes in Members' Equity

	Total members' equity
Balance at inception (April 28, 2010)	$ —
Contributions	9,708,533
Balance at December 31, 2010	9,708,533
Contributions	4,307,000
Net income	173,815
Balance at December 31, 2011	$ 14,189,348

See accompanying notes to financial statements.

Windsor UT LLC

Statements of Cash Flows

	Year Ended December 31, 2011	Period from Inception (April 28, 2010) to December 31, 2010
Cash flows from operating activities:		
Net income	$ 173,815	$ —
Adjustments to reconcile net income to net cash provided by operating activities:		
Asset retirement obligation accretion expense	1,255	—
Depreciation, depletion, and amortization	198,712	—
Changes in operating assets and liabilities:		
Accounts receivable-related party	(214,633)	—
Accounts payable and accrued liabilities	(705)	1,100
Accounts payable and accrued liabilities-related party	55,102	15,849
Net cash provided by operating activities	213,546	16,949
Cash flows from investing activities:		
Additions to oil and natural gas properties-related party	(4,393,349)	(2,102,413)
Net cash used in investing activities	(4,393,349)	(2,102,413)
Cash flows from financing activities:		
Contributions by members	4,307,000	2,115,000
Net cash provided by financing activities	4,307,000	2,115,000
Net increase in cash and cash equivalents	127,197	29,536
Cash and cash equivalents at beginning of period	29,536	—
Cash and cash equivalents at end of period	$ 156,733	$ 29,536
Supplemental cash flow information		
Asset retirement obligation incurred, including changes in estimate	$ 8,576	$ 14,436
Property contributed	$ —	$ 7,593,533

See accompanying notes to financial statements.

Windsor UT LLC

Notes to Financial Statements

1. Organization

Windsor UT LLC ("the Company") is a limited liability company formed on April 28, 2010 to acquire, produce, develop and exploit oil and natural gas properties. As a limited liability company, the members of the Company are not liable for the liabilities or other obligations of the Company. The Company is wholly owned by investment funds which are controlled and managed by Wexford Capital LP ("Wexford").

The Company is engaged in the acquisition, exploitation, development and production of oil and natural gas properties and related sale of oil, natural gas and natural gas liquids. The Company's reserves are located in the Southern region of the United States. The Company's results of operations are largely dependent on the difference between the prices received for its oil, natural gas and natural gas liquids and the cost to find, develop, produce and market such resources. Oil and natural gas prices are subject to fluctuations in response to changes in supply, market uncertainty and a variety of other factors beyond the Company's control. These factors include worldwide political instability, quantity of natural gas in storage, foreign supply of oil and natural gas, the price of foreign imports, the level of consumer demand and the price of available alternative fuels, among others. The Company was a development stage enterprise at December 31, 2010.

2. Summary of Significant Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

Certain amounts included in or affecting the Company's financial statements and related disclosures must be estimated by management, requiring certain assumptions to be made with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared. These estimates and assumptions affect the amounts the Company reports for assets and liabilities and the Company's disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The Company evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods the Company considers reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and assumptions include estimates of proved reserve quantities and related estimates of the present value of future net revenues, the carrying value of oil and gas properties and asset retirement obligations.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less and money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of receivables for oil and natural gas production delivered to purchasers. Those purchasers remit payment for production to the operator of the respective producing properties and the operator, in turn, remits payment to the Company. As discussed in Note 5, the Company's oil and natural gas properties are contractually operated by an affiliate. Most payments are received within three months after the production date.

Windsor UT LLC

Notes to Financial Statements-(Continued)

Accounts receivable are stated at amounts due from purchasers, net of an allowance for doubtful accounts when the Company believes collection is doubtful. Accounts receivable outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the debtor's current ability to pay its obligation to the Company, the condition of the general economy and the industry as a whole. The Company writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. No allowance was deemed necessary at December 31, 2011 or 2010.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables and payables. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value because of the short-term nature of the instruments.

Oil and Natural Gas Properties

The Company accounts for its oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration, and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals are capitalized. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless the ratio of cost to proved reserves would significantly change. Depletion of evaluated oil and natural gas properties is computed on the units of production method based on proved reserves. The average depletion rate per barrel equivalent unit of production was $26.11 for the year ended December 31, 2011 and because the Company did not have any production in 2010 there was no depletion for the period ended December 31, 2010. Depreciation, depletion and amortization expense for oil and natural gas properties was $198,712 for the year ended December 31, 2011, and there was no expense for the period ended December 31, 2010.

The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10%. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion, amortization and impairment exceed the discounted future net revenues of proved oil and natural gas reserves, the excess capitalized costs are charged to expense. No impairment on proved oil and natural gas properties was recorded for the periods ended December 31, 2011 or 2010.

Costs associated with unevaluated properties are excluded from the full cost pool until the Company has made a determination as to the existence of proved reserves. The Company assesses all items classified as unevaluated property on an annual basis for possible impairment. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization. The inclusion of the Company's unevaluated costs into the amortization base is expected to be completed within three years.

Windsor UT LLC

Notes to Financial Statements-(Continued)

Revenue Recognition

Oil and natural gas revenues are recorded when title passes to the purchaser, net of royalty interests, discounts and allowances, as applicable. The Company accounts for oil and natural gas production imbalances using the sales method, whereby a liability is recorded when the Company's overtake volumes exceed its estimated remaining recoverable reserves. No receivables are recorded for those wells where the Company has taken less than its ownership share of production. The Company did not have any gas imbalances as of December 31, 2011 and 2010.

Concentrations

During the year period ended December 31, 2011, the Company sold its production to one purchaser. Windsor Midstream LLC, an entity controlled by Wexford, accounted for 100% of the oil revenue. The Company believes there are other crude oil purchasers to whom it would be able to sell its oil if the current purchaser discontinued purchasing from the Company.

Environmental Compliance and Remediation

Environmental compliance and remediation costs, including ongoing maintenance and monitoring, are expensed as incurred. Liabilities are accrued when environmental assessments and remediation are probable, and the costs can be reasonably estimated.

Income Taxes

The operations of the Company, as a limited liability company, is not subject to federal income taxes. As appropriate, the taxable income or loss applicable to operations is included in the federal income tax returns of the respective owners and no income tax effect is included in the accompanying financial statements. The Company is subject to margin tax in the state of Texas. During the periods ended December 31, 2011 and 2010, there was no margin tax expense. The Company's 2010 federal income tax and state margin tax returns remain open to examination by tax authorities. As of December 31, 2011 and 2010, the Company has no unrecognized tax benefits that would have a material impact on the effective rate. The Company is continuing its practice of recognizing interest and penalties related to income tax matters as interest expense and general and administrative expenses, respectively. During the periods ended December 31, 2011 and 2010 there was no interest or penalties associated with uncertain tax positions in the Company's financial statements.

Recently issued accounting standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS," which provides a consistent definition of fair value and common requirements for measurement of and disclosure about fair value between U.S. GAAP and International Financial Reporting Standards. This new guidance changes some fair value measurement principles and disclosure requirements, but does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The update is effective for annual periods beginning after December 15, 2011. The adoption of this guidance will not have a significant impact on the Company's financial position, results of operations or cash flow.

Windsor UT LLC

Notes to Financial Statements-(Continued)

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income: Presentation of Comprehensive Income," which provides amendments to FASB ASC Topic 220, "Comprehensive Income" ("FASB ASC 220"). The purpose of the amendments in this update is to provide a more consistent method of presenting non-owner transactions that affect an entity's equity. The amendments eliminate the option to report other comprehensive income and its components in the statement of changes in equity and require an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. In December 2011, the FASB issued Accounting Standards Update 2011-12 which defers the requirement in Accounting Standards Update 2011-05 that companies present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. Both amendments are effective for interim and annual periods beginning after December 15, 2011 and should be applied retrospectively. The adoption of this guidance will not have a significant impact on the Company's financial position, results of operations or cash flow.

3. Property and Equipment

Property and equipment includes the following:

	December 31, 2011	December 31, 2010
Oil and natural gas properties:		
Subject to depletion	$ 11,525,279	$ 2,314,402
Not subject to depletion-acquisition costs		
Incurred in 2011	490,007	—
Incurred in 2010	2,306,058	7,144,265
Total not subject to depletion	2,796,065	7,144,265
Gross oil and natural gas properties	14,321,344	9,458,667
Less accumulated depreciation, depletion and amortization	(198,712)	—
Oil and natural gas properties, net	$ 14,122,632	$ 9,458,667

4. Asset Retirement Obligations

The Company measures the future cost to retire its tangible long-lived assets and recognizes such cost as a liability in accordance with ASC Topic 410, *Asset Retirement and Environmental Obligations* ("ASC Topic 410"), which provides accounting and reporting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or normal operation of a long-lived asset.

ASC Topic 410 requires companies to record a liability relating to the retirement and removal of assets used in their businesses. For the Company, asset retirement obligations represent the future abandonment costs of tangible assets, namely wells. ASC Topic 410 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred if a reasonable estimate of fair value can be made and that the corresponding cost be capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, the difference is recorded in oil and natural gas properties.

Windsor UT LLC

Notes to Financial Statements-(Continued)

A reconciliation of the asset retirement obligation is as follows:

	Year Ended December 31, 2011	Period from Inception (April 28, 2010) to December 31, 2010
Asset retirement obligation, beginning of period	$ 14,436	$ —
Additional liability incurred	8,576	14,436
Accretion expense	1,255	—
Asset retirement obligation, end of period	24,267	14,436
Less current portion	—	—
Asset retirement obligation, long-term	$ 24,267	$ 14,436

5. Related Party Transactions

Administrative Services

An entity under common management provided technical, administrative and payroll services to the Company under a shared services agreement which began April 28, 2010. The reimbursement amount for indirect expenses is determined by the affiliate's management based on estimates of office space provided and time devoted to the Company. During the periods ended December 31, 2011 and 2010, the Company incurred total costs of $90,127 and $12,879, respectively. Costs incurred unrelated to drilling activities are expensed and costs incurred in the acquisition, exploration, and development of oil and natural gas properties have been capitalized. The expensed costs were partially offset in general and administrative expenses by overhead reimbursements of $57,250 and $14,437 for the periods ended December 31, 2011 and 2010, respectively which were received through the related party operator discussed below. As of December 31, 2011 and December 31, 2010, the Company owed the administrative services affiliate $3,864 and $709, respectively and such amounts are included in accounts payable-related party in the accompanying balance sheets.

Operating Services

An entity under common management operates the oil and natural gas properties in which the Company has working and revenue interests. As operator of these properties, this entity is responsible for the daily operations, monthly operation billings and monthly revenue disbursements for the properties. As of December 31, 2011 and 2010 the Company has an accounts payable balance to this entity of $276,124 and $15,140, respectively.

As of December 31, 2010, $251,715 was prepaid to the operator for prepaid drilling costs and as of December 31, 2011 there were no amounts prepaid for drilling costs to the operator. This amount is included in prepaid drilling costs-related party in the accompanying balance sheets.

Marketing Services

An entity under common management purchases and receives all of the Company's oil volumes. The Company's revenues from the affiliate during year ended December 31, 2011 were $694,666. As of December 31, 2011 the Company had an accounts receivable balance with the affiliate of $214,633.

Reliance on Wexford

As discussed in Note 1, the Company is wholly owned by investment funds which are controlled and managed by Wexford. Management believes cash flows generated from operations will be sufficient to sustain the Company's

Windsor UT LLC

Notes to Financial Statements-(Continued)

operations through the end of 2012; however, if additional financing is required to continue to develop our properties management will seek additional sources which could include Wexford.

6. Commitments and Contingencies

The Company could be subject to various possible loss contingencies which arise primarily from interpretation of federal and state laws and regulations affecting the natural gas and crude oil industry. Such contingencies include differing interpretations as to the prices at which natural gas and crude oil sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Management believes it has complied with the various laws and regulations, administrative rulings and interpretations.

7. Subsequent Events

The Company has evaluated the period after December 31, 2011 through May 1, 2012 the date the financial statements were available to be issued, noting no subsequent events or transactions that required recognition or disclosure in the financial statements, other than noted below.

Wexford has agreed in principle to cause all the outstanding equity interests in the Company to be contributed to Windsor Permian LLC, an entity under common control. This contribution will close prior to the initial public offering of Diamondback Energy Inc. which will be the parent of Windsor Permian LLC.

8. Supplemental Information on Oil and Natural Gas Operations (Unaudited)

The following supplemental unaudited information regarding the oil and natural gas activities of the Company is presented pursuant to the disclosure requirements promulgated by the United States Securities and Exchange Commission (the “SEC”) and the FASB ASU 2010-03, “Extractive Activities-Oil and Gas (Topic 932)”. The reserve reports were prepared in accordance with guidelines established by the SEC and, accordingly, were based on existing economic and operating conditions.

Proved oil and natural gas reserve estimates as of December 31, 2010 were prepared by Pinnacle Energy Services, LLC and as of December 31, 2011 were prepared by Ryder Scott Company L.P., both independent petroleum engineers.

There are numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be precisely measured and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered.

The Company’s oil and natural gas reserves are attributable solely to properties within the United States.

Windsor UT LLC

Notes to Financial Statements-(Continued)

Costs incurred in oil and natural gas property acquisition, exploration and development activities are as follows:

	Year Ended December 31, 2011	2010
Acquisition costs:		
Proved properties	$ —	$ —
Unproved properties	490,029	7,536,554
Development costs	2,712,638	1,381,594
Exploration costs	1,651,434	526,083
Capitalized asset retirement costs	8,576	14,436
Total	$ 4,862,677	$ 9,458,667

Results of Operations from Oil and Natural Gas Producing Activities

The Company's results of operations from oil and natural gas producing activities are presented below for year ended December 31, 2011. It does not include any interest costs or general and administrative costs and, therefore, is not necessarily indicative of the contribution to net operating results of our oil, natural gas and natural gas liquids operations.

	Year Ended December 31, 2011
Oil sales	$ 694,666
Lease operating expenses	(251,824)
Production taxes	(32,016)
Depreciation, depletion and amortization	(198,712)
Results of operations from oil, natural gas and natural gas liquids	$ 212,114

Windsor UT LLC

Notes to Financial Statements-(Continued)

Oil and Natural Gas Reserves

The changes in estimated proved reserves are as follows:

	Oil (Bbls)	Natural Gas Liquids (Bbls)	Natural Gas (Mcf)
Proved Developed and Undeveloped Reserves:			
As of Inception (April 28, 2010)			
Extensions and discoveries	811,110	268,989	1,032,360
Revisions of previous estimates	—	—	—
Purchase of reserves in place	—	—	—
Production	—	—	—
Sales of reserves in place	—	—	—
As of December 31, 2010	811,110	268,989	1,032,360
Extensions and discoveries	93,495	18,373	59,855
Revisions of previous estimates	486,613	(1,076)	(159,615)
Purchase of reserves in place	—	—	—
Production	(7,611)	—	—
Sales of reserves in place	—	—	—
As of December 31, 2011	1,383,607	286,286	932,600
Proved Developed Reserves:			
December 31, 2010	63,910	21,215	81,420
December 31, 2011	143,808	30,392	99,004
Proved Undeveloped Reserves:			
December 31, 2010	747,200	247,774	950,940
December 31, 2011	1,239,799	255,894	833,596

As of December 31, 2011 and 2010 reserves were computed using the trailing 12-month unweighted average of the first-day-of-the-month prices, in accordance with the SEC guidelines applicable to reserves estimates.

Revisions represent changes in previous reserves estimates, either upward or downward, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors, such as commodity prices, operating costs or development costs.

Standardized Measure of Discounted Future Net Cash Flows

The following information has been prepared in accordance with the provisions of the FASB ASU 2010-03, "Extractive Activities—Oil and Gas (Topic 932)." As of December 31, 2011 and 2010 the standardized measure of discounted future net cash flows are based on the trailing 12-month unweighted average, first-day-of-the-month prices.

The projections should not be viewed as realistic estimates of future cash flows, nor should the "standardized measure" be interpreted as representing current value to the Company. Material revisions to estimates of proved reserves may occur in the future; development and production of the reserves may not occur in the periods assumed; actual prices realized are expected to vary significantly from those used; and actual costs may vary.

Windsor UT LLC

Notes to Financial Statements-(Continued)

The Company's investment and operating decisions are not based on the information presented, but on a wide range of reserve estimates that include probable as well as proved reserves and on different price and cost assumptions.

The standardized measure is intended to provide a better means for comparing the value of the Company's proved reserves at a given time with those of other oil and gas producing companies than is provided by a comparison of raw proved reserve quantities.

	December 31,	
	2011(1)	2010
Future cash inflows	$ 148,561,281	$ 79,406,680
Future development costs	(36,600,000)	(22,100,000)
Future production costs	(38,872,202)	(19,203,120)
Future production taxes	(7,410,910)	(4,102,820)
Future net cash flows	65,678,169	34,000,740
10% discount to reflect timing of cash flows	(48,085,065)	(25,357,600)
Standardized measure of discounted future net cash flows	$ 17,593,104	$ 8,643,140

(1) 2011 amounts have been revised from those previously reported to reflect reserve report changes, primarily relating to the timing of development of proved undeveloped reserves.

In the table below the average price for oil, natural gas and natural gas liquids is presented, all utilized in the computation of future cash inflows.

	December 31,	
	2011	2010
Oil (per Bbl)	$92.99	$78.76
Natural gas (per Mcf)	$ 3.92	$ 4.26
Natural gas liquids (per Bbl)	$56.74	$41.34

Windsor UT LLC

Notes to Financial Statements-(Continued)

Principal changes in the standardized measure of discounted future net cash flows attributable to the Company's proved reserves are as follows:

	Year Ended December 31, 2011	2010
Standardized measure of discounted future net cash flows at the beginning of the period	$ 8,643,140	$ —
Sales of oil and natural gas, net of production costs	(410,826)	—
Net changes in prices and production costs	1,883,765	—
Purchase of minerals in place	—	—
Previously estimated development costs incurred during the period	4,364,072	1,907,677
Extensions and discoveries, net of future development costs	4,195,434	6,735,463
Change in estimated future development costs	(5,864,072)	—
Revisions of previous quantity estimates	1,899,993	—
Sales of reserves in place	—	—
Accretion of discount	864,314	—
Net changes in timing of production and other[1]	2,017,284	—
Standardized measure of discounted future net cash flows at the end of the period[1]	$ 17,593,104	$ 8,643,140

(1) 2011 amounts have been revised from those previously reported to reflect reserve report changes, primarily relating to the timing of development of proved undeveloped reserves.

Windsor UT LLC

Balance Sheets

	June 30, 2012 (Unaudited)	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 274,749	$ 156,733
Accounts receivable-oil sales	70,285	—
Accounts receivable-related party	—	214,633
Total current assets	345,034	371,366
Property and equipment		
Oil and natural gas properties, at cost, based on the full cost method of accounting ($2,788,607 and 2,796,065 excluded from amortization at June 30, 2012 and December 31, 2011, respectively)	14,541,486	14,321,344
Accumulated depletion, depreciation and amortization	(378,668)	(198,712)
	14,162,818	14,122,632
Total assets	$ 14,507,852	$ 14,493,998
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ —	$ 395
Accounts payable and accrued liabilities—related party	132,864	279,988
Total current liabilities	132,864	280,383
Asset retirement obligations	25,167	24,267
Total liabilities	158,031	304,650
Commitments and contingencies (Note 6)		
Members' equity	14,349,821	14,189,348
Total liabilities and members' equity	$ 14,507,852	$ 14,493,998

See accompanying notes to financial statements.

Windsor UT LLC

Statements of Operations
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenues:		
Oil sales	$622,697	$ —
Oil sales–related party	—	129,449
Total revenues	622,697	129,449
Costs and expenses:		
Lease operating expenses	183,443	139,566
Production taxes	28,699	—
Production taxes–related party	—	5,965
Depreciation, depletion and amortization	179,956	27,724
General and administrative expenses	34,403	1,566
General and administrative expenses–related party	34,823	376
Asset retirement obligation accretion expense	900	537
Total costs and expenses	462,224	175,734
Net income (loss)	$160,473	$ (46,285)

See accompanying notes to financial statements.

Windsor UT LLC

Statement of Changes in Members' Equity
(Unaudited)

	Total members' equity
Balance at January 1, 2012	$ 14,189,348
Net income	160,473
Balance at June 30, 2012	$ 14,349,821
Balance at January 1, 2011	$ 9,708,533
Contributions	1,182,000
Net loss	(46,285)
Balance at June 30, 2011	$ 10,844,248

See accompanying notes to financial statements.

Windsor UT LLC

Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash flows from operating activities:		
Net income (loss)	$ 160,473	$ (46,285)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Asset retirement obligation accretion expense	900	537
Depreciation, depletion, and amortization	179,956	27,724
Changes in operating assets and liabilities:		
Accounts receivable	144,348	(35,160)
Accounts payable and accrued liabilities	(395)	(1,100)
Accounts payable and accrued liabilities-related party	(42,388)	129,697
Net cash provided by operating activities	442,894	75,413
Cash flows from investing activities:		
Additions to oil and natural gas properties-related party	(324,878)	(1,183,972)
Net cash used in investing activities	(324,878)	(1,183,972)
Cash flows from financing activities:		
Contributions by members	—	1,182,000
Net cash provided by financing activities	—	1,182,000
Net increase in cash and cash equivalents	118,016	73,441
Cash and cash equivalents at beginning of period	156,733	29,536
Cash and cash equivalents at end of period	$ 274,749	$ 102,977

See accompanying notes to financial statements.

Windsor UT LLC

Notes to Financial Statements
(Unaudited)

1. Organization

Windsor UT LLC ("the Company") is a limited liability company formed on April 28, 2010 to acquire, produce, develop and exploit oil and natural gas properties. As a limited liability company, the members of the Company are not liable for the liabilities or other obligations of the Company. The Company is controlled by Wexford Capital LP ("Wexford").

The Company is engaged in the acquisition, exploitation, development and production of oil and natural gas properties and related sale of oil, natural gas and natural gas liquids. The Company's reserves are located in the Southern region of the United States. The Company's results of operations are largely dependent on the difference between the prices received for its oil, natural gas and natural gas liquids and the cost to find, develop, produce and market such resources. Oil and natural gas prices are subject to fluctuations in response to changes in supply, market uncertainty and a variety of other factors beyond the Company's control. These factors include worldwide political instability, quantity of natural gas in storage, foreign supply of oil and natural gas, the price of foreign imports, the level of consumer demand and the price of available alternative fuels, among others.

2. Summary of Significant Accounting Policies

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of normal and recurring accruals) considered necessary to present fairly our financial position as of June 30, 2012, and our results of operations, changes in members' equity and cash flows for the six months ended June 30, 2012 and 2011. Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the full year because of the impact of fluctuations in prices received for natural gas and oil, natural production declines, timing of development and exploration activities, the uncertainty of exploration and development drilling results and other factors. For a more complete understanding of our operations, financial position and accounting policies, these financial statements should be read in conjunction with our annual financial statements.

Use of estimates

Certain amounts included in or affecting the Company's financial statements and related disclosures must be estimated by management, requiring certain assumptions to be made with respect to values or conditions that cannot be known with certainty at the time the financial statements are prepared. These estimates and assumptions affect the amounts the Company reports for assets and liabilities and the Company's disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The Company evaluates these estimates on an ongoing basis, using historical experience, consultation with experts and other methods the Company considers reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from the Company's estimates. Any effects on the Company's business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known. Significant items subject to such estimates and

Windsor UT LLC

Notes to Financial Statements-(Continued)
(Unaudited)

assumptions include estimates of proved reserve quantities and related estimates of the present value of future net revenues, the carrying value of oil and gas properties and asset retirement obligations.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments purchased with a maturity of three months or less and money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of receivables for oil and natural gas production delivered to purchasers. Those purchasers remit payment for production to the operator of the respective producing properties and the operator, in turn, remits payment to the Company. As discussed in Note 5, the Company's oil and natural gas properties are contractually operated by an affiliate. Most payments are received within three months after the production date.

Accounts receivable are stated at amounts due from purchasers, net of an allowance for doubtful accounts when the Company believes collection is doubtful. Accounts receivable outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the debtor's current ability to pay its obligation to the Company, the condition of the general economy and the industry as a whole. The Company writes off specific accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. No allowance was deemed necessary at June 30, 2012 or December 31, 2011.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables and payables. The carrying amount of cash and cash equivalents, receivables and payables approximates fair value because of the short-term nature of the instruments.

Oil and Natural Gas Properties

The Company accounts for its oil and natural gas producing activities using the full cost method of accounting. Accordingly, all costs incurred in the acquisition, exploration, and development of proved oil and natural gas properties, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals are capitalized. Sales or other dispositions of oil and natural gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded unless the ratio of cost to proved reserves would significantly change. Depletion of evaluated oil and natural gas properties is computed on the units of production method based on proved reserves. The average depletion rate per barrel equivalent unit of production was $27.42 and $21.33 for the six months ended June 30, 2012 and 2011, respectively. Depreciation, depletion and amortization expense for oil and natural gas properties was $179,956 and $27,724 for the six months ended June 30, 2012 and 2011, respectively.

The net capitalized costs of proved oil and natural gas properties are subject to a full cost ceiling limitation in which the costs are not allowed to exceed their related estimated future net revenues discounted at 10%. To the extent capitalized costs of evaluated oil and natural gas properties, net of accumulated depreciation, depletion,

Windsor UT LLC

Notes to Financial Statements-(Continued)
(Unaudited)

amortization and impairment exceed the discounted future net revenues of proved oil and natural gas reserves, the excess capitalized costs are charged to expense. No impairment on proved oil and natural gas properties was recorded for the six months ended June 30, 2012 or 2011.

Costs associated with unevaluated properties are excluded from the full cost pool until the Company has made a determination as to the existence of proved reserves. The Company assesses all items classified as unevaluated property on an annual basis for possible impairment. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization. The inclusion of the Company's unevaluated costs into the amortization base is expected to be completed within three years.

Revenue Recognition

Oil and natural gas revenues are recorded when title passes to the purchaser, net of royalty interests, discounts and allowances, as applicable. The Company accounts for oil and natural gas production imbalances using the sales method, whereby a liability is recorded when the Company's overtake volumes exceed its estimated remaining recoverable reserves. No receivables are recorded for those wells where the Company has taken less than its ownership share of production. The Company did not have any gas imbalances as of June 30, 2012 or December 31, 2011.

Concentrations

During the six months ended June 30, 2012, the Company sold all of its production to one unaffiliated purchaser. During the six months ended June 30, 2011, the Company sold all of its production to one affiliated purchaser, Windsor Midstream LLC, an entity controlled by Wexford. The Company believes there are other crude oil purchasers to whom it would be able to sell its oil if the current purchaser discontinued purchasing from the Company.

Environmental Compliance and Remediation

Environmental compliance and remediation costs, including ongoing maintenance and monitoring, are expensed as incurred. Liabilities are accrued when environmental assessments and remediation are probable, and the costs can be reasonably estimated.

Income Taxes

The operations of the Company, as a limited liability company, is not subject to federal income taxes. As appropriate, the taxable income or loss applicable to operations is included in the federal income tax returns of the respective owners and no income tax effect is included in the accompanying financial statements. The Company is subject to margin tax in the state of Texas. During the six months ended June 30, 2012 and 2011, there was no margin tax expense. The Company's 2011 and 2010 federal income tax and state margin tax returns remain open to examination by tax authorities. As of June 30, 2012 and December 31, 2011, the Company has no unrecognized tax benefits that would have a material impact on the effective rate. The Company is continuing its practice of recognizing interest and penalties related to income tax matters as interest expense and general and

Windsor UT LLC

Notes to Financial Statements-(Continued)
(Unaudited)

administrative expenses, respectively. During the six months ended June 30, 2012 and 2011 no interest or penalties associated with uncertain tax positions was recognized in the Company's financial statements.

New Pronouncements Issued but Not Yet Adopted

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, which increases disclosures about offsetting assets and liabilities. New disclosures are required to enable users of financial statements to understand significant quantitative differences in balance sheets prepared under GAAP and International Financial Reporting Standards related to the offsetting of financial instruments. The existing GAAP guidance allowing balance sheet offsetting, including industry-specific guidance, remains unchanged. The guidance in ASU No. 2011-11 is effective for annual and interim reporting periods beginning on or after January 1, 2013. The disclosures should be applied retrospectively for all prior periods presented. The Company does not expect the adoption of this guidance to have a significant impact on its financial position, results of operations or cash flow.

3. Property and Equipment

Property and equipment includes the following:

	June 30, 2012	December 31, 2011
Oil and natural gas properties:		
Subject to depletion	$ 11,752,779	$ 11,525,279
Not subject to depletion-acquisition costs		
Incurred in 2011	490,007	490,007
Incurred in 2010	2,298,600	2,306,058
Total not subject to depletion	2,788,607	2,796,065
Gross oil and natural gas properties	14,541,486	14,321,344
Less accumulated depreciation, depletion and amortization	(378,668)	(198,712)
Oil and natural gas properties, net	$ 14,162,818	$ 14,122,632

4. Asset Retirement Obligations

The Company measures the future cost to retire its tangible long-lived assets and recognizes such cost as a liability in accordance with ASC Topic 410, *Asset Retirement and Environmental Obligations* ("ASC Topic 410"), which provides accounting and reporting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or normal operation of a long-lived asset.

ASC Topic 410 requires companies to record a liability relating to the retirement and removal of assets used in their businesses. For the Company, asset retirement obligations represent the future abandonment costs of tangible assets, namely wells. ASC Topic 410 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred if a reasonable estimate of fair value can be made and that the corresponding cost be capitalized as part of the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful

Windsor UT LLC

Notes to Financial Statements-(Continued)
(Unaudited)

life of the related asset. If the liability is settled for an amount other than the recorded amount, the difference is recorded in oil and natural gas properties.

A reconciliation of the asset retirement obligation is as follows:

	For the Six Months Ended June 30,	
	2012	2011
Asset retirement obligation, beginning of period	$24,267	$14,436
Additional liability incurred	—	—
Accretion expense	900	537
Asset retirement obligation, end of period	25,167	14,973
Less current portion	—	—
Asset retirement obligation, long-term	$25,167	$14,973

5. Related Party Transactions

Administrative Services

An entity under common management provided technical, administrative and payroll services to the Company under a shared services agreement which began April 28, 2010. The reimbursement amount for indirect expenses is determined by the affiliate's management based on estimates of office space provided and time devoted to the Company. During the six months ended June 30, 2012 and 2011, the Company incurred total costs of $59,594 and $14,887, respectively. Costs incurred unrelated to drilling activities are expensed and costs incurred in the acquisition, exploration, and development of oil and natural gas properties have been capitalized. The expensed costs were partially offset in general and administrative expenses by overhead reimbursements of $25,191 and $17,111 for the six months ended June 30, 2012 and 2011, respectively which were received through the related party operator discussed below. As of June 30, 2012 and December 31, 2011, the Company owed the administrative services affiliate $76 and $3,864, respectively and such amounts are included in accounts payable-related party in the accompanying balance sheets.

Operating Services

An entity under common management operates the oil and natural gas properties in which the Company has working and revenue interests. As operator of these properties, this entity is responsible for the daily operations, monthly operation billings and monthly revenue disbursements for the properties. As of June 30, 2012 and December 31, 2011 the Company has an accounts payable balance to this entity of $132,787 and $276,124, respectively.

Marketing Services

Through December 31, 2011 an entity under common management purchased and received all of the Company's oil volumes. The Company's revenues from the affiliate during six months ended June 30, 2011 were $129,449. As of December 31, 2011 the Company had an accounts receivable balance with the affiliate of $214,633. Effective January 1, 2012 the agreement with the affiliate was terminated and none of the Company's oil volumes are sold to the affiliate.

Windsor UT LLC

Notes to Financial Statements-(Continued)
(Unaudited)

Reliance on Wexford

As discussed in Note 1, the Company is controlled by Wexford. Management believes cash flows generated from operations will be sufficient to sustain the Company’s operations through the end of 2012; however, if additional financing is required to continue to develop our properties, management will seek additional sources which could include Wexford.

6. Commitments and Contingencies

The Company could be subject to various possible loss contingencies which arise primarily from interpretation of federal and state laws and regulations affecting the natural gas and crude oil industry. Such contingencies include differing interpretations as to the prices at which natural gas and crude oil sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Management believes it has complied with the various laws and regulations, administrative rulings and interpretations.

7. Subsequent Events

The Company has evaluated the period after June 30, 2012 through August 17, 2012, the date the financial statements were available to be issued, noting no subsequent events or transactions that required recognition or disclosure in the financial statements, other than noted below.

Wexford has agreed in principle to cause all the outstanding equity interests in the Company to be contributed to Windsor Permian LLC, an entity under common control. This contribution will close prior to the initial public offering of Diamondback Energy, Inc. which will be the parent of Windsor Permian LLC.

Report of Independent Certified Public Accountants

Board of Directors
Gulfport Energy Corporation

We have audited the accompanying statements of revenues and direct operating expenses of working and revenue interests of certain oil and gas properties (the "Properties") owned by Gulfport Energy Corporation ("Gulfport") for the years ended December 31, 2011 and 2010. These statements are the responsibility of Gulfport's management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, the accompanying statements are prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete financial presentation.

In our opinion, the statements referred to above present fairly, in all material respects, the revenues and direct operating expenses as described in Note A for the years ended December 31, 2011 and 2010.

/s/ Grant Thornton LLP

Oklahoma City, Oklahoma
April 24, 2012

**CERTAIN PROPERTY INTERESTS OF
GULFPORT ENERGY CORPORATION**

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

	Year Ended December 31, 2011	Year Ended December 31, 2010
Revenues:		
Oil and gas sales	$ 23,052,000	$ 14,088,000
Direct operating expenses		
Lease operating expenses	5,484,000	2,375,000
Production taxes	1,276,000	806,000
Total direct operating expenses	6,760,000	3,181,000
Revenues in excess of direct operating expenses	$ 16,292,000	$ 10,907,000

See accompanying notes to statements of revenues and direct operating expenses.

CERTAIN PROPERTY INTERESTS OF
GULFPORT ENERGY CORPORATION

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE A—BASIS OF PRESENTATION

The accompanying statements present the revenues and direct operating expenses of working and revenue interests of certain oil and natural gas properties located in the Permian Basin of West Texas (the “Properties”) owned by Gulfport Energy Corporation (“Gulfport”) for the years ended December 31, 2011 and 2010.

The accompanying statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of Gulfport. Such amounts may not be representative of future operations. The statements do not include depreciation, depletion and amortization, general and administrative expenses, income taxes or interest expense.

Historical financial statements reflecting financial position, results of operations and cash flows required by accounting principles generally accepted in the United States of America are not presented as such information is not readily available on an individual property basis. Accordingly, the historical statements of revenues and direct operating expenses of the Properties are presented in lieu of the financial statements required under Rule 3-05 of the Securities and Exchange Commission Regulation S-X.

NOTE B—SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of the accompanying statements in conformity with generally accepted accounting principles requires making estimates and assumptions that affect the reported amounts of revenues and direct operating expenses during the reporting period. The estimates include oil and gas revenue accruals and reserve quantities. It is emphasized that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Actual results could materially differ from these estimates.

Revenue recognition

Oil and natural gas revenues are recorded when title passes to the purchaser, net of royalty interests, discounts and allowances, as applicable.

NOTE C—SUPPLEMENTAL OIL AND GAS RESERVE INFORMATION (UNAUDITED)

The proved oil and gas reserves attributable to the Properties consist of the estimated quantities of crude oil and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The weighted average prices used for reserve report purposes are $96.19 and $4.12 for December 31, 2011 and $79.43 and $4.38 at December 31, 2010, adjusted for transportation fees and regional price differentials, for oil and natural gas reserves, respectively. The following estimates of proved reserves have been made by the independent engineering firms of Ryder Scott Company L.P. and Pinnacle Energy Services, LLC based on the Gulfport’s net revenue interest for 2011 and 2010, respectively.

Oil and gas reserve quantity estimates are subject to numerous uncertainties inherent in the estimation quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing and production may cause either

CERTAIN PROPERTY INTERESTS OF
GULFPORT ENERGY CORPORATION

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010-(CONTINUED)

upward or downward revision of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating costs. Reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of currently producing oil and gas properties. Accordingly, these estimates are expected to change as additional information becomes available in the future.

	2011		2010	
	Oil (MBbls)	Gas (MMcf)	Oil (MBbls)	Gas (MMcf)
Proved Reserves				
Beginning of the period	12,465	11,926	9,763	10,894
Purchases in oil and gas reserves in place	—	—	3,566	3,341
Extensions and discoveries	981	992	3,701	3,512
Revisions of prior reserve estimates	(2,302)	(599)	(4,365)	(5,565)
Current production	(267)	(272)	(200)	(256)
End of period	10,877	12,047	12,465	11,926
Proved developed reserves	2,803	3,050	2,634	3,048
Proved undeveloped reserves	8,074	8,997	9,831	8,878

Proved developed reserves as of January 1, 2010 were 1,560 MBbls of oil and 2,009 MMcf of gas and proved undeveloped reserves as of January 1, 2010 were 8,203 MBbls of oil and 8,885 MMcf of gas.

Standardized measure of discounted future net cash flows

The standardized measure of discounted future net cash flows is computed by applying unweighted average first-of-the-month prices of oil and natural gas, adjusted for transportation fees and regional price differentials, to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on certain prevailing economic conditions) to be incurred in developing and producing the proved reserves, discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows. Income taxes are excluded because the property interests included represent only a portion of a business for which income taxes are not estimable.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value would also take into account, among other things, probable and possible reserves, anticipated future oil and natural gas prices, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	Year ended December 31,	
	2011	2010
Future cash flows	$ 960,918,000	$ 902,221,000
Future development and abandonment costs	(236,336,000)	(196,265,000)
Future production costs	(166,899,000)	(208,210,000)
Future production taxes	(50,235,000)	(46,605,000)
Future net cash flows	507,448,000	451,141,000
10% discount to reflect timing of cash flows	(305,160,000)	(289,035,000)
Standardized measure of discounted future net cash flows	$ 202,288,000	$ 162,106,000

**CERTAIN PROPERTY INTERESTS OF
GULFPORT ENERGY CORPORATION**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010-(CONTINUED)**

Changes in standardized measure of discounted future net cash flows

	Year ended December 31,	
	2011	2010
Sales and transfers of oil and gas produced, net of production costs	$ (16,292,000)	$ (10,907,000)
Net changes in prices and production costs	72,822,000	49,867,000
Changes in estimated future development costs	(24,733,000)	(12,655,000)
Acquisition of oil and gas reserves in place	—	81,901,000
Extensions and discoveries	29,432,000	84,971,000
Revisions of previous quantity estimates, less related production costs	(71,088,000)	(99,257,000)
Development costs incurred that reduced future development costs	30,888,000	10,000,000
Accretion of discount	16,211,000	9,143,000
Change in production rates and other	2,942,000	(42,389,000)
Total change in standardized measure of discounted future net cash flows	$ 40,182,000	$ 70,674,000
Balance at beginning of year	$ 162,106,000	$ 91,432,000
Balance at end of year	$ 202,288,000	$ 162,106,000

NOTE D—SUBSEQUENT EVENTS

Gulfport has evaluated the period after December 31, 2011 through April 24, 2012, the date the statements of revenues and direct operating expenses were available to be issued, noting no subsequent events or transactions that required recognition or disclosure in the statements of revenues and direct operating expenses.

**CERTAIN PROPERTY INTERESTS OF
GULFPORT ENERGY CORPORATION**

**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
(Unaudited)**

	Six Months Ended June 30,	
	2012	**2011**
Revenues:		
Oil and gas sales	$ 14,192,000	$ 10,769,000
Direct operating expenses:		
Lease operating expenses	3,914,000	2,110,000
Production taxes	735,000	580,000
Total direct operating expenses	4,649,000	2,690,000
Revenues in excess of direct operating expenses	$ 9,543,000	$ 8,079,000

See accompanying notes to statements of revenues and direct operating expenses.

**CERTAIN PROPERTY INTERESTS OF
GULFPORT ENERGY CORPORATION**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Unaudited)**

These statements of revenues and direct operating expenses have been prepared by Gulfport Energy Corporation ("Gulfport") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods, on a basis consistent with the annual audited statements of revenues and direct operating expenses. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These statements of revenues and direct operating expenses should be read in conjunction with the annual statements of revenues and direct operating expenses and notes. Results for the six-month period ended June 30, 2012 are not necessarily indicative of the results expected for the full year.

NOTE A—BASIS OF PRESENTATION

The accompanying statements present the revenues and direct operating expenses of working and revenue interests of certain oil and natural gas properties located in the Permian Basin of West Texas (the "Properties") owned by Gulfport for the six-month periods ended June 30, 2012 and 2011.

The accompanying statements of revenues and direct operating expenses are presented on the accrual basis of accounting and were derived from the historical accounting records of Gulfport. Such amounts may not be representative of future operations. The statements do not include depreciation, depletion and amortization, general and administrative expenses, income taxes or interest expense.

Historical financial statements reflecting financial position, results of operations and cash flows required by accounting principles generally accepted in the United States of America are not presented as such information is not readily available on an individual property basis. Accordingly, the historical statements of revenues and direct operating expenses of the Properties are presented in lieu of the financial statements required under Rule 3-05 of the Securities and Exchange Commission Regulation S-X.

NOTE B—SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of the accompanying statements in conformity with generally accepted accounting principles requires making estimates and assumptions that affect the reported amounts of revenues and direct operating expenses during the reporting period. The estimates include oil and gas revenue accruals and reserve quantities. It is emphasized that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Actual results could materially differ from these estimates.

Revenue recognition

Oil and natural gas revenues are recorded when title passes to the purchaser, net of royalty interests, discounts and allowances, as applicable.

**CERTAIN PROPERTY INTERESTS OF
GULFPORT ENERGY CORPORATION**

**NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (CONTINUED)
(Unaudited)**

NOTE C—CONTRIBUTION AGREEMENT

On May 7, 2012, Gulfport entered into a contribution agreement with Diamondback Energy, Inc., ("Diamondback"). Under the terms of the contribution agreement, Gulfport agreed to contribute to Diamondback, prior to the closing of the Diamondback initial public offering ("Diamondback IPO"), all its interests in the Properties in exchange for (i) shares of common stock representing 35% of Diamondback's outstanding common stock immediately prior to the closing of the Diamondback IPO and (ii) $63,590,050 in the form of a non-interest bearing promissory note, which will be repaid in full upon the closing of the Diamondback IPO with a portion of the net proceeds from that offering. The aggregate consideration payable to Gulfport is subject to a post-closing cash adjustment based on changes in the working capital, long-term debt and other items of Windsor Permian LLC ("Windsor Permian") referred to in the contribution agreement as of the date of the contribution. Windsor Permian, an entity controlled by Wexford, is the operator of Gulfport's acreage to be contributed and will be a wholly-owned subsidiary of Diamondback at the time of the contribution. Gulfport's obligation to make this contribution is contingent upon, among other things, the contribution to Diamondback of all the outstanding equity interests in Windsor Permian, Gulfport's satisfaction with the terms of the Diamondback IPO and customary closing conditions. Under the contribution agreement, Gulfport is generally responsible for all liabilities and obligations with respect to the contributed properties arising prior to the contribution and Diamondback is responsible for such liabilities and obligations with respect to the contributed properties arising after the contribution.

In connection with the contribution, Gulfport and Diamondback will enter into an investor rights agreement in which Gulfport will have the right, for so long as it beneficially owns more than 10% of Diamondback's outstanding common stock, to designate one individual as a nominee to serve on Diamondback's board of directors. Such nominee, if elected to Diamondback's board, will also serve on each committee of the board so long as he or she satisfies the independence and other requirements for service on the applicable committee of the board. So long as Gulfport has the right to designate a nominee to Diamondback's board and there is no Gulfport nominee actually serving as a Diamondback director, Gulfport will have the right to appoint one individual as an advisor to the board who shall be entitled to attend board and committee meetings. Gulfport will also be entitled to certain information rights and Diamondback will grant Gulfport certain demand and "piggyback" registration rights obligating Diamondback to register with the SEC any shares of Diamondback common stock that Gulfport owns. If the contribution is completed, Gulfport will own a 35% equity interest in Diamondback immediately prior to the closing of the Diamondback IPO, rather than leasehold interests in Gulfport's Permian Basin acreage.

NOTE D—SUBSEQUENT EVENTS

Gulfport has evaluated the period after June 30, 2012 through August 17, 2012, the date the statements of revenues and direct operating expenses were available to be issued, noting no subsequent events or transactions that required recognition or disclosure in the statements of revenues and direct operating expenses.

Dealer Prospectus Delivery Obligation

Until , 2012 (25 days after commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the fees and expenses in connection with the issuance and distribution of the securities being registered hereunder. Except for the SEC registration fee and FINRA filing fee, all amounts are estimates.

SEC registration fee	$ *
FINRA filing fee	36,813
NASDAQ Global Market listing fee	25,000
Accounting fees and expenses	*
Legal fees and expenses	*
Blue Sky fees and expenses (including counsel fees)	*
Printing and Engraving expenses	*
Transfer Agent and Registrar fees and expenses	*
Miscellaneous expenses	*
Total	$ *

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers.

Limitation of Liability

Section 102(b)(7) of the Delaware General Corporation Law, or the DGCL, permits a corporation, in its certificate of incorporation, to limit or eliminate, subject to certain statutory limitations, the liability of directors to the corporation or its stockholders for monetary damages for breaches of fiduciary duty, except for liability:

- for any breach of the director’s duty of loyalty to the company or its stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- in respect of certain unlawful dividend payments or stock redemptions or repurchases; and
- for any transaction from which the director derives an improper personal benefit.

In accordance with Section 102(b)(7) of the DGCL, Section 9.1 of our certificate of incorporation provides that that no director shall be personally liable to us or any of our stockholders for monetary damages resulting from breaches of their fiduciary duty as directors, except to the extent such limitation on or exemption from liability is not permitted under the DGCL. The effect of this provision of our certificate of incorporation is to eliminate our rights and those of our stockholders (through stockholders’ derivative suits on our behalf) to recover monetary damages against a director for breach of the fiduciary duty of care as a director, including breaches resulting from negligent or grossly negligent behavior, except, as restricted by Section 102(b)(7) of the DGCL. However, this provision does not limit or eliminate our rights or the rights of any stockholder to seek non-monetary relief, such as an injunction or rescission, in the event of a breach of a director’s duty of care.

If the DGCL is amended to authorize corporate action further eliminating or limiting the liability of directors, then, in accordance with our certificate of incorporation, the liability of our directors to us or our stockholders will be eliminated or limited to the fullest extent authorized by the DGCL, as so amended. Any repeal or amendment of provisions of our certificate of incorporation limiting or eliminating the liability of directors, whether by our stockholders or by changes in law, or the adoption of any other provisions inconsistent therewith, will (unless otherwise required by law) be prospective only, except to the extent such amendment or change in law permits us to further limit or eliminate the liability of directors on a retroactive basis.

Indemnification

Section 145 of the DGCL permits a corporation, under specified circumstances, to indemnify its directors, officers, employees or agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by third parties by reason of the fact that they were or are directors, officers, employees or agents of the corporation, if such directors, officers, employees or agents acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, i.e., one by or in the right of the corporation, indemnification may be made only for expenses actually and reasonably incurred by directors, officers, employees or agents in connection with the defense or settlement of an action or suit, and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant directors, officers, employees or agents are fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability

Our certificate of incorporation provides that we will, to the fullest extent authorized or permitted by applicable law, indemnify our current and former directors and officers, as well as those persons who, while directors or officers of our corporation, are or were serving as directors, officers, employees or agents of another entity, trust or other enterprise, including service with respect to an employee benefit plan, in connection with any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, against all expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by any such person in connection with any such proceeding. Notwithstanding the foregoing, a person eligible for indemnification pursuant to our certificate of incorporation will be indemnified by us in connection with a proceeding initiated by such person only if such proceeding was authorized by our board of directors, except for proceedings to enforce rights to indemnification.

The right to indemnification conferred by our certificate of incorporation is a contract right that includes the right to be paid by us the expenses incurred in defending or otherwise participating in any proceeding referenced above in advance of its final disposition, provided, however, that if the DGCL requires, an advancement of expenses incurred by our officer or director (solely in the capacity as an officer or director of our corporation) will be made only upon delivery to us of an undertaking, by or on behalf of such officer or director, to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified for such expenses under our certificate of incorporation or otherwise.

The rights to indemnification and advancement of expenses will not be deemed exclusive of any other rights which any person covered by our certificate of incorporation may have or hereafter acquire under law, our certificate of incorporation, our bylaws, an agreement, vote of stockholders or disinterested directors, or otherwise.

Any repeal or amendment of provisions of our certificate of incorporation affecting indemnification rights, whether by our stockholders or by changes in law, or the adoption of any other provisions inconsistent therewith, will (unless otherwise required by law) be prospective only, except to the extent such amendment or change in law permits us to provide broader indemnification rights on a retroactive basis, and will not in any way diminish or adversely affect any right or protection existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision. Our certificate of incorporation also permits us, to the extent and in the manner authorized or permitted by law, to indemnify and to advance expenses to persons other that those specifically covered by our certificate of incorporation.

Our bylaws include the provisions relating to advancement of expenses and indemnification rights consistent with those set forth in our certificate of incorporation. In addition, our bylaws provide for a right of indemnitee to bring a suit in the event a claim for indemnification or advancement of expenses is not paid in full by us within a specified period of time. Our bylaws also permit us to purchase and maintain insurance, at our expense, to protect us and/or any director, officer, employee or agent of our corporation or another entity, trust or other enterprise against any expense, liability or loss, whether or not we would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Any repeal or amendment of provisions of our bylaws affecting indemnification rights, whether by our board of directors, stockholders or by changes in applicable law, or the adoption of any other provisions inconsistent therewith, will (unless otherwise required by law) be prospective only, except to the extent such amendment or change in law permits us to provide broader indemnification rights on a retroactive basis, and will not in any way diminish or adversely affect any right or protection existing thereunder with respect to any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

We will enter into indemnification agreements with each of our current directors and executive officers. These agreements will require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and executive officers.

Under the Underwriting Agreement, the underwriters are obligated, under certain circumstances, to indemnify directors and officers of the registrant against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or the Securities Act. Reference is made to the form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement.

Item 15. Recent Sales of Unregistered Securities.

In connection with the merger of Diamondback Energy LLC with and into Diamondback Energy, Inc., we will issue   shares of our common stock to DB Holdings. In addition, prior to the closing of this offering, we will issue   shares of our common stock to Gulfport in connection with the Gulfport contribution.

The shares of our common stock described in this Item 15 will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act as sales by an issuer not involving any public offering.

Item 16. Exhibits and Financial Statement Schedules.

(A) Exhibits:

Exhibit Number	Number Description
1.1**	Form of Underwriting Agreement.
3.1*	Certificate of Incorporation of the Company.
3.2**	Form of proposed Amended and Restated Certificate of Incorporation to be effective immediately upon the closing of the offering made pursuant to this registration statement.
3.3*	Bylaws of the Company.
3.4**	Form of proposed Amended and Restated Bylaws to be effective immediately upon the closing of the offering made pursuant to this registration statement.

Exhibit Number	Number Description
4.1**	Specimen Certificate for shares of common stock, par value $0.01 per share, of the Company.
4.2*	Registration Rights Agreement by and among the Company and DB Energy Holdings LLC.
4.3*	Form of Investor Rights Agreement by and between the Company and Gulfport Energy Corporation.
5.1***	Opinion of Akin Gump Strauss Hauer & Feld LLP.
10.1*	Credit Agreement, dated as of October 15, 2010, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.2*	First Amendment to Credit Agreement, dated as of January 31, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.3*	Second Amendment to Credit Agreement, dated as of August 4, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.4*	Third Amendment to Credit Agreement, dated as of October 13, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.5*	Fourth Amendment to Credit Agreement, dated as of December 30, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.6*	Shared Services Agreement, dated as of March 1, 2008, by and between Windsor Energy Resources LLC and Windsor Permian LLC.
10.7*	Lease Agreement, dated as of April 19, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.8*	Lease Amendment No. 1 to Lease Agreement, dated as of June 6, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.9*	Lease Amendment No. 2 to Lease Agreement, dated as of August 5, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.10*	Lease Amendment No. 3 to Lease Agreement, dated as of September 28, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.11*	Lease Amendment No. 4 to Lease Agreement, dated February 6, 2012, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.12**†	Form of Equity Incentive Plan.
10.13**†	Form of Stock Option Agreement.
10.14**†	Form of Restricted Stock Agreement.
10.15**†	Form of Director and Officer Indemnification Agreement.
10.16**	Form of Advisory Services Agreement by and between Diamondback Energy, Inc. and Wexford Capital LP.
10.17**	Form of Merger Agreement by and between the Company and Diamondback Energy LLC.
10.18*	Contribution Agreement, dated May 7, 2012, by and between the Company and Gulport Energy Corporation.
10.19*	Master Drilling Agreement, dated January 1, 2012, by and between Windsor Permian LLC and Bison Drilling and Field Services LLC.
10.20*	Gas Purchase Agreement, dated May 1, 2009, by and between Windsor Permian LLC and Feagan Gathering Company.

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Exhibit Number	Number Description
10.21*	Amendment to Gas Purchase Agreement, dated July 1, 2011, by and between Windsor Permian LLC and MidMar Gas LLC.
10.22*	Amendment to Gas Purchase Agreement, dated January 11, 2012, by and between Windsor Permian LLC and MidMar Gas LLC.
10.23*	Shared Services Agreement, dated January 1, 2012, by and between Windsor Permian LLC and Everest Operations Management LLC.
10.24*	Fifth Amendment to Credit Agreement, dated as of May 10, 2012, by and among Windsor Permian LLC, as borrower, Wells Fargo Bank, N.A., as administrative Agent and Amegy Bank National Association and U.S. Bank National Association, as co-syndication Agents.
10.25*	Subordinated note made by Windsor Permian LLC in favor of Lambda Investors LLC, dated May 14, 2012.
10.26**	Crude Oil Purchase Agreement, dated May 24, 2012, by and between Windsor Permian LLC and Shell Trading (US) Company.
10.27*	Office Lease Agreement, dated June 8, 2012, by and between Windsor Permian LLC and Caliber Investment Group LLC.
10.28*	Assignment and Assumption of Office Lease Agreement, effective June 1, 2012, by and between Windsor Permian LLC and Diamondback E&P LLC.
10.29**†	Amended and Restated Employment Agreement, dated as of January 1, 2012, by and between Travis Stice and Windsor Permian LLC.
10.30*†	Amended and Restated Employment Agreement, dated as of January 1, 2012, by and between Teresa Dick and Windsor Permian LLC.
10.31**†	Amended and Restated Employment Agreement, dated as of January 1, 2012, by and between Jeff White and Windsor Permian LLC.
10.32**	Sixth Amendment to Credit Agreement, dated as of June 13, 2012, by and among Windsor Permian LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto.
10.33**	Amended and Restated Credit Agreement, dated July 24, 2012, by and among Diamondback Energy LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto.
10.34**	First Amendment to Credit Agreement, dated July 31, 2012, by and among Diamondback Energy LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto.
21.1*	List of Significant Subsidiaries of the Company.
23.1**	Consent of Grant Thornton LLP.
23.2**	Consent of Pinnacle Energy Services, LLC.
23.3**	Consent of Ryder Scott Company.
23.4***	Consent of Akin Gump Strauss Hauer & Feld LLP (included in Exhibit 5.1).
24.1*	Power of Attorney.
99.1*	Consent of Michael P. Cross to being named as a director nominee.
99.2*	Consent of David L. Houston to being named as a director nominee.
99.3*	Consent of Mark L. Plaumann to being named a director nominee.
99.4**	Consent of Paul Jacobi to being named as a director nominee.

* Previously filed.
** Filed herewith.
*** To be filed by amendment.
† Management contract, compensatory plan or arrangement.

(B) Financial Statement Schedules.

All schedules are omitted because the required information is (i) not applicable, (ii) not present in amounts sufficient to require submission of the schedule or (iii) included in our financial statements and the accompanying notes included in the prospectus to this Registration Statement.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Midland, State of Texas, on August 17, 2012.

DIAMONDBACK ENERGY, INC.

By: /s/ Travis D. Stice
Travis Stice
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on August 17, 2012.

Signature	Title
/s/ Travis D. Stice Travis D. Stice	Chief Executive Officer (Principal Executive Officer)
/s/ Teresa L. Dick Teresa L. Dick	Chief Financial Officer (Principal Financial and Accounting Officer)
* Steven E. West	Director

* By: /s/ Travis D. Stice
Travis D. Stice
Attorney-in-Fact

EXHIBIT INDEX

Exhibit Number	Number Description
1.1**	Form of Underwriting Agreement.
3.1*	Certificate of Incorporation of the Company.
3.2**	Form of proposed Amended and Restated Certificate of Incorporation to be effective immediately upon the closing of the offering made pursuant to this registration statement.
3.3*	Bylaws of the Company.
3.4**	Form of proposed Amended and Restated Bylaws to be effective immediately upon the closing of the offering made pursuant to this registration statement.
4.1**	Specimen Certificate for shares of common stock, par value $0.01 per share, of the Company.
4.2*	Registration Rights Agreement by and among the Company and DB Energy Holdings LLC.
4.3*	Form of Investor Rights Agreement by and between the Company and Gulfport Energy Corporation.
5.1***	Opinion of Akin Gump Strauss Hauer & Feld LLP.
10.1*	Credit Agreement, dated as of October 15, 2010, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.2*	First Amendment to Credit Agreement, dated as of January 31, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.3*	Second Amendment to Credit Agreement, dated as of August 4, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.4*	Third Amendment to Credit Agreement, dated as of October 13, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.5*	Fourth Amendment to Credit Agreement, dated as of December 30, 2011, by and among Windsor Permian LLC, as borrower, BNP Paribas, as administrative agent, and the lenders party thereto.
10.6*	Shared Services Agreement, dated as of March 1, 2008, by and between Windsor Energy Resources LLC and Windsor Permian LLC.
10.7*	Lease Agreement, dated as of April 19, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.8*	Lease Amendment No. 1 to Lease Agreement, dated as of June 6, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.9*	Lease Amendment No. 2 to Lease Agreement, dated as of August 5, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.10*	Lease Amendment No. 3 to Lease Agreement, dated as of September 28, 2011, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.11*	Lease Amendment No. 4 to Lease Agreement, dated February 6, 2012, by and between Fasken Midland, LLC and Windsor Permian LLC.
10.12**†	Form of Equity Incentive Plan.
10.13**†	Form of Stock Option Agreement.
10.14**†	Form of Restricted Stock Agreement.
10.15**†	Form of Director and Officer Indemnification Agreement.
10.16**	Form of Advisory Services Agreement by and between Diamondback Energy, Inc. and Wexford Capital LP.

Exhibit Number	Number Description
10.17**	Form of Merger Agreement by and between the Company and Diamondback Energy LLC.
10.18*	Contribution Agreement, dated May 7, 2012, by and between the Company and Gulfport Energy Corporation.
10.19*	Master Drilling Agreement, dated January 1, 2012, by and between Windsor Permian LLC and Bison Drilling and Field Services LLC.
10.20*	Gas Purchase Agreement, dated May 1, 2009, by and between Windsor Permian LLC and Feagan Gathering Company.
10.21*	Amendment to Gas Purchase Agreement, dated July 1, 2011, by and between Windsor Permian LLC and MidMar Gas LLC.
10.22*	Amendment to Gas Purchase Agreement, dated January 11, 2012, by and between Windsor Permian LLC and MidMar Gas LLC.
10.23*	Shared Services Agreement, dated January 1, 2012 by and between Windsor Permian LLC and Everest Operations Management LLC.
10.24*	Fifth Amendment to Credit Agreement, dated as of May 10, 2012, by and among Windsor Permian LLC, as borrower, Wells Fargo Bank, N.A., as administrative Agent and Amegy Bank National Association and U.S. Bank National Association, as co-syndication Agents.
10.25*	Subordinated note made by Windsor Permian LLC in favor of Lambda Investors LLC, dated May 14, 2012.
10.26**	Crude Oil Purchase Agreement, dated May 24, 2012, by and between Windsor Permian LLC and Shell Trading (US) Company.
10.27*	Office Lease Agreement, dated June 8, 2012, by and between Windsor Permian LLC and Caliber Investment Group LLC.
10.28*	Assignment and Assumption of Office Lease Agreement, effective June 1, 2012, by and between Windsor Permian LLC and Diamondback E&P LLC.
10.29**†	Amended and Restated Employment Agreement, dated as of January 1, 2012, by and between Travis Stice and Windsor Permian LLC.
10.30*†	Amended and Restated Employment Agreement, dated as of January 1, 2012, by and between Teresa Dick and Windsor Permian LLC.
10.31**†	Amended and Restated Employment Agreement, dated as of January 1, 2012, by and between Jeff White and Windsor Permian LLC.
10.32**	Sixth Amendment to Credit Agreement, dated as of June 13, 2012, by and among Windsor Permian LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto.
10.33**	Amended and Restated Credit Agreement, dated July 24, 2012, by and among Diamondback Energy LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto.
10.34**	First Amendment to Credit Agreement, dated July 31, 2012, by and among Diamondback Energy LLC, as borrower, Wells Fargo Bank, N.A., as administrative agent, and the lenders party thereto.
21.1*	List of Significant Subsidiaries of the Company.
23.1**	Consent of Grant Thornton LLP.
23.2**	Consent of Pinnacle Energy Services, LLC.
23.3**	Consent of Ryder Scott Company.
23.4***	Consent of Akin Gump Strauss Hauer & Feld LLP (included in Exhibit 5.1).
24.1*	Power of Attorney.
99.1*	Consent of Michael P. Cross to being named as a director nominee.
99.2*	Consent of David L. Houston to being named as a director nominee.
99.3*	Consent of Mark L. Plaumann to being named a director nominee.
99.4**	Consent of Paul Jacobi to being named as a director nominee.

* Previously filed.
** Filed herewith.
*** To be filed by amendment.
† Management contract, compensatory plan or arrangement.

Exhibit 1.1

15,000,000 Shares

DIAMONDBACK ENERGY, INC.

Common Stock

<u>FORM OF UNDERWRITING AGREEMENT</u>

[—], 2012

CREDIT SUISSE SECURITIES (USA) LLC
[—],
As Representatives of the Several Underwriters,
c/o Credit Suisse Securities (USA) LLC,
Eleven Madison Avenue,
New York, N.Y. 10010-3629

Dear Sirs:

1. *Introductory*. Diamondback Energy, Inc., a Delaware corporation ("**Company**"), agrees with the several Underwriters named in <u>Schedule A</u> hereto ("**Underwriters**") to issue and sell to the several Underwriters 15,000,000 shares (the "**Firm Securities**") of its common stock, par value $0.01 per share (the "**Securities**"). The Company also agrees to issue and sell to the Underwriters, at the option of the Underwriters, an aggregate of not more than 2,250,000 additional shares of its Securities (such **[—]** aggregate shares of the Securities being hereinafter referred to as the "**Optional Securities**"), as set forth in Section 3 of this Agreement. The Firm Securities and the Optional Securities are herein collectively called the "**Offered Securities**". As part of the offering contemplated by this Agreement, Credit Suisse Securities (USA) LLC (in such capacity, the "**Designated Underwriter"**) has agreed to reserve out of the Firm Securities purchased by it under this Agreement, up to shares, for sale to the Company's directors, officers, employees and other parties associated with the Company (collectively, "**Participants"**), as set forth in the Final Prospectus (as defined herein) under the heading "Underwriting" (the "**Directed Share Program"**). The Firm Securities to be sold by the Designated Underwriter pursuant to the Directed Share Program (the "**Directed Shares"**) will be sold by the Designated Underwriter pursuant to this Agreement at the public offering price. Any Directed Shares not subscribed for by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Final Prospectus.

2. *Representations and Warranties of the Company*. (a) The Company represents and warrants to, and agrees with, the several Underwriters that:

(i) *Filing and Effectiveness of Registration Statement; Certain Defined Terms*. The Company has filed with the Commission a registration statement on Form S-1 (No. 333-179502) covering the registration of the Offered Securities under the Act, including a related preliminary prospectus or prospectuses. At any particular time, this initial registration statement, in the form then on file with the Commission, including all information contained in the registration statement (if any) pursuant to Rule 462(b) and then deemed to be a part of the initial registration statement, and all 430A Information and all 430C Information, that in any case has not then been superseded or modified, shall be referred to as the "**Initial Registration Statement**". The Company may also have filed, or may file with the Commission, a Rule 462(b) registration statement covering the registration of the Offered Securities. At any particular time, this Rule 462(b) registration statement, in the form then on file with the Commission, including the contents of the Initial

Registration Statement incorporated by reference therein and including all 430A Information and all 430C Information, that in any case has not then been superseded or modified, shall be referred to as the "**Additional Registration Statement**".

As of the time of execution and delivery of this Agreement, the Initial Registration Statement has been declared effective under the Act and is not proposed to be amended. Any Additional Registration Statement has or will become effective upon filing with the Commission pursuant to Rule 462(b) and is not proposed to be amended. The Offered Securities all have been or will be duly registered under the Act pursuant to the Initial Registration Statement and, if applicable, the Additional Registration Statement.

For purposes of this Agreement:

"**430A Information**", with respect to any registration statement, means information included in a prospectus and retroactively deemed to be a part of such registration statement pursuant to Rule 430A(b).

"**430C Information**", with respect to any registration statement, means information included in a prospectus then deemed to be a part of such registration statement pursuant to Rule 430C.

"**Act**" means the Securities Act of 1933, as amended.

"**Applicable Time**" means **[—]** :00 [a/p]m (Eastern time) on the date of this Agreement.

"**Closing Date**" has the meaning defined in Section 3 hereof.

"**Commission**" means the Securities and Exchange Commission.

"**Effective Time**" with respect to the Initial Registration Statement or, if filed prior to the execution and delivery of this Agreement, the Additional Registration Statement means the date and time as of which such Registration Statement was declared effective by the Commission or has become effective upon filing pursuant to Rule 462(c). If an Additional Registration Statement has not been filed prior to the execution and delivery of this Agreement but the Company has advised the Representatives that it proposes to file one, "**Effective Time**" with respect to such Additional Registration Statement means the date and time as of which such Registration Statement is filed and becomes effective pursuant to Rule 462(b).

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Final Prospectus**" means the Statutory Prospectus that discloses the public offering price, other 430A Information and other final terms of the Offered Securities and otherwise satisfies Section 10(a) of the Act.

"**General Use Issuer Free Writing Prospectus**" means any Issuer Free Writing Prospectus that is intended for general distribution to prospective investors, as evidenced by its being so specified in Schedule B to this Agreement

"**Issuer Free Writing Prospectus**" means any "issuer free writing prospectus," as defined in Rule 433, relating to the Offered Securities in the form filed or required to be filed with the Commission or, if not required to be filed, in the form retained in the Company's records pursuant to Rule 433(g).

"**Limited Use Issuer Free Writing Prospectus**" means any Issuer Free Writing Prospectus that is not a General Use Issuer Free Writing Prospectus.

The Initial Registration Statement and the Additional Registration Statement are referred to collectively as the "**Registration Statements**" and each individually as a "**Registration Statement**". A "**Registration Statement**" with reference to a particular time means the Initial Registration Statement and any Additional Registration Statement as of such time. A "**Registration Statement**" without reference to a time means such Registration Statement as of its Effective Time. For purposes of the foregoing definitions, 430A Information with respect to a Registration Statement shall be considered to be included in such Registration Statement as of the time specified in Rule 430A.

“**Rules and Regulations**” means the rules and regulations of the Commission.

“**Securities Laws**” means, collectively, the Sarbanes-Oxley Act of 2002 (“**Sarbanes-Oxley**”), the Act, the Exchange Act, the Rules and Regulations, the auditing principles, rules, standards and practices applicable to auditors of “issuers” (as defined in Sarbanes-Oxley) promulgated or approved by the Public Company Accounting Oversight Board and, as applicable, the rules of the NASDAQ Global Market (“**Exchange Rules**”).

“**Statutory Prospectus**” with reference to a particular time means the prospectus included in a Registration Statement immediately prior to that time, including any 430A Information or 430C Information with respect to such Registration Statement. For purposes of the foregoing definition, 430A Information shall be considered to be included in the Statutory Prospectus as of the actual time that form of prospectus is filed with the Commission pursuant to Rule 424(b) or Rule 462(c) and not retroactively.

Unless otherwise specified, a reference to a “rule” is to the indicated rule under the Act.

(ii) *Compliance with the Requirements of the Act*. (i) (A) At their respective Effective Times, (B) on the date of this Agreement and (C) on each Closing Date, each of the Initial Registration Statement and the Additional Registration Statement (if any) conformed and will conform in all material respects to the requirements of the Act and the Rules and Regulations and did not and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) on its date, at the time of filing of the Final Prospectus pursuant to Rule 424(b) or (if no such filing is required) at the Effective Time of the Additional Registration Statement in which the Final Prospectus is included, and on each Closing Date, the Final Prospectus will conform in all material respects to the requirements of the Act and the Rules and Regulations and will not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (iii) on the date of this Agreement, at their respective Effective Times or issue dates and on each Closing Date, each Registration Statement, the Final Prospectus, any Statutory Prospectus, any prospectus wrapper and any Issuer Free Writing Prospectus complied or comply, and such documents and any further amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Final Prospectus, any Statutory Prospectus, any prospectus wrapper or any Issuer Free Writing Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program. The preceding sentence does not apply to statements in or omissions from any such document based upon written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information is that described as such in Section 8(c) hereof.

(iii) *Filing Fees*. The Company has paid or shall pay the required Commission filing fees relating to the Offered Securities within the time required by Rule 456 and otherwise in accordance with Rules 456 and 457.

(iv) *Ineligible Issuer Status.* (i) At the time of the initial filing of the Initial Registration Statement and (ii) at the date of this Agreement, the Company was not and is not an “ineligible issuer,” as defined in Rule 405.

(v) *General Disclosure Package*. As of the Applicable Time, neither (i) the General Use Issuer Free Writing Prospectus(es) issued at or prior to the Applicable Time, the preliminary prospectus, dated **[—]**, 2012 (which is the most recent Statutory Prospectus distributed to investors generally) and the other information, if any, stated in Schedule B to this Agreement to be included in the General Disclosure Package, all considered together (collectively, the “**General Disclosure Package**”), nor (ii) any individual Limited Use Issuer Free Writing Prospectus, when considered together with the General Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from any Statutory Prospectus or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in Section 8(c) hereof.

(vi) *Issuer Free Writing Prospectuses*. Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered Securities or until any earlier date that the Company notified or notifies the Representatives as described in the next sentence, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information then contained in the Registration Statement. If at any time following issuance of an Issuer Free Writing Prospectus, at a time when a prospectus relating to the Offered Securities is (or but for the exemption in Rule 172 would be) required to be delivered under the Act by any Underwriter or dealer, there occurred or occurs an event or development as a result of which such Issuer Free Writing Prospectus conflicted or would conflict with the information then contained in the Registration Statement or as a result of which such Issuer Free Writing Prospectus, if republished immediately following such event or development, would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, (i) the Company has promptly notified or will promptly notify the Representatives and (ii) the Company has promptly amended or will promptly amend or supplement such Issuer Free Writing Prospectus to eliminate or correct such conflict, untrue statement or omission.

(vii) *Good Standing of the Company.* The Company has been duly incorporated and is existing and in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own and/or lease its properties and conduct its business as described in the General Disclosure Package; and the Company is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to so qualify or to be in good standing in such other jurisdictions would not, individually or in the aggregate, result in a material adverse effect on the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries taken as a whole (“**Material Adverse Effect**”).

(viii) *Subsidiaries*. The Company’s “significant” subsidiaries, as defined in Rule 1-02 of Regulation S-X, immediately prior to the closing of the offering contemplated by this Agreement, will be Windsor Permian LLC, Diamondback E&P LLC and Windsor UT, LLC (“**Windsor UT**”). Each such subsidiary has been duly formed and is existing and in good standing under the laws of the jurisdiction of its organization with power and authority (limited liability company and other) to own and/or lease its properties and conduct its business as described in the General Disclosure Package; and each such subsidiary is duly qualified to do business as a foreign limited liability company, in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to so qualify or be in good standing in such other jurisdictions would not result in a Material Adverse Effect; all of the limited liability company interests in each such subsidiary of the Company have been duly authorized and validly issued in accordance with the limited liability company agreement of such subsidiary and are fully paid (to the extent required under such subsidiary’s limited liability company agreement) and non-assessable (except as such non-assessability may be affected by Sections 18-607 and 18-804 of the Delaware Limited Liability Company Act); and, except as otherwise disclosed in the General Disclosure Package with respect to the pledge thereof in connection with the Company’s revolving credit facility, the equity interests in each such subsidiary will be owned by the Company, directly or through subsidiaries, free from liens, encumbrances and defects.

(ix) *Offered Securities*. The Offered Securities and all other outstanding shares of capital stock of the Company have been duly authorized; the authorized equity capitalization of the Company is as set forth in the General Disclosure Package; all outstanding shares of capital stock of the Company are, and, when the Offered Securities have been delivered and paid for in accordance with this Agreement on each Closing Date, such Offered Securities will have been, validly issued, fully paid and nonassessable, and will conform to the information in the General Disclosure Package and to the description of such Offered Securities contained in the Final Prospectus; the stockholders of the Company have no preemptive rights with respect to the Securities; and none of the outstanding shares of capital stock of the Company have been issued in violation of any preemptive or similar rights of any security holder. Except as disclosed in the Registration Statement and the General Disclosure Package, including in connection with the Contributions, there are no outstanding (A) securities or obligations of the Company convertible into or exchangeable for any capital stock of the Company, (B) warrants, rights or options to subscribe for or purchase from the Company any such capital stock or any such convertible or exchangeable securities or obligations or (C) obligations of the Company to issue or sell any shares of capital stock, any such convertible or exchangeable securities or obligations or any such warrants, rights or options. The Company has not, directly or indirectly, offered or sold any of the Offered Securities by means of any "prospectus" (within the meaning of the Act and the Rules and Regulations) or used any "prospectus" or made any offer (within the meaning of the Act and the Rules and Regulations) in connection with the offer or sale of the Offered Securities, in each case other than the preliminary prospectus referred to in Section 2(a)(v) hereof.

(x) *Other Offerings*. Except as disclosed in the Registration Statement and the General Disclosure Package, including the [—] shares issued to Gulfport Energy Corporation ("**Gulfport**") and the [—] shares issued to DB Energy Holdings LLC ("**DB Energy Holdings**") as described in the General Disclosure Package, the Company has not sold, issued or distributed any common shares during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Act.

(xi) *No Finder's Fee.* Except as disclosed in the General Disclosure Package, there are no contracts, agreements or understandings between the Company and any person that would give rise to a valid claim against the Company or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with this offering.

(xii) *Registration Rights.* Except as disclosed in the General Disclosure Package, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to a Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Act (collectively, "registration rights"), and any person to whom the Company has granted registration rights has agreed not to exercise such rights until after the expiration of the Lock-Up Period referred to in Section 5(k) hereof.

(xiii) *Listing.* The Offered Securities have been approved for listing on The NASDAQ Global Market, subject to notice of issuance.

(xiv) *Absence of Further Requirements.* No consent, approval, authorization, or order of, or filing or registration with, any person (including any governmental agency or body or any court) is required to be obtained or made by the Company for the consummation of the transactions contemplated by this Agreement in connection with the sale of the Offered Securities, except such as have been obtained, or made and such as may be required under state securities laws or by the Financial Industry Regulatory Authority ("**FINRA**"). No authorization, consent, approval, license, qualification or order of, or filing or registration with any person (including any governmental agency or body or any court) in any foreign jurisdiction is required for the consummation of the transactions contemplated by this Agreement in connection with the offering, issuance and sale of the Directed Shares under the laws and regulations of such jurisdiction except such as have been obtained or made.

(xv) *Title to Property*. Except as disclosed in the General Disclosure Package, the Company and its subsidiaries have, or, with respect to the properties to be contributed by each of Gulfport and Windsor UT (the "**Contributions**"), will have (i) good and defensible title to all of the interests in oil and gas properties underlying the Company's estimates of its net proved reserves contained in the General Disclosure Package and (ii) good and marketable title to all other real and personal property reflected in the General Disclosure Package as assets owned by them, in each case free and clear of all liens, encumbrances and defects except such as (x) are described in the General Disclosure Package with respect to the Company's revolving credit facility, (y) are liens and encumbrances under operating agreements, unitization and pooling agreements, production sales contracts, farmout agreements and other oil and gas exploration, participation and production agreements, in each case that secure payment of amounts not yet due and payable for the performance of other unmatured obligations and are of a scope and nature customary in the oil and gas industry or arise in connection with drilling and production operations, or (z) do not materially affect the value of the properties of the Company and its subsidiaries and do not interfere in any material respect with the use made or proposed to be made of such properties by the Company or its subsidiaries; any other real property and buildings held under lease by the Company and its subsidiaries, after giving effect to the Contributions, are held by them under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere in any material respect with the use made and proposed to be made of such property and buildings by the Company or its subsidiaries; and the working interests derived from oil, gas and mineral leases or mineral interests that constitute a portion of the real property held or leased by the Company and its subsidiaries, after giving effect to the Contributions, reflect in all material respects the rights of the Company and its subsidiaries to explore, develop or produce hydrocarbons from such real property in the manner contemplated by the General Disclosure Package, and the care taken by the Company and its subsidiaries with respect to acquiring or otherwise procuring such leases or other property interests was generally consistent with standard industry practices in the areas in which the Company and its subsidiaries operate for acquiring or procuring leases and interests therein to explore, develop or produce hydrocarbons. With respect to interests in oil and gas properties obtained by or on behalf of the Company and its subsidiaries, after giving effect to the Contributions, that have not yet been drilled or included in a unit for drilling, the Company and its subsidiaries have carried out such title investigations in accordance with the reasonable practice in the oil and gas industry in the areas in which the Company and its subsidiaries operate.

(xvi) *Rights-of-Way*. The Company and its subsidiaries have, and after giving effect to the Contributions, will have such consents, easements, rights-of-way or licenses from any person (collectively, "**rights-of-way**") as are necessary to enable the Company to conduct its business in the manner described in the General Disclosure Package, subject to qualifications as may be set forth in the General Disclosure Package, except where failure to have such rights-of-way would not have, individually or in the aggregate, a Material Adverse Effect.

(xvii) *Reserve Engineers*. Ryder Scott Company, L.P., a reserve engineer that prepared a reserve report on estimated net proved oil and natural gas reserves held by the Company, Gulfport and Windsor UT as of December 31, 2011 was, as of the date of preparation of such reserve report, and is, as of the date hereof, an independent petroleum engineer with respect to the Company. Pinnacle Energy Services, LLC, a reserve engineer that prepared reserve reports on estimated net proved oil and natural gas reserves held by the Company as of December 31, 2010 and December 31, 2009, respectively, was, as of the date of preparation of such reserve reports, and is, as of the date hereof, an independent petroleum engineer with respect to the Company.

(xviii) *Reserve Report Information*. The information contained in the General Disclosure Package regarding estimated proved reserves is based upon the reserve reports prepared by Ryder Scott Company, L.P. and Pinnacle Energy Services, LLC. The information provided to Ryder Scott Company, L.P. and Pinnacle Energy Services, LLC by the Company, including, without limitation, information as to: production, costs of operation and development, current prices for production, agreements relating to current and future operations and sales of production, was true and correct in all material respects on the dates the reports were made. Such information was provided to Ryder Scott Company, L.P. and Pinnacle Energy Services, LLC in accordance with all customary industry practices.

(xix) *Reserve Reports***.** The reserve reports prepared by Ryder Scott Company, L.P. and Pinnacle Energy Services, LLC setting forth the estimated proved reserves attributed to the oil and gas properties of the Company accurately reflect in all material respects the ownership interests of the Company in the properties therein. Other than normal production of reserves, intervening market commodity price fluctuations, fluctuations in demand for such products, adverse weather conditions, unavailability or increased costs of rigs, equipment, supplies or personnel, the timing of third party operations and other facts, in each case in the ordinary course of business, and except as disclosed in the General Disclosure Package, the Company is not aware of any facts or circumstances that would result in a material adverse change in the aggregate net reserves, or the present value of future net cash flows therefrom, as described in the General Disclosure Package and the reserve reports; and estimates of such reserves and present values as described in the General Disclosure Package and reflected in the reserve reports comply in all material respects with the applicable requirements of Regulation S-X and Subpart 1200 of Regulation S-K under the Securities Act.

(xx) *Absence of Defaults and Conflicts Resulting from Transaction.* The execution, delivery and performance of this Agreement, and the issuance and sale of the Offered Securities will not result in a breach or violation of any of the terms and provisions of, or constitute a default or a Debt Repayment Triggering Event (as defined below) under, or result in the imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, (i) the charter or by-laws or similar organizational documents of the Company or any of its subsidiaries, (ii) any statute, rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (iii) any agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the properties of the Company or any of its subsidiaries is subject, except in the case of clauses (ii) and (iii), for any breaches, violations, defaults, liens, charges or encumbrances, which, individually or in the aggregate, would not result in a Material Adverse Effect; a "**Debt Repayment Triggering Event**" means any event or condition that gives, or with the giving of notice or lapse of time would give, the holder of any note, debenture, or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its subsidiaries.

(xxi) *Absence of Existing Defaults and Conflicts.* Neither the Company nor any of its subsidiaries is in violation of its respective charter, by-laws or similar organizational documents or in default (or with the giving of notice or lapse of time would be in default) under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject, except such defaults that would not, individually or in the aggregate, result in a Material Adverse Effect.

(xxii) *Authorization of Agreement.* This Agreement has been duly authorized, executed and delivered by the Company.

(xxiii) *Possession of Licenses and Permits.* The Company and its subsidiaries possess all adequate certificates, authorizations, franchises, licenses and permits issued by appropriate federal, state, local or foreign regulatory bodies (collectively, "**Licenses**") necessary or material to the conduct of the business now conducted or proposed in the General Disclosure Package to be conducted by them, except where the failure to have obtained the same would not result in a Material Adverse Effect. The Company and each of its subsidiaries are in compliance with the terms and conditions of all such Licenses, except where the failure to so comply would not, individually or in the aggregate, result in a Material Adverse Effect, and have not received any notice of proceedings relating to the revocation or modification of any Licenses that, if determined adversely to the Company or any of its subsidiaries, would, individually or in the aggregate, result in a Material Adverse Effect.

(xxiv) *Absence of Labor Dispute.* No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent that would result in a Material Adverse Effect.

(xxv) *Possession of Intellectual Property.* The Company and its subsidiaries own, possess or can acquire on reasonable terms, adequate trademarks, trade names and other rights to inventions, know-how, patents, copyrights, confidential information and other intellectual property (collectively, "**intellectual property rights**") necessary to conduct the business now operated by them, or presently employed by them, and have not received any notice of infringement of or conflict with asserted rights of others with respect to any intellectual property rights that, if determined adversely to the Company or any of its subsidiaries, would, individually or in the aggregate, result in a Material Adverse Effect.

(xxvi) *Environmental Laws.* Except as disclosed in the General Disclosure Package, (a)(i) neither the Company nor any of its subsidiaries is in violation of, and does not have any liability under, any federal, state, local or non-U.S. statute, law, rule, regulation, ordinance, code, other requirement or rule of law (including common law), or decision or order of any domestic or foreign governmental agency, governmental body or court, relating to pollution, to the use, handling, transportation, treatment, storage, discharge, disposal or release of Hazardous Substances (as defined below), to the protection or restoration of the environment or natural resources, to health and safety including as such relates to exposure to Hazardous Substances, and to natural resource damages (collectively, "**Environmental Laws**") that would, individually or in the aggregate, have a Material Adverse Effect, (ii) to the knowledge of the Company, neither the Company nor any of its subsidiaries own, occupy, operate or use any real property contaminated with Hazardous Substances, (iii) neither the Company nor any of its subsidiaries is conducting or funding any investigation, remediation, remedial action or monitoring of actual or suspected Hazardous Substances in the environment, (iv) to the knowledge of the Company, neither the Company nor any of its subsidiaries is liable or allegedly liable for any release or threatened release of Hazardous Substances, including at any off-site treatment, storage or disposal site, (v) neither the Company nor any of its subsidiaries is subject to any pending, or to the Company's knowledge threatened, claim by any governmental agency or governmental body or person arising under Environmental Laws or relating to Hazardous Substances, and (vi) the Company and its subsidiaries have received and are in compliance with all, and have no liability under any, permits, licenses, authorizations, identification numbers or other approvals required under applicable Environmental Laws to conduct their business, except in each case covered by clauses (i) – (vi) such as would not, individually or in the aggregate, result in a Material Adverse Effect; (b) to the knowledge of the Company and its subsidiaries there are no facts or circumstances that would reasonably be expected to result in a violation of, liability under, or claim pursuant to any Environmental Law that would result in a Material Adverse Effect; and (c) in the ordinary course of its business, the Company and its subsidiaries periodically evaluate the effect, including associated costs and liabilities, of Environmental Laws on the business, properties, results of operations and financial condition of the Company, and, on the basis of such evaluation, the Company and its subsidiaries have reasonably concluded that such Environmental Laws will not, individually or in the aggregate, result in a Material Adverse Effect. For purposes of this subsection "**Hazardous Substances**" means (A) petroleum and petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and mold, and (B) any other chemical, material or substance defined or regulated as toxic or hazardous or as a pollutant, contaminant or waste under Environmental Laws.

(xxvii) *Accurate Disclosure; Exhibits.* The statements in the General Disclosure Package and the Final Prospectus under the headings, "Business—Operations—Title to Properties," "Business—Regulation," "Description of Capital Stock," "Related Party Transactions" and "Material U.S. Federal Income and Estate Tax Considerations for Non-U.S. Holders," insofar as such statements summarize legal matters, agreements, documents or legal or regulatory proceedings discussed therein, are accurate and fair summaries, in all material respects, of such legal matters, agreements, documents or legal or regulatory proceedings and present the information required to be shown. There are no contracts or documents which are required to be described in the Registration Statement or the General Disclosure Package pursuant to Form S-1 or to be filed as exhibits to the Registration Statement pursuant to Item 601 of Regulation S-K which have not been so described or filed as required, except for such exhibits as would not have a Material Adverse Effect.

(xxviii) *Absence of Manipulation*. The Company has not taken, directly or indirectly, any action that is designed to or that has constituted or that would reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Offered Securities.

(xxix) *Statistical and Market-Related Data.* Any third-party statistical and market-related data included in a Registration Statement, a Statutory Prospectus or the General Disclosure Package are based on or derived from sources that the Company believes to be reliable and accurate.

(xxx) *Internal Controls and Compliance with the Sarbanes-Oxley Act.* Except as set forth in the General Disclosure Package, the Company, its subsidiaries and the Company's Board of Directors (the "**Board**") are in compliance with all applicable provisions of Sarbanes-Oxley and Exchange Rules. The Company maintains a system of internal controls, including, but not limited to, disclosure controls and procedures, internal controls over accounting matters and financial reporting, an internal audit function and legal and regulatory compliance controls (collectively, "**Internal Controls**") that comply with the applicable Securities Laws and are sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("**GAAP**") and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accounting for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Internal Controls are, or upon consummation of the offering of the Offered Securities will be, overseen by the Audit Committee (the "**Audit Committee**") of the Board in accordance with Exchange Rules. The Company has not publicly disclosed or reported to the Audit Committee or the Board, and within the next 135 days the Company does not reasonably expect to publicly disclose or report to the Audit Committee or the Board, a significant deficiency, material weakness, change in Internal Controls or fraud involving management or other employees who have a significant role in Internal Controls, any violation of, or failure to comply with, the Securities Laws, or any matter which, if determined adversely, would result in a Material Adverse Effect.

(xxxi) *Litigation*. Except as disclosed in the General Disclosure Package, there are no pending actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) against or affecting the Company, any of its subsidiaries or any of their respective properties that, if determined adversely to the Company or any of its subsidiaries, would, individually or in the aggregate, result in a Material Adverse Effect, or would materially and adversely affect the ability of the Company to perform its obligations under this Agreement, or which are otherwise material in the context of the sale of the Offered Securities; and no such actions, suits or proceedings (including any inquiries or investigations by any court or governmental agency or body, domestic or foreign) are, to the Company's knowledge, threatened or contemplated.

(xxxii) *Financial Statements.* The historical financial statements included in each Registration Statement and the General Disclosure Package present fairly the financial position of the Company and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows of the Company and its subsidiaries for the periods shown, and such financial statements have been prepared in conformity with GAAP, applied on a consistent basis; and the pro forma financial statements included in the General Disclosure Package have been prepared in accordance with the applicable accounting requirements of Regulation S-X under the Act, the assumptions used in preparing the pro forma financial statements included in each Registration Statement and the General Disclosure Package provide a reasonable basis for presenting the significant effects directly attributable to the transactions or events described therein, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma columns therein reflect the proper application of those adjustments to the corresponding historical financial statement amounts. Grant Thornton LLP has certified the audited financial statements of the Company included in the Registration Statement, General Disclosure Package and the Final Prospectus, and is an independent registered public accounting firm with respect to the Company within the Rules and Regulations and as required by the Act and the applicable rules and guidance from the Public Company Accounting Oversight Board (United States). The other financial and statistical data included in the Registration Statement, the General Disclosure Package and the Final Prospectus present fairly, in all material respects, the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of the Company. The Company does not have any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any "variable interest entities" within the meaning of Financial Accounting Standards Board Interpretation No. 46), not disclosed in the Registration Statement, the General Disclosure Package and the Final Prospectus. There are no financial statements that are required to be included in the Registration Statement, the General Disclosure Package or the Final Prospectus that are not included as required.

(xxxiii) *No Material Adverse Change in Business.* Except as disclosed in the General Disclosure Package, since the end of the period covered by the latest audited financial statements included in the General Disclosure Package (i) there has been no change, nor any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries, taken as a whole, that is material and adverse, (ii) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock, (iii) there has been no material adverse change in the capital stock, short-term indebtedness, long-term indebtedness, net current assets or net assets of the Company or any of its subsidiaries, (iv) there has been no material transaction entered into and there is no material transaction that is probable of being entered into by the Company or any of its subsidiaries other than transactions in the ordinary course of business and (v) there has been no obligation, direct or contingent, that is material to the Company or any of its subsidiaries taken as a whole, incurred by the Company or any of its subsidiaries, except obligations incurred in the ordinary course of business.

(xxxiv) *Investment Company Act.* The Company is not and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the General Disclosure Package, will not be an "investment company" as defined in the Investment Company Act of 1940 (the "**Investment Company Act**").

(xxxv) *Ratings.* No "nationally recognized statistical rating organization" as such term is defined for purposes of Section 3(a)(62) of the Exchange Act has imposed (or has informed the Company that it is considering imposing) any condition (financial or otherwise) on the Company's retaining any rating assigned to the Company or any securities of the Company or (ii) has indicated to the Company that it is considering any of the actions described in Section 7(e)(ii) hereof.

(xxxvi) *Insurance.* Except as disclosed in the Registration Statement and the General Disclosure Package, the Company and its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as the Company reasonably believes are adequate for the conduct of their business. All such policies of insurance insuring the Company and its subsidiaries are in full force and effect. The Company and its subsidiaries are in compliance with the terms of such policies and instruments in all material respects; and there are no material claims by the Company or its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause. Neither the Company nor any of its subsidiaries has any reason to believe that any of them will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect, except as disclosed in the Registration Statement and the General Disclosure Package. The Company and its subsidiaries will obtain directors' and officer's insurance in such amounts as is reasonable for an initial public offering.

(xxxvii) *Tax Returns.* The Company and its subsidiaries have filed all federal, state, local and non-U.S. tax returns that are required to be filed or have requested extensions thereof (except in any case in which the failure so to file would not result in a Material Adverse Effect); and, except as set forth in the General Disclosure Package, the Company and its subsidiaries have paid all taxes (including any assessments, fines or penalties) required to be paid by them, except for any such taxes, assessments, fines or penalties currently being contested in good faith or as would not, individually or in the aggregate, result in a Material Adverse Effect.

(xxxviii) *Certain Relationships and Related Transactions*. No relationship, direct or indirect, exists between or among the Company or its subsidiaries on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or its subsidiaries on the other hand, which is required to be described in the General Disclosure Package which is not so described therein. The Final Prospectus will contain the same description of the matters set forth in the preceding sentence contained in the General Disclosure Package.

(xxxix) *ERISA*. The minimum funding standard under Section 302 of the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder ("**ERISA**"), has been satisfied by each "pension plan" (as defined in Section 3(2) of ERISA) which has been established or maintained by the Company or any of its subsidiaries, and the trust forming part of each such plan which is intended to be qualified under Section 401 of the Internal Revenue Code of 1986, as amended, is so qualified; each of the Company and its subsidiaries has fulfilled its obligations, if any, under Section 515 of ERISA; neither the Company nor any of its subsidiaries maintain or are required to contribute to a "welfare plan" (as defined in Section 3(1) of ERISA) which provides retiree or other post-employment welfare benefits or insurance coverage (other than "continuation coverage" (as defined in Section 602 of ERISA)); each pension plan and welfare plan established or maintained by the Company and/or any of its subsidiaries are in compliance with the currently applicable provisions of ERISA, except where the failure to comply would not result in a Material Adverse Effect; and neither the Company nor any of its subsidiaries have incurred or would reasonably be expected to incur any withdrawal liability under Section 4201 of ERISA, any liability under Section 4062, 4063 or 4064 of ERISA, or any other liability under Title IV of ERISA.

(xl) *No Unlawful Payments*. None of the Company, any of its subsidiaries or any director or officer, or to the knowledge of the Company, any agent, employee or other person associated with or acting on behalf of the Company or any of its subsidiaries has (A) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (B) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (C) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977; or (D) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(xli) *Compliance with Anti-Money Laundering Laws*. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the anti-money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations and guidelines issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company or its subsidiaries, threatened.

(xlii) *Compliance with OFAC*. None of the Company, any of its subsidiaries or any director or officer, or to the knowledge of the Company, any agent, employee or affiliate of the Company or any of its subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**"); and neither the Company nor any of its subsidiaries will, directly or indirectly, use the proceeds of the offering and sale of its Offered Securities under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(xliii) *Emerging Growth Company.* The Company is an emerging growth company as defined in Section 2(a)(19) of the Act. Neither the Company nor any person authorized by the Company has engaged in any oral or written communication in connection with the offering of the Offered Securities in reliance on Section 5(d) of the Act.

(xliv) *Absence of Unlawful Influence*. The Company has not offered or sold, or caused the Underwriters to offer or sell, any Offered Securities to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

3. *Purchase, Sale and Delivery of Offered Securities*. On the basis of the representations, warranties and agreements and subject to the terms and conditions set forth herein, the Company agrees to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at a purchase price of $**[—]** per share, that number of Firm Securities (subject to adjustment by the Representatives in their discretion to eliminate fractions) obtained by multiplying **[—]** Firm Securities by a fraction the numerator of which is the number of Firm Securities set forth opposite the name of such Underwriter in Schedule A hereto and the denominator of which is the total number of Firm Securities.

The Company will deliver the Firm Securities to or as instructed by the Representatives for the accounts of the several Underwriters in a form reasonably acceptable to the Representatives against payment of the purchase price for such Firm Securities by the Underwriters in Federal (same day) funds by a wire transfer to an account at a bank specified by the Company (and acceptable to the Representatives) drawn to the order of the Company, at the office of Latham & Watkins LLP, 811 Main Street Suite 3700, Houston, Texas 77002, at 9:00 A.M., New York time, on , 2012, or at such other time not later than seven full business days thereafter as shall be agreed upon by the Company and the Representatives, such time being herein referred to as the "**First Closing Date**." For purposes of Rule 15c6-1 under the Securities Exchange Act of 1934, the First Closing Date (if later than the otherwise applicable settlement date) shall be the settlement date for payment of funds and delivery of securities for all the Offered Securities sold pursuant to the offering. Delivery of the Firm Securities will be made through the facilities of the Depositary Trust Company (the "**DTC**") unless the Representatives shall otherwise instruct.

In addition, upon written notice from the Representatives given to the Company from time to time not more than 30 days subsequent to the date of the Final Prospectus, the Underwriters may purchase all or less than all of the Optional Securities at the purchase price per Security to be paid for the Firm Securities. Such notice shall set forth (i) the aggregate number of shares of Optional Securities to be sold by the Company as to which the Underwriters are exercising the option and (ii) the time, date and place at which the

Optional Securities will be delivered (each time for the delivery of and payment for the Optional Securities being herein referred to as an "**Optional Closing Date**," which may be the First Closing Date) (the First Closing Date and each Optional Closing Date, if any, being sometimes referred to as a "**Closing Date**"). The Company agrees to sell to the Underwriters, and the Underwriters agree, severally and not jointly, to purchase such Optional Securities. Any Optional Securities shall be purchased from the Company for the account of each Underwriter in the same proportion as the number of Firm Securities set forth opposite such Underwriter's name bears to the total number of shares of Firm Securities (subject to adjustment by the Representatives in their discretion to eliminate fractions) and may be purchased by the Underwriters only for the purpose of covering over-allotments made in connection with the sale of the Firm Securities. No Optional Securities shall be sold or delivered unless the Firm Securities previously have been, or simultaneously are, sold and delivered. The right to purchase the Optional Securities or any portion thereof may be exercised from time to time and to the extent not previously exercised may be surrendered and terminated at any time upon notice by Credit Suisse to the Company.

Each Optional Closing Date shall be determined by the Representatives but shall be not later than five full business days after written notice of election to purchase Optional Securities is given. The Company will deliver the Optional Securities being purchased by the Underwriters on each Optional Closing Date to or as instructed by the Representatives for the accounts of the several Underwriters in a form reasonably acceptable to the Representatives, against payment of the purchase price for such Optional Securities in Federal (same day) funds by a wire transfer to an account at a bank specified by the Company (and acceptable to the Representatives) drawn to the order of the Company, at the above office of Latham & Watkins LLP. The delivery of any Optional Securities will be made through the facilities of the DTC unless the Representatives shall otherwise instruct.

4. *Offering by Underwriters*. It is understood that the several Underwriters propose to offer the Offered Securities for sale to the public as set forth in the Final Prospectus.

5. *Certain Agreements of the Company*. The Company agrees with the Underwriters that:

(a) *Additional Filings.* Unless filed pursuant to Rule 462(c) as part of the Additional Registration Statement in accordance with the next sentence, the Company will file the Final Prospectus, in a form approved by the Representatives, with the Commission pursuant to and in accordance with subparagraph (1) (or, if applicable and if consented to by the Representatives, subparagraph (4)) of Rule 424(b) not later than the earlier of (A) the second business day following the execution and delivery of this Agreement or (B) the fifteenth business day after the Effective Time of the Initial Registration Statement. The Company will advise the Representatives promptly of any such filing pursuant to Rule 424(b) and provide satisfactory evidence to the Representatives of such timely filing. If an Additional Registration Statement is necessary to register a portion of the Offered Securities under the Act but the Effective Time thereof has not occurred as of the execution and delivery of this Agreement, the Company will file the additional registration statement or, if filed, will file a post-effective amendment thereto with the Commission pursuant to and in accordance with Rule 462(b) on or prior to 10:00 P.M., New York time, on the date of this Agreement or, if earlier, on or prior to the time the Final Prospectus is finalized and distributed to any Underwriter, or will make such filing at such later date as shall have been consented to by the Representatives.

(b) *Filing of Amendments: Response to Commission Requests.* The Company will promptly advise the Representatives of any proposal to amend or supplement at any time the Initial Registration Statement, any Additional Registration Statement or any Statutory Prospectus and will not effect such amendment or supplementation without the Representatives' consent, which shall not be unreasonably withheld; and the Company will also advise the Representatives promptly of (i) the effectiveness of any Additional Registration Statement (if its Effective Time is subsequent to the execution and delivery of this Agreement), (ii) any amendment or supplementation of a Registration Statement or any Statutory Prospectus, (iii) any request by the Commission or its staff for any amendment to any Registration Statement, for any supplement to any Statutory Prospectus or for any additional information, (iv) the institution by the Commission of any stop order proceedings in respect of a Registration Statement or the threatening of any proceeding for that purpose, and (v) the receipt by the Company of any notification with respect to the suspension of the qualification of the Offered Securities in any jurisdiction or the institution or threatening of any proceedings for such purpose. The Company will use its reasonable best efforts to prevent the issuance of any such stop order or the suspension of any such qualification and, if issued, to obtain as soon as possible the withdrawal thereof.

(c) *Continued Compliance with Securities Laws.* If, at any time when a prospectus relating to the Offered Securities is (or but for the exemption in Rule 172 would be) required to be delivered under the Act by any Underwriter or dealer, any event occurs as a result of which the Final Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Registration Statement or supplement the Final Prospectus to comply with the Act, the Company will promptly notify the Representatives of such event and will promptly prepare and file with the Commission and furnish, at its own expense, to the Underwriters and the dealers and any other dealers upon request of the Representatives, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither the Representatives' consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 7 hereof.

(d) *Rule 158.* As soon as practicable, but not later than the Availability Date (as defined below), the Company will make generally available to its security holders an earnings statement covering a period of at least 12 months beginning after the Effective Time of the Initial Registration Statement (or, if later, the Effective Time of the Additional Registration Statement) which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act. For the purpose of the preceding sentence, "**Availability Date**" means the day after the end of the fourth fiscal quarter following the fiscal quarter that includes such Effective Time on which the Company is required to file its Form 10-Q for such fiscal quarter except that, if such fourth fiscal quarter is the last quarter of the Company's fiscal year, "Availability Date" means the day after the end of such fourth fiscal quarter on which the Company is required to file its Form 10-K.

(e) *Furnishing of Prospectuses.* The Company will furnish to the Representatives copies of each Registration Statement, including all exhibits, and upon the request of the Representatives, signed copies of each Registration Statement, any Statutory Prospectus, and, so long as a prospectus relating to the Offered Securities is (or but for the exemption in Rule 172 would be) required to be delivered under the Act, the Final Prospectus and all amendments and supplements to such documents, in each case in such quantities as the Representatives reasonably request. The Final Prospectus shall be so furnished within two business days following the execution and delivery of this Agreement unless otherwise agreed by the Company and the Representatives. All other such documents shall be so furnished as soon as available. The Company will pay the expenses of printing and distributing to the Underwriters all such documents.

(f) *Blue Sky Qualifications.* The Company shall cooperate with the Underwriters and counsel for the Underwriters to qualify or register the Offered Securities for resale under (or obtain exemptions from the application of) the state securities or blue sky laws of those jurisdictions designated by the Underwriters, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Offered Securities. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process or taxation in any such jurisdiction where it is not presently qualified or subject to taxation.

(g) *Reporting Requirements.* During the period of five years hereafter, the Company will furnish to the Representatives and, upon request, to each of the other Underwriters, as soon as practicable after the end of each fiscal year, a copy of its annual report to stockholders for such year; and the Company will furnish to the Representatives (i) as soon as available, a copy of each report and any definitive proxy statement of the Company filed with the Commission under the Exchange Act or mailed to stockholders, and (ii) from time to time, such other information concerning the Company as the Representatives may reasonably request. However, so long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act and is timely filing reports with the Commission on its Electronic Data Gathering, Analysis and Retrieval system ("**EDGAR**"), it is not required to furnish such reports or statements to the Underwriters.

(h) *Payment of Expenses.* The Company agrees with the several Underwriters that the Company will pay all expenses incident to the performance of the obligations of the Company under this Agreement, including but not limited to (i) any filing fees and reasonable attorney's fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Offered Securities for offer and sale under the state securities or blue sky laws of such jurisdictions as the Representatives designate and the preparation and printing of memoranda relating thereto, (ii) the filing fees incident to, and the reasonable fees and expenses of counsel for the Underwriters, in connection with the FINRA's review and approval of the Underwriters' participation in the offering and distribution of the Offered Securities, (iii) costs and expenses relating to investor presentations or any "road show" in connection with the offering and sale of the Offered Securities including, without limitation, any travel expenses of the Company's officers and employees, provided, however, that the Underwriters will pay for 50% of the costs and expenses of any chartered flight, except for flights on which there is no representative of the Representatives, (iv) fees and expenses incident to listing the Offered Securities on the NASDAQ Global Market, (v) fees and expenses in connection with the registration of the Offered Securities under the Exchange Act, (vi) expenses incurred in distributing preliminary prospectuses and the Final Prospectus (including any amendments and supplements thereto) to the Underwriters and expenses incurred in preparing, printing and distributing any Issuer Free Writing Prospectuses to investors or prospective investors and (vii) all other fees, costs and expenses referred to in Item 13 of Part II of the Registration Statement. Except as provided in this Agreement, the Underwriters shall pay their own expenses, including the fees and disbursement of their counsel.

(i) *Use of Proceeds.* The Company will use the net proceeds received by it in connection with this offering in the manner described in the "Use of Proceeds" section of the General Disclosure Package and, except as disclosed in the General Disclosure Package, the Company does not intend to use any of the proceeds from the sale of the Offered Securities hereunder to repay any outstanding debt owed to any affiliate of any Underwriter.

(j) *Absence of Manipulation.* The Company will not take, directly or indirectly, any action designed to or that would constitute or that could reasonably be expected to cause or result in, stabilization or manipulation of the price of any securities of the Company to facilitate the sale or resale of the Offered Securities.

(k) (A) *Restriction on Sale of Securities by the Company.* For the period specified below (the "**Lock-Up Period**"), the Company will not, directly or indirectly, take any of the following actions with respect to its Securities or any securities convertible into or exchangeable or exercisable for any of its Securities ("**Lock-Up Securities**"): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of Lock-Up Securities, (ii) offer, sell, issue, contract to sell, contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) file with the Commission a registration statement under the Act relating to Lock-Up Securities, or publicly disclose the intention to take any such action, without the prior written consent of Credit Suisse Securities (USA) LLC ("**Credit Suisse**"), except for the Lock-Up Securities to be issued by the Company in connection with the Contributions, issuances of Lock-Up Securities pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options or vesting of restricted stock or restricted stock units, in each case outstanding on the date hereof, grants of employee or director stock options, restricted stock or restricted stock units pursuant to the terms of a plan in effect on the date hereof and described in the General Disclosure Package or issuances of Lock-Up Securities pursuant to the exercise of such options, provided that such options, stock, units or the Lock-Up Securities issued upon exercise thereof may not be transferred during the Lock-Up Period. The initial Lock-Up Period will commence on the date hereof and continue for 180 days after the date hereof or such earlier date that Credit Suisse consents to in writing; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or material news or a material event relating to the Company occurs or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the materials news or material event, as applicable, unless Credit Suisse waives, in writing, such extension. The Company will provide the Representatives with notice of any results, news, events or announcement described in clauses (1) and (2) of the preceding sentence that gives rise to an extension of the Lock-Up Period.

(l) *Agreement to announce lock-up waiver.* If Credit Suisse, in its sole discretion, agrees to release or waive the restrictions set forth in a lock-up letter described in Section 7(l) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of such release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit A hereto through a major news service at least two business days before the effective date of the release or waiver.

(m) *Emerging Growth Company Status.* Until [—], 2013,[1] the Company will notify the Representatives in writing on or prior to the date that the Company is no longer an “emerging growth company” as defined in Section 2(a)(19) of the Act.

(n) *Transfer Restrictions*. In connection with the Directed Share Program, the Company will ensure that the Directed Shares will be restricted to the extent required by the FINRA or the FINRA rules from sale, transfer, assignment, pledge or hypothecation for a period of three months following the date of the effectiveness of the Registration Statement. The Designated Underwriter will notify the Company as to which Participants will need to be so restricted. The Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time.

(o) *Payment of Expenses Related to Directed Share Program*. The Company will pay all fees and disbursements of counsel (including non-U.S. counsel) incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the underwriters in connection with the Directed Share Program.

(p) *Compliance with Foreign Laws*. The company will comply with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

6. *Free Writing Prospectuses*. The Company represents and agrees that, unless it obtains the prior consent of the Representatives, and each Underwriter represents and agrees that, unless it obtains the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Offered Securities that would constitute an Issuer Free Writing Prospectus, or that would otherwise constitute a “free writing prospectus,” as defined in Rule 405, required to be filed with the Commission. Any such free writing prospectus consented to by the Company and the Representatives is hereinafter referred to as a “**Permitted Free Writing Prospectus**.” The Company represents that it has treated and

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[1] Insert date that is 15 days after lock-up period ends.

agrees that it will treat each Permitted Free Writing Prospectus as an "issuer free writing prospectus," as defined in Rule 433, and has complied and will comply with the requirements of Rules 164 and 433 applicable to any Permitted Free Writing Prospectus, including timely Commission filing where required, legending and record keeping.

7. *Conditions of the Obligations of the Underwriters*. The obligations of the several Underwriters to purchase and pay for the Firm Securities on the First Closing Date and the Optional Securities to be purchased on each Optional Closing Date will be subject to the accuracy of the representations and warranties of the Company herein (as though made on such Closing Date), to the accuracy of the statements of Company officers made pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions precedent:

(a) *Grant Thornton Comfort Letter.* The Representatives shall have received letters, dated, respectively, the date hereof and each Closing Date, of Grant Thornton LLP confirming that they are a registered public accounting firm and independent public accountants within the meaning of the Securities Laws and substantially in the form of Schedule C hereto (except that, in any letter dated a Closing Date, the specified date referred to in Schedule C hereto shall be a date no more than three days prior to such Closing Date).

(b) *Ryder Scott Comfort Letter*. The Representatives shall have received letters, dated, respectively, the date hereof and each Closing Date, of Ryder Scott Company, L.P. (i) confirming that, as of the date of its reserve reports, it was an independent reserve engineer for the Company, Gulfport and Windsor UT and that, as of the date of such letter, no information had come to its attention that could reasonably have been expected to cause it to withdraw its reserve reports and (ii) otherwise in form and substance acceptable to the Representatives.

(c) *Pinnacle Comfort Letter*. The Representatives shall have received letters, dated, respectively, the date hereof and each Closing Date, of Pinnacle Energy Services, LLC (i) confirming that, as of the date of its reserve reports, it was an independent reserve engineer for the Company and that, as of the date of such letter, no information had come to its attention that could reasonably have been expected to cause it to withdraw its reserve reports and (ii) otherwise in form and substance acceptable to the Representatives.

(d) *Effectiveness of Registration Statement.* If the Effective Time of the Additional Registration Statement (if any) is not prior to the execution and delivery of this Agreement, such Effective Time shall have occurred not later than 10:00 P.M., New York time, on the date of this Agreement or, if earlier, the time the Final Prospectus is finalized and distributed to any Underwriter, or shall have occurred at such later time as shall have been consented to by the Representatives. The Final Prospectus shall have been filed with the Commission in accordance with the Rules and Regulations and Section 5(a) hereof. Prior to such Closing Date, no stop order suspending the effectiveness of a Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or, to the knowledge of the Company or the Representatives, shall be contemplated by the Commission.

(e) *No Material Adverse Change.* Subsequent to the execution and delivery of this Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries taken as a whole which, in the judgment of the Representatives, is material and adverse and makes it impractical or inadvisable to market the Offered Securities; (ii) any downgrading in the rating of any debt securities or preferred stock of the Company by any "nationally recognized statistical rating organization" (as defined in Section 3(a)(62) of the Exchange Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities or preferred stock of the Company (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating) or any announcement that the Company has been placed on negative outlook; (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls the effect of which is such as to make it, in the judgment of the Representatives, impractical to market or to enforce contracts for the sale of the Offered Securities, whether in the primary market or in respect of dealings in the secondary market; (iv) any suspension or material limitation of trading in securities generally on the New York Stock Exchange or the NASDAQ Global Market, or any setting of minimum or maximum prices for trading on such exchange; (v) or any suspension of trading of any securities of the Company on the Nasdaq Global Market or in the over-the-counter market; (vi) any banking moratorium declared by any U.S. federal or New York authorities; (vii) any major disruption of settlements of securities, payment or clearance services in the United States or any other country where such securities are listed or (viii) any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of the Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency is such as to make it impractical or inadvisable to market the Offered Securities or to enforce contracts for the sale of the Offered Securities.

(f) *Opinion of Outside Counsel for the Company.* The Representatives shall have received an opinion, dated such Closing Date, of Akin Gump Strauss Hauer & Feld LLP, counsel for the Company, in form and substance previously agreed upon.

(g) *Opinion of General Counsel for the Company.* The Representatives shall have received an opinion, dated such Closing Date, of **[—]**, General Counsel for the Company, in form and substance previously agreed upon.

(i) *Opinion of Counsel for Underwriters.* The Representatives shall have received from Latham & Watkins LLP, counsel for the Underwriters, such opinion or opinions, dated such Closing Date, with respect to such matters as the Representatives may require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(j) *Officer's Certificate.* The Representatives shall have received a certificate, dated such Closing Date, of an executive officer of the Company and a principal financial or accounting officer of the Company in which such officers shall state that: the representations and warranties of the Company set forth in Section 2(a) of this Agreement are true and correct; the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date; no stop order suspending the effectiveness of any Registration Statement has been issued and no proceedings for that purpose have been instituted or, to their knowledge and after inquiry to the Commission, are contemplated by the Commission; the Additional Registration Statement (if any) satisfying the requirements of subparagraphs (1) and (3) of Rule 462(b) was timely filed pursuant to Rule 462(b), including payment of the applicable filing fee in accordance with Rule 111(a) or (b) of Regulation S-T of the Commission; and, subsequent to the date of the most recent financial statements in the General Disclosure Package, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or otherwise), results of operations, business, properties or prospects of the Company and its subsidiaries taken as a whole except as set forth in the General Disclosure Package or as described in such certificate.

(l) *Lock-Up Agreements*. On or prior to the date hereof, the Representatives shall have received lockup letters in the form of Exhibit B from each DB Energy Holdings, Gulfport and each of the executive officers and directors of the Company.

(n) *Gulfport and Windsor UT Contributions*. The contribution by each of Gulfport and Windsor UT of the properties or equity interests and the merger of Diamondback Energy LLC with and into the Company, in each case as described in the General Disclosure Package, shall have occurred.

The Company will furnish the Representatives with any additional opinions, certificates, letters and documents as the Representatives reasonably request and conformed copies of documents delivered pursuant to this Section 7. The Representatives may in their sole discretion waive on behalf of the Underwriters compliance with any conditions to the obligations of the Underwriters hereunder, whether in respect of an Optional Closing Date or otherwise.

8. *Indemnification and Contribution*. (a) *Indemnification of Underwriters by the Company.* The Company will indemnify and hold harmless each Underwriter, its partners, members, directors, officers, employees, agents, affiliates and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, an "**Indemnified Party**"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Party may become subject, under the Act, the Exchange Act, other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any part of any Registration Statement at any time, any Statutory Prospectus as of any time, the Final Prospectus or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and will reimburse each Indemnified Party for any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending against any loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Indemnified Party is a party thereto), whether threatened or commenced, and in connection with the enforcement of this provision with respect to any of the above as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representatives specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in subsection (c) below.

The Company also agrees to indemnify and hold harmless the Designated Underwriter and its affiliates and each person, if any, who controls the Designated Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act (the "**Designated Entities"**), from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (i) arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program arising out of or based upon any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading;
(ii) arising out of or based upon the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or
(iii) arising out of, related to or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the willful misconduct or gross negligence of the Designated Entities.

(b) *Indemnification of Company, its Directors and Officers.* Each Underwriter will severally and not jointly indemnify and hold harmless the Company, each of its directors and each of its officers who signs a Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, (each, an "**Underwriter Indemnified Party**") against any losses, claims, damages or liabilities to which such Underwriter Indemnified Party may become subject, under the Act, the Exchange Act, or other Federal or state statutory law or regulation or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement at any time, any Statutory Prospectus at any time, the Final Prospectus or any Issuer Free Writing Prospectus or arise out of or are based upon the omission or the alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Underwriter through the Representatives specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by such Underwriter Indemnified Party in connection with investigating or defending against any such loss, claim, damage, liability, action, litigation, investigation or proceeding whatsoever (whether or not such Underwriter Indemnified Party is a party thereto), whether threatened or commenced, based upon any such untrue statement or omission, or any such alleged untrue statement or omission as such expenses are incurred, it being understood and agreed that the only such information furnished by any Underwriter consists of (i) the following information in the Final Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the fourth paragraph under the caption "Underwriting," the information contained in the eighth and eleventh paragraphs and information with respect to stabilization transactions appearing in the nineteenth paragraph, in each case under the caption "Underwriting."

(c) *Actions against Parties; Notification.* Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under subsection (a), (b) or (c) above, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve it from any liability that it may have under subsection (a), (b) or (c) above except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under subsection (a), (b) or (c) above. In case any such action is brought against any indemnified party and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. Notwithstanding anything contained herein to the contrary, if indemnity may be sought pursuant to the last paragraph in Section 8(a) hereof in respect of such action or proceeding, then in addition to such separate firm for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one separate firm (in addition to any local counsel) for the Designated Underwriter for the defense of any losses, claims, damages and liabilities arising out of the Directed Share Program, and all persons, if any, who control the Designated Underwriter within the meaning of either Section 15 of the Act of Section 20 of the Exchange Act. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) *Contribution.* If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a), (b) or (c) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a), (b) or (c) above (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Offered Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (e). Notwithstanding the provisions of this subsection (e), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue statement or omission or alleged untrue statement or omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (e) to contribute are several in proportion to their respective underwriting obligations and not joint. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 8(e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 8(e).

9. *Default of Underwriters*. If any Underwriter or Underwriters default in their obligations to purchase Offered Securities hereunder on either the First Closing Date or any Optional Closing Date and the aggregate number of shares of Offered Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date, the Representatives may make arrangements satisfactory to the Company for the purchase of such Offered Securities by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities that such defaulting Underwriters agreed but failed to purchase on such Closing Date. If any Underwriter or Underwriters so default and the aggregate number of shares of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total number of shares of Offered Securities that the Underwriters are obligated to purchase on such Closing Date and arrangements satisfactory to the Representatives and the Company for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, this Agreement will terminate without liability on the part of any non-defaulting Underwriter or the Company, except as provided in Section 10 (provided that if such default occurs with respect to Optional Securities after the First Closing Date, this Agreement will not terminate as to the Firm Securities or any Optional Securities purchased prior to such termination). As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default.

10. *Survival of Certain Representations and Obligations*. The respective indemnities, agreements, representations, warranties and other statements of the Company or its officers and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, the Company or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If the purchase of the Offered Securities by the Underwriters is not consummated for any reason other than solely because of the termination of this Agreement pursuant to Section 9 hereof, the Company agrees that the Company will reimburse the Underwriters for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities, and the respective obligations of the Company and the Underwriters pursuant to Section 8 hereof shall remain in effect. In addition, if any Offered Securities have been purchased hereunder, the representations and warranties in Section 2 and all obligations under Section 5 shall also remain in effect.

11. *Notices*. All communications hereunder will be in writing and, if sent to the Underwriters, will be mailed, hand delivered or telecopied and confirmed to the Representatives, c/o Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, N.Y. 10010-3629, Attention: LCD-IBD, or, if sent to the Company, will be mailed, hand delivered or telecopied and confirmed to it at 500 West Texas, Suite 1225, Midland, Texas 79701 Attention: [—]; provided, however, that any notice to an Underwriter pursuant to Section 8 will be mailed, hand delivered or telecopied and confirmed to such Underwriter.

12. *Successors*. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 8, and no other person will have any right or obligation hereunder.

13. *Representation of Underwriters*. The Representatives will act for the several Underwriters in connection with the transactions contemplated by this Agreement, and any action under this Agreement taken by the Representatives will be binding upon all the Underwriters.

14. *Counterparts*. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

15. *Absence of Fiduciary Relationship.* The Company acknowledges and agrees that:

(a) *No Other Relationship.* The Representatives have been retained solely to act as underwriters in connection with the sale of the Offered Securities and that no fiduciary, advisory or agency relationship between the Company, on the one hand, and the Representatives, on the other, has been created in respect of any of the transactions contemplated by this Agreement or the Final Prospectus, irrespective of whether the Representatives have advised or is advising the Company on other matters;

(b) *Arms' Length Negotiations.* The price of the Offered Securities set forth in this Agreement was established by the Company following discussions and arms-length negotiations with the Representatives and the Company is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated by this Agreement;

(c) *Absence of Obligation to Disclose.* The Company has been advised that the Representatives and their affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that the Representatives have no obligation to disclose such interests and transactions to the Company by virtue of any fiduciary, advisory or agency relationship; and

(d) *Waiver.* The Company waives, to the fullest extent permitted by law, any claims it may have against the Representatives for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that the Representatives shall have no liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim or to any person asserting a fiduciary duty claim on behalf of or in right of the Company, including stockholders, employees or creditors of the Company.

16. *Applicable Law*. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The Company irrevocably and unconditionally waives any objection to the laying of venue of any suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby in Federal and state courts in the Borough of Manhattan in the City of New York and irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such suit or proceeding in any such court has been brought in an inconvenient forum.

17. *Patriot Act*. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the underwriters to properly identify their respective clients.

[Signature Page Follows]

If the foregoing is in accordance with the Representatives' understanding of our agreement, kindly sign and return to the Company one of the counterparts hereof, whereupon it will become a binding agreement among the Company and the several Underwriters in accordance with its terms.

Very truly yours,

DIAMONDBACK ENERGY, INC.

By: ________________________________
Name:
Title:

Signature Page to Underwriting Agreement

The foregoing Underwriting Agreement is hereby confirmed and accepted as of the date first above written.

CREDIT SUISSE SECURITIES (USA) LLC

By: ____________________________
Name:
Title:

[—]

By: ____________________________
Name:
Title:

Acting on behalf of themselves and as the Representatives of the several Underwriters.

Signature Page to Underwriting Agreement

SCHEDULE A

Underwriter	Number of Firm Securities to be Purchased
Credit Suisse Securities (USA) LLC	[—]
[—]	[—]
Total	[—]

SCHEDULE B

1. General Use Free Writing Prospectuses (included in the General Disclosure Package)

"General Use Issuer Free Writing Prospectus" includes each of the following documents:

1. [*list any documents*]

2. Other Information Included in the General Disclosure Package

The following information is also included in the General Disclosure Package:

[1. The initial price to the public of the Offered Securities.]

SCHEDULE C

The Representatives shall have received letters, dated, respectively, the date hereof and the First Closing Date, of Grant Thornton LLP confirming that they are a registered public accounting firm and independent public accountants within the meaning of the Securities Laws to the effect that:

(i) in their opinion the audited consolidated financial statements examined by them and included in the Registration Statements and the General Disclosure Package comply as to form in all material respects with the applicable accounting requirements of the Securities Laws;

(ii) with respect to the period(s) covered by the unaudited quarterly consolidated financial statements included in the Registration Statements and the General Disclosure Package, they have performed the procedures specified by the American Institute of Certified Public Accountants for a review of interim financial information as described in AU 722, Interim Financial Information, on the unaudited quarterly consolidated financial statements (including the notes thereto) of the Company included in the Registration Statements and the General Disclosure Package, and have made inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company as to whether such unaudited quarterly consolidated financial statements comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the related published rules and regulations; they have read the latest unaudited monthly consolidated financial statements (including the notes thereto) and the supplementary summary unaudited financial information of the Company made available by the Company and the minutes of the meetings of the stockholders, Board of Directors and committees of the Board of Directors of the Company; and have made inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company as to whether the unaudited monthly financial statements are stated on a basis substantially consistent with that of the audited consolidated financial statements included in the Registration Statement and General Disclosure Package; and on the basis thereof, nothing came to their attention which caused them to believe that:

(A) the unaudited financial statements included in the Registration Statements or the General Disclosure Package do not comply as to form in all material respects with the applicable accounting requirements of the Securities Laws, or that any material modifications should be made to the unaudited quarterly consolidated financial statements for them to be in conformity with generally accepted accounting principles;

(B) with respect to the period subsequent to the date of the most recent unaudited quarterly consolidated financial statements included in the General Disclosure Package, at a specified date at the end of the most recent month, there were any increases in the short-term debt or long-term debt of the Company, or any change in stockholders' equity or the consolidated capital stock of the Company and its consolidated subsidiaries or any decreases in the net current assets or net assets of the Company, as compared with the amounts shown on the latest balance sheet included in the General Disclosure Package; or for the period from the day after the date of the most recent unaudited quarterly consolidated financial statements for such entities included in the General Disclosure Package to such specified date, there were any decreases, as compared with the corresponding period in the preceding year, in consolidated net sales, net operating income or in the total or per share amounts of net income of the Company, except for such changes, increases or decreases set forth in such letter which the General Disclosure Package discloses have occurred or may occur;

(iii) With respect to any period as to which officials of the Company have advised that no consolidated financial statements as of any date or for any period subsequent to the specified date referred to in (ii)(B) above are available, they have made inquiries of certain officials of the Company who have responsibility for the financial and accounting matters of the Company as to whether, at a specified date not more than three business days prior to the date of such letter, there were any increases in the short-term debt or long-term debt of the Company, or any change in stockholders' equity or the capital stock of the Company or any decreases in the net current assets or net assets of the Company, as compared with the amounts shown on the most recent balance sheet for the Company included in the General Disclosure Package; or for the period from the day after the date of the most recent unaudited quarterly financial statements for the Company included in the General Disclosure Package to such specified date, there were any decreases, as compared with the corresponding period in the preceding year, in net sales, net operating income, or in the total or per share amounts of net income of the Company and, on the basis of such inquiries and the review of the minutes described in paragraph (ii) above, nothing came to their attention which caused them to believe that there was any such change, increase, or decrease, except for such changes, increases or decreases set forth in such letter which the General Disclosure Package discloses have occurred or may occur; and

(iv) they have compared specified dollar amounts (or percentages derived from such dollar amounts) and other financial and statistical information contained in the Registration Statements, each Issuer Free Writing Prospectus (other than any Issuer Free Writing Prospectus that is an "electronic road show," as defined in Rule 433(h)) and the General Disclosure Package (in each case to the extent that such dollar amounts, percentages and other financial and statistical information are derived from the general accounting records of the Company or are derived directly from such records by analysis or computation) with the results obtained from inquiries, a reading of such general accounting records and other procedures specified in such letter and have found such dollar amounts, percentages and other financial and statistical information to be in agreement with such results.

For purposes of this Schedule, if the Effective Time of the Additional Registration Statement is subsequent to the execution and delivery of this Agreement, "**Registration Statements**" shall mean the Initial Registration Statement and the Additional Registration Statement as proposed to be filed shortly prior to its Effective Time.

Exhibit A

[Form of Press Release]

Diamondback Energy, Inc.
[Date]

Diamondback Energy Inc. (“Company”) announced today that Credit Suisse Securities (USA) LLC [and [—]], the lead book-running manager[s] in the Company’s recent public sale of shares of common stock, are [waiving] [releasing] a lock-up restriction with respect to shares of the Company’s common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on , 20 , and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

Exhibit B

Form of Lock-Up Letter

Diamondback Energy, Inc.
500 West Texas
Midland, Texas 79701

Credit Suisse Securities (USA) LLC
[other managers]

c/o Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, NY 10010-3629

Dear Sirs:

As an inducement to the Underwriters to execute the Underwriting Agreement (the "**Underwriting Agreement**"), pursuant to which an offering will be made that is intended to result in the establishment of a public market for the common stock, par value $0.01 per share (the "**Securities**"), of Diamondback Energy, Inc., and any successor (by merger or otherwise) thereto, (the "**Company**"), the undersigned hereby agrees that during the period specified in the following paragraph (the "**Lock-Up Period**"), the undersigned will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Securities or securities convertible into or exchangeable or exercisable for any Securities, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the Securities, whether any such aforementioned transaction is to be settled by delivery of the Securities or such other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC ("**Credit Suisse**"). In addition, the undersigned agrees that, without the prior written consent of Credit Suisse, it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any Securities or any security convertible into or exercisable or exchangeable for the Securities.

The initial Lock-Up Period will commence on the date of this Lock-Up Agreement and continue and include the date 180 days after the public offering date set forth on the final prospectus used to sell the Securities (the "**Public Offering Date**") pursuant to the Underwriting Agreement; provided, however, that if (1) during the last 17 days of the initial Lock-Up Period, the Company releases earnings results or material news or a material event relating to the Company occurs or (2) prior to the expiration of the initial Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the initial Lock-Up Period, then in each case the Lock-Up Period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable, unless Credit Suisse waives, in writing, such extension.

The undersigned agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this Lock-Up Agreement during the period from the date of this Lock-Up Agreement to and including the 34th day following the expiration of the initial Lock-Up Period, it will give notice thereof to the Company and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock-Up Period (as may have been extended pursuant to the previous paragraph) has expired.

Any Securities received upon exercise of options granted to the undersigned will also be subject to this Lock-Up Agreement. Any Securities acquired by the undersigned in the open market will not be subject to this Lock-Up Agreement; provided that no filing under the Exchange Act (other than on Form 5) shall be required or shall be voluntarily made in connection with the subsequent sales of such Securities acquired in such open market transactions during the Lock-Up Period. Additionally, the restrictions in this Lock-Up Agreement shall not apply to (a) the Securities being offered in the prospectus included in the Registration Statement, (b) any exercise of options or vesting or exercise of any other equity-based award outstanding on the Public Offering Date, in each case under the Company's equity incentive of any other plan or agreement described in the prospectus included in the Registration Statement, provided that any Securities received upon such exercise or vesting will also be subject to this Lock-Up Agreement, (c) the entering into a written trading plan designed to comply with Rule 10b5-1 of the Exchange Act, provided that no sales are made pursuant to such trading plan during the Lock-Up Period, (d) transfers as a bona fide gift or gifts, (e) transfers to a family member, trust, family limited partnership or family limited liability company for the direct or indirect benefit of the undersigned or his or her family members, (f) transfers by testate or intestate succession or (g) if the undersigned is an entity, transfers to the limited partners, members or stockholders as part of a distribution, or to any corporation, partnership or other business that is its affiliate, provided that in each transfer pursuant to clauses (d)-(g) the transferee agrees to be bound in writing by the terms of this Lock-Up Agreement prior to such transfer, such transfer shall not involve a disposition for value and no filing or public announcement by any party (donor, donee, transferor or transferee) under the Exchange Act or otherwise shall be required or shall be voluntarily made in connection with such transfer (other than a filing on a Form 5).

In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of shares of Securities if such transfer would constitute a violation or breach of this Lock-Up Agreement.

If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing restrictions in this Lock-Up Agreement shall be equally applicable to any issuer-directed Securities the undersigned may purchase in the above-referenced offering.

If the undersigned is an officer or director of the Company, (i) Credit Suisse agrees that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of Securities, Credit Suisse will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by Credit Suisse hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this Lock-Up Agreement to the extent and for the duration that such terms remain in effect at the time of the transfer.

This Lock-Up Agreement shall be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned.

It is understood that if the Underwriting Agreement (other than the provisions thereof that survive termination) shall terminate prior to payment for and delivery of the Offered Securities, the undersigned shall be released from all obligations under this Lock-Up Agreement. Further, this Lock-Up Agreement shall lapse and become null and void if the Public Offering Date shall not have occurred on or before [—]. **This agreement shall be governed by, and construed in accordance with, the laws of the State of New York.**

Very truly yours,

____

[*Name of stockholder*]

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF DIAMONDBACK ENERGY, INC.

Diamondback Energy, Inc., a corporation organized and existing under the laws of the State of Delaware (the "***Corporation***"), DOES HEREBY CERTIFY AS FOLLOWS:

1. The name of the Corporation is "Diamondback Energy, Inc." and the original certificate of incorporation was filed with the Secretary of State of the State of Delaware on December 30, 2011.

2. This Amended and Restated Certificate of Incorporation (this "***Certificate***") was duly adopted by the Board of Directors and the stockholders of the Corporation in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware.

3. This Certificate restates, integrates and further amends the provisions of the certificate of incorporation of the Corporation.

4. The text of the certificate of incorporation of the Corporation is hereby restated and amended to read in its entirety as follows:

ARTICLE I
NAME

The name of the corporation is Diamondback Energy, Inc. (the "***Corporation***").

ARTICLE II
PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "***DGCL***").

ARTICLE III
REGISTERED AGENT

The street address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, County of New Castle, City of Wilmington, Delaware 19808 and the name of the Corporation's registered agent at such address is Corporation Service Company.

ARTICLE IV
CAPITALIZATION

Section 4.1 Authorized Capital Stock. The total number of shares of capital stock that the Corporation is authorized to issue is 110,000,000 shares, divided into two classes consisting of 100,000,000 shares of common stock, par value $0.01 per share ("***Common Stock***"), and 10,000,000 shares of preferred stock, par value $0.01 per share ("***Preferred Stock***").

Section 4.2 Preferred Stock

(a) Shares of Preferred Stock may be issued in one or more series from time to time with each such series to consist of such number of shares and to have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, as shall be stated in the resolution or resolutions providing for the issuance of such series adopted by the board of directors of the Corporation (the "***Board***") and included in a certificate of designations (a "***Preferred Stock Designation***") filed pursuant to the DGCL, and the Board is hereby expressly vested with the authority, to the full extent now or hereafter provided by law, to adopt any such resolution or resolutions.

(b) Subject to the rights of the holders of any series of Preferred Stock pursuant to the terms of this Amended and Restated Certificate of Incorporation (this "***Certificate***") (including any Preferred Stock Designation), the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock, without a vote of the holders of the Preferred Stock, or any series thereof, irrespective of the provisions of Section 242(b)(2) of the DGCL, unless a vote of any such holders of Preferred Stock is required pursuant to another provision of this Certificate (including any Preferred Stock Designation).

Section 4.3 Common Stock

(a) Each holder of shares of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote. Except as otherwise required by law or this Certificate (including any Preferred Stock Designation), at any annual or special meeting of the stockholders the Common Stock shall have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. Notwithstanding the foregoing, except as otherwise required by law or this Certificate (including a Preferred Stock Designation), holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Certificate (including any amendment to any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate (including any Preferred Stock Designation) or pursuant to the DGCL.

(b) Subject to the rights of the holders of Preferred Stock, the holders of shares of Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(c) In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, and subject to the rights of the holders of Preferred Stock in respect thereof, the holders of shares of Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock held by them.

ARTICLE V
RELATED PARTY TRANSACTIONS AND CORPORATE OPPORTUNITIES

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and the same are in furtherance of and not in limitation of the powers conferred by law:

Section 5.1 Related Party Transactions. No contract or other transaction of the Corporation with any other person, firm, corporation or other entity in which the Corporation has an interest, shall be affected or invalidated by the fact that any one or more of the directors or officers of the Corporation, individually or jointly with others, may be a party to or may be interested in any contract or transaction so long as the contract or other transaction is approved by the Board in accordance with the DGCL. Each person who may become a director or officer of the Corporation is hereby relieved from any liability that might otherwise arise by reason of his or her contracting with the Corporation for the benefit of himself or herself or any firm or corporation in which he or she may be in any way interested.

Section 5.2 Corporate Opportunities.

(a) In recognition and anticipation that (i) certain directors, principals, officers, employees and/or other representatives of DB Energy Holdings LLC and Gulfport Energy Corporation (together, the "***Original Stockholders***") and their respective Affiliates (as defined below) may serve as directors or officers of the Corporation, (ii) the Original Stockholders and their respective Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation, directly or indirectly, may engage, and (iii) members of the Board who are not employees of the Corporation ("***Non-Employee Directors***") and their respective Affiliates may now engage and may continue to engage in the same or similar activities or related lines of business as those in which the Corporation, directly or indirectly, may engage and/or other business activities that overlap with or compete with those in which the Corporation, directly or indirectly, may engage, the provisions of this Section 5.2 are set forth to regulate and define the conduct of certain affairs of the Corporation with respect to certain classes or categories of business opportunities as they may involve the Original Stockholders, the Non-Employee Directors or their respective Affiliates and the powers, rights, duties and liabilities of the Corporation and its directors, officers and stockholders in connection therewith.

(b) None of (i) any Original Stockholder or any of its Affiliates or (ii) any Non-Employee Director or his or her Affiliates (the Persons (as defined below) identified in (i) and (ii) above being referred to, collectively, as "***Identified Persons***" and, individually, as an "***Identified Person***") shall have any duty to refrain from directly or indirectly (x) engaging in a corporate opportunity in the same or similar business activities or lines of business in which the Corporation or any of its Affiliates now engages or proposes to engage or (y) otherwise competing with the Corporation, and, to the fullest extent permitted by the DGCL, no Identified Person shall (A) be deemed to have acted in bad faith or in a manner inconsistent with the best interests of the Corporation or its stockholders or to have acted in a manner inconsistent with or opposed to any fiduciary duty to the Corporation or its stockholders or (B) be liable to the Corporation or its stockholders for breach of any fiduciary duty, in each case, by reason of the fact that such Identified Person engages in any such activities. The Corporation hereby renounces any interest or expectancy in, or in being offered an opportunity to participate in, any business opportunity which may be a corporate opportunity for an Identified Person and the Corporation or any of its Affiliates, except as provided in paragraph (c) of this Section 5.2. In the event that any Identified Person acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself and the Corporation or any of its Affiliates, such Identified Person shall have no duty to communicate or offer such transaction or other business opportunity to the Corporation or any of its Affiliates and, to the fullest extent permitted by the DGCL, shall not (A) be deemed to have acted in bad faith or in a manner inconsistent with the best interests of the Corporation or its stockholders or to have acted in a manner inconsistent with or opposed to any fiduciary duty to the Corporation or its stockholders or (B) be liable to the Corporation or its stockholders for breach of any fiduciary duty as a stockholder, director or officer of the Corporation, in each case, by reason of the fact that such Identified Person pursues or acquires such corporate opportunity for itself or himself, or offers or directs such corporate opportunity to another Person.

(c) The Corporation does not renounce its interest in any corporate opportunity offered to any Non-Employee Director (including any Non-Employee Director who serves as an officer of this Corporation) if such opportunity is expressly offered to such person solely in his or her capacity as a director or officer of the Corporation and the provisions of Section 5.2(b) shall not apply to any such corporate opportunity.

(d) In addition to and notwithstanding the foregoing provisions of this Section 5.2, a corporate opportunity shall not be deemed to be a potential corporate opportunity for the Corporation if it is a business opportunity that the Corporation is not financially able or contractually permitted or legally able to undertake, or that is, from its nature, not in the line of the Corporation's business or is of no practical advantage to it or that is one in which the Corporation has no interest or reasonable expectancy.

(e) For purposes of this Section 5.2, (i) "Affiliate" shall mean (A) in respect of an Original Stockholder, any Person that, directly or indirectly, is controlled by such Original Stockholder, controls such Original Stockholder or is under common control with such Original Stockholder and shall include any principal, member, director, partner, shareholder, officer, employee or other representative of any of the foregoing (other than the Corporation and any entity that is controlled by the Corporation), (B) in respect of a Non-Employee Director, any Person that, directly or indirectly, is controlled by such Non-Employee Director (other than the Corporation and any entity that is controlled by the Corporation) and (C) in respect of the Corporation, any Person that, directly or indirectly, is controlled by the Corporation; and (ii) "Person" shall mean any individual, corporation, general or limited partnership, limited liability company, joint venture, trust, association or any other entity.

(f) To the fullest extent permitted by law, any Person purchasing or otherwise acquiring any interest in any shares of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Section 5.2.

ARTICLE VI
BOARD OF DIRECTORS

Section 6.1 Board Powers. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. In addition to the powers and authority expressly conferred upon the Board by statute, this Certificate or the Bylaws of the Corporation ("Bylaws"), the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Certificate and any Bylaws adopted by the stockholders; *provided*, *however*, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the Board that would have been valid if such Bylaws had not been adopted.

Section 6.2 Number, Election and Term.

(a) The number of directors constituting the Board shall be not fewer than five (5) nor more than thirteen (13). Subject to the previous sentence, the precise number of directors of the Corporation, other than those who may be elected by the holders of one or more series of Preferred Stock voting separately by class or series, shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board. For purposes of this Certificate, "***Whole Board***" shall mean the total number of directors the Corporation would have if there were no vacancies.

(b) Subject to Section 6.5, a director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

(c) Unless and except to the extent that the Bylaws shall so require, the election of directors need not be by written ballot.

Section 6.3 Newly Created Directorships and Vacancies. Subject to Section 6.5, newly created directorships resulting from an increase in the number of directors and any vacancies on the Board resulting from death, resignation, retirement, disqualification, removal or other cause may be filled solely by a majority vote of the directors then in office, even if less than a quorum, or by a sole remaining director (and not by stockholders), and any director so chosen shall hold office for the remainder of the full term of the class of directors to which the new directorship was added or in which the vacancy occurred and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

Section 6.4 Removal. Subject to Section 6.5, any or all of the directors may be removed from office at any time, but only by the affirmative vote of holders of a 66 $^{2}/_{3}$% of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 6.5 Preferred Stock – Directors. Notwithstanding any other provision of this Article VI, and except as otherwise required by law, whenever the holders of one or more series of Preferred Stock shall have the right, voting separately by class or series, to elect one or more directors, the term of office, the filling of vacancies, the removal from office and other features of such directorships shall be governed by the terms of such series of Preferred Stock as set forth in this Certificate (including any Preferred Stock Designation) and such directors shall not be included in any of the classes created pursuant to this Article VI unless expressly provided by such terms.

ARTICLE VII
BYLAWS

In furtherance and not in limitation of the powers conferred upon it by law, the Board shall have the power to adopt, amend, alter or repeal the Bylaws. The affirmative vote of a majority of the Whole Board shall be required to adopt, amend, alter or repeal the Bylaws. The Bylaws also may be adopted, amended, altered or repealed by the stockholders; *provided*, *however*, that in addition to any vote of the holders of any class or series of capital stock of the Corporation required by law or by this Certificate (including any Preferred Stock Designation), the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to adopt, amend, alter or repeal the Bylaws.

ARTICLE VIII
MEETINGS OF STOCKHOLDERS

Section 8.1 No Action by Written Consent. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, any action required or permitted to be taken by stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders, unless the Board approves in advance of the taking of such action by means of written consent of the stockholders.

Section 8.2 Special Meetings. Except as otherwise required by law or the terms of any one or more series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, Chief Executive Officer, or the Board pursuant to a resolution adopted by a majority of the Whole Board, and the ability of the stockholders to call a special meeting is hereby specifically denied.

Section 8.3 Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

ARTICLE IX
LIMITATION OF DIRECTOR LIABILITY; INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

Section 9.1 Limitation of Director Liability. To the fullest extent that the DGCL or any other law of the State of Delaware as the same exists or is hereafter amended permits the limitation or elimination of the liability of directors, no person who is or was a director of the Corporation shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or amendment of this Section 9.1 by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Certificate inconsistent with this Section 9.1 will, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to further limit or eliminate the liability of directors) and shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or amendment or adoption of such inconsistent provision with respect to acts or omissions occurring prior to such repeal or amendment or adoption of such inconsistent provision.

Section 9.2 Indemnification and Advancement of Expenses.

(a) To the fullest extent permitted by applicable law, as the same exists or may hereafter be amended, the Corporation shall indemnify and hold harmless each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "***proceeding***") by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (an "***indemnitee***"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, against all expenses, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection with such proceeding. The right to indemnification conferred by this Section 9.2 shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any such proceeding in advance of its final disposition; provided, however, that, if the DGCL requires, an advancement of expenses shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of the indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that the indemnitee is not entitled to be indemnified for the expenses under this Section 9.2 or otherwise. The rights to indemnification and advancement of expenses conferred by this Section 9.2 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. Notwithstanding the foregoing provisions of this Section 9.2, except for proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify and advance expenses to an indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board.

(b) The rights to indemnification and advancement of expenses conferred on any indemnitee by this Section 9.2 shall not be exclusive of any other rights that any indemnitee may have or hereafter acquire under law, this Certificate, the Bylaws, an agreement, vote of stockholders or disinterested directors, or otherwise.

(c) Any repeal or amendment of this Section 9.2 by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Certificate inconsistent with this Section 9.2, shall, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to provide broader indemnification rights on a retroactive basis than permitted prior thereto), and shall not in any way diminish or adversely affect any right or protection existing at the time of such repeal or amendment or adoption of such inconsistent provision in respect of any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

(d) This Section 9.2 shall not limit the right of the Corporation, to the extent and in the manner authorized or permitted by law, to indemnify and to advance expenses to persons other than indemnitees.

ARTICLE X
AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate (including any Preferred Stock Designation), in the manner now or hereafter prescribed by this Certificate and the DGCL; and, except as set forth in Article IX, all rights, preferences and privileges herein conferred upon stockholders, directors or any other persons by and pursuant to this Certificate in its present form or as hereafter amended are granted subject to the right reserved in this Article X; *provided*, *however*, that, notwithstanding any other provision of this Certificate, and in addition to any other vote that may be required by law or any Preferred Stock Designation, the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision as part of this Certificate inconsistent with the purpose and intent of, Section 4.3(b), Article V, Article VI, Article VII, Article VIII or this Article X.

ARTICLE XI
SECTION 203

The Corporation shall not be governed by the provisions of Section 203 of the DGCL.

ARTICLE XII
CHOICE OF FORUM

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders; (iii) any action asserting a claim against the Corporation arising pursuant to any provision of the DGCL, this Certificate or Bylaws; or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in share of capital stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article XII.

[Signature Page Follows]

IN WITNESS WHEREOF, Diamondback Energy, Inc. has caused this Amended and Restated Certificate of Incorporation to be duly executed in its name and on its behalf by the undersigned this __ day of ______, 2012.

DIAMONDBACK ENERGY, INC.

By: ________________________________

Exhibit 3.4

FORM OF
AMENDED AND RESTATED BYLAWS

OF

DIAMONDBACK ENERGY, INC.

A DELAWARE CORPORATION

(THE "CORPORATION")

ADOPTED AS OF [__________], 2012

AMENDED AND RESTATED BYLAWS

OF

DIAMONDBACK ENERGY, INC.

ARTICLE I
OFFICES

Section 1.1 Registered Office. The registered office of the Corporation within the State of Delaware shall be located at either (a) the principal place of business of the Corporation in the State of Delaware or (b) the office of the corporation or individual acting as the Corporation's registered agent in Delaware.

Section 1.2 Additional Offices. The Corporation may, in addition to its registered office in the State of Delaware, have such other offices and places of business, both within and outside the State of Delaware, as the Board of Directors of the Corporation (the "***Board***") may from time to time determine or as the business and affairs of the Corporation may require.

ARTICLE II
STOCKHOLDERS MEETINGS

Section 2.1 Annual Meetings. The annual meeting of stockholders shall be held at such place and time and on such date as shall be determined by the Board and stated in the notice of the meeting, provided that the Board may in its sole discretion determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication pursuant to Section 9.5(a). At each annual meeting, the stockholders shall elect directors of the Corporation and may transact any other business as may properly be brought before the meeting.

Section 2.2 Special Meetings. Except as otherwise required by applicable law or provided in the Corporation's Amended and Restated Certificate of Incorporation, as the same may be amended or restated from time to time (the "***Certificate of Incorporation***"), special meetings of stockholders, for any purpose or purposes, may be called only by the Chairman of the Board, Chief Executive Officer or the Board pursuant to a resolution adopted by a majority of the Whole Board (as defined below). Special meetings of stockholders shall be held at such place and time and on such date as shall be determined by the Board and stated in the Corporation's notice of the meeting, provided that the Board may in its sole discretion determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication pursuant to Section 9.5(a). "***Whole Board***" shall mean the total number of directors the Corporation would have if there were no vacancies.

Section 2.3 Notices. Notice of each stockholders meeting stating the place, if any, date, and time of the meeting, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting if such date is different from the record date for determining stockholders entitled to notice of the meeting shall be given in the manner permitted by Section 9.3 to each stockholder entitled to vote thereat as of the record date for determining the stockholders entitled to notice of the meeting. Such notice shall be given by the Corporation not less than 10 nor more than 60 days before the date of the meeting. If said notice is for a stockholders meeting other than an annual meeting, it shall in addition state the purpose or purposes for which the meeting is called, and the business transacted at such meeting shall be limited to the matters so stated in the Corporation's notice of meeting (or any supplement thereto). Any meeting of stockholders as to which notice has been given may be postponed, and any special meeting of stockholders as to which notice has been given may be cancelled, by the Board upon public announcement (as defined in Section 2.7(c)) given before the date previously scheduled for such meeting.

Section 2.4 Quorum. Except as otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, the presence, in person or by proxy, at a stockholders meeting of the holders of shares of outstanding capital stock of the Corporation representing a majority of the voting power of all outstanding shares of capital stock of the Corporation entitled to vote at such meeting shall constitute a quorum for the transaction of business at such meeting, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of shares representing a majority of the voting power of the outstanding shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. If a quorum shall not be present or represented by proxy at any meeting of the stockholders, the chairman of the meeting may adjourn the meeting from time to time in the manner provided in Section 2.6 until a quorum shall attend. The stockholders present at a duly convened meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Shares of its own stock belonging to the Corporation or to another corporation, if a majority of the voting power of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the Corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the Corporation or any such other corporation to vote shares held by it in a fiduciary capacity.

Section 2.5 Voting of Shares.

(a) Voting Lists. The Secretary shall prepare, or shall cause the officer or agent who has charge of the stock ledger of the Corporation to prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders of record entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order for each class of stock and showing the address and the number of shares registered in the name of each stockholder. Nothing contained in this Section 2.5(a) shall require the Corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. If the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If a meeting of stockholders is to be held solely by means of remote communication as permitted by Section 9.5(a), then such list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list required by this Section 2.5(a) or to vote in person or by proxy at any meeting of stockholders.

(b) Manner of Voting. At any stockholders meeting, every stockholder entitled to vote may vote in person or by proxy. If authorized by the Board, the voting by stockholders or proxyholders at any meeting conducted by remote communication may be effected by a ballot submitted by electronic transmission (as defined in Section 9.3), provided that any such electronic transmission must either set forth or be submitted with information from which the Corporation can determine that the electronic transmission was authorized by the stockholder or proxyholder. The Board, in its discretion, or the chairman of the meeting of stockholders, in such person's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

(c) Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Proxies need not be filed with the Secretary of the Corporation until the meeting is called to order, but shall be filed with the Secretary before being voted. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, either of the following shall constitute a valid means by which a stockholder may grant such authority.

(i) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of an electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used; provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

(d) Required Vote. Subject to the rights of the holders of one or more series of preferred stock of the Corporation ("***Preferred Stock***"), voting separately by class or series, to elect directors pursuant to the terms of one or more series of Preferred Stock, the election of directors shall be determined by a plurality of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon. All other matters shall be determined by the vote of a majority of the votes cast by the stockholders present in person or represented by proxy at the meeting and entitled to vote thereon, unless the matter is one upon which, by applicable law, the Certificate of Incorporation, these Bylaws or applicable stock exchange rules, a different vote is required, in which case such provision shall govern and control the decision of such matter.

(e) Inspectors of Election. The Board may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more persons as inspectors of election, who may be employees of the Corporation or otherwise serve the Corporation in other capacities, to act at such meeting of stockholders or any adjournment thereof and to make a written report thereof. The Board may appoint one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspectors of election or alternates are appointed by the Board, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall ascertain and report the number of outstanding shares and the voting power of each; determine the number of shares present in person or represented by proxy at the meeting and the validity of proxies and ballots; count all votes and ballots and report the results; determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors; and certify their determination of the number of shares represented at the meeting and their count of all votes and ballots. No person who is a candidate for an office at an election may serve as an inspector at such election. Each report of an inspector shall be in writing and signed by the inspector or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors.

Section 2.6 Adjournments. Any meeting of stockholders, annual or special, may be adjourned by the chairman of the meeting, from time to time, whether or not there is a quorum, to reconvene at the same or some other place. Notice need not be given of any such adjourned meeting if the date, time and place, if any, thereof, and the means of remote communication, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting the stockholders, or the holders of any class or series of stock entitled to vote separately as a class, as the case may be, may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the Board shall fix a new record date for notice of such adjourned meeting in accordance with Section 2.3, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

Section 2.7 Advance Notice for Business.

(a) Annual Meetings of Stockholders. No business may be transacted at an annual meeting of stockholders, other than business that is either (i) specified in the Corporation's notice of meeting (or any supplement thereto) given by or at the direction of the Board, (ii) otherwise properly brought before the annual meeting by or at the direction of the Board or (iii) otherwise properly brought before the annual meeting by any stockholder of the Corporation (x) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.7(a) and who is entitled to vote at such annual meeting and (y) who complies with the notice procedures set forth in this Section 2.7(a). Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), and included in the notice of meeting given by or at the direction of the Board, the foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of stockholders. Stockholders seeking to nominate persons for election to the Board must comply with Section 3.2, and this Section 2.7 shall not be applicable to nominations.

(i) In addition to any other applicable requirements, for business (other than nominations) to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation and such business must otherwise be a proper matter for stockholder action. Subject to Section 2.7(a)(iv), a stockholder's notice to the Secretary with respect to such business, to be timely, must (x) comply with the provisions of this Section 2.7(a)(i) and (y) be timely updated by the times and in the manner required by the provisions of Section 2.7(a)(iii). A stockholder's notice must be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th day nor earlier than the opening of business on the 120th day before the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that if the annual meeting is called for a date that is more than 30 days earlier or more than 60 days later than such anniversary date, notice by the stockholder to be timely must be so received not earlier than the opening of business on the 120th day before the meeting and not later than the later of (x) the close of business on the 90th day before the meeting or (y) the close of business on the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Corporation. Notwithstanding the previous sentence, for purposes of determining whether a stockholder's notice shall have been received in a timely manner for the annual meeting of stockholders in 2013, to be timely, a stockholder's notice must have been received not later than the close of business on March 4, 2013 nor earlier than the opening of business on February 1, 2013, provided, further, that if the 2013 annual meeting is held more than 30 days earlier or more than 60 days later than June 1, 2013, notice by the stockholder to be timely must be so received not earlier than the opening of business on the 120th day before the meeting and not later than the later of (x) the close of business on the 90th day before the meeting or (y) the close of business on the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Corporation. The public announcement of an adjournment or postponement of an annual meeting shall not commence a new time period for the giving of a stockholder's notice as described in this Section 2.7(a).

(ii) To be in proper written form, a stockholder's notice to the Secretary with respect to any business (other than nominations) must set forth (A) as to each such matter such stockholder proposes to bring before the annual meeting (1) a brief description of the business desired to be brought before the annual meeting and any material interest in such business of such stockholder and any Stockholder Associated Person (as defined below), individually or in the aggregate, (2) the text of the proposal or business (including the text of any resolutions proposed for consideration and if such business includes a proposal to amend these Bylaws, the text of the proposed amendment) and (3) the reasons for conducting such business at the annual meeting, (B) the name and address of the stockholder proposing such business, as they appear on the Corporation's books, and the name and address of any Stockholder Associated Person, (C) the class or series and number of shares of capital stock of the Corporation that are owned of record or are directly or indirectly owned beneficially by such stockholder and by any Stockholder Associated Person, (D) any option, warrant, convertible security, stock appreciation right, swap or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right is subject to settlement in the underlying class or series of shares of the Corporation or otherwise (a "***Derivative Instrument***") directly or indirectly owned beneficially by such stockholder or by any Stockholder Associated Person and any other direct or indirect opportunity of such stockholder or any Stockholder Associated Person to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (E) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any shares of the Corporation, (F) any short interest in any security of the Corporation held by such stockholder or any Stockholder Associated Person (for purposes of this Section 2.7 a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (G) any rights owned beneficially by such stockholder or Stockholder Associated Person to dividends on the shares of the Corporation that are separated or separable from the underlying shares of the Corporation, (H) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (I) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative

Instruments, if any, including without limitation any such interests held by members of such stockholder's or any Stockholder Associated Person's immediate family sharing the same household, (J) a description of all agreements, arrangements or understandings (written or oral) between or among such stockholder, any Stockholder Associated Person or any other person or persons (including their names) in connection with the proposal of such business by such stockholder, (K) any other information relating to such stockholder and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitation of proxies for election of directors (even if an election contest is not involved), or would be otherwise required, in each case pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (L) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting, and (M) a statement of whether such stockholder or any Stockholder Associated Person intends, or is part of a group that intends, to solicit proxies in connection with the proposal.

(iii) A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 2.7(a) shall be true and correct as of the record date for determining the stockholders entitled to notice of the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (x) in the case of the update and supplement required to be made as of such record date, not later than five business days after such record date and (y) in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof, as applicable, not later than eight business days prior to the date for the meeting or any adjournment or postponement thereof, if practicable (or if not practicable, on the first practicable date prior to the date for the meeting or such adjournment or postponement thereof).

(iv) The foregoing notice requirements of this Section 2.7(a) shall be deemed satisfied by a stockholder as to any proposal (other than nominations) if the stockholder has notified the Corporation of such stockholder's intention to present such proposal at an annual meeting in compliance with Rule 14a-8 (or any successor thereof) of the Exchange Act, and such stockholder's proposal has been included in a proxy statement prepared by the Corporation to solicit proxies for such annual meeting. No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.7(a), provided, however, that once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.7(a) shall be deemed to preclude discussion by any stockholder of any such business. If the Board or the chairman of the annual meeting determines that any stockholder proposal was not made in accordance with the provisions of this Section 2.7(a) or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 2.7(a), such proposal shall not be presented for action at the annual meeting. Notwithstanding the foregoing provisions of this Section 2.7(a), if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present the proposed business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such matter may have been received by the Corporation.

(v) In addition to the provisions of this Section 2.7(a), a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 2.7(a) shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting only pursuant to Section 3.2.

(c) Definitions. For purposes of these Bylaws, "***public announcement***" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act; and "***Stockholder Associated Person***" shall mean for any stockholder (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

Section 2.8 Conduct of Meetings. The chairman of each annual and special meeting of stockholders shall be the Chairman of the Board or, in the absence (or inability or refusal to act) of the Chairman of the Board, the Chief Executive Officer (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the Chief Executive Officer or if the Chief Executive Officer is not a director, the President (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the President or if the President is not a director, such other person as shall be appointed by the Board. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The Board may adopt such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with these Bylaws or such rules and regulations as adopted by the Board, the chairman of any meeting of stockholders shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure. The secretary of each annual and special meeting of stockholders shall be the Secretary or, in the absence (or inability or refusal to act) of the Secretary, an Assistant Secretary so appointed to act by the chairman of the meeting. In the absence (or inability or refusal to act) of the Secretary and all Assistant Secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.9 Consents in Lieu of Meeting. Except as otherwise expressly provided by the terms of any series of Preferred Stock permitting the holders of such series of Preferred Stock to act by written consent, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of the stockholders of the Corporation, unless the Board approves in advance the taking of such action by means of written consent of stockholders, in which case such action may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum voting power that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation to its registered office in the State of Delaware, the Corporation's principal place of business, or the Secretary of the Corporation. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date the earliest dated consent is delivered to the Corporation, a written consent or consents signed by a sufficient number of holders to take such action are delivered to the Corporation by delivery to the Corporation's registered office in the State of Delaware, the Corporation's principal place of business, or the Secretary. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. An electronic transmission consenting to the action to be taken and transmitted by a stockholder, proxyholder or a person or persons authorized to act for a stockholder or proxyholder shall be deemed to be written, signed and dated for purposes hereof if such electronic transmission sets forth or is delivered with information from which the Corporation can determine that such transmission was transmitted by a stockholder or proxyholder (or by a person authorized to act for a stockholder or proxyholder) and the date on which such stockholder, proxyholder or authorized person transmitted such transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and delivered to the Corporation by delivery either to the Corporation's registered office in the State of Delaware, the Corporation's principal place of business, or the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the limitations on delivery in the previous sentence, consents given by electronic transmission may be otherwise delivered to the Corporation's principal place of business or to the Secretary if, to the extent, and in the manner provided by resolution of the Board. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used; provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders were delivered to the Corporation as provided in this Section 2.9.

ARTICLE III
DIRECTORS

Section 3.1 Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders. Directors need not be stockholders or residents of the State of Delaware.

Section 3.2 Advance Notice for Nomination of Directors.

(a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors by the stockholders of the Corporation, except as may be otherwise provided by the terms of one or more series of Preferred Stock with respect to the rights of holders of one or more series of Preferred Stock to elect directors. Nominations of persons for election to the Board at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors as set forth in the Corporation's notice of such special meeting, may be made (i) by or at the direction of the Board or (ii) by any stockholder of the Corporation (x) who is a stockholder of record on the date of the giving of the notice provided for in this Section 3.2 and who is entitled to vote in the election of directors at such meeting and (y) who complies with the notice procedures set forth in this Section 3.2.

(b) In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation. To be timely, a stockholder's notice to the Secretary must (x) comply with the provisions of this Section 3.2(b) and (y) be timely updated by the times and in the manner required by the provisions of Section 3.2(e). A stockholder's notice must be received by the Secretary at the principal executive offices of the Corporation (i) in the case of an annual meeting, not later than the close of business on the 90th day nor earlier than the opening of business on the 120th day before the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that if the annual meeting is called for a date that is more than 30 days earlier or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so received not earlier than the opening of business on the 120th day before the meeting and not later than the later of (x) the close of business on the 90th day before the meeting or (y) the close of business on the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Corporation; and (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not earlier than the opening of business on the 120th day before the meeting and not later than the later of (x) the close of business on the 90th day before the meeting or (y) the close of business on the 10th day following the day on which public announcement of the date of the special meeting is first made by the Corporation. Notwithstanding the previous sentence, for purposes of determining whether a stockholder's notice shall have been received in a timely manner for the annual meeting of stockholders in 2013, to be timely, a stockholder's notice must have been received not later than the close of business on March 4, 2013 nor earlier than the opening of business on February 1, 2013, provided, further, that if the 2013 annual meeting is held more than 30 days earlier or more than 60 days later than June 1, 2013, notice by the stockholder to be timely must be so received not earlier than the opening of business on the 120th day before the meeting and not later than the later of (x) the close of business on the 90th day before the meeting or (y) the close of business on the 10th day following the day on which public announcement of the date of the annual meeting is first made by the Corporation. The public announcement of an adjournment or postponement of an annual meeting or special meeting shall not commence a new time period for the giving of a stockholder's notice as described in this Section 3.2.

(c) Notwithstanding anything in paragraph (b) to the contrary, if the number of directors to be elected to the Board at an annual meeting is greater than the number of directors whose terms expire on the date of the annual meeting and there is no public announcement by the Corporation naming all of the nominees for the additional directors to be elected or specifying the size of the increased Board before the close of business on the 90th day prior to the anniversary date of the immediately preceding annual meeting of stockholders, a stockholder's notice required by this Section 3.2 shall also be considered timely, but only with respect to nominees for the additional directorships created by such increase that are to be filled by election at such annual meeting, if it shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the date on which such public announcement was first made by the Corporation.

(d) To be in proper written form, a stockholder's notice to the Secretary must set forth (i) as to each person whom the stockholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares of capital stock of the Corporation that are owned of record or are directly or indirectly owned beneficially by the person, (D) any Derivative Instrument directly or indirectly owned beneficially by such nominee and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation and (E) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and (ii) as to the stockholder giving the notice (A) the name and address of such stockholder as they appear on the Corporation's books, and the name and address of any Stockholder Associated Person, (B) the class or series and number of shares of capital stock of the Corporation that are owned of record or directly or indirectly owned beneficially by such Stockholder and any Stockholder Associated Person, (C) any Derivative Instrument directly or indirectly owned beneficially by such stockholder or Stockholder Associated Person and any other direct or indirect opportunity of such stockholder or any Stockholder Associated Person to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (D) any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), contract, arrangement, understanding or relationship pursuant to which such stockholder or any Stockholder Associated Person has a right to vote any shares of the Corporation, (E) any short interest in any security of the Corporation held by such stockholder or any Stockholder Associated Person (for purposes of this Section 3.2 a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (F) any rights beneficially owned, directly or indirectly, by such stockholder or Stockholder Associated Person to dividends on the shares of the Corporation that are separated or separable from the underlying shares of the Corporation, (G) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or any Stockholder Associated Person is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, (H) any performance-related fees (other than an asset-based fee) that such stockholder or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any, including without limitation any such interests held by members of such stockholder's or any Stockholder Associated Person's immediate family sharing the same household, (I) a description of all agreements, arrangements or understandings (written or oral) between or among such stockholder, any Stockholder Associated Person, any proposed nominee or any other person or persons (including their names) pursuant to which the nomination or nominations are to be made by such stockholder, (J) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice, (K) any other information relating to such stockholder and any Stockholder Associated Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder, (L) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder or any Stockholder Associated Person, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand and (M) a statement of whether such stockholder or any Stockholder Associated Person intends, or is part of a group that intends, to solicit proxies for the election of the proposed nominee. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

(e) A stockholder providing notice of a director nomination shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 3.2 shall be true and correct as of the record date for determining the stockholders entitled to notice of the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation (x) in the case of the update and supplement required to be made as of such record date, not later than five business days after such record date and (y) in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof, as applicable, not later than eight business days prior to the date for the meeting or any adjournment or postponement thereof, if practicable (or if not practicable, on the first practicable date prior to the date for the meeting or such adjournment or postponement thereof). In addition, at the request of the Board, a proposed nominee shall furnish to the Secretary of the Corporation within ten days after receipt of such request such information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee, and if such information is not furnished within such time period, the notice of such director's nomination shall not be considered to have been timely given for purposes of this Section 3.2.

(f) Except as otherwise provided by the terms of one or more series of Preferred Stock with respect to the rights of one or more series of Preferred Stock to nominate and elect directors, no person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 3.2. If the Board or the chairman of the meeting of stockholders determines that any nomination was not made in accordance with the provisions of this Section 3.2, then such nomination shall not be considered at the meeting in question. Notwithstanding the foregoing provisions of this Section 3.2, if the stockholder (or a qualified representative of the stockholder) does not appear at the meeting of stockholders of the Corporation to present the nomination, such nomination shall be disregarded, notwithstanding that proxies in respect of such nomination may have been received by the Corporation.

(g) In addition to the provisions of this Section 3.2, a stockholder shall also comply with all of the applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 3.2 shall be deemed to affect any rights of the holders of Preferred Stock to elect directors pursuant to the Certificate of Incorporation or the right of the Board to fill newly created directorships and vacancies on the Board pursuant to the Certificate of Incorporation.

Section 3.3 Compensation. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board shall have the authority to fix the compensation of directors. The directors may be reimbursed their expenses, if any, of attendance at each meeting of the Board and may be paid either a fixed sum for attendance at each meeting of the Board or other compensation as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees of the Board may be allowed like compensation and reimbursement of expenses for service on the committee.

ARTICLE IV
BOARD MEETINGS

Section 4.1 Annual Meetings. The Board shall meet as soon as practicable after the adjournment of each annual stockholders meeting at the place of the annual stockholders meeting unless the Board shall fix another time and place and give notice thereof in the manner required herein for special meetings of the Board. No notice to the directors shall be necessary to legally convene this meeting, except as provided in this Section 4.1.

Section 4.2 Regular Meetings. Regularly scheduled, periodic meetings of the Board may be held without notice at such times, dates and places as shall from time to time be determined by the Board.

Section 4.3 Special Meetings. Special meetings of the Board (a) may be called by the Chairman of the Board or Chief Executive Officer and (b) shall be called by the Chairman of the Board, Chief Executive Officer or Secretary on the written request of at least a majority of directors then in office, or the sole director, as the case may be, and shall be held at such time, date and place as may be determined by the person calling the meeting or, if called upon the request of directors or the sole director, as specified in such written request. Notice of each special meeting of the Board shall be given, as provided in Section 9.3, to each director (i) at least 24 hours before the meeting if such notice is oral notice given personally or by telephone or written notice given by hand delivery or by means of a form of electronic transmission and delivery; (ii) at least two days before the meeting if such notice is sent by a nationally recognized overnight delivery service; and (iii) at least five days before the meeting if such notice is sent through the United States mail. If the Secretary shall fail or refuse to give such notice, then the notice may be given by the officer who called the meeting or the directors who requested the meeting. Any and all business that may be transacted at a regular meeting of the Board may be transacted at a special meeting. Except as may be otherwise expressly provided by applicable law, the Certificate of Incorporation, or these Bylaws, neither the business to be transacted at, nor the purpose of, any special meeting need be specified in the notice or waiver of notice of such meeting. A special meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in accordance with Section 9.4.

Section 4.4 Quorum; Required Vote. A majority of the Whole Board shall constitute a quorum for the transaction of business at any meeting of the Board, and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by applicable law, the Certificate of Incorporation or these Bylaws. If a quorum shall not be present at any meeting, a majority of the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 4.5 Consent In Lieu of Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions (or paper reproductions thereof) are filed with the minutes of proceedings of the Board or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 4.6 Organization. The Board shall elect a Chairman of the Board from among the directors. The chairman of each meeting of the Board shall be the Chairman of the Board or, in the absence (or inability or refusal to act) of the Chairman of the Board, the Chief Executive Officer (if he or she shall be a director) or, in the absence (or inability or refusal to act) of the Chief Executive Officer or if the Chief Executive Officer is not a director, the President (if he or she shall be a director) or in the absence (or inability or refusal to act) of the

President or if the President is not a director, a chairman elected from the directors present. The Secretary shall act as secretary of all meetings of the Board. In the absence (or inability or refusal to act) of the Secretary, an Assistant Secretary shall perform the duties of the Secretary at such meeting. In the absence (or inability or refusal to act) of the Secretary and all Assistant Secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting.

ARTICLE V
COMMITTEES OF DIRECTORS

Section 5.1 Establishment. The Board may by resolution passed by a majority of the Whole Board designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each committee shall keep regular minutes of its meetings and report the same to the Board when required. The Board shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee.

Section 5.2 Available Powers. Any committee established pursuant to Section 5.1 hereof, to the extent permitted by applicable law and by resolution of the Board, shall have and may exercise all of the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it.

Section 5.3 Alternate Members. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 5.4 Procedures. Unless the Board otherwise provides, the time, date, place, if any, and notice of meetings of a committee shall be determined by such committee. At meetings of a committee, a majority of the number of members of the committee (but not including any alternate member, unless such alternate member has replaced any absent or disqualified member at the time of, or in connection with, such meeting) shall constitute a quorum for the transaction of business. The act of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee, except as otherwise specifically provided by applicable law, the Certificate of Incorporation, these Bylaws or the Board. If a quorum is not present at a meeting of a committee, the members present may adjourn the meeting from time to time, without notice other than an announcement at the meeting, until a quorum is present. Unless the Board otherwise provides and except as provided in these Bylaws, each committee designated by the Board may make, alter, amend and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board is authorized to conduct its business pursuant to Article III and Article IV of these Bylaws.

ARTICLE VI
OFFICERS

Section 6.1 Officers. The officers of the Corporation elected by the Board may include a Chief Executive Officer, a President, a Treasurer, a Secretary and such other officers (including without limitation a Chief Financial Officer, Vice Presidents, Assistant Secretaries and Assistant Treasurers) as the Board from time to time may determine. Officers elected by the Board shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article VI. Such officers shall also have such powers and duties as from time to time may be conferred by the Board. The Chief Executive Officer or President may also appoint such other officers (including without limitation one or more Vice Presidents and Controllers) as may be necessary or desirable for the conduct of the business of the Corporation. Such other officers shall have such powers and duties and shall hold their offices for such terms as may be provided in these Bylaws or as may be prescribed by the Board or, if such officer has been appointed by the Chief Executive Officer or President, as may be prescribed by the appointing officer.

(a) Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation, shall have general supervision of the affairs of the Corporation and general control of all of its business subject to the ultimate authority of the Board, and shall be responsible for the execution of the policies of the Board. In the absence (or inability or refusal to act) of the Chairman of the Board, the Chief Executive Officer shall preside when present at all meetings of the stockholders and (if he or she shall be a director) of the Board.

(b) President. The President, if any, shall be subject to the direction and control of the Chief Executive Officer and the Board and shall have such powers and duties as the board of directors, or the Chief Executive Officer may assign to the President. If the absence (or inability or refusal to act) of the Chief Executive Officer, the President shall preside when present at all meetings of the stockholders and (if he or she shall be a director) of the Board.

(c) Vice Presidents. In the absence (or inability or refusal to act) of the President, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Board) shall perform the duties and have the powers of the President. Any one or more of the Vice Presidents may be given an additional designation of rank or function. Specifically, Vice Presidents may include Executive Vice Presidents and Senior Vice Presidents.

(d) Secretary.

(i) The Secretary shall attend all meetings of the stockholders, the Board and (as required) committees of the Board and shall record the proceedings of such meetings in books to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board and shall perform such other duties as may be prescribed by the Board, the Chief Executive Officer or the President. The Secretary shall have custody of the corporate seal of the Corporation and the Secretary, or any Assistant Secretary, shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his or her signature or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing thereof by his or her signature.

(ii) The Secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or at the office of the Corporation's transfer agent or registrar, if one has been appointed, a stock ledger, or duplicate stock ledger, showing the names of the stockholders and their addresses, the number and classes of shares held by each and, with respect to certificated shares, the number and date of certificates issued for the same and the number and date of certificates cancelled.

(e) Assistant Secretaries. The Assistant Secretary or, if there be more than one, the Assistant Secretaries in the order determined by the Board shall, in the absence (or inability or refusal to act) of the Secretary, perform the duties and have the powers of the Secretary.

(f) Treasurer. The Treasurer shall perform all duties commonly incident to that office (including, without limitation, the care and custody of the funds and securities of the Corporation which from time to time may come into the Treasurer's hands and the deposit of the funds of the Corporation in such banks or trust companies as the Board, the Chief Executive Officer or the President may authorize).

(g) Assistant Treasurers. The Assistant Treasurer or, if there shall be more than one, the Assistant Treasurers in the order determined by the Board shall, in the absence (or inability or refusal to act) of the Treasurer, perform the duties and exercise the powers of the Treasurer.

Section 6.2 Term of Office; Removal; Vacancies. The elected officers of the Corporation shall be elected annually by the Board at its first meeting held after each annual meeting of stockholders. All officers elected by the Board shall hold office until the next annual meeting of the Board and until their successors are duly elected and qualified or until their earlier death, resignation, retirement, disqualification, or removal from office. Any officer may be removed, with or without cause, at any time by the Board. Any officer appointed by the Chief Executive Officer or President may also be removed, with or without cause, by the Chief Executive Officer or President, as the case may be, unless the Board otherwise provides. Any vacancy occurring in any elected office of the Corporation may be filled by the Board. Any vacancy occurring in any office appointed by the Chief Executive Officer or President may be filled by the Chief Executive Officer or President, as the case may be, unless the Board then determines that such office shall thereupon be elected by the Board, in which case the Board shall elect such officer.

Section 6.3 Other Officers. The Board may delegate the power to appoint such other officers and agents, and may also remove such officers and agents or delegate the power to remove same, as it shall from time to time deem necessary or desirable.

Section 6.4 Multiple Officeholders; Stockholder and Director Officers. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide. Officers need not be stockholders or residents of the State of Delaware.

ARTICLE VII
SHARES

Section 7.1 Certificated and Uncertificated Shares. The shares of the Corporation shall be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed in accordance with Section 7.3 representing the number of shares registered in certificate form. The Corporation shall not have power to issue a certificate representing shares in bearer form.

Section 7.2 Multiple Classes of Stock. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the Corporation shall (a) cause the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights to be set forth in full or summarized on the face or back of any certificate that the Corporation issues to represent shares of such class or series of stock or (b) in the case of uncertificated shares, within a reasonable time after the issuance or transfer of such shares, send to the registered owner thereof a written notice containing the information required to be set forth on certificates as specified in clause (a) above; provided, however, that, except as otherwise provided by applicable law, in lieu of the foregoing requirements, there may be set forth on the face or back of such certificate or, in the case of uncertificated shares, on such written notice a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

Section 7.3 Signatures. Each certificate representing capital stock of the Corporation shall be signed by or in the name of the Corporation by (a) the Chief Executive Officer, the President or a Vice President and (b) the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary of the Corporation. Any or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar on the date of issue.

Section 7.4 Consideration and Payment for Shares.

(a) Subject to applicable law and the Certificate of Incorporation, shares of stock may be issued for such consideration, having in the case of shares with par value a value not less than the par value thereof, and to such persons, as determined from time to time by the Board. The consideration may consist of any tangible or intangible property or benefit to the Corporation including cash, promissory notes, services performed, contracts for services to be performed or other securities.

(b) Subject to applicable law and the Certificate of Incorporation, shares may not be issued until the full amount of the consideration has been paid, unless upon the face or back of each certificate issued to represent any partly paid shares of capital stock or upon the books and records of the Corporation in the case of partly paid uncertificated shares, there shall have been set forth the total amount of the consideration to be paid therefor and the amount paid thereon up to and including the time said certificate representing certificated shares or said uncertificated shares are issued.

Section 7.5 Lost, Destroyed or Wrongfully Taken Certificates.

(a) If an owner of a certificate representing shares claims that such certificate has been lost, destroyed or wrongfully taken, the Corporation shall issue a new certificate representing such shares or such shares in uncertificated form if the owner: (i) requests such a new certificate before the Corporation has notice that the certificate representing such shares has been acquired by a protected purchaser; (ii) if requested by the Corporation, delivers to the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, wrongful taking or destruction of such certificate or the issuance of such new certificate or uncertificated shares; and (iii) satisfies other reasonable requirements imposed by the Corporation.

(b) If a certificate representing shares has been lost, apparently destroyed or wrongfully taken, and the owner fails to notify the Corporation of that fact within a reasonable time after the owner has notice of such loss, apparent destruction or wrongful taking and the Corporation registers a transfer of such shares before receiving notification, the owner shall be precluded from asserting against the Corporation any claim for registering such transfer or a claim to a new certificate representing such shares or such shares in uncertificated form.

Section 7.6 Transfer of Stock.

(a) If a certificate representing shares of the Corporation is presented to the Corporation with a stock power or other indorsement requesting the registration of transfer of such shares or an instruction is presented to the Corporation requesting the registration of transfer of uncertificated shares, the Corporation shall register the transfer as requested if:

(i) in the case of certificated shares, the certificate representing such shares has been surrendered;

(ii) (A) with respect to certificated shares, the indorsement is made by the person specified by the certificate as entitled to such shares; (B) with respect to uncertificated shares, an instruction is made by the registered owner of such uncertificated shares; or (C) with respect to certificated shares or uncertificated shares, the indorsement or instruction is made by any other appropriate person or by an agent who has actual authority to act on behalf of the appropriate person;

(iii) the Corporation has received a guarantee of signature of the person signing such indorsement or instruction or such other reasonable assurance that the indorsement or instruction is genuine and authorized as the Corporation may request;

(iv) the transfer does not violate any restriction on transfer imposed by the Corporation that is enforceable in accordance with Section 7.8(a); and

(v) such other conditions for such transfer as shall be provided for under applicable law have been satisfied.

(b) Whenever any transfer of shares shall be made for collateral security and not absolutely, the Corporation shall so record such fact in the entry of transfer if, when the certificate for such shares is presented to the Corporation for transfer or, if such shares are uncertificated, when the instruction for registration of transfer thereof is presented to the Corporation, both the transferor and transferee request the Corporation to do so.

Section 7.7 Registered Stockholders. Before due presentment for registration of transfer of a certificate representing shares of the Corporation or of an instruction requesting registration of transfer of uncertificated shares, the Corporation may treat the registered owner as the person exclusively entitled to inspect for any proper purpose the stock ledger and the other books and records of the Corporation, vote such shares, receive dividends or notifications with respect to such shares and otherwise exercise all the rights and powers of the owner of such shares, except that a person who is the beneficial owner of such shares (if held in a voting trust or by a nominee on behalf of such person) may, upon providing documentary evidence of beneficial ownership of such shares and satisfying such other conditions as are provided under applicable law, may also so inspect the books and records of the Corporation.

Section 7.8 Effect of the Corporation's Restriction on Transfer.

(a) A written restriction on the transfer or registration of transfer of shares of the Corporation or on the amount of shares of the Corporation that may be owned by any person or group of persons, if permitted by the DGCL and noted conspicuously on the certificate representing such shares or, in the case of uncertificated shares, contained in a notice sent by the Corporation to the registered owner of such shares within a reasonable time after the issuance or transfer of such shares, may be enforced against the holder of such shares or any successor or transferee of the holder including an executor, administrator, trustee, guardian or other fiduciary entrusted with like responsibility for the person or estate of the holder.

(b) A restriction imposed by the Corporation on the transfer or the registration of shares of the Corporation or on the amount of shares of the Corporation that may be owned by any person or group of persons, even if otherwise lawful, is ineffective against a person without actual knowledge of such restriction unless: (i) the shares are certificated and such restriction is noted conspicuously on the certificate; or (ii) the shares are uncertificated and such restriction was contained in a notice sent by the Corporation to the registered owner of such shares within a reasonable time after the issuance or transfer of such shares.

Section 7.9 Regulations. The Board shall have power and authority to make such additional rules and regulations, subject to any applicable requirement of law, as the Board may deem necessary and appropriate with respect to the issue, transfer or registration of transfer of shares of stock or certificates representing shares. The Board may appoint one or more transfer agents or registrars and may require for the validity thereof that certificates representing shares bear the signature of any transfer agent or registrar so appointed.

ARTICLE VIII
INDEMNIFICATION

Section 8.1 Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "***proceeding***"), by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (hereinafter a "***Covered Person***"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended, against all expenses, liability and loss (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred or suffered by such Covered Person in connection with such proceeding; provided, however, that, except as provided in Section 8.3 with respect to proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify a Covered Person in connection with a proceeding (or part thereof) initiated by such Covered Person only if such proceeding (or part thereof) was authorized by the Board.

Section 8.2 Right to Advancement of Expenses. In addition to the right to indemnification conferred in Section 8.1, a Covered Person shall also have the right to be paid by the Corporation the expenses (including, without limitation, attorneys' fees) incurred in defending, testifying, or otherwise participating in any such proceeding in advance of its final disposition (hereinafter an "***advancement of expenses***"); provided, however, that, if the Delaware General Corporation Law ("***DGCL***") requires, an advancement of expenses incurred by a Covered Person in his or her capacity as a director or officer of the Corporation (and not in any other capacity in which service was or is rendered by such Covered Person, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "***undertaking***"), by or on behalf of such Covered Person, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "***final adjudication***") that such Covered Person is not entitled to be indemnified for such expenses under this Article VIII or otherwise.

Section 8.3 Right of Indemnitee to Bring Suit. If a claim under Section 8.1 or Section 8.2 is not paid in full by the Corporation within 60 days after a written claim therefor has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be 20 days, the Covered Person may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim to the fullest extent permitted by law. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Covered Person shall also be entitled to be paid the expense of prosecuting or defending such suit. In any suit brought by (a) the Covered Person to enforce a right to indemnification hereunder (but not in a suit brought by a Covered Person to enforce a right to an advancement of expenses) it shall be a defense that, and (b) the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the Covered Person has not met any applicable standard for indemnification set forth in the DGCL. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Covered Person is proper in the circumstances because the Covered Person has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including a determination by its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the Covered Person has not met such applicable standard of conduct, shall create a presumption that the Covered Person has not met the applicable standard of conduct or, in the case of such a suit brought by the Covered Person, shall be a defense to such suit. In any suit brought by the Covered Person to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Covered Person is not entitled to be indemnified, or to such advancement of expenses, under this Article VIII or otherwise shall be on the Corporation.

Section 8.4 Non-Exclusivity of Rights. The rights provided to Covered Persons pursuant to this Article VIII shall not be exclusive of any other right that any Covered Person may have or hereafter acquire under applicable law, the Certificate of Incorporation, these Bylaws, an agreement, a vote of stockholders or disinterested directors, or otherwise.

Section 8.5 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and/or any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust, other enterprise or nonprofit entity against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

Section 8.6 Indemnification of Other Persons. This Article VIII shall not limit the right of the Corporation to the extent and in the manner permitted by law to indemnify and to advance expenses to persons other than Covered Persons. Without limiting the foregoing, the Corporation may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation and to any other person who is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan, to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of Covered Persons under this Article VIII.

Section 8.7 Amendments. Any repeal or amendment of this Article VIII by the Board or the stockholders of the Corporation or by changes in applicable law, or the adoption of any other provision of these Bylaws inconsistent with this Article VIII, shall, to the extent permitted by applicable law, be prospective only (except to the extent such amendment or change in applicable law permits the Corporation to provide broader indemnification rights to Covered Persons on a retroactive basis than permitted prior thereto), and will not in any way diminish or adversely affect any right or protection existing hereunder in respect of any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

Section 8.8 Certain Definitions. For purposes of this Article VIII, (a) references to "other enterprise" shall include any employee benefit plan; (b) references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; (c) references to "serving at the request of the Corporation" shall include any service that imposes duties on, or involves services by, a person with respect to any employee benefit plan, its participants, or beneficiaries; and (d) a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interest of the Corporation" for purposes of Section 145 of the DGCL.

Section 8.9 Contract Rights. The rights provided to Covered Persons pursuant to this Article VIII (a) shall be contract rights based upon good and valuable consideration, pursuant to which a Covered Person may bring suit as if the provisions of this Article VIII were set forth in a separate written contract between the Covered Person and the Corporation, (b) shall fully vest at the time the Covered Person first assumes his or her position as a director or officer of the Corporation, (c) are intended to be retroactive and shall be available with respect to any act or omission occurring prior to the adoption of this Article VIII, (d) shall continue as to a Covered Person who has ceased to be a director or officer of the Corporation and (e) shall inure to the benefit of the Covered Person's heirs, executors and administrators.

Section 8.10 Severability. If any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article VIII shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of this Article VIII containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Place of Meetings. If the place of any meeting of stockholders, the Board or committee of the Board for which notice is required under these Bylaws is not designated in the notice of such meeting, such meeting shall be held at the principal business office of the Corporation; provided, however, if the Board has, in its sole discretion, determined that a meeting shall not be held at any place, but instead shall be held by means of remote communication pursuant to Section 9.5 hereof, then such meeting shall not be held at any place.

Section 9.2 Fixing Record Dates.

(a) In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the Board so fixes a record date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the business day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing provisions of this Section 9.2(a) at the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto.

(c) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board. If no record date has been fixed by the Board, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board is otherwise required, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or the Secretary of the Corporation. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board and prior action by the Board is otherwise required, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board adopts the resolution taking such prior action.

Section 9.3 Means of Giving Notice.

(a) Notice to Directors. Whenever under applicable law, the Certificate of Incorporation or these Bylaws notice is required to be given to any director, such notice shall be given either (i) in writing and sent by hand delivery, through the United States mail, or by a nationally recognized overnight delivery service for next day delivery, (ii) by means of facsimile telecommunication or other form of electronic transmission, or (iii) by oral notice given personally or by telephone. A notice to a director will be deemed given as follows: (i) if given by hand delivery, orally, or by telephone, when actually received by the director, (ii) if sent through the United States mail, when deposited in the United States mail, with postage and fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation, (iii) if sent for next day delivery by a nationally recognized overnight delivery service, when deposited with such service, with fees thereon prepaid, addressed to the director at the director's address appearing on the records of the Corporation, (iv) if sent by facsimile telecommunication, when sent to the facsimile transmission number for such director appearing on the records of the Corporation, (v) if sent by electronic mail, when sent to the electronic mail address for such director appearing on the records of the Corporation, or (vi) if sent by any other form of electronic transmission, when sent to the address, location or number (as applicable) for such director appearing on the records of the Corporation.

(b) Notice to Stockholders. Whenever under applicable law, the Certificate of Incorporation or these Bylaws notice is required to be given to any stockholder, such notice may be given (i) in writing and sent either by hand delivery, through the United States mail, or by a nationally recognized overnight delivery service for next day delivery, or (ii) by means of a form of electronic transmission consented to by the stockholder, to the extent permitted by, and subject to the conditions set forth in Section 232 of the DGCL. A notice to a stockholder shall be deemed given as follows: (i) if given by hand delivery, when actually received by the stockholder, (ii) if sent through the United States mail, when deposited in the United States mail, with postage and fees thereon prepaid, addressed to the stockholder at the stockholder's address appearing on the stock ledger of the Corporation, (iii) if sent for next day delivery by a nationally recognized overnight delivery service, when deposited with such service, with fees thereon prepaid, addressed to the stockholder at the stockholder's address appearing on the stock ledger of the Corporation, and (iv) if given by a form of electronic transmission consented to by the stockholder to whom the notice is given and otherwise meeting the requirements set forth above, (A) if by facsimile transmission, when directed to a number at which the stockholder has consented to receive notice, (B) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice, (C) if by a posting on an electronic network together with separate notice to the stockholder of such specified posting, upon the later of (1) such posting and (2) the giving of such separate notice, and (D) if by any other form of electronic transmission, when directed to the stockholder. A stockholder may revoke such stockholder's consent to receiving notice by means of electronic communication by giving written notice of such revocation to the Corporation. Any such consent shall be deemed revoked if (1) the Corporation is unable to deliver by electronic transmission two consecutive notices given by the Corporation in accordance with such consent and (2) such inability becomes known to the Secretary or an Assistant Secretary or to the Corporation's transfer agent, or other person responsible for the giving of notice; provided, however, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

(c) Electronic Transmission. "***Electronic transmission***" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process, including but not limited to transmission by telex, facsimile telecommunication, electronic mail, telegram and cablegram.

(d) Notice to Stockholders Sharing Same Address. Without limiting the manner by which notice otherwise may be given effectively by the Corporation to stockholders, any notice to stockholders given by the Corporation under any provision of the DGCL, the Certificate of Incorporation or these Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. A stockholder may revoke such stockholder's consent by delivering written notice of such revocation to the Corporation. Any stockholder who fails to object in writing to the Corporation within 60 days of having been given written notice by the Corporation of its intention to send such a single written notice shall be deemed to have consented to receiving such single written notice.

(e) Exceptions to Notice Requirements. Whenever notice is required to be given, under the DGCL, the Certificate of Incorporation or these Bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting that shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. If the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

Whenever notice is required to be given by the Corporation, under any provision of the DGCL, the Certificate of Incorporation or these Bylaws, to any stockholder to whom (1) notice of two consecutive annual meetings of stockholders and all notices of stockholder meetings or of the taking of action by written consent of stockholders without a meeting to such stockholder during the period between such two consecutive annual meetings, or (2) all, and at least two payments (if sent by first-class mail) of dividends or interest on securities during a 12-month period, have been mailed addressed to such stockholder at such stockholder's address as shown on the records of the Corporation and have been returned undeliverable, the giving of such notice to such stockholder shall not be required. Any action or meeting that shall be taken or held without notice to such stockholder shall have the same force and effect as if such notice had been duly given. If any such stockholder shall deliver to the Corporation a written notice setting forth such stockholder's then current address, the requirement that notice be given to such stockholder shall be reinstated. If the action taken by the Corporation is such as to require the filing of a certificate with the Secretary of State of Delaware, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to Section 230(b) of the DGCL. The exception in subsection (1) of the first sentence of this paragraph to the requirement that notice be given shall not be applicable to any notice returned as undeliverable if the notice was given by electronic transmission.

Section 9.4 Waiver of Notice. Whenever any notice is required to be given under applicable law, the Certificate of Incorporation, or these Bylaws, a written waiver of such notice, signed before or after the date of such meeting by the person or persons entitled to said notice, or a waiver by electronic transmission by the person entitled to said notice, shall be deemed equivalent to such required notice. All such waivers shall be kept with the books of the Corporation. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

Section 9.5 Meeting Attendance via Remote Communication Equipment.

(a) Stockholder Meetings. If authorized by the Board in its sole discretion, and subject to such guidelines and procedures as the Board may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication:

(i) participate in a meeting of stockholders; and

(ii) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (A) the Corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (B) the Corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (C) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such votes or other action shall be maintained by the Corporation.

(b) Board Meetings. Unless otherwise restricted by applicable law, the Certificate of Incorporation, or these Bylaws, members of the Board or any committee thereof may participate in a meeting of the Board or any committee thereof by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting was not lawfully called or convened.

Section 9.6 Dividends. The Board may from time to time declare, and the Corporation may pay, dividends (payable in cash, property or shares of the Corporation's capital stock) on the Corporation's outstanding shares of capital stock, subject to applicable law and the Certificate of Incorporation.

Section 9.7 Reserves. The Board may set apart out of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

Section 9.8 Contracts and Negotiable Instruments. Except as otherwise provided by applicable law, the Certificate of Incorporation or these Bylaws, any contract, bond, deed, lease, mortgage or other instrument may be executed and delivered in the name and on behalf of the Corporation by such officer or officers or other employee or employees of the Corporation as the Board may from time to time authorize. Such authority may be general or confined to specific instances as the Board may determine. The Chief Executive Officer, the President or any Vice President may execute and deliver any contract, bond, deed, lease, mortgage or other instrument in the name and on behalf of the Corporation. Subject to any restrictions imposed by the Board, the Chief Executive Officer, President or any Vice President may delegate powers to execute and deliver any contract, bond, deed, lease, mortgage or other instrument in the name and on behalf of the Corporation to other officers or employees of the Corporation under such person's supervision and authority, it being understood, however, that any such delegation of power shall not relieve such officer of responsibility with respect to the exercise of such delegated power.

Section 9.9 Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board.

Section 9.10 Seal. The Board may adopt a corporate seal, which shall be in such form as the Board determines. The seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced.

Section 9.11 Books and Records. The books and records of the Corporation may be kept within or outside the State of Delaware at such place or places as may from time to time be designated by the Board.

Section 9.12 Resignation. Any director, committee member or officer may resign by giving notice thereof in writing or by electronic transmission to the Chief Executive Officer, President or the Secretary. The resignation shall take effect at the time specified therein, or at the time of receipt of such notice if no time is specified or the specified time is earlier than the time of such receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9.13 Surety Bonds. Such officers, employees and agents of the Corporation (if any) as the Chief Executive Officer, the President or the Board may direct, from time to time, shall be bonded for the faithful performance of their duties and for the restoration to the Corporation, in case of their death, resignation, retirement, disqualification or removal from office, of all books, papers, vouchers, money and other property of whatever kind in their possession or under their control belonging to the Corporation, in such amounts and by such surety companies as the Chief Executive Officer, President or the Board may determine. The premiums on such bonds shall be paid by the Corporation and the bonds so furnished shall be in the custody of the Secretary.

Section 9.14 Securities of Other Corporations. Powers of attorney, proxies, waivers of notice of meeting, consents in writing and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer, President or any Vice President. Any such officer, may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities, or to consent in writing, in the name of the Corporation as such holder, to any action by such corporation, and at any such meeting or with respect to any such consent shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed. The Board may from time to time confer like powers upon any other person or persons.

Section 9.15 Amendments. The Board shall have the power to adopt, amend, alter or repeal the Bylaws. The affirmative vote of a majority of the Whole Board shall be required to adopt, amend, alter or repeal the Bylaws. The Bylaws also may be adopted, amended, altered or repealed by the stockholders; provided, however, that in addition to any vote of the holders of any class or series of capital stock of the Corporation required by applicable law or the Certificate of Incorporation, the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the voting power of all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to adopt, amend, alter or repeal the Bylaws.

016570| 003590|127C|RESTRICTED||4|057-423

COMMON STOCK

PAR VALUE $0.01

COMMON STOCK

THIS CERTIFICATE IS TRANSFERABLE IN CANTON, MA AND NEW YORK, NY

Certificate Number
ZQ 000000

Shares
000000****
000000**
****000000****
*****000000***
******000000**

DIAMONDBACK ENERGY, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 25278X 10 9

SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFIES THAT MR. SAMPLE & MRS. SAMPLE & MR. SAMPLE & MRS. SAMPLE

is the owner of ***ZERO HUNDRED THOUSAND ZERO HUNDRED AND ZERO***

FULLY-PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

Diamondback Energy, Inc. (hereinafter called the "Company"), transferable on the books of the Company in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby, are issued and shall be held subject to all of the provisions of the Amended and Restated Certificate of Incorporation, as may be amended from time to time, and the Amended and Restated By-Laws, as may be amended from time to time, of the Company (copies of which are on file with the Company and with the Transfer Agent), to all of which each holder, by acceptance hereof, assents. This Certificate is not valid unless countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Company and the facsimile signatures of its duly authorized officers.

DATED <<Month Day, Year>>

Chief Financial Officer and Vice President

DIAMONDBACK ENERGY, INC. CORPORATE SEAL 2011 DELAWARE

General Counsel, Vice President and Secretary

COUNTERSIGNED AND REGISTERED:
COMPUTERSHARE TRUST COMPANY, N.A.
TRANSFER AGENT AND REGISTRAR,

By ______________________
AUTHORIZED SIGNATURE

SECURITY INSTRUCTIONS ON REVERSE

1234567

Diamondback Energy, Inc.
PO BOX 43004, Providence, RI 02940-3004

MR A SAMPLE
DESIGNATION (IF ANY)
ADD 1
ADD 2
ADD 3
ADD 4

CUSIP XXXXXX XX X
Holder ID XXXXXXXXXX
Insurance Value 1,000,000.00
Number of Shares 123456
DTC 12345678 123456789012345

Certificate Numbers	Num/No.	Denom.	Total
1234567890/1234567890	1	1	1
1234567890/1234567890	2	2	2
1234567890/1234567890	3	3	3
1234567890/1234567890	4	4	4
1234567890/1234567890	5	5	5
1234567890/1234567890	6	6	6
Total Transaction			7

DIAMONDBACK ENERGY, INC.

THE COMPANY WILL FURNISH WITHOUT CHARGE TO EACH SHAREHOLDER WHO SO REQUESTS, A SUMMARY OF THE POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS OF EACH CLASS OF STOCK OF THE COMPANY AND THE QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS OF SUCH PREFERENCES AND RIGHTS, AND THE VARIATIONS IN RIGHTS, PREFERENCES AND LIMITATIONS DETERMINED FOR EACH SERIES, WHICH ARE FIXED BY THE CERTIFICATE OF INCORPORATION OF THE COMPANY, AS AMENDED, AND THE RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE COMPANY, AND THE AUTHORITY OF THE BOARD OF DIRECTORS TO DETERMINE VARIATIONS FOR FUTURE SERIES. SUCH REQUEST MAY BE MADE TO THE OFFICE OF THE SECRETARY OF THE COMPANY OR TO THE TRANSFER AGENT. THE BOARD OF DIRECTORS MAY REQUIRE THE OWNER OF A LOST OR DESTROYED STOCK CERTIFICATE, OR HIS LEGAL REPRESENTATIVES, TO GIVE THE COMPANY A BOND TO INDEMNIFY IT AND ITS TRANSFER AGENTS AND REGISTRARS AGAINST ANY CLAIM THAT MAY BE MADE AGAINST THEM ON ACCOUNT OF THE ALLEGED LOSS OR DESTRUCTION OF ANY SUCH CERTIFICATE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT-	. . . . Custodian . . . . (Cust) (Minor)
TEN ENT	- as tenants by the entireties		under Uniform Gifts to Minors Act . . . . (State)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	UNIF TRF MIN ACT	. . . . Custodian (until age. . .). . . . . (Cust) (Minor) under Uniform Transfers to Minors Act. . . . . (State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

For value received, __________________________ hereby sell, assign and transfer unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE, OF ASSIGNEE)

____ Shares

of the common stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

____ Attorney

to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated: ______________________________________ 20 ________________

Signature: ____

Signature: ____

Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate, in every particular, without alteration or enlargement, or any change whatever.

Signature(s) Guaranteed: Medallion Guarantee Stamp

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

SECURITY INSTRUCTIONS

THIS IS WATERMARKED PAPER. DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.

The IRS requires that we report the cost basis of certain shares acquired after January 1, 2011. If your shares were covered by the legislation and you have sold or transferred the shares and requested a specific cost basis calculation method, we have processed as requested. If you did not specify a cost basis calculation method, we have defaulted to the first in, first out (FIFO) method. Please visit our website or consult your tax advisor if you need additional information about cost basis.

If you do not keep in contact with us or do not have any activity in your account for the time periods specified by state law, your property could become subject to state unclaimed property laws and transferred to the appropriate state.

1234567

**FORM OF
DIAMONDBACK ENERGY, INC.
2012 EQUITY INCENTIVE PLAN**

1. Purpose; Eligibility.

1.1 General Purpose. The name of this plan is the Diamondback Energy, Inc. 2012 Equity Incentive Plan (the ***"Plan"***). The purpose of the Plan is to enable Diamondback Energy, Inc., a Delaware corporation (the ***"Company"***), and any Affiliate to obtain and retain the services of the types of Employees, Consultants and Directors who will contribute to the Company's long range success and to provide incentives that are linked directly to increases in share value which will inure to the benefit of all stockholders of the Company.

1.2 Eligible Award Recipients. The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Affiliates.

1.3 Available Awards. The purpose of the Plan is to provide a means by which eligible recipients of Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of one or more of the following Awards: (a) Incentive Stock Options, (b) Nonstatutory Stock Options, (c) Restricted Awards (Restricted Stock and Restricted Stock Units), (d) Performance Awards and (e) Stock Appreciation Rights.

2. Definitions.

2.1 ***"Administrator"*** means the Board or the Committee appointed by the Board in accordance with Section 3.5.

2.2 ***"Affiliate"*** means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code and any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture or unincorporated organization that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company. For this purpose "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through ownership of voting securities, by contract or otherwise.

2.3 ***"Award"*** means any right granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Restricted Award (Restricted Stock and Restricted Stock Units), a Performance Award, and a Stock Appreciation Right.

2.4 ***"Award Agreement"*** means a written agreement between the Company and a holder of an Award evidencing the terms and conditions of an individual Award grant. Each Award Agreement will be subject to the terms and conditions of the Plan and need not be identical.

2.5 ***"Beneficial Owner"*** has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular Person, such Person will be deemed to have beneficial ownership of all securities that such Person has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time, the satisfaction of performance goals, or both. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

2.6 ***"Board"*** means the Board of Directors of the Company.

2.7 ***"Cashless Exercise"*** has the meaning set forth in Section 6.3.

2.8 ***"Cause"*** means, (a) with respect to any Participant who is a party to an employment or service agreement or employment policy manual with the Company or its Affiliates and such agreement or policy manual provides for a definition of Cause, as defined therein and (b) with respect to all other Participants, (i) the commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company or an Affiliate, (ii) conduct tending to bring the Company into substantial public disgrace, or disrepute, (iii) gross negligence or willful misconduct with respect to the Company or an Affiliate or (iv) material violation of state or federal securities laws. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

2.9 ***"Change in Control"*** shall mean:

(a) The direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company to any Person other than a Permitted Holder;

(b) The Incumbent Directors cease for any reason to constitute a majority of the Board;

(c) The adoption of a plan relating to the liquidation or dissolution of the Company; or

(d) The consummation of any transaction (including, without limitation, any merger, consolidation or exchange) resulting in any Person other than Permitted Holders becoming the Beneficial Owner of more than 50% of the voting power of the Company.

The foregoing notwithstanding, a transaction will not constitute a Change in Control if (i) its sole purpose is to change the state of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the Persons who held the Company's securities immediately before such transaction; (ii) it constitutes an initial public offering or a secondary public offering that results in any security of the Company being listed (or approved for listing) on any securities exchange or designated (or approved for designation) as a security on an interdealer quotation system; (iii) it constitutes a change in Beneficial Ownership that results from a change in ownership in a Permitted Holder; or (iv) solely because 50% or more of the total voting power of the Company's then outstanding securities is acquired by (A) a trustee or other fiduciary holding securities under one or more employee benefit Plans of the Company or any Affiliate, or (B) any company that, immediately before such acquisition, is owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock in the Company immediately before such acquisition.

2.10 ***"Code"*** means the Internal Revenue Code of 1986, as amended.

2.11 ***"Committee"*** means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3.5.

2.12 ***"Common Stock"*** means the common stock, $0.01 par value per share of the Company.

2.13 ***"Company"*** means Diamondback Energy, Inc., a Delaware corporation.

2.14 ***"Consultant"*** means any natural person who provides bona fide consulting or advisory services and who is compensated for such services or who provides or has provided bona fide services to the Company or an Affiliate pursuant to a written agreement, so long as such services are not in connection with the offer or sale of securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities.

2.15 ***"Continuous Service"*** means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service will not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, so long as there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Administrator or its delegate, in its sole discretion, may determine whether Continuous Service will be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence.

2.16 ***"Covered Employee"*** means an Employee who, on the last day of the taxable year of the Company, is a "covered employee" within the meaning of Code Section 162(m)(3) and the regulations and interpretive guidance promulgated thereunder.

2.17 ***"Date of Grant"*** means, if the key terms and conditions of the Award are communicated to the Participant within a reasonable period following the Administrator's action, the date on which the Administrator adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the key terms and conditions of the Award and from which the Participant begins to benefit from or be adversely affected by subsequent changes in the Fair Market Value of the Common Stock or, if a subsequent date is set forth in such resolution, or determined by the Administrator, as the Date of Grant, then such date as is set forth in such resolution. In any situation where the terms of the Award are subject to negotiation with the Participant, the Date of Grant will not be earlier than the date the key terms and conditions of the Award are communicated to the Participant.

2.18 ***"Detrimental Activity"*** means: (a) violation of the terms of any agreement with the Company concerning non-disclosure, confidentiality, intellectual property, privacy or exclusivity; (b) disclosure of the Company's confidential information to anyone outside the Company, without prior written authorization from the Company, or in conflict with the interests of the Company, whether the confidential information was acquired or disclosed by the Participant during or after employment by the Company; (c) failure or refusal to disclose promptly or assign to the Company all right, title and interest in any invention, work product or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the interests of the Company or, the failure or refusal to do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in other countries; (d) activity that is discovered to be grounds for or results in termination of the Participant's employment for Cause; (e) any breach of a restrictive covenant contained in any employment or service agreement, Award Agreement or other agreement between the Participant and the Company, during any period for which a restrictive covenant prohibiting Detrimental Activity, or other similar conduct or act, is applicable to the Participant during or after employment by the Company; (f) any attempt directly or indirectly to induce any Employee of the Company to be employed or perform services or acts in conflict with the interests of the Company; (g) any attempt, in conflict with the interests of the Company, directly or indirectly, to solicit the trade or business of any current or prospective customer, client, supplier or partner of the Company; (h) the conviction of, or guilty plea entered by, the Participant for any felony or a crime involving moral turpitude whether or not connected with the Company; or (i) the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company.

2.19 ***"Director"*** means a member of the Board.

2.20 ***"Disability"*** means the Participant's inability to substantially perform his or her duties to the Company or any Affiliate by reason of a medically determinable physical or mental impairment that is expected to last for a period of six months or longer or to result in death; *provided*, *however*, for purposes of determining the term of an Incentive Stock Option pursuant to Section 6.9 hereof, the term Disability has the meaning ascribed to it under Code Section 22(e)(3). The Administrator will determine whether an individual has a Disability under procedures established by the Administrator. Except in situations where the Administrator is determining Disability within the meaning of Code Section 22(e)(3) for purposes of the term of an Incentive Stock Option pursuant to Section 6.9 hereof, the Administrator may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

2.21 ***"Effective Date"*** means , 2012, the date the Board adopted the Plan.

2.22 ***"Employee"*** means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate is not sufficient to constitute "employment" by the Company or an Affiliate.

2.23 “***Established Securities Market***” means a national securities exchange that is registered under Section 6 of the Exchange Act; a foreign national securities exchange that is officially recognized, sanctioned, or supervised by governmental authority; and any over-the-counter market that is reflected by the existence of an interdealer quotation system.

2.24 ***“Exchange Act”*** means the Securities Exchange Act of 1934, as amended.

2.25 “***Exercise Price***” has the meaning set forth in Section 6.2 of the Plan.

2.26 ***“Fair Market Value”*** means, as of any date, the value of the Common Stock determined using a method consistent with the definition of fair market value found in Treas. Regs. §1.409A-1(b)(5)(iv) and any regulatory interpretations promulgated thereunder and will be determined using a method that is a presumptively reasonable valuation method there under, as determined below.

(a) The Fair Market Value on the date of the Company’s initial public offering (within the meaning of Section 12(f)(1)(G) of the Exchange Act) of its Common Stock will be the initial price to the public on such date.

(b) On any date on which shares of Common Stock are readily tradable on an Established Securities Market, if the Common Stock is admitted to trading on an exchange or market for which closing prices are reported on any date, Fair Market Value may be determined based on the last sale before or the first sale after the Date of Grant of an Award, the closing price on the trading day before the Date of Grant of an Award or on the Date of Grant; or may be based on an average selling price during a specified period that is within 30 days before or 30 days after the Date of Grant of an Award, provided that the commitment to grant an Award based on such valuation method must be irrevocable before the beginning of the specified period, and such valuation method must be used consistently for grants of Awards under the same and substantially similar programs.

(c) If the Common Stock is readily tradable on an Established Securities Market but closing prices are not reported, Fair Market Value may be determined based upon the average of the highest bid and lowest asked prices of the Common Stock reported on the trading day before the Date of Grant of an Award or on the Date of Grant; or may be based upon an average of the highest bid and lowest asked prices during a specified period that is within 30 days before or 30 days after the Date of Grant of an Award, provided that the commitment to grant an Award based on such valuation method must be irrevocable before the beginning of the specified period, and such valuation method must be used consistently for grants of Awards under the same and substantially similar programs.

(d) If the Common Stock is not readily tradable on an Established Securities Market, the Administrator will determine the Fair Market Value through the reasonable application of a reasonable valuation method based on the facts and circumstances as of the valuation date, including, at the election of the Administrator, by an independent appraisal that meets the requirements of Code Section 401(a)(28)(C) and the regulations promulgated thereunder as of a date that is no more than 12 months before the relevant transaction to which the valuation is applied (for example, an Option’s Date of Grant) and such determination will be conclusive and binding on all persons.

2.27 ***"Free Standing SAR"*** has the meaning set forth in Section 7.3(a).

2.28 ***"Incentive Stock Option"*** means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

2.29 ***"Incumbent Directors"*** means individuals who, on the Effective Date, constitute the Board, provided that any individual becoming a Director subsequent to the Effective Date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) will be an Incumbent Director. No individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board will be an Incumbent Director.

2.30 ***"Insider"*** means an individual subject to Section 16 of the Exchange Act and includes an Officer, a Director, or any other person who is directly or indirectly the Beneficial Owner of more than 10% of any class of any equity security of the Company (other than an exempted security) that is registered pursuant to Section 12 of the Exchange Act.

2.31 ***"Market Stand-Off"*** has the meaning set forth in Section 14.

2.32 ***"Non-Employee Director"*** means a Director who is a "non-employee director" within the meaning of Rule 16b-3.

2.33 ***"Nonstatutory Stock Option"*** means an Option not intended to qualify as an Incentive Stock Option.

2.34 ***"Officer"*** means (a) before the first date on which any Security of the Company is registered under Section 12 of the Exchange Act, any person designated by the Company as an officer and (b) on and after the first date on which any Security of the Company is registered under Section 12 of the Exchange Act, a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

2.35 ***"Option"*** means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

2.36 ***"Option Agreement"*** means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan and need not be identical.

2.37 ***"Optionholder"*** means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

2.38 ***"Outside Director"*** means a Director who is an "outside director" within the meaning of Section 162(m) of the Code and Treas. Regs. § 1.162-27(e)(3).

2.39 ***"Participant"*** means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

2.40 ***"Performance Award"*** means an Award granted pursuant to Section 7.2.

2.41 ***"Permitted Holders"*** means Wexford Capital LP, a Delaware limited partnership, and Gulfport Energy Corporation, a Delaware corporation, and any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture or unincorporated organization that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Wexford Capital LP or Gulfport Energy Corporation, as the case may be. For this purpose "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through ownership of voting securities, by contract or otherwise.

2.42 ***"Permitted Transferee"*** means (a) any spouse, parents, siblings (by blood, marriage or adoption) or lineal descendants (by blood, marriage or adoption) of a Participant; (b) any trust or other similar entity for the benefit of a Participant or the Participant's spouse, parents, siblings or lineal descendants; *provided, however*, that any transfer made by a Participant to a Permitted Transferee may only be made if the Permitted Transferee, prior to the time of transfer of stock, agrees in writing to be bound by the terms of the Plan and provides written notice to the Company of such transfer.

2.43 "***Person***" means an individual, partnership, limited liability company, corporation, association, joint stock company, trust, joint venture, labor organization, unincorporated organization, governmental entity or political subdivision thereof, or any other entity, and includes a syndicate or group as such terms are used in Section 13(d)(3) or 14(d)(2) of the Exchange Act.

2.44 ***"Plan"*** means this Diamondback Energy, Inc. 2012 Equity Incentive Plan.

2.45 "***Prohibited Personal Loan***" means any direct or indirect extension of credit or arrangement of an extension of credit to a Director or executive officer (or equivalent thereof) by the Company or an Affiliate that is prohibited by Section 402(a) of the Sarbanes-Oxley Act (codified as Section 13(k) of the Exchange Act).

2.46 ***"Restricted Award"*** means any Award granted pursuant to Section 7.1, including Restricted Stock and Restricted Stock Units.

2.47 ***"Restricted Period"*** has the meaning set forth in Section 7.1.

2.48 ***"Restricted Stock"*** has the meaning set forth in Section 7.1.

2.49 ***"Restricted Stock Unit"*** means a hypothetical Common Stock unit having a value equal to the Fair Market Value of an identical number of shares of Common Stock as determined in Section 7.1.

2.50 ***"Right of Repurchase"*** means the Company's option to repurchase unvested Common Stock acquired under the Plan upon the Participant's termination of Continuous Service pursuant to Section 10.6.

2.51 ***"Rule 16b-3"*** means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3.

2.52 ***"Rule 701***" means Rule 701 promulgated under the Securities Act.

2.53 ***"Securities Act"*** means the Securities Act of 1933, as amended.

2.54 ***"Stock Appreciation Right"*** or "***SAR***" means the right pursuant to an Award granted under Section 7.3 to receive an amount equal to the excess, if any, of (A) the Fair Market Value, as of the date such Stock Appreciation Right or portion thereof is surrendered, of the shares of Common Stock covered by such right or such portion thereof, over (B) the aggregate Strike Price of such right or such portion thereof.

2.55 ***"Stock for Stock Exchange***" has the meaning set forth in Section 6.3.

2.56 "***Strike Price***" means the threshold value per share of Common Stock, the excess over which will be payable upon exercise of a Stock Appreciation Right, as determined by the Administrator pursuant to Section 7.3(d) and set forth in the Award Agreement for a Stock Appreciation Right.

2.57 "***Surviving Entity***" means the Company if immediately following any merger, consolidation or similar transaction, the holders of outstanding voting securities of the Company immediately prior to the merger or consolidation own equity securities possessing more than 50% of the voting power of the entity existing following the merger, consolidation or similar transaction. In all other cases, the other entity to the transaction and not the Company will be the Surviving Entity. In making the determination of ownership by the stockholders of an entity immediately after the merger, consolidation or similar transaction, equity securities that the stockholders owned immediately before the merger, consolidation or similar transaction as stockholders of another party to the transaction will be disregarded. Further, outstanding voting securities of an entity will be calculated by assuming the conversion of all equity securities convertible (immediately or at some future time whether or not contingent on the satisfaction of performance goals) into shares entitled to vote.

2.58 "***Tandem SAR***" has the meaning set forth in Section 7.3(a).

2.59 ***"Ten Percent Stockholder"*** means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. Administration.

3.1 Administration by Board. The Plan will be administered by the Board unless and until the Board delegates administration to a Committee, as provided in Section 3.5.

3.2 Authority of Administrator. The Administrator will have the power and authority to select Participants and grant Awards pursuant to the terms of the Plan.

3.3 Specific Authority. In particular, the Administrator will have the authority to: (a) construe and interpret the Plan and apply its provisions; (b) promulgate, amend, and rescind rules and regulations relating to the administration of the Plan; (c) authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan; (d) delegate its authority to one or more Officers of the Company with respect to Awards that do not involve Covered Employees or Insiders, provided such delegation is pursuant to a resolution that specifies the total number of shares of Common Stock that may be subject to Awards by such Officer and such Officer may not make an Award to himself or herself; (e) determine when Awards are to be granted under the Plan; (f) select, subject to the limitations set forth in the Plan, those Participants to whom Awards will be granted; (g) determine the number of shares of Common Stock to be made subject to each Award; (h) determine whether each Option is to be an Incentive Stock Option or a Nonstatutory Stock Option; (i) prescribe the terms and conditions of each Award, including, without limitation, the Strike Price or Exercise Price and medium of payment, vesting provisions and Right of Repurchase provisions, and to specify the provisions of the Award Agreement relating to such grant or sale; (j) subject to restrictions applicable under Section 12.4, amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, the purchase price, Exercise Price or Strike Price, or the term of any outstanding Award; *provided, however*, that if any such amendment impairs a Participant's rights or increases a Participant's obligations under his or her Award, such amendment shall also be subject to the Participant's consent (for the avoidance of doubt, a cancellation of an Award where the Participant receives a payment equal in value to the Fair Market Value of the vested Award or, in the case of vested Options or SARs, the difference between the Fair Market Value of the Common Stock subject to an Option or SAR and the Exercise Price or Strike Price, will not constitute an impairment of the Participant's rights that requires consent); (k) determine the duration and purpose of leaves of absences that may be granted to a Participant without constituting termination of their Continuous Service for purposes of the Plan, which periods will be no shorter than the periods generally applicable to Employees under the Company's employment policies or as required under applicable law; (l) make decisions with respect to outstanding Awards that may become necessary upon a Change in Control or an event that triggers capital adjustments; and (m) to exercise discretion to make any and all other determinations that it may determine to be necessary or advisable for administration of the Plan.

3.4 Decisions Final. All decisions made by the Administrator pursuant to the provisions of the Plan will be final and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

3.5 The Committee.

(a) General. The Board may delegate administration of the Plan to a Committee or Committees of one or more members of the Board, and the term ***"Committee"*** will apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in the Plan to the Board or the Administrator will thereafter be to the Committee or subcommittee), subject, however, to such resolutions, consistent with the provisions of the Plan, as the Board may adopt. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan. The members of the Committee will be appointed by and serve at the pleasure of the Board. The Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act pursuant to a vote of the majority of its members or, in the case of a Committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and will keep minutes of all of its meetings. Subject to the limitations prescribed by the Plan and the Board, the Committee will establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

(b) Committee Composition when Common Stock is Registered. Whenever the Common Stock is required to be registered under Section 12 of the Exchange Act, in the discretion of the Board, a Committee may consist solely of two or more Non-Employee Directors who are also Outside Directors. The Board will have discretion to determine whether or not it intends to comply with the exemption requirements of Rule 16b-3, Code Section 162(m), or both. If, however, the Board intends to satisfy such exemption requirements, with respect to Awards to any Covered Employee and with respect to any Officer, Director or other Insider, the Committee must at all times consist solely of two or more Non-Employee Directors who are also Outside Directors. Within the scope of such authority, the Board or the Committee may (i) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Awards to eligible persons who are either (A) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Award or (B) not persons with respect to whom the Company wishes to comply with Code Section 162(m) or (ii) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Awards to eligible persons who are not then Insiders. Nothing herein is intended to create an inference that an Award is not validly granted under the Plan in the event Awards are granted under the Plan by a committee of the Board that does not at all times consist solely of two or more Non-Employee Directors who are also Outside Directors.

3.6 Indemnification. In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by applicable law, the Company shall indemnify the Administrator against the reasonable expenses, including attorney's fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal therein, to which the Administrator may be party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted under the Plan, and against all amounts paid by the Administrator in settlement thereof (subject, however, to the Company's approval of the settlement, which approval the Company shall not unreasonably withhold) or paid by the Administrator in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it is adjudged in such action, suit or proceeding that the Administrator did not act in good faith, did not act in a manner that such person reasonably believed to be in the best interests of the Company, or in the case of a criminal proceeding, had no reason to believe that the conduct complained of was lawful; *provided*, *however*, that within 60 days after institution of any such action, suit or proceeding, such Administrator or Committee member shall, in writing, offer the Company the opportunity at its own expense to handle and defend such action, suit or proceeding.

4. Shares Subject to the Plan.

4.1 Share Reserve. Subject to the provisions of Section 11.1 relating to adjustments upon changes in Common Stock, the shares that may be issued pursuant to Awards will consist of the Company's authorized but unissued Common Stock, and the maximum aggregate amount of such Common Stock that may be issued upon exercise of all Awards under the Plan will not exceed 2,500,000 shares of Common Stock (subject to adjustment as provided in Section 11.1), all of which may be used for Incentive Stock Options or any other Awards. Awards for fractional shares of Common Stock may not be issued under the terms of the Plan.

4.2 Reversion of Shares to the Share Reserve. If any Award for any reason expires or otherwise terminates, in whole or in part, the shares of Common Stock not acquired under such Award will revert to and again become available for issuance under the Plan. If the Company reacquires shares of Common Stock issued under the Plan pursuant to the terms of any forfeiture provision, including the Right of Repurchase of unvested Common Stock under Section 10.6(a), such shares will again be available for purposes of the Plan. Each share of Common Stock subject to any Award granted hereunder will be counted against the share reserve set forth in Section 4.1 on the basis of one share for every share subject thereto. Notwithstanding anything herein to the contrary, shares of Common Stock used to pay the required Exercise Price or tax obligations, or shares not issued in connection with settlement of an Option or SAR or that are used or withheld to satisfy tax obligations of the Participant will not be available again for other Awards under the Plan. Awards or portions thereof that are settled in cash and not in shares of Common Stock will not be counted against the foregoing maximum share limitations.

4.3 Source of Shares. The shares of Common Stock subject to the Plan may be authorized but unissued Common Stock or reacquired Common Stock, bought on the market, pursuant to any forfeiture provision, Right of Repurchase or otherwise.

5. Eligibility.

5.1 Eligibility for Specific Awards. Incentive Stock Options may be granted only to Employees. Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

5.2 Ten Percent Stockholders. An Incentive Stock Option Ten Percent Stockholder granted to a Ten Percent Stockholder must have an Exercise Price no less than 110% of the Fair Market Value of the Common Stock at the Date of Grant and must not be exercisable after the expiration of five years from the Date of Grant.

5.3 Section 162(m) Limitation.

(a) Subject to the provisions of Section 11.1 relating to adjustments upon changes in the shares of Common Stock, no Person will be eligible to be granted Awards (including, without limitation, Options, SARs and hypothetical Common Stock units) covering more than 1,000,000 shares in the aggregate during any calendar year.

(b) Section 5.3(a) shall not apply before the first date on which any class of the Company's common equity securities is required to be registered under Section 12 of the Exchange Act, determined based solely on whether, as of the last day of its taxable year, the Company is subject to the reporting obligations of Section 12 of the Exchange Act (other than due to a voluntary registration).

(c) On and after the first date on which any class of the Company's common equity securities is required to be registered under Section 12 of the Exchange Act, Section 5.3(a) shall not apply to Options, SARs or Awards of Restricted Stock until:

(1) the earliest of: (i) the first material modification of the Plan (including any increase in the number of shares of Common Stock reserved for issuance under the Plan in accordance with Section 4.1); (ii) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (iii) the expiration of the Plan; or (iv) the first meeting of stockholders at which Directors are to be elected that occurs after the close of the third calendar year following (x) the calendar year in which the Company's initial public offering (within the meaning of Section 12(f)(1)(G) of the Exchange Act) occurs, or (y) if the Company first becomes subject to the registration requirements of Section 12 of the Exchange Act without an initial public offering, the first calendar year following the calendar year in which the Company is first required to register any equity security under Section 12 of the Exchange Act; or

(2) such other date required by Code Section 162(m) and the rules and regulations promulgated thereunder. Notwithstanding the foregoing, if the Company first becomes subject to Section 12 of the Exchange Act in connection with an initial public offering, then this Section 5.3(c) will apply only to the extent that the prospectus covering the initial public offering discloses information concerning the Plan in satisfaction of all applicable securities laws then in effect.

5.4 Directors. Each Director of the Company will be eligible to receive discretionary grants of Awards under the Plan. If the Board or the compensation committee of the Board separately has adopted or in the future adopts a compensation policy covering some or all Directors that provides for a predetermined formula grant that specifies the type of Award, the timing of the Date of Grant and the number of shares to be awarded under the terms of the Plan, such formula grant will be incorporated by reference and will be administered as if such terms were provided under the terms of the Plan without any requirement that the Administrator separately take action to determine the terms of such Awards.

6. Option Provisions.

Each Option will be in such form and will contain such terms and conditions as the Administrator deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. Notwithstanding the foregoing, the Company will have no liability to any Participant or any other person if an Option designated as an Incentive Stock Option fails to qualify as such at any time. The provisions of separate Options need not be identical, but each Option will include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

6.1 Term. Subject to the provisions of Section 5.2 regarding Ten Percent Stockholders, no Option will be exercisable after the expiration of 10 years from the Date of Grant.

6.2 Exercise Price. The exercise price per share of Common Stock for each Option (the "***Exercise Price***") will not be less than 100% of the Fair Market Value of such share on the Date of Grant; *provided, however*, that in the case of an Incentive Stock Option granted to a Ten Percent Stockholder, the Exercise Price will be no less than 110% of the Fair Market Value per share of Common Stock on the Date of Grant. Notwithstanding the foregoing, an Option granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code, as if the Option was a statutory stock option, may be granted with an Exercise Price lower than the Fair Market Value per share on the Date of Grant.

6.3 Consideration. The Optionholder will pay the Exercise Price of Common Stock acquired pursuant to an Option, to the extent permitted by applicable statutes and regulations, either (a) in cash or by certified or bank check at the time the Option is exercised or (b) in the Administrator's discretion, and upon such terms as the Administrator approves: (i) by delivery to the Company of other Common Stock, duly endorsed for transfer to the Company, with a Fair Market Value on the date of delivery equal to the Exercise Price (or portion thereof) due for the number of shares being acquired, or by means of attestation whereby the Participant identifies for delivery specific shares of Common Stock held by the Participant that have a Fair Market Value on the date of attestation equal to the Exercise Price (or portion thereof) and receives a number of shares of Common Stock equal to the difference between the number of shares thereby purchased and the number of identified attestation shares of Common Stock (a ***"Stock for Stock Exchange"***); (ii) during any period for which the Common Stock is readily tradable on an Established Securities Market, by a copy of instructions to a broker directing such broker to sell the Common Stock for which such Option is exercised, and to remit to the Company the aggregate Exercise Price of such Options (a "***Cashless Exercise***"); (iii) subject to the discretion of the Administrator, upon such terms as the Administrator shall approve, by notice of exercise including a statement directing the Company to retain such number of shares of Common Stock from any transfer to the Optionholder ("***Stock Withholding***") that otherwise would have been delivered by the Company upon exercise of the Option having a Fair Market

Value equal to all or part of the exercise price of such Option exercise, or (iv) in any other form of legal consideration that may be acceptable to the Administrator, including without limitation with a full-recourse promissory note; *provided*, *however*, if applicable law requires, the Optionholder shall pay the par value (if any) of Common Stock, if newly issued, in cash or cash equivalents. The interest rate payable under the terms of the promissory note may not be less than the minimum rate (if any) necessary to avoid the imputation of additional interest under the Code. Subject to the foregoing, the Administrator (in its sole discretion) shall specify the term, interest rate, amortization requirements (if any) and other provisions of such note. Unless the Administrator determines otherwise, the holder shall pledge to the Company shares of Common Stock having a Fair Market Value at least equal to the principal amount of any such loan as security for payment of the unpaid balance of the loan and such pledge must be evidenced by a pledge agreement, the terms of which the Administrator shall determine, in its discretion; *provided*, *however*, that each loan must comply with all applicable laws, regulations and rules of the Board of Governors of the Federal Reserve System and any other governmental agency having jurisdiction. Unless the Administrator determines otherwise, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery (or attestation) to the Company of other shares of Common Stock acquired, directly or indirectly from the Company, will be paid only by shares of Common Stock of the Company that have been held for more than six months (or such other period of time as may be required to avoid a charge to earnings for financial accounting purposes). Notwithstanding the foregoing, during any period for which the Company has any class of its securities listed on a national securities exchange in the United States, has securities registered under Section 12 of the Exchange Act, is required to file reports under Section 13(a) or 15(d) of the Exchange Act, or has a registration statement pending under the Exchange Act, an exercise with a promissory note or other transaction by an Optionholder that involves or may involve a Prohibited Personal Loan is prohibited with respect to any Option under the Plan. Unless otherwise provided in the terms of an Option Agreement, payment of the Exercise Price by a Participant who is an Insider in the form of a Stock for Stock Exchange is subject to pre-approval by the Administrator, in its sole discretion. The Administrator shall document any such pre-approval in a manner that complies with the specificity requirements of Rule 16b-3, including the name of the Participant involved in the transaction, the nature of the transaction, the number of shares to be acquired or disposed of by the Participant and the material terms of the Options involved in the transaction.

6.4 Transferability of an Incentive Stock Option. An Incentive Stock Option will not be transferable except by will or by the laws of descent and distribution and will be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, upon the death of the Optionholder, will thereafter be entitled to exercise the Option.

6.5 Transferability of a Nonstatutory Stock Option. A Nonstatutory Stock Option may, in the sole discretion of the Administrator, be transferable to a Permitted Transferee upon written approval by the Administrator to the extent provided in the Option Agreement. A Permitted Transferee includes: (a) a transfer by gift or domestic relations order to a member of the Optionholder's immediate family (child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships), any person sharing the Optionholder's household (other than a tenant or employee), a trust in which these persons (or the Optionholder) have more than 50% of the beneficial interest, a foundation in which these persons (or the Optionholder) control the management of assets, and any other entity in which these persons (or the Optionholder) own more than 50% of the voting interests; (b) third parties designated by the Administrator in connection with a program established and approved by the Administrator pursuant to which Participants may receive a cash payment or other consideration in consideration for the transfer of such Nonstatutory Stock Option; and (c) such other transferees as may be permitted by the Administrator in its sole discretion. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option will not be transferable except by will or by the laws of descent and distribution and will be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, will thereafter be entitled to exercise the Option.

6.6 Vesting Generally. The Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Administrator may deem appropriate. The vesting provisions of individual Options may vary. The Administrator may, but will not be required to provide that no Option may be exercised for a fraction of a share of Common Stock. The Administrator may, but will not be required to, provide for an acceleration of vesting and exercisability in the terms of any Option Agreement upon the occurrence of a specified event. Unless otherwise specified in the terms of any Option Agreement, each Option granted pursuant to the terms of the Plan will become exercisable at a rate of 20% per year over the five year period commencing on the Date of Grant of the Option.

6.7 Termination of Continuous Service. Unless otherwise provided in an Option Agreement or in an employment or service agreement the terms of which have been approved by the Administrator, if an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability or termination by the Company for Cause), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period ending on the earlier of (a) the date three months following the termination of the Optionholder's Continuous Service, or (b) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option will terminate. Unless otherwise provided in an Option Agreement or in an employment or service agreement the terms of which have been approved by the Administrator, or as otherwise provided in Sections 6.8, 6.9 and 6.10 of this Plan, outstanding Options that are not exercisable at the time an Optionholder's Continuous Service terminates for any reason other than for Cause (including an Optionholder's death or Disability) will be forfeited and expire at the close of business on the date of such termination. If the Optionholder's Continuous Service terminates for Cause, all outstanding Options (whether or not vested) will be forfeited and expire as of the beginning of business on the date of such termination for Cause.

6.8 Extension of Termination Date. An Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service for any reason (other than upon the Optionholder's death or Disability or termination by the Company for Cause) would violate any applicable federal, state or local law, the Option will terminate on the earlier of (a) the expiration of the term of the Option in accordance with Section 6.1 or (b) the date that is 30 days after the exercise of the Option would no longer violate any applicable federal, state or local law.

6.9 Disability of Optionholder. Unless otherwise provided in an Option Agreement, or in an employment or service agreement the terms of which have been approved by the Administrator, if an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (a) the date 12 months following such termination or (b) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option will terminate.

6.10 Death of Optionholder. Unless otherwise provided in an Option Agreement, or in an employment or service agreement the terms of which have been approved by the Administrator, if an Optionholder's Continuous Service terminates as a result of the Optionholder's death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (a) the date 12 months following the date of death or (b) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option will terminate.

6.11 Incentive Stock Option $100,000 Limitation. To the extent that the aggregate Fair Market Value of Common Stock on the Date of Grant with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds $100,000, the Options or portions thereof which exceed such limit (according to the order in which they were granted) will be treated as Nonstatutory Stock Options.

6.12 Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. In such case, the shares of Common Stock acquired on exercise shall be subject to the vesting schedule that otherwise would apply to determine the exercisability of the Option. Any unvested shares of Common Stock so purchased may be subject to any other restriction the Administrator determines to be appropriate.

6.13 Transfer, Approved Leave of Absence. For purposes of Incentive Stock Options, no termination of employment by an Employee will be deemed to result from either (a) a transfer to the employment of the Company from an Affiliate or from the Company to an

Affiliate, or from one Affiliate to another; or (b) an approved leave of absence for military service or sickness, or for any other purpose approved by the Company, if the period of such leave does not exceed three months or, if longer, the Employee's right to re-employment is guaranteed either by a statute or by contract.

6.14 Disqualifying Dispositions. Any Participant who makes a "disposition" (as defined in Section 424 of the Code) of all or any portion of shares of Common Stock acquired upon exercise of an Incentive Stock Option within two years from the Date of Grant of such Incentive Stock Option or within one year after the issuance of the shares of Common Stock acquired upon exercise of such Incentive Stock Option will be required to immediately advise the Company in writing as to the occurrence of the sale and the price realized upon the sale of such shares of Common Stock.

7. Provisions of Awards Other Than Options.

7.1 Restricted Awards. A Restricted Award is an Award of actual shares of Common Stock ("***Restricted Stock***") or hypothetical Common Stock units ("***Restricted Stock Units***") having a value equal to the Fair Market Value of an identical number of shares of Common Stock, which may, but need not, provide that such Restricted Award may not be sold, assigned, transferred or otherwise disposed of, pledged or hypothecated as collateral for a loan or as security for the performance of any obligation or for any other purpose for such period (the ***"Restricted Period"***) as the Administrator shall determine. Each Restricted Award will be in such form and will contain such terms, conditions and Restricted Periods as the Administrator deems appropriate, including the treatment of dividends or dividend equivalents, as the case may be. The Administrator in its discretion may provide for an acceleration of the end of the Restricted Period in the terms of any Restricted Award, at any time, including in the event a Change in Control occurs. The terms and conditions of the Restricted Award may change from time to time, and the terms and conditions of separate Restricted Awards need not be identical, but each Restricted Award must include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(a) Purchase Price. The purchase price of Restricted Awards, if any, will be determined by the Administrator, and may be stated as cash, property, prior or future services. Shares of Common Stock acquired in connection with any Restricted Award may be issued for such consideration, having a value not less than the par value thereof, as determined from time to time by the Administrator.

(b) Consideration. The Participant shall pay the consideration for Common Stock acquired pursuant to the Restricted Award either: (i) in cash at the time of purchase; or (ii) in any other form of legal consideration that may be acceptable to the Administrator in its discretion including, without limitation, a recourse promissory note, property a Stock for Stock Exchange, or prior or future services that the Administrator determines have a value at least equal to the Fair Market Value of such Common Stock. Notwithstanding the foregoing, during any period for which the Company has any class of its securities listed on a national securities exchange in the United States, has securities registered under Section 12 of the Exchange Act, is required to file reports under Section 13(a) or 15(d) of the Exchange Act, or has a registration statement pending under the Securities Act, payment with a promissory note or other transaction by a Participant that involves or may involve a Prohibited Personal Loan is prohibited with respect to any Restricted Award under the Plan.

(c) Vesting. The Restricted Award and any shares of Common Stock acquired under the Restricted Award may, but need not, be subject to a Restricted Period that specifies a Right of Repurchase in favor of the Company, or forfeiture in the event the consideration was in the form of services, in accordance with a vesting schedule to be determined by the Administrator. The Administrator in its discretion may provide for an acceleration of vesting in the terms of any Restricted Award, at any time, including upon a Change in Control. The Administrator in its discretion may grant a Restricted Award that is, in whole or in part, vested upon grant and not subject to a Restricted Period.

(d) Termination of Participant's Continuous Service. Unless otherwise provided in a Restricted Award or in an employment or service agreement the terms of which have been approved by the Administrator, if a Participant's Continuous Service terminates for any reason, the Company may exercise its Right of Repurchase or otherwise reacquire, or the Participant shall forfeit the unvested portion of a Restricted Award acquired in consideration of services, and any or all of the shares of Common Stock held by the Participant that have not vested as of the date of termination under the terms of the Restricted Award will be forfeited and the Participant will have no rights with respect to the Award.

(e) Transferability. Rights to acquire shares of Common Stock under the Restricted Award will be transferable by the Participant only upon such terms and conditions as are set forth in the Award Agreement, as the Administrator shall determine in its discretion, so long as Common Stock awarded under the Restricted Award remains subject to the terms of the Award Agreement.

(f) Concurrent Tax Payment. The Administrator, in its sole discretion, may (but will not be required to) provide for payment of a concurrent cash award in an amount equal, in whole or in part, to the estimated after tax amount required to satisfy applicable federal, state or local tax withholding obligations arising from the receipt and deemed vesting of Restricted Stock for which an election under Code Section 83(b) may be required.

(g) Lapse of Restrictions. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Administrator (including, without limitation, the Participant's satisfaction of applicable tax withholding obligations attributable to the Award), the restrictions applicable to the Restricted Award will lapse and a stock certificate for the number of shares of Common Stock with respect to which the restrictions have lapsed will be delivered, free of any restrictions except those that may be imposed by law, the terms of the Plan or the terms of a Restricted Award, to the Participant or the Participant's beneficiary or estate, as the case may be, unless such Restricted Award is subject to a deferral condition that complies with Code Section 409A and the regulations and interpretive authority issued thereunder as may be allowed or required by the Administrator in its sole discretion. The Company will not be required to deliver any fractional share of Common Stock but will pay, in lieu thereof, the Fair Market Value of such fractional share in cash to the Participant or the Participant's beneficiary or estate, as the case may be. With respect only to Restricted Stock Units, unless otherwise subject to a deferral condition that complies with Code

Section 409A requirements, the Common Stock certificate will be issued and delivered and the Participant will be entitled to the beneficial ownership rights of such Common Stock not later than (i) the later of (x) the date that is 2 1/2 months after the end of the Participant's taxable year for which the Restricted Period ends and the Restricted Stock Unit is no longer subject to a substantial risk of forfeiture; (y) the date that is 2 1/2 months after the end of the Company's taxable year for which the Restricted Period ends and Restricted Stock Unit is no longer subject to a substantial risk of forfeiture; or (ii) such earlier date as may be necessary to avoid application of Code Section 409A to such Award.

7.2 Performance Awards.

(a) Nature of Performance Awards. A Performance Award is an Award entitling the recipient to vest in or acquire shares of Common Stock or hypothetical Common Stock units having a value equal to the Fair Market Value of an identical number of shares of Common Stock that will be settled in the form of shares of Common Stock upon the attainment of specified performance goals. The Administrator may make Performance Awards independent of or in connection with the granting of any other Award under the Plan. Performance Awards may be granted under the Plan to any Participant, including those who qualify for awards under other performance plans of the Company. The Administrator in its sole discretion shall determine whether and to whom Performance Awards will be made, the performance goals applicable under each Award, the periods during which performance is to be measured, and all other limitations and conditions applicable to the awarded shares; *provided*, *however*, that the Administrator may rely on the performance goals and other standards applicable to other performance plans of the Company in setting the standards for Performance Awards under the Plan.

(b) Performance Goals.

(1) Performance goals will be based on a pre-established objective formula or standard that specifies the manner of determining the number of shares of Common Stock under the Performance Award that will be granted or will vest if the performance goal is attained. The Administrator will determine the performance goals before the time that 25% of the service period has elapsed, but not later than 90 days after the commencement of the service period to which the performance goal relates.

(2) Performance goals may be based on one or more business criteria that apply to a Participant, a business unit or the Company and its Affiliates. Such business criteria include the following: revenue; sales; earnings before all or any of interest expense, taxes, depreciation and/or amortization ("EBIT," "EBITA," or "EBITDA"); funds from operations; funds from operations per share; operating income; operating income per share; pre-tax or after-tax income; net cash provided by operating activities; cash available for distribution; cash available for distribution per share; working capital and components thereof; sales (net or gross) measured by product line, territory, customer or customers, or other category; return on equity or average stockholders' equity; return on assets; return on capital; enterprise value or economic value added; share price performance; improvements in the Company's attainment of expense levels; implementation or completion of critical projects; improvement in cash-flow (before or after tax); net earnings; earnings per share; earnings from continuing operations; net

worth; credit rating; levels of expense, cost, or liability by category, operating unit, or any other delineation; or any increase or decrease of one or more of the foregoing over a specified period; or the occurrence of a Change in Control.

(3) A performance goal may be measured over a performance period on a periodic, annual, cumulative or average basis and may be established on a corporate-wide basis or established with respect to one or more operating units, divisions, subsidiaries, acquired businesses, minority investments, partnerships or joint ventures. More than one performance goal may be incorporated in a performance objective, in which case achievement with respect to each performance goal may be assessed individually or in combination with each other. The Administrator may, in connection with the establishment of performance goals for a performance period, establish a matrix setting forth the relationship between performance on two or more performance goals and the amount of the Performance Award payable for that performance period. The level or levels of performance specified with respect to a performance goal may be established in absolute terms, as objectives relative to performance in prior periods, as an objective compared to the performance of one or more comparable companies or an index covering multiple companies, or otherwise as the Administrator may determine.

(4) Performance goals will be objective and, if the Company is required to be registered under Section 12 of the Exchange Act, will otherwise meet the requirements of Section 162(m) of the Code. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants. A Performance Award to a Participant who is a Covered Employee will (unless the Administrator determines otherwise) provide that if the Participant's Continuous Service ceases prior to the end of the performance period for any reason, such Award will be payable only (i) if the applicable performance objectives are achieved and (ii) to the extent, if any, determined by the Administrator. Such objective performance goals are not required to be based on increases in a specific business criterion, but may be based on maintaining the status quo or limiting economic losses. With respect to Participants who are not Covered Employees, the Administrator may establish additional objective or subjective performance goals.

(c) Restrictions on Transfer. Performance Awards and all rights with respect to such Performance Awards may not be sold, assigned, transferred, pledged or otherwise encumbered.

(d) Satisfaction of Performance Goals. A Participant will be entitled to receive a stock certificate evidencing the acquisition of shares of Common Stock under a Performance Award only upon satisfaction of all conditions specified in the written instrument evidencing the Performance Award (or in a performance plan adopted by the Administrator), including, without limitation, the Participant's satisfaction of applicable tax withholding obligations attributable to the Award. With respect only to a Performance Award that is denominated in hypothetical Common Stock units, the Common Stock certificate will be issued and delivered and the Participant will be entitled to the beneficial ownership rights of such Common Stock (i) not later than (x) the date that is 2 ½ months after the end of the Participant's taxable year for which the Administrator certifies that the Performance Award conditions have been satisfied and the Performance Award is no longer subject to a substantial risk of forfeiture; or (y) the date that is 2 ½ months after the end of the Company's taxable year for which the

Administrator certifies that the Performance Award conditions have been satisfied and the Performance Award is no longer subject to a substantial risk of forfeiture; or (ii) such other date as may be necessary to avoid application of Code Section 409A to such Award.

(e) Termination. Except as may otherwise be provided by the Administrator at any time, a Participant's rights in all Performance Awards will automatically terminate upon the Participant's termination of employment (or business relationship) with the Company and its Affiliates for any reason.

(f) Acceleration, Waiver, Etc. Before the first date on which any class of the Company's common equity securities is required to be registered under Section 12 of the Exchange Act or after such date with respect to Participants who are not Covered Employees, at any time before the Participant's termination of Continuous Service by the Company and its Affiliates, the Administrator may in its sole discretion accelerate, waive or, subject to Section 12 hereof, amend any or all of the goals, restrictions or conditions imposed under any Performance Award. The Administrator in its discretion may provide for an acceleration of vesting in the terms of any Performance Award at any time, including upon a Change in Control. Notwithstanding the foregoing, with respect to a Covered Employee, after the first date on which any class of the Company's common equity securities is required to be registered under Section 12 of the Exchange Act, no amendment or waiver of the performance goal will be permitted, and no acceleration of payment (other than in the form of Common Stock) will be permitted unless the performance goal has been attained and the Award is discounted to reasonably reflect the time value of money attributable to such acceleration.

(g) Certification. Following the completion of each performance period, the Administrator shall certify in writing, in accordance with the requirements of Section 162(m) of the Code, whether the performance objectives and other material terms of a Performance Award have been achieved or met. Unless the Administrator determines otherwise, Performance Awards will not be settled until the Administrator has made the certification specified under this Section 7.2(g).

7.3 Stock Appreciation Rights.

(a) General. Stock Appreciation Rights may be granted either alone (***"Free Standing SARs"***) or, provided the requirements of Section 7.3(b) are satisfied, in tandem with all or part of any Option granted under the Plan (***"Tandem SARs"***). In the case of a Nonstatutory Stock Option, Tandem SARs may be granted either at or after the time of the grant of such Option. In the case of an Incentive Stock Option, Tandem SARs may be granted only at the time of the grant of the Incentive Stock Option.

(b) Grant Requirements. A Stock Appreciation Right may only be granted if it does not provide for the deferral of compensation within the meaning of Code Section 409A. A Stock Appreciation Right does not provide for a deferral of compensation if: (A) the Strike Price may never be less than the Fair Market Value per share of the underlying Common Stock on the Date of Grant, (B) the compensation payable under the Stock Appreciation Right can never be greater than the difference between the Strike Price and the Fair Market Value of the Common Stock on the date the Stock Appreciation Right is exercised, (C) the number of shares of Common Stock subject to the Stock Appreciation Right is fixed on the Date of Grant of the Stock Appreciation Right, and (D) the Stock Appreciation Right does not include any feature for the deferral of compensation other than the deferral of recognition of income until the exercise of the SAR.

(c) Exercise and Payment. Upon delivery to the Administrator of a written request to exercise a Stock Appreciation Right the holder of such SAR will be entitled to receive from the Company, an amount equal to the product of (i) the excess of the Fair Market Value, on the date of such exercise, of one share of Common Stock over the Strike Price per share specified in such Stock Appreciation Right or its related Option; multiplied by (ii) the number of shares for which such Stock Appreciation Right is exercised. Payment with respect to the exercise of a Stock Appreciation Right will be paid on the date of exercise and made in shares of Common Stock valued at Fair Market Value on the date of exercise. Payment may be made in the form of shares of Common Stock (with or without restrictions as to substantial risk of forfeiture and transferability, as determined by the Administrator in its sole discretion), cash or a combination thereof, as determined by the Administrator in its sole discretion.

(d) Strike Price. The Administrator will determine the Strike Price of a Free Standing SAR, which may not be less than 100% of the Fair Market Value per share of Common Stock on the Date of Grant of such Stock Appreciation Right. The Strike Price of a Tandem SAR granted simultaneously with or subsequent to the grant of an Option and in conjunction therewith or in the alternative thereto will be the Exercise Price of the related Option. A Tandem SAR will be transferable only upon the same terms and conditions as the related Option, and will be exercisable only to the same extent as the related Option; *provided*, *however*, that a Tandem SAR, by its terms, will be exercisable only when the Fair Market Value per share of Common Stock subject to the Tandem SAR and related Option exceeds the Strike Price per share thereof.

(e) Reduction in the Underlying Option Shares. Upon any exercise of a Stock Appreciation Right, the number of shares of Common Stock for which any related Option will be exercisable will be reduced by the number of shares for which the Stock Appreciation Right will have been exercised. The number of shares of Common Stock for which a Stock Appreciation Right will be exercisable will be reduced upon any exercise of any related Option by the number of shares of Common Stock for which such Option has been exercised.

(f) Written Request. Unless otherwise determined by the Administrator in its sole discretion, Stock Appreciation Rights will be settled in the form of Common Stock. If permitted in the Award Agreement, a Participant may request that any exercise of a Stock Appreciation Right be settled for cash, but a Participant will not have any right to demand a cash settlement. A request for cash settlement may be made only by a written request filed with the Corporate Secretary of the Company during the period beginning on the third business day following the date of release for publication by the Company of quarterly or annual summary statements of earnings and ending on the twelfth business day following such date. Within 30 days of the receipt by the Company of a written request to receive cash in full or partial settlement of a Stock Appreciation Right or to exercise such Stock Appreciation Right for cash, the Administrator shall, in its sole discretion, either consent to or disapprove, in whole or in part, such written request. A written request to receive cash in full or partial settlement of a

Stock Appreciation Right or to exercise a Stock Appreciation Right for cash may provide that, if the Administrator disapproves such written request, such written request will be deemed to be an exercise of such Stock Appreciation Right for shares of Common Stock.

(g) Disapproval by Administrator. If the Administrator disapproves in whole or in part any request by a Participant to receive cash in full or partial settlement of a Stock Appreciation Right or to exercise such Stock Appreciation Right for cash, such disapproval will not affect such Participant's right to exercise such Stock Appreciation Right at a later date, to the extent that such Stock Appreciation Right will be otherwise exercisable, or to request a cash form of payment at a later date, provided that a request to receive cash upon such later exercise will be subject to the approval of the Administrator. Additionally, such disapproval will not affect such Participant's right to exercise any related Option.

(h) Restrictions on Transfer. Stock Appreciation Rights and all rights with respect to such Awards may not be sold, assigned, transferred, pledged, or otherwise encumbered.

8. Covenants of the Company.

8.1 Availability of Shares. During the terms of the Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Awards.

8.2 Securities Law Compliance. Each Award Agreement will provide that no shares of Common Stock may be purchased or sold thereunder unless and until any then applicable requirements of state, federal or applicable foreign laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Company shall use reasonable efforts to seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Awards and to issue and sell shares of Common Stock upon exercise of the Awards; *provided*, *however*, that this undertaking will not require the Company to register under the Securities Act the Plan, any Award or any Common Stock issued or issuable pursuant to any such Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Awards unless and until such authority is obtained.

9. Use of Proceeds from Stock.

Proceeds from the sale of Common Stock pursuant to Awards will constitute general funds of the Company.

10. Miscellaneous.

10.1 Acceleration of Exercisability and Vesting. The Administrator will have the power to accelerate the time at which an Award may first be exercised or the time during which an Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Award stating the time at which it may first be exercised or the time during which it will vest.

10.2 Stockholder Rights. Except as provided in Section 11.1 hereof or as otherwise provided in an Award Agreement, no Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until the Participant has satisfied all requirements for exercise, payment or delivery of the Award, as applicable, pursuant to its terms and no adjustment will be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions of other rights for which the record date is prior to the date of issue of a Common Stock certificate.

10.3 No Employment or Other Service Rights. Nothing in the Plan or any instrument executed or Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (a) the employment of an Employee with or without notice and with or without Cause, (b) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (c) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

10.4 Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Award, (a) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (b) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (i) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Award has been registered under a then currently effective registration statement under the Securities Act or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

10.5 Withholding Obligations. To the extent provided by the terms of an Award Agreement and subject to the discretion of the Administrator, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award, *provided*, *however*, that the Fair Market Value of shares of Common Stock withheld does not exceed the minimum amount of tax required to be withheld by law; (c) delivering to the Company previously owned and unencumbered shares of Common Stock; or (d) by execution of a recourse promissory note by a Participant. Notwithstanding the foregoing, during any period for which the Company has any class of its securities listed on a national securities exchange in the United States, has securities registered under Section 12 of the Exchange Act, is required to file reports under Section 13(a) or 15(d) of the Exchange Act, or has a registration statement pending under the Securities Act, payment of the tax withholding with a promissory note or other transaction by a Participant that involves or may involve a Prohibited Personal Loan is prohibited with respect to any Award. Unless otherwise provided in the terms of an Option Agreement, payment of the tax withholding by a Participant who is an Insider by delivering previously owned and unencumbered shares of Common Stock or in the form of share withholding is subject to pre-approval by the Administrator, in its sole discretion. The Administrator will document any such pre-approval in the case of a participant who is an Officer, Director or other Insider in a manner that complies with the specificity requirements of Rule 16b-3, including the name of the Participant involved in the transaction, the nature of the transaction, the number of shares to be acquired or disposed of by the Participant and the material terms of the Award involved in the transaction.

10.6 Right of Repurchase. Each Award Agreement may provide that, following a termination of the Participant's Continuous Service, the Company may repurchase the Participant's unvested Common Stock acquired under the Plan as provided in this Section 10.6 (the ***"Right of Repurchase"***). The Right of Repurchase for unvested Common Stock will be exercisable at a price equal to the lesser of the purchase price at which such Common Stock was acquired under the Plan or the Fair Market Value of such Common Stock (if an Award is granted solely in consideration of past services without payment of any additional consideration, the unvested Common Stock will be forfeited without any repurchase). The Award Agreement may specify the period following a termination of the Participant's Continuous Service during which the Right of Repurchase may be exercised.

11. Adjustments Upon Changes in Stock.

11.1 Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan, or subject to any Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), then the Administrator shall proportionately adjust (a) the aggregate number of shares of Common Stock or class of shares that may be purchased pursuant to Awards granted hereunder; (b) the aggregate number of shares of Common Stock or class of shares that may be purchased pursuant to Incentive Stock Options granted hereunder; (c) the number and/or class of shares of Common Stock covered by outstanding Options and Awards; (d) the maximum number of shares of Common Stock with respect to which Options and Stock Appreciation Rights may be granted to any single holder during any calendar year; and (e) the

Exercise Price of any Option and the Strike Price of any Stock Appreciation Right in effect prior to such change shall be proportionately adjusted by the Administrator to reflect any increase or decrease in the number of issued shares of Common Stock or change in the Fair Market Value of such Common Stock resulting from such transaction; *provided*, *however*, that any fractional shares resulting from the adjustment may be eliminated by a cash payment. The Administrator shall make such adjustments in a manner that will provide an appropriate adjustment that neither increases nor decreases the value of such Award as in effect immediately prior to such corporate change, and its determination will be final, binding and conclusive. The conversion of any securities of the Company that are by their terms convertible will not be treated as a transaction "without receipt of consideration" by the Company.

11.2 Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then, subject to Section 11.3, all outstanding Awards will terminate immediately prior to such event.

11.3 Change in Control – Asset Sale, Merger, Consolidation or Reverse Merger. In the event of a Change in Control, a dissolution or liquidation of the Company, an exchange of shares, or any corporate separation or division, including, but not limited to, a split-up, a split-off or a spin-off, or a sale, in one or a series of related transactions, of all or substantially all of the assets of the Company; a merger or consolidation in which the Company is not the Surviving Entity; or a reverse merger in which the Company is the Surviving Entity, but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then the Company, to the extent permitted by applicable law, but otherwise in the sole discretion of the Administrator may provide for: (a) the continuation of outstanding Awards by the Company (if the Company is the Surviving Entity); (b) the assumption of the Plan and such outstanding Awards by the Surviving Entity or its parent; (c) the substitution by the Surviving Entity or its parent of awards with substantially the same terms (including an award to acquire the same consideration paid to the stockholders in the transaction described in this Section 11.3) for such outstanding Awards and, if appropriate, subject to the equitable adjustment provisions of Section 11.1 hereof; (d) the cancellation of such outstanding Awards in consideration for a payment (in the form of stock or cash) equal in value to the Fair Market Value of vested Awards, or in the case of an Option, the difference between the Fair Market Value and the Exercise Price for all shares of Common Stock subject to exercise (*i.e.*, to the extent vested) under any outstanding Option; or (e) the cancellation of such outstanding Awards without payment of any consideration. If such Awards would be canceled without consideration for vested Awards, the Participant will have the right, exercisable during the later of the 10-day period ending on the fifth day prior to such merger or consolidation or 10 days after the Administrator provides the Award holder a notice of cancellation, to exercise such Awards in whole or in part without regard to any installment exercise provisions in the Option Agreement.

12. Amendment of the Plan and Awards.

12.1 Amendment of Plan. The Board at any time may amend or terminate the Plan. However, except as provided in Section 11.1 relating to adjustments upon changes in Common Stock, no amendment will be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy any applicable law or any securities exchange listing requirements. At the time of such amendment, the Board shall determine, upon advice from counsel, whether such amendment will be contingent on stockholder approval.

12.2 Stockholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

12.3 Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options or to the nonqualified deferred compensation provisions of Section 409A of the Code and to bring the Plan and Awards granted hereunder into compliance therewith. Notwithstanding the foregoing, neither the Board nor the Company nor any Affiliate will have any liability to any Participant or any other Person as to (a) any tax consequences expected, but not realized, by a Participant or any other person due to the receipt, exercise, or settlement of any Award granted hereunder; or (b) the failure of any Award to comply with Section 409A of the Code.

12.4 Amendment of Awards; No Impairment of Rights.

(a) The Administrator at any time may amend the terms of any one or more Awards. However, subject to Section 12.4(b), no amendment may impair rights under any Award granted before such amendment. Except as otherwise permitted under Section 11, unless stockholder approval is obtained: (i) no amendment or modification may reduce the Exercise Price of any Option or the Strike Price of any SAR; (ii) the Committee may not cancel any outstanding Option or SAR and replace it with a new Option or SAR, another Award or cash if such action will be considered a “repricing” for purposes of the shareholder approval rules of the applicable securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted; and (iii) the Committee may not take any other action that is considered a “repricing” for purposes of the shareholder approval rules of the applicable securities exchange or inter-dealer quotation system on which the Common Stock is listed or quoted.

(b) No amendment of the Plan or an Award may impair rights under any Award granted before such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing. For the avoidance of doubt, a cancellation of an Award where the Participant receives a payment equal in value to the Fair Market Value of the vested Award or, in the case of vested Options or Stock Appreciation Rights, the difference between the Fair Market Value and the Exercise Price or Strike Price, is not an impairment of the Participant’s rights that requires consent of the Participant.

13. General Provisions.

13.1 Other Compensation Arrangements. Nothing contained in the Plan will prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.2 Recapitalizations. Each Award Agreement will contain provisions required to reflect the provisions of Section 11.1.

13.3 Delivery. Upon exercise of a right granted pursuant to an Award under the Plan, the Company shall issue Common Stock or pay any amounts due within a reasonable period of time thereafter. Subject to any statutory or regulatory obligations the Company may otherwise have, for purposes of the Plan, 30 days will be considered a reasonable period.

13.4 Other Provisions. The Award Agreements authorized under the Plan may contain such other provisions not inconsistent with the Plan, including, without limitation, restrictions upon the exercise of the Awards, as the Administrator may deem advisable.

13.5 Cancellation and Rescission of Awards for Detrimental Activity.

(a) Upon exercise, payment or delivery pursuant to an Award, the Administrator may require a Participant to certify in a manner acceptable to the Company that the Participant has not engaged in any Detrimental Activity.

(b) Unless the Award Agreement specifies otherwise, the Administrator may cancel, rescind, suspend, withhold or otherwise limit or restrict any unexpired, unpaid or deferred Awards at any time if the Participant engages in any Detrimental Activity.

(c) If a Participant engages in Detrimental Activity after any exercise, payment or delivery pursuant to an Award, during any period for which any restrictive covenant prohibiting such activity is applicable to the Participant, such exercise, payment or delivery may be rescinded within one year thereafter. In the event of any such rescission, the Participant shall pay to the Company the amount of any gain realized or payment received as a result of the exercise, payment or delivery, in such manner and on such terms and conditions as may be required by the Company. The Company will be entitled to set-off against the amount of any such gain any amount owed to the Participant by the Company.

14. Market Stand-Off.

Each Option Agreement and Award Agreement will provide that, in connection with any underwritten public offering by the Company of its equity securities, the Participant shall agree not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Common Stock without the prior written consent of the Company or its underwriters, for such period from and after the effective date of such registration statement as may be requested by the Company or such underwriters (the ***"Market Stand-Off"***). In order to enforce the Market Stand-Off, the Company may impose stop-transfer instructions with respect to the shares of Common Stock acquired under the Plan until the end of the applicable stand-off period. If there is any change in the number of outstanding shares of Common Stock by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off or a spin-off), a merger or consolidation; a reverse merger or similar transaction, then any new, substituted or additional securities that are by reason of such transaction distributed with respect to any shares of Common Stock subject to the Market Stand-Off, or into which such shares of Common Stock thereby become convertible, will immediately be subject to the Market Stand-Off.

15. Effective Date of Plan.

The Plan shall become effective as of the Effective Date, but no Award may be exercised (or, in the case of a stock Award, may be granted) unless and until the Plan has been approved by the stockholders of the Company, which approval must be within 12 months before or after the date the Plan is adopted by the Board.

16. Termination or Suspension of the Plan.

The Plan will terminate automatically on the day before the 10th anniversary of the Effective Date. No Award may be granted pursuant to the Plan after such date, but Awards theretofore granted may extend beyond that date. The Board may suspend or terminate the Plan at any earlier date pursuant to Section 12.1 hereof. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

17. Choice of Law.

The law of the State of Delaware will govern all questions concerning the construction, validity and interpretation of the Plan, without regard to such state's conflict of law rules.

18. Limitation on Liability.

The Company and any Affiliate that is in existence or that hereinafter comes into existence will have no liability to any Participant or any other person as to (a) the non-issuance or sale of shares of Common Stock as to which the Company has been unable to obtain from any regulatory body having jurisdiction the authority deemed by counsel to the Company necessary to the lawful issuance and sale of any shares hereunder; (b) any tax consequences expected, but not realized, by a Participant or any other person due to the receipt, exercise, or settlement of any Award granted hereunder; or (c) the failure of any Award that is determined to constitute "nonqualified deferred compensation" to comply with Section 409A of the Code and the regulations thereunder.

19. Execution.

To record the adoption of the Plan by the Board, the Company has caused its authorized officer to execute the Plan as of the date specified below.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, upon authorization of the Board of Directors, the undersigned has caused the Diamondback Energy, Inc. 2012 Equity Incentive Plan to be executed effective as of the   day of   , 2012.

DIAMONDBACK ENERGY, INC.

By: ______________________________
Travis D. Stice, Chief Executive Officer

Signature Page

Diamondback Energy, Inc. 2012 Equity Incentive Plan

Stock Option Award (#) ______

FORM OF
DIAMONDBACK ENERGY, INC.
2012 EQUITY INCENTIVE PLAN
STOCK OPTION AWARD CERTIFICATE

THIS IS TO CERTIFY that Diamondback Energy, Inc., a Delaware corporation (the "***Company***"), has granted you ("***Participant***") an option to purchase shares of Common Stock of the Company under its 2012 Equity Incentive Plan (the "***Plan***"), as follows:

Name of Participant:	______________________	
Address of Participant:	______________________	
	______________________	
	______________________	
Total Option Shares:	______________________	
Exercise Price per Share:	$[—]	
Type of Option:	☐ Incentive Stock Option	☐ Nonstatutory Stock Option
Date of Grant:	______________________	
Expiration Date:	______________________	
Vesting Commencement Date:	______________________	
Vesting Schedule:	**Anniversary of Vesting Commencement Date**	**Percentage of Option Shares Vested**
		%
		%
		%
		%

By your signature and the signature of the Company's representative below, you and the Company agree to be bound by all of the terms and conditions of the Stock Option Agreement, which is attached hereto as Annex I and the Plan (both incorporated herein by this reference as if set forth in full in this document). By executing this Certificate, you hereby irrevocably elect to accept the Stock Option rights granted pursuant to this Certificate and the related Stock Option Agreement and to receive the Option to purchase shares of Common Stock of Diamondback Energy, Inc. designated above subject to the terms of the Plan, this Certificate and the Stock Option Agreement.

Participant:	**Diamondback Energy, Inc.**
______________________	By: ______________________
, an individual	Travis D. Stice, Chief Executive Officer
Dated: ______________________	Dated: ______________________

FORM OF
DIAMONDBACK ENERGY, INC.
2012 EQUITY INCENTIVE PLAN
STOCK OPTION AGREEMENT

This Stock Option Agreement (this "***Agreement***"), is made and entered into on the execution date of the Stock Option Award Certificate to which it is attached (the "***Certificate***"), by and between Diamondback Energy, Inc., a Delaware corporation (the "***Company***"), and the Participant named in the Certificate.

Pursuant to the Diamondback Energy, Inc. 2012 Equity Incentive Plan (the "***Plan***"), the Administrator of the Plan has authorized the grant to Participant of the option to purchase shares of the Company's Common Stock (the "***Award***"), upon the terms and subject to the conditions set forth in the Certificate, this Agreement and in the Plan. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Plan.

NOW, **THEREFORE**, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. **Grant of Option**. The Company hereby grants to Participant an option (the "***Option***") to purchase the number of shares of Common Stock (the "***Option Shares***") set forth in the Certificate as Total Option Shares at the Exercise Price per share set forth in the Certificate, subject to all of the terms and conditions of the Certificate, this Agreement and the Plan. If designated as an Incentive Stock Option in the Certificate, the Option is intended to qualify as an "incentive stock option" (an "***ISO***") as defined in Section 422(b) of the Code, although the Company makes no representation or guarantee that the Option will qualify as an ISO.

2. Right to Exercise

2.1 *Vesting*. The Option will vest and become exercisable according to the Vesting Schedule set forth in the Certificate. If application of the Vesting Schedule causes a fractional Share to otherwise become exercisable, such Share will be rounded down to the nearest whole Share for each vesting period except for the last period in such vesting period, at which time the Option will become exercisable for the full remainder of the Option Shares.

2.2 *Exercise Period*. Unless the Option expires as provided in Section 3 hereof, the Option may be exercised after the Date of Grant set forth in the Certificate to the extent the Option has vested. The Option cannot be exercised for fractional Option Shares. The Option Shares issued upon exercise of the Option will be subject to the restrictions on transfer set forth in Section 10 hereof.

2.3 *Shareholder Approval*. Notwithstanding anything herein to the contrary, no portion of this Option will be exercisable at any time before the Company's shareholders have approved the Plan.

3. **Expiration**. The Option will expire at 12:01 am [Central] Standard Time on the Expiration Date set forth in the Certificate or earlier as provided in Section 4 hereof.

4. **Termination of Continuous Service**. Unless otherwise provided in an employment agreement or service agreement, the terms of which have been approved by the Administrator, the right to exercise the Option is subject to the following terms and conditions.

4.1 *Forfeiture of Unvested Options*. If Participant's Continuous Service is terminated for any reason (including Participant's death or Disability) other than Cause, the unvested portion of the Option will terminate at the close of business on the date of such termination of Continuous Service.

4.2 *Termination for Any Reason except Death, Disability, or Cause*. If Participant's Continuous Service is terminated for any reason other than Participant's death or Disability or for Cause, Participant will be entitled to exercise the Option, but only to the extent that it is exercisable by Participant on the date of such termination, until the earlier of (a) the date that is three months after the date of termination of Continuous Service, or (b) the Expiration Date, after which such right will expire and the Option will terminate.

4.3 *Termination Because of Death or Disability*. If Participant's Continuous Service is terminated by reason of Participant's death or Disability (or if Participant dies within three months after the date of termination of Participant's Continuous Service for any reason other than Cause or Participant's Disability), Participant (or Participant's legal representative, executor, administrator, heir, or legatee, as the case may be) may exercise the Option, but only to the extent that it is exercisable by Participant on the date of termination of Continuous Service, until the earlier of (a) one year after the date of termination of Participant's Continuous Service, or (b) the Expiration Date, after which such right will expire and the Option will terminate.

4.4 *Termination for Cause*. If the Company or any Affiliate terminates Participant's Continuous Service for Cause, then all of Participant's rights hereunder will expire and the entire Option will terminate, regardless of whether or to what extent vested, as of the beginning of business on the Termination Date.

4.5 *Extension of Option Termination Date*. If the exercise of the Option following the termination of Participant's Continuous Service for any reason (other than for Cause) would violate any applicable federal, state, or local law, then notwithstanding anything herein to the contrary, the Option will remain exercisable, but only to the extent that it is exercisable by Participant on the date of termination of Continuous Service, until the earlier of (a) the 30th day after the exercise of the Option would no longer violate any applicable federal, state or local law, or (b) the Expiration Date, after which such right will expire and the Option will terminate

4.6 *Effect of Termination of Employment on ISO Status*. If permitted by this Agreement, any exercise beyond (a) three months after the date of termination of Participant's employment with the Company and its Affiliates for any reason other than Participant's death or Disability, or (b) 12 months after the date of termination of Participant's employment with the Company and its Affiliates by reason of Participant's death or Disability, will be treated as an exercise of a Nonstatutory Stock Option and not an ISO.

5. **Manner of Exercise**

5.1 *Stock Option Exercise Agreement*. To exercise this Option, Participant (or in the case of exercise after Participant's death or incapacity, Participant's legal representative, executor, administrator, heir or legatee, as the case may be) must deliver to the Administrator a fully executed stock option exercise agreement in the form attached hereto as Annex II, or in any other form as approved by the Administrator (the "***Exercise Agreement***"). The Exercise Notice must set forth, *inter alia*, (a) Participant's election to exercise the Option; (b) the number of Option Shares being purchased; (c) any restrictions imposed on the Option Shares; and (d) any representations, warranties, and agreements regarding Participant's investment intent and access to information as the Company may require to comply with applicable securities laws. If someone other than Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Company verifying that such person has the legal right to exercise the Option.

5.2 *Payment*. The entire Exercise Price must be paid in full by cash or check for an amount equal to the aggregate Exercise Price for the number of Option Shares being purchased (plus applicable tax withholding). Alternatively, in the Administrator's sole discretion and upon such terms as the Administrator approves, the Exercise Price may be paid as follows:

(a) By a Stock for Stock Exercise pursuant to Section 6.3 of the Plan, but only to the extent that the shares of Common Stock used are not subject to any pledge or security interest and either were previously acquired by the Participant on the open market or meet such other requirements, if any, as the Administrator determines are necessary to avoid an accounting earnings charge due to the use of such shares to pay the Exercise Price. A Stock for Stock Exercise by a Participant who is an Insider is subject to pre-approval by the Administrator, in its sole discretion, in a manner that complies with the specificity requirements of Rule 16b-3;

(b) During any period for which the Common Stock is readily tradable on an Established Securities Market, either (i) by a Cashless Exercise pursuant to Section 6.3 of the Plan, using a broker-dealer designated by or acceptable to the Administrator (an "***Approved Broker-Dealer***"), including through a "margin" commitment from Participant and the Approved Broker-Dealer whereby Participant irrevocably elects to exercise the Option and to pledge the purchased Option Shares to the Approved Broker-Dealer in a margin account as security for a loan from the Approved Broker-Dealer in the amount of the total Exercise Price, and whereby the Approved Broker-Dealer irrevocably commits upon receipt of such Option Shares to forward the total Exercise Price directly to the Company; *provided*, *however*, that a Cashless Exercise by a Participant that involves or may involve a Prohibited Personal Loan will not be permitted, or (ii) subject to the discretion of the Administrator, upon such terms as the Administrator shall approve, by Stock Withholding pursuant to Section 6.3 of the Plan, whereby Participant provides a notice of exercise that includes a statement directing the Company to retain such number of shares of Common Stock from any transfer to the Optionholder that otherwise would have been delivered by the Company upon exercise of the Option having a Fair Market Value equal to all or part of the exercise price of such Option;

(c) By any other form of legal consideration acceptable to the Administrator, including without limitation with a full-recourse promissory note subject to such term, interest rate, amortization requirements, and any other provision as the Administrator determines in its sole discretion. If, however, the Option Shares have a stated par value and applicable law requires, the par value of the Option Shares, if newly issued, must be paid in cash or cash equivalents. Unless the Administrator determines otherwise, upon payment with such promissory note the Participant must pledge to the Company as security for payment of the unpaid balance of the loan shares of Common Stock having a Fair Market Value no less than the principal amount of the loan, and such pledge must be evidenced by a pledge agreement, the terms of which the Administrator shall determine in its discretion. Any such loan must comply with all applicable laws, regulations, and rules of the Board of Governors of the Federal Reserve System and any other governmental agency having jurisdiction; or

(d) By any combination of the foregoing acceptable to the Administrator.

5.3 *Tax Withholding*. As a condition to the exercise of the Option, before the issuance of the Option Shares Participant must pay or provide for any applicable federal, state, and local withholding obligations of the Company. If the Administrator permits, Participant may provide for payment of withholding taxes upon exercise of the Option by one or more of the following means: (a) cash payment; (b) Cashless Exercise; (c) tendering previously acquired and unencumbered shares of Common Stock with a Fair Market Value on the date of surrender equal to the minimum statutory amount of taxes required to be withheld by law; or (d) by requesting that the Company retain so many of the Option Shares that would otherwise be issuable to Participant as a result of the exercise of this Option as have a Fair Market Value on the exercise date equal to the minimum statutory amount of taxes required to be withheld by law ("***Share Withholding***"), in which case the Company will issue the net number of Option Shares to Participant by deducting the Option Shares retained from the Option Shares issuable upon exercise. Payment of the tax withholding by a Participant who is an Insider by a tender of Common Stock or in the form of Share Withholding is subject to pre-approval by the Administrator, in its sole discretion, in a manner that complies with the specificity requirements of Rule 16b-3.

5.4 *Issuance of Option Shares*. Subject to the conditions that the Exercise Agreement and payment (including applicable tax withholding) are in form and substance satisfactory to the Administrator, the Company shall issue the Option Shares registered in the name of Participant, Participant's authorized assignee, or Participant's legal representative. The Option will be deemed exercised upon the Administrator's receipt of the fully executed Exercise Notice accompanied by required payment. The Company shall deliver certificates representing the Option Shares with the appropriate legends affixed thereto. If the Option Shares are not fully vested, the Company may hold such certificates in its custody until vested.

6. **Compliance with Laws and Regulations**. The exercise of the Option and the issuance and transfer of Option Shares is subject to the Company's and Participant's full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state, and foreign securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed at the time of such issuance or transfer. Participant understands that the Company is under no obligation to register or qualify the Option Shares with the Securities Exchange Commission, any state securities commission, any foreign securities regulatory authority, or any securities exchange to effect such compliance.

7. **Notice of Disqualifying Disposition of ISO Shares**. If the Option is an ISO and Participant sells or otherwise disposes of any of the Option Shares acquired pursuant to the ISO on or before the later of (a) the second anniversary of the Date of Grant, and (b) the first anniversary of the transfer of such Option Shares to Participant upon exercise of the Option, Participant shall immediately notify the Company in writing of such disposition. If any such disposition causes Participant to be subject to income tax withholding by the Company on the income recognized by Participant, Participant shall satisfy such withholding obligation by payment in cash or out of the current wages or other compensation payable to Participant by Company or any Affiliate.

8. **Non-Transferability of Option**. If the Option is an ISO, the Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Participant only by Participant or, in the event of Participant's incapacity, by Participant's legal representative. If the Option is not an ISO, upon the Administrator's written approval the Option may be transferred by gift or domestic relations order to a Permitted Transferee pursuant to Section 6.5 of the Plan.

9. **Privileges of Stock Ownership**. Participant will not have any of the rights of a shareholder with respect to any Option Shares before the Option Shares are issued to Participant.

10. **Restrictions on Transfer**

10.1 *Securities Law Restrictions*. Regardless of whether the offering and sale of shares of Common Stock under the Plan have been registered under the Securities Act or have been registered or qualified under the securities laws of any state or foreign jurisdiction, the Company at its discretion may impose restrictions on the sale, pledge or other transfer of the Option Shares (including the placement of appropriate legends on stock certificates or the imposition of stop-transfer instructions) if, in the judgment of the Company, such restrictions are necessary or desirable to achieve compliance with the Securities Act, the securities laws of any state or foreign jurisdiction, or any other law.

10.2 *Consent to Market Stand-Off*. If an underwritten public offering by the Company of its equity securities occurs, the Participant agrees not to sell, make any short sale of, loan, hypothecate, pledge, grant any option for the repurchase of, transfer the economic consequences of ownership, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to any Option Shares without the prior written consent of the Company or its underwriters, for such period of time from and after the effective date of such registration statement as may be requested by the Company or such underwriters. In order to enforce such Market Stand-Off, the Company may impose stop-transfer instructions with respect to the Option Shares acquired under this Agreement until the end of the applicable stand-off period. If there is any change in the number of outstanding shares of Common Stock by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination, reclassification, dissolution or liquidation of the Company, any corporate separation or division (including, but not limited to, a split-up, a split-off, or a spin-off), a merger or consolidation, a reverse merger, or similar transaction, then any new, substituted, or additional securities which are by reason of such transaction distributed with respect to any Option Shares subject to the Market Stand-Off, or into which such Option Shares thereby become convertible, will immediately be subject to the Market Stand-Off.

10.3 *Administration*. Any determination by the Administrator and its counsel in connection with any of the matters set forth in this Section 10 will be conclusive and binding on Participant and all other persons.

10.4 *Right of Repurchase*. Unvested Option Shares acquired pursuant to the exercise of this Option will be subject to the Company's Right of Repurchase in accordance with Section 10.6 of the Plan.

11. **No Right to Continued Service**. Nothing in this Agreement or the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company or any Affiliate to terminate Participant's Continuous Service at any time.

12. **General**

12.1 *Interpretation*. Any dispute regarding the interpretation of this Agreement must be submitted by Participant or the Company to the Administrator for review. The resolution of such a dispute by the Administrator will be final and binding on the Company and Participant.

12.2 *Entire Agreement*. The Plan and the Certificate are incorporated herein by reference, and together with this Agreement constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. In the event of a conflict or inconsistency between the terms and conditions of this Agreement, the Certificate, and the Plan, the Plan will govern.

12.3 *Notices*. Any notice required under this Agreement to be delivered to the Company must be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be delivered to Participant must be in writing and addressed to Participant at the address indicated on the Certificate or to such other address as Participant designates in writing to the Company. All notices will be deemed to have been delivered: (a) upon personal delivery, (b) five days after deposit in the United States mails by certified or registered mail (return receipt requested), (c) two business days after deposit with any return receipt express courier (prepaid), or (d) one business day after transmission by facsimile.

12.4 *Successors and Assigns*. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement is binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors, and assigns.

12.5 *Governing Law*. This Agreement is governed by and construed in accordance with the laws of the State of Delaware without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions of the Agreement will remain fully effective and enforceable.

13. **Receipt and Acceptance**. Participant acknowledges receipt of a copy of the Plan, a copy of the prospectus dated February 13, 2012 covering the shares of Common Stock reserved for issuance under the Plan, the Certificate, and this Agreement. Participant has read and understands the terms of the Plan, the Certificate, and this Agreement, and agrees to be bound by their terms and conditions. Participant acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the Option Shares and that Participant should consult a tax advisor before such exercise or disposition.

Annex II

STOCK OPTION EXERCISE AGREEMENT

☐ Incentive Stock Option	Option Holder: ___________
☐ Nonstatutory Stock Option	Date: _____________________

Diamondback Energy, Inc.
[___________]
[___________]
Attention: Chief Financial Officer

Ladies and Gentlemen:

1. **Option**. I was granted an option (the "***Option***") to purchase shares of the common stock (the "***Option Shares***") of Diamondback Energy, Inc., a Delaware corporation (the "***Company***"), pursuant to the Company's 2012 Equity Incentive Plan (the "***Plan***"), my Certificate of Stock Option Award (the "***Certificate***") and my Stock Option Agreement (the "***Option Agreement***") as follows:

Stock Option Award Number:	_____________
Date of Grant:	_____________
Number of Option Shares:	_____________
Exercise Price per Share:	$ ___________

2. **Exercise of Option**. I hereby elect to exercise the Option to purchase the following number of Option Shares, all of which are vested Option Shares in accordance with the Certificate and the Option Agreement:

Total Option Shares Purchased:	_____________
Total Exercise Price (Total Option Shares Purchased X Exercise Price per Share)	$ ___________

3. **Payments**. I enclose payment in full of the Total Exercise Price for the Option Shares in the following form or forms, as authorized by the Option Agreement:

Cash:	$ ___________
Check:	$ ___________
Tender of Company Stock:	Contact Plan Administrator

4. **Tax Withholding**. As a condition of exercise, I authorize payroll withholding and otherwise will make adequate provision for the federal, state, local, and foreign tax withholding obligations of the Company, if any, in connection with the Option in one or more of the following forms:

Cash:	$ __________
Check:	$ __________
Tender of Company Stock:	Contact Plan Administrator

5. **Option Holder Information**.

My address is:	______________________________
	______________________________
My Social Security Number is:	______________________________

6. **No Detrimental Activity**. I hereby certify that I am in compliance with the terms and conditions of the Plan and have not engaged in any Detrimental Activity as defined in the Plan.

7. **Notice of Disqualifying Disposition**. If the Option is an Incentive Stock Option, I agree that I will promptly notify the Treasurer of the Company if I transfer any of the Option Shares within ***one year*** from the date I exercise all or part of the Option or within ***two years*** of the Date of Grant of the Option.

8. **Binding Effect**. I understand and agree that I am purchasing the Option Shares pursuant to the terms of the Plan, the Certificate, and the Option Agreement, copies of which I have received and read carefully and understand, and to all of which I hereby expressly assent. This Agreement will inure to the benefit of and be binding upon my heirs, executors, administrators, successors, and assigns.

Signed,

____
(Signature)

Receipt of the above is hereby acknowledged.

Diamondback Energy, Inc.

By: ______________________________
Title: ______________________________
Date: ______________________________

DIAMONDBACK ENERGY, INC.
2012 EQUITY INCENTIVE PLAN

Restricted Stock Unit Award (#) ______

FORM OF
DIAMONDBACK ENERGY, INC.
2012 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD CERTIFICATE

THIS IS TO CERTIFY that Diamondback Energy, Inc., a Delaware corporation (the "***Company***"), has granted you ("***Participant***") hypothetical units of Common Stock ("***Restricted Stock Units***") under the Company's 2012 Equity Incentive Plan (the "***Plan***"), as follows:

Name of Participant:	______________________
Participant's Address:	______________________
	______________________
	______________________
	______________________
Total Number of Restricted Stock Units Granted:	______________________
Date of Grant:	______________________
Payment/Settlement Date:	Shares of common stock will be paid on the vesting dates specified below
Vesting Commencement Date:	______________________

Vesting Schedule:	**Anniversary of the Vesting Commencement Date**	**Percentage of Vested Shares**
		%
		%
		%

By your signature and the signature of the Company's representative below, you and the Company agree to be bound by all of the terms and conditions of the Restricted Stock Unit Award Agreement which is attached hereto as *Annex I*, and the Plan (both incorporated herein by this reference as if set forth in full in this document). By executing this Certificate, you hereby irrevocably elect to accept the Restricted Stock Unit rights granted pursuant to this Certificate and the related Restricted Stock Unit Award Agreement and to receive the Restricted Stock Units designated above subject to the terms of the Plan, this Certificate, and the Restricted Stock Unit Award Agreement.

PARTICIPANT	**DIAMONDBACK ENERGY, INC.**
______________________	By: ______________________
Name:	Travis D. Stice, Chief Executive Officer
Dated: ______________________	Dated: ______________________

FORM OF
DIAMONDBACK ENERGY, INC.
2012 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

This Restricted Stock Unit Award Agreement (this "***Agreement***"), is made and entered into on the execution date of the Restricted Stock Unit Award Certificate to which it is attached (the "***Certificate***"), by and between Diamondback Energy, Inc., a Delaware corporation (the "***Company***"), and the Participant named in the Certificate.

Pursuant to the Diamondback Energy, Inc. 2012 Equity Incentive Plan (the "***Plan***"), the Administrator has authorized the grant to Participant of the number of Restricted Stock Units set forth in the Certificate (the "***Award***"), upon the terms and subject to the conditions set forth in this Agreement and in the Plan. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Plan.

NOW, **THEREFORE**, in consideration of the premises and the benefits to be derived from the mutual observance of the covenants and promises contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Basis for Award. This Award is made pursuant to Section 7.1 of the Plan for valid consideration provided to the Company by Participant. By Participant's execution of the Certificate, Participant agrees to accept the Award rights granted pursuant to the Certificate and this Agreement, and to receive the Restricted Stock Units designated in the Certificate subject to the terms of the Plan, the Certificate, and this Agreement.

2. Restricted Stock Units Awarded.

2.1 The Company hereby grants to Participant the number of Restricted Stock Units set forth in the Certificate. Each Restricted Stock Unit represents a right to receive one share of Common Stock from the Company payable in accordance with Section 4 below.

2.2 The Company shall, in accordance with the Plan, establish and maintain an account (the "***Restricted Stock Unit Account***") for Participant, and shall credit such account for the number of Restricted Stock Units granted to Participant. On any given date, the value of each Restricted Stock Unit will equal the Fair Market Value on such date of one share of Common Stock.

3. Vesting. The Restricted Stock Units will vest pursuant to the Vesting Schedule set forth in the Certificate. If Participant ceases Continuous Service for any reason, Participant will immediately forfeit the unvested Restricted Stock Units and any securities, other property or amounts nominally credited to the Restricted Stock Unit Account.

4. Payment. Subject to Participant's satisfaction of the applicable withholding requirements pursuant to Section 6 hereof, the Company shall settle the Award on the Payment Date or Dates set forth in the Certificate by issuing to Participant one share of Common Stock for each Restricted Stock Unit payable on that Payment Date (and upon such settlement, the Restricted Stock Units will cease to be credited to the Restricted Stock Unit Account). If the

Certificate does not specify a Payment Date, the applicable Payment Date will be each vesting date set forth in the Vesting Schedule. The Administrator shall cause a stock certificate to be delivered on the applicable Payment Date to Participant with respect to the shares of Common Stock issued on that Payment Date free of all restrictions hereunder, except for applicable federal securities laws restrictions, and shall enter Participant's name as stockholder of record with respect to such shares of Common Stock on the books of the Company. Any securities, other property or amounts nominally credited to the Restricted Stock Unit Account other than Restricted Stock Units will be paid in kind or, in the Administrator's discretion, in cash.

5. Compliance with Laws and Regulations. The issuance and transfer of shares of Common Stock on any Payment Date will be subject to the Company's and Participant's full compliance, to the satisfaction of the Company and its counsel, with all applicable requirements of federal, state, and foreign securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed at the time of such issuance or transfer. Participant understands that the Company is under no obligation to register or qualify the shares of Common Stock with the U.S. Securities and Exchange Commission ("***SEC***"), any state securities commission, foreign securities regulatory authority, or any securities exchange to effect such compliance.

6. Tax Withholding.

6.1 As a condition to payment under Section 4 hereof, Participant agrees that on or before the date as of which any portion of the Restricted Stock Units vest, Participant shall pay to the Company any federal, state, or local taxes required by law to be withheld with respect to the Restricted Stock Units for which the restrictions lapse and any related securities, other property or amounts then nominally credited to the Restricted Stock Unit Account.

6.2 Participant shall pay the amounts due under this Section 6 to the Company. Such amounts may be paid, at Participant's election, in cash, or by tendering shares of Common Stock held by Participant, including shares that otherwise would be issued and transferred to Participant as payment on the applicable Payment Date, with a Fair Market Value on that Payment Date equal to the amount of Participant's minimum statutory tax withholding liability, or a combination of cash and shares of Common Stock. If Participant fails to make such payments, the Company or its Affiliates will, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to Participant any federal, state, or local taxes required by law to be withheld with respect to such payment.

7. Not Transferrable. Until the applicable Payment Date, the Restricted Stock Units and any related securities, other property or amounts nominally credited to the Restricted Stock Unit Account may not be sold, transferred, or otherwise disposed of, and may not be pledged or otherwise hypothecated.

8. No Right to Continued Service. Nothing in this Agreement or in the Plan imposes or may be deemed to impose, by implication or otherwise, any limitation on any right of the Company or any Affiliate to terminate Participant's Continuous Service at any time.

9. Participant's Representations and Warranties. Participant represents and warrants to the Company that Participant has received a copy of the Plan and of the prospectus filed by the Company with the SEC on February 13, 2012 (the "***Prospectus***"), has read and understands the terms of the Plan, the Certificate, this Agreement, and the Prospectus, and agrees to be bound by their terms and conditions. Participant acknowledges that there may be adverse tax consequences upon the payment of the Restricted Stock Units or disposition of any shares of Common Stock received on a Payment Date, and that Participant should consult a tax advisor before such time. Participant agrees to sign such additional documentation as the Company may reasonably require from time to time.

10. No Interest in Company Assets. All amounts nominally credited to Participant's Restricted Stock Unit Account under this Agreement shall continue for all purposes to be part of the general assets of the Company. Participant's interest in the Restricted Stock Unit Account will make Participant only a general, unsecured creditor of the Company.

11. No Stockholder Rights before Delivery. Participant will not have any right, title, or interest in, or be entitled to vote or to receive distributions in respect of, or otherwise be considered the owner of, any of the shares of Common Stock covered by the Restricted Stock Units until such shares of Common Stock are issued pursuant to Section 4 hereof.

12. Modification. The Agreement may not be amended or otherwise modified except in writing signed by both parties.

13. Interpretation. Any dispute regarding the interpretation of this Agreement must be submitted by Participant or the Company to the Administrator for review. The resolution of such a dispute by the Administrator will be final and binding on the Company and Participant.

14. Entire Agreement. The Plan and the Certificate are incorporated herein by reference. This Agreement, the Certificate, and the Plan constitute the entire agreement of the parties and supersede all prior undertakings and agreements with respect to the subject matter hereof. If any inconsistency or conflict exists between the terms and conditions of this Agreement, the Certificate, and the Plan, the Plan will govern.

15. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will bind and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement is binding upon Participant and Participant's heirs, executors, administrators, legal representatives, successors, and assigns.

16. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware without giving effect to its conflict of law principles. If any provision of this Agreement is determined by a court of law to be illegal or unenforceable, then such provision will be enforced to the maximum extent possible and the other provisions will remain fully effective and enforceable.

EXHIBIT A

Diamondback Energy, Inc. 2012 Equity Incentive Plan

FORM OF
INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the "***Agreement***") is made and entered into as of [__________], 2012 between Diamondback Energy, Inc., a Delaware corporation (the "***Company***"), and [__________] ("***Indemnitee***").

WITNESSETH THAT:

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the "***Board***") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Bylaws and Certificate of Incorporation of the Company require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware ("***DGCL***"). The Bylaws and Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company's stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Bylaws and Certificate of Incorporation of the Company and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder;

WHEREAS, Indemnitee does not regard the protection available under the Company's Bylaws and Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified; and

WHEREAS, to the extent Indemnitee has certain rights to indemnification and/or insurance provided by any Original Stockholder Indemnitors as defined in Section 13 of this Agreement, such rights are intended to be secondary by such Indemnitee and Original Stockholder Indemnitors to the primary obligation of the Company to indemnify Indemnitee as provided herein, and the Company acknowledges and agrees to the foregoing as a material condition to Indemnitee's willingness to serve on the Board.

NOW, THEREFORE, in consideration of Indemnitee's agreement to serve as an officer and/or director from and after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status (as hereinafter defined), the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding (as hereinafter defined) other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses (as hereinafter defined), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him, or on his behalf, in connection with such Proceeding or any claim, issue or matter therein, if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and with respect to any criminal Proceeding, had no reasonable cause to believe the Indemnitee's conduct was unlawful.

(b) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, the Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by the Indemnitee, or on the Indemnitee's behalf, in connection with such Proceeding if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; provided, however, if applicable law so provides, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which Indemnitee shall have been adjudged to be liable to the Company unless and to the extent that the Court of Chancery of the State of Delaware shall determine that such indemnification may be made.

(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

(d) Indemnification of Appointing Stockholder. If (i) Indemnitee is or was affiliated with one or more entities that has invested in the Company (each, an "Appointing Stockholder"), and (ii) the Appointing Stockholder is, or is threatened to be made, a party to or a participant in any Proceeding relating to or arising by reason of Appointing Stockholder's position as a stockholder of, or lender to, the Company, or Appointing Stockholder's appointment of or affiliation with Indemnitee or any other director, including without limitation any alleged misappropriation of a Company asset or corporate opportunity, any claim of misappropriation or infringement of intellectual property relating to the Company, any alleged false or misleading statement or omission made by the Company (or on its behalf) or its employees or agents, or any allegation of inappropriate control or influence over the Company or its Board members, officers, equity holders or debt holders, then the Appointing Stockholder will be entitled to indemnification hereunder for Expenses to the same extent as Indemnitee, and the terms of this Agreement as they relate to procedures for indemnification of Indemnitee and advancement of Expenses shall apply to any such indemnification of Appointing Stockholder.

The rights provided to the Appointing Stockholder under this Section 1 shall (i) be suspended during any period during which the Appointing Stockholder does not have a representative on the Company's Board and (ii) terminate on an initial public offering of the Company's Common Stock; provided, however, that in the event of any such suspension or termination, the Appointing Stockholder's rights to indemnification will not be suspended or terminated with respect to any Proceeding based in whole or in part on facts and circumstances occurring at any time prior to such suspension or termination regardless of whether the Proceeding arises before or after such suspension or termination. The Company and Indemnitee agree that the Appointing Stockholder is an express third party beneficiary of the terms of this Section 1(d).

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.

3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not enter into any settlement of any action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction or events from which such action, suit or proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the transaction or events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which applicable law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such action, suit or proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness, or is made (or asked) to respond to discovery requests, in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.

6. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the DGCL and public policy of the State of Delaware. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 6(a) hereof, a determination with respect to Indemnitee's entitlement thereto shall be made in the specific case by one of the following five methods, which, except for the fourth method in the event of a Change of Control as defined in Section 13 of this Agreement, shall be at the election of the Board: (1) by a majority vote of the disinterested directors, even though less than a quorum, (2) by a committee of disinterested directors designated by a majority vote of the disinterested directors, even though less than a quorum, (3) if there are no disinterested directors or if the disinterested directors so direct, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee, (4) in the event of a Change of Control, by independent legal counsel in a written opinion to the Board, a copy of which shall be delivered to the Indemnitee or (5) if so directed by the Board, by the stockholders of the Company. For purposes hereof, disinterested directors are those members of the Board who are not parties to the action, suit or proceeding in respect of which indemnification is sought by Indemnitee.

(c) If the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 6(b) hereof, the Independent Counsel shall be selected as provided in this Section 6(c). The Independent Counsel shall be selected by the Board. Indemnitee may, within 10 days after such written notice of selection shall have been given, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "***Independent Counsel***" as defined in Section 13 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(e) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise (as hereinafter defined), including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(e) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(f) If the person, persons or entity empowered or selected under Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(f) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(b) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(g) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or stockholder of the Company shall act reasonably and in good faith in making a determination regarding the Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(h) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(i) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(b).

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

8. <u>Non-Exclusivity; Survival of Rights; Insurance; Subrogation; Primacy of Indemnificaton</u>.

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the By-laws, any agreement, a vote of stockholders, a resolution of directors of the Company, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the DGCL, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Certificate of Incorporation, By-laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(c) Except as provided in paragraph (f) below, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) Except as provided in paragraph (f) below, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) Except as provided in paragraph (f) below, the Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

(f) Notwithstanding anything set forth to the contrary in this Agreement including, without limitation, Sections 8(c), 8(d) and 8(e) above, the Company hereby acknowledges and agrees that in the event the Indemnitee has certain rights to indemnification, advancement of expenses and/or insurance provided by the Original Stockholder Indemnitors, (i) the Company is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Original Stockholder Indemnitors to advance Expenses or to provide indemnification for the same Expenses or Losses, as defined in Section 13 of this Agreement, incurred by Indemnitee are secondary), (ii) the Company shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses and Losses as required by the terms of this Agreement and the Certificate or the Bylaws (or any other agreement between the Company and Indemnitee), without regard to any rights such Indemnitee may have against the Original Stockholder Indemnitors, and (iii) the Company irrevocably waives, relinquishes and releases the Original Stockholder Indemnitors from any and all claims against the Original Stockholder Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Original Stockholder Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Original Stockholder Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Original Stockholder Indemnitors are express third party beneficiaries of the terms of this Section 8.

9. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision, provided, that the foregoing shall not affect the rights of Indemnitee or the Original Stockholder Indemnitors set forth in Section 8(f) above; or

(b) for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law; or

(c) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any such part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

10. Duration of Agreement. All agreements and obligations of the Company contained herein shall continue for so long as Indemnitee may have any liability or potential liability by virtue of serving as an officer or director of the Company (or is or was serving at the request of the

Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any Proceeding (or any proceeding commenced under Section 7 hereof) by reason of his Corporate Status, whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

11. Security. To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of the Indemnitee.

12. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer or director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer or director of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

(c) The Company shall not seek from a court, or agree to, a "bar order" which would have the effect of prohibiting or limiting the Indemnitee's rights to receive advancement of expenses under this Agreement.

13. Definitions. For purposes of this Agreement:

(a) "***Change of Control***" means the occurrence of any of the following events:

(i) The acquisition after the date of this Agreement by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15% or more of either the then-outstanding shares of common stock of the Company (the "***Outstanding Company Common Stock***") or the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "***Outstanding Company Voting Securities***"); provided, however, that none of the following acquisitions will constitute a Change of Control: (A) any acquisition directly from the Company or any Controlled Affiliate, as defined below, of the Company; (B) any acquisition by the Company or any Controlled Affiliate of the Company; (c) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Controlled Affiliate of the Company; (D) any acquisition by any Original Stockholder Indemnitor, or any entity or person that may be an affiliate of any Original Stockholder Indemnitor; or (E) any acquisition by any entity or its security holders pursuant to a transaction that complies with clauses (i), (ii) and (iii) of paragraph (c) of this definition.

(ii) Individuals who, as of the date of this Agreement, constitute the Board of Directors (the "***Incumbent Directors***") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual who becomes a director of the Company subsequent to the date of this Agreement and whose election or appointment by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the then Incumbent Directors will be considered as an Incumbent Director, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or entity other than the Company;

(iii) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its Subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company or an acquisition of assets or stock of another entity by the Company or any of its Subsidiaries (each a "***Business Combination***") unless, in each case, following such Business Combination (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including a corporation that, as a result of such Business Combination, owns the Company or all or substantially all of the Company's assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no person or entity (excluding (A) any entity resulting from such Business Combination or (B) any employee benefit plan (or related trust) of the Company or corporation resulting from such Business Combination) beneficially owns, directly or indirectly 15% or more of either the then- outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to such Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) "***Controlled Affiliate***" means any corporation, limited liability company, partnership, joint venture, trust or other Enterprise, whether or not for profit, that is directly or indirectly controlled by the Company. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct, or cause the direction of, the management or policies of an Enterprise, whether through the ownership of voting securities, through other voting rights, by contract or otherwise.

(c) "***Corporate Status***" describes the status of a person who is or was a director, officer, partner, trustee, member, employee, agent or fiduciary of the Company or of any other corporation, partnership, joint venture, trust, limited liability company, employee benefit plan or other enterprise that such person is or was serving at the express written request of the Company.

(d) "***Disinterested Director***" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) "***Enterprise***" shall mean the Company and any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the express written request of the Company as a director, officer, partner, trustee, member, employee, agent or fiduciary.

(f) “***Expenses***” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) “***Independent Counsel***” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “***Independent Counsel***” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) “***Losses***” means any loss, liability, judgments, damages, amounts paid in settlement, fines (including excise taxes and penalties assessed with respect to employee benefit plans), penalties (whether civil, criminal or otherwise) and all interest, assessments and other charges paid or payable in connection with or in respect of any of the foregoing.

(i) “***Original Stockholder Indemnitors***” shall mean Wexford Capital LP and certain of its affiliates or Gulfport Energy Corporation and certain of its affiliates, as the case may be.

(j) “***Proceeding***” includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of his or her Corporate Status, by reason of any action taken by him or of any inaction on his part while acting in his or her Corporate Status; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

14. Severability. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision. Further, the invalidity or unenforceability of any provision hereof as to either Indemnitee or Appointing Stockholder shall in no way affect the validity or enforceability of any provision hereof as to the other. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws. In the event any provision hereof conflicts with any applicable law, such provision shall be deemed modified, consistent with the aforementioned intent, to the extent necessary to resolve such conflict.

15. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

16. Notice By Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

17. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee's signature hereto.

(b) To the Company at:

Diamondback Energy, Inc.
14301 Caliber Drive
Suite 300
Oklahoma City, Oklahoma 73134
Facsimile: (405) [__________]
Attention: General Counsel

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

20. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "***Delaware Court***"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any

objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement on and as of the day and year first above written.

DIAMONDBACK ENERGY, INC.

By: ____________________________
Name: __________________________
Title: ___________________________

INDEMNITEE

____
Name: __________________________

Address:

Indemnification Agreement Signature Page

FORM OF
ADVISORY SERVICES AGREEMENT

ADVISORY SERVICES AGREEMENT dated as of ________, 2012 (this "Agreement"), between **DIAMONDBACK ENERGY, INC.,** a Delaware corporation (the "Company"), and **WEXFORD CAPITAL LP**, a Delaware limited partnership ("Wexford").

Whereas, during the period from the formation of Windsor Permian LLC ("Windsor Permian") through its contribution to the Company in connection with the Company's initial public offering, Wexford served as the manager of Windsor Permian and certain of its affiliates and, as a result, has extensive background and familiarity with the Company, its business and assets; and

Whereas, Wexford has extensive knowledge and experience with respect to managing public and private businesses, capital markets transactions, financing transactions, long range planning and business development and other matters that are significant to the future business and operations of the Company; and

Whereas, the Company desires to benefit from Wexford's expertise and has requested that Wexford provide assistance and advise to the Company from time to time with respect to certain financial and strategic matters related to the business and affairs of the Company and its subsidiaries; and

Whereas, Wexford has agreed to the Company's request on the terms and conditions specified herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged the Company and Wexford agree as follows:

Section 1. Retention of Wexford.

The Company hereby retains Wexford, and Wexford accepts such retention, upon the terms and conditions set forth in this Agreement.

Section 2. Term; Termination.

(a) This Agreement shall commence on the closing date of the Company's initial public offering and shall terminate on the second anniversary thereof (the "Initial Term"). Upon expiration of the Initial Term this Agreement shall automatically continue for additional one-year periods unless terminated in writing by either party at least ten days prior to the expiration of the then current Term (each extension period being referred to herein as the "Extension Term," and together with the Initial Term, the "Term").

(b) Termination. This Agreement may be terminated by either party at any time, with or without cause, upon 30 days' prior written notice to the other party. In the event of termination, the Company shall be obligated to pay all amounts due to Wexford through the termination date. The provisions set forth in Section 5 of this Agreement shall survive any termination of this Agreement.

Section 3. Advisory Services.

(a) Wexford shall advise the Company concerning such matters that relate to financial and strategic matters of the Company and its subsidiaries (the "Services"), in each case as the Company shall reasonably request by way of notice to Wexford. The Services shall not extend to the day-to-day business or operations of the Company and shall not include any services provided by officers or employees in their capacity as directors of the Company. If requested to provide Services, Wexford shall devote such time to any such request as Wexford shall deem, in its sole discretion, necessary. Such Services, in Wexford's sole discretion, shall be rendered in person or by telephone or other communication. Wexford shall have no obligation to the Company as to the manner of rendering the Services hereunder, and the Company shall not have any right to dictate or direct the details of the Services rendered hereunder.

(b) Wexford shall perform all Services to be provided hereunder as an independent contractor to the Company and not as an employee, agent or representative of the Company. Wexford shall have no authority to act for or to bind the Company without its prior written consent. Nothing in this Agreement is intended nor shall be deemed to create any partnership, agency or joint venture relationship by or between the parties.

(c) This Agreement shall not prohibit, restrict or limit in any manner Wexford or any of its partners or Affiliates or any director, officer, partner or employee of Wexford or any of its partners or Affiliates (collectively, "Wexford Persons") from engaging in other activities, whether or not competitive with any business of the Company or any of its respective subsidiaries or Affiliates. This Agreement shall not require Wexford or any Wexford Person to make available to the Company any investment or investment opportunity about which Wexford or any Wexford Person shall become aware.

(d) In the event the Company is dissatisfied in any manner with the Services provided by Wexford hereunder or with Wexford's performance under this Agreement, the Company's sole remedy shall be to terminate this Agreement. Under no circumstances shall the Company have any claim for damages against Wexford or any Wexford Person arising out of or relating to this Agreement.

Section 4. Compensation.

(a) Advisory Fee. As consideration for the Services provided by Wexford hereunder, the Company agrees to pay to Wexford an annual fee in the amount of $500,000 payable in advance in equal monthly installments, on the first business day of each month during the Term and prorated for any partial calendar month (the "Consulting Fee").

(b) Expenses. Upon presentation by Wexford to the Company of such documentation as may be reasonably requested by the Company, the Company shall reimburse Wexford for all reasonable out-of-pocket expenses, including, without limitation, reasonable legal fees and expenses, and other disbursements incurred by Wexford or any Wexford Person in the performance of Wexford's obligations hereunder.

(c) Additional Services. If the Company requests that Wexford provide services in addition to the Services, such as those relating to proposed acquisitions or divestitures, and Wexford agrees to provide such additional services, the Company and Wexford shall negotiate the additional market-based fees to be paid by the Company to Wexford or its Affiliates for such additional services, which fees shall be approved by the Company's independent directors.

(d) Non-Exclusive. Nothing in this Agreement shall have the effect of prohibiting Wexford or any of its Affiliates from receiving from the Company or any of its subsidiaries or Affiliates any other fees.

Section 5. Indemnification.

(a) The Company will indemnify and hold harmless Wexford and each Wexford Person (each such person, an "Indemnified Party") from and against any and all losses, claims, damages, liabilities, costs and expenses, whether joint or several (the "Liabilities"), related to, arising out of or in connection with this Agreement or the Services contemplated by this Agreement or the engagement of Wexford pursuant to, and the performance Wexford of the Services contemplated by, this Agreement, whether or not pending or threatened, whether or not an Indemnified Party is a party, whether or not resulting in any liability and whether or not such action, claim, suit, investigation or proceeding is initiated or brought by or on behalf of the Company. The Company will reimburse any Indemnified Party for all reasonable costs and expenses (including attorneys' fees and expenses) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any action, claim, suit, investigation or proceeding for which the Indemnified Party would be entitled to indemnification under the terms of the previous sentence, or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto. The Company will not be liable under the foregoing indemnification provision with respect to any particular Liability of an Indemnified Party solely to the extent that such is determined by a court, in a final judgment from which no further appeal may be taken, to have resulted primarily from the gross negligence or willful misconduct of such Indemnified Party. The attorneys' fees and other expenses of an Indemnified Party shall be paid by the Company as they are incurred upon receipt of an agreement by or on behalf of the Indemnified Party to repay such amounts if it is finally judicially determined that the Liabilities in question resulted primarily from the gross negligence or willful misconduct of such Indemnified Party.

(b) The Company acknowledges and agrees that the Indemnified Parties have certain rights to indemnification and/or insurance provided by Wexford and certain of its affiliates and that such additional rights to indemnification and/or insurance are intended to be secondary to the primary obligation of the Company to indemnify the Indemnified Parties hereunder. The Company's obligations to provide indemnification hereunder shall not be limited in any manner by the availability of such additional indemnification and/or insurance that may be available to the Indemnified Parties.

Section 6. Accuracy of Information.

The Company shall furnish or cause to be furnished to Wexford such information as Wexford believes reasonably appropriate in connection with providing the services contemplated by this Agreement (all such information so furnished, the "Information"). The Company recognizes and confirms that Wexford (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without independent verification, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information and (c) is entitled to rely upon the Information without independent verification.

Section 7. Notices.

All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed sufficient if personally delivered, sent by nationally-recognized overnight courier, or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

(a) if to Wexford, to:

Wexford Capital LP
411 West Putnam Avenue
Greenwich, CT 06830
Attention: Jay Maymudes, CFO
Telephone: 203 862 7050

with a copy to:

Wexford Capital LP
411 West Putnam Avenue
Greenwich, CT 06830
Attention: Arthur Amron, General Counsel
Telephone: (203) 862-7012

(b) if to the Company, to:

Diamondback Energy, Inc.
500 West Texas
Suite 1225
Midland, TX 79701
Attention: Travis Stice
Telephone: (432) 221-7400

with a copy to:

Diamondback Energy, Inc.
14301 Caliber Drive
Suite 300
Oklahoma City, OK 73134
Attention: Randal Holder
Telephone: (405) 463-6932

or to such other address as the party to whom notice is to be given may have furnished to each other party in writing in accordance herewith. Any such notice or communication shall be deemed to have been received (i) in the case of personal delivery, on the date of such delivery, (ii) in the case of nationally-recognized overnight courier guaranteeing next day delivery, on the next business day after the date when sent, and (iii) in the case of mailing, on the fifth business day following that on which the piece of mail containing such communication is posted.

Section 8. Benefits of Agreement.

This Agreement shall bind and inure to the benefit of Wexford, the Company, the Indemnified Persons and any successors to or assigns of Wexford and the Company; provided, however, that this Agreement may not be assigned by the Company without the prior written consent of Wexford.

Section 9. Governing Law.

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York (without giving effect to principles of conflicts of laws).

Section 10. Headings.

Section headings are used for convenience only and shall in no way affect the construction of this Agreement.

Section 11. Entire Agreement; Amendments.

This Agreement contains the entire understanding of the parties with respect to its subject matter and supersedes any and all prior agreements, and neither it nor any part of it may in any way be altered, amended, extended, waived, discharged or terminated except by a written agreement that specifically references this Agreement and the provisions to be so altered, amended, extended, waived, discharged or terminated is signed by each of the parties hereto and specifically states that it is intended to alter, amend, extend, waive, discharge or terminate this agreement or a provision hereof.

Section 12. Counterparts.

This Agreement may be executed and delivered (including by facsimile transmission) in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto.

Section 13. Confidentiality.

Wexford agrees to maintain the confidentiality of the Confidential Information (as defined below), except that Wexford may disclose Confidential Information (a) to its partners, members, directors, officers, employees and advisors (and those of its Affiliates), including accountants, legal counsel and other advisors (it being understood that the person to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential), (b) to the extent required by any subpoena or similar legal process, (c) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (d) with the consent of the Company, or (e) to the extent such Confidential Information (i) becomes publicly available other than as a result of a breach of this Agreement, or (ii) becomes available to Wexford on a non-confidential basis from a source other than the Company. For the purposes of this Agreement, "Confidential Information" means all non-public information received from the Company relating to the Company or its business, other than any such information that is available to Wexford on a non-confidential basis from a source other than the Company.

Section 14. Further Assurances

The Company and Wexford shall execute such documents and other papers and take such further actions as the other may reasonably request in order to carry out the provisions hereof and provide the services hereunder.

****

IN WITNESS WHEREOF, the parties have duly executed this Advisory Services Agreement as of the date first above written.

DIAMONDBACK ENERGY, INC.

By: ______________________________
Name:
Title:

WEXFORD CAPITAL LP

By: ______________________________
Name:
Title:

FORM OF
MERGER AGREEMENT

This Merger Agreement, dated as of , 2012 (this "***Agreement***"), is entered into by and between Diamondback Energy LLC, a Delaware limited liability company ("***Diamondback LLC***"), and Diamondback Energy, Inc., a Delaware corporation (the "***Company***").

RECITALS

A. The Company has an authorized capital of 100 shares of common stock, par value $0.01 per share ("***Old Common Stock***"), of which 100 shares are issued and outstanding.

B. At the Effective Time (defined below), all of the shares of Old Common Stock are owned by Diamondback LLC, its sole stockholder.

C. DB Energy Holdings LLC, a Delaware limited liability company ("***DB Holdings***"), directly owns 100% of the limited liability company interests in Diamondback LLC (each, a "***Membership Interest***" and, collectively, the "***Membership Interests***").

D. In connection with the initial public offering of the Company's common stock (the "***IPO***"), the parties desire to merge, immediately prior to the closing of the IPO, the Company with and into Diamondback LLC, pursuant to which the Company will continuing as the surviving corporation and the separate existence of Diamondback LLC will cease, upon the terms and subject to the conditions set forth in this Agreement (the "***Merger***").

E. The board of directors of the Company and the sole manager of Diamondback LLC have each determined that the Merger is advisable and in the best interest of the Company and Diamondback LLC and have each approved and adopted this Agreement and recommended that the respective equity holders of the Company and Diamondback LLC approve and adopt this Agreement and approve the Merger.

F. The holders of the voting equity of each of the Company and Diamondback LLC have unanimously approved and adopted this Agreement and the Merger.

NOW, THEREFORE, in consideration of the premises and the respective representations, warranties, covenants and agreements set forth in this Agreement, Diamondback LLC and the Company agree as follows:

I. THE MERGER

1.1 **Merger**. In accordance with the provisions of this Agreement and the Delaware General Corporation Law (the "***DGCL***"), at the Effective Time (as defined below), the Company will be merged with and into Diamondback LLC, Diamondback LLC's separate existence will cease and the Company will be the surviving corporation in the Merger and shall succeed to and assume all the rights and obligations of Diamondback LLC. The Company, as the surviving corporation after the Merger, is herein sometimes referred to as the "***Surviving Corporation***."

1.2 **Filing and Effectiveness**. Immediately prior to the closing of the IPO, the parties will cause a Certificate of Merger (the "***Certificate of Merger***") in substantially the form of Exhibit A hereto, meeting the requirements of the DGCL, to be executed and filed with the Secretary of State of the State of Delaware. The Merger will become effective at the time when the Certificate of Merger has been duly filed with the Secretary of State of the State of Delaware (the "***Effective Time***").

1.3 **Effects of the Merger**.

(a) General. The Merger will have the effects specified in Section 259 of the DGCL.

(b) Certificate of Incorporation and Bylaws. At the Effective Time, the Company's certificate of incorporation shall be amended and restated as set forth in Exhibit B attached hereto (the "***Certificate of Incorporation***") and shall continue to be the certificate of incorporation of the Surviving Corporation until thereafter amended in accordance with the provisions thereof and applicable law. The Company's bylaws as in effect immediately prior to the Effective Time (the "***Bylaws***") will be the Surviving Corporation's bylaws until thereafter amended in accordance with the provisions thereof and applicable law.

(c) Directors and Officers. Following the Effective Time, the directors of the Company immediately prior to the Effective Time shall be the directors of the Surviving Corporation, and the officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation, in each case until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation, retirement, disqualification or removal in accordance with applicable law and the Certificate of Incorporation and Bylaws.

(d) Effect on Capital Stock. At and as of the Effective Time, without any action on the part of Diamondback LLC or the Company, as the case may be, or of any holder of any shares of capital stock of or other equity interest in Diamondback LLC or the Company, the shares of capital stock and other securities of Diamondback LLC and the Company will be treated as follows:

(i) Cancellation of Old Common Stock. Each share of Old Common Stock outstanding immediately prior to the Effective Time will be canceled without payment of any consideration therefor and shall cease to exist.

(ii) Conversion of the Membership Interests. All the Membership Interests issued and outstanding immediately prior to the Effective Time will be converted into and exchanged for **[ ]** validly issued, fully paid and nonassessable shares of the common stock of the Surviving Corporation, par value $0.01 per share ("***Surviving Common Stock***").

(iii) Surrender of Old Common Stock. At or before the Effective Time, Diamondback LLC shall surrender any and all outstanding certificates representing shares of Old Common Stock to the Surviving Corporation.

1.4 **Taking of Necessary Action; Further Action**. Prior to the Effective Time, the Company and Diamondback LLC shall take all such action as shall be necessary or appropriate to effectuate the Merger. If, at any time after the Effective Time, any such further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full right, title and possession to all assets, property, rights, privileges, powers, and franchises of the Company and Diamondback LLC, the officers and directors of the Surviving Corporation are fully authorized, in the name of and on behalf of the Company and Diamondback LLC, to take, and the Company will cause them to take, all such lawful and necessary action.

II. GENERAL

2.1 **Termination**. Diamondback LLC and the Company, by written agreement, may terminate this Agreement as to all parties and the Merger may be abandoned for any reason whatsoever, at any time prior to the Effective Time.

2.2 **No Third Party Beneficiaries**. There are no third party beneficiaries having rights under or with respect to this Agreement.

2.3 **Governing Law**. This Agreement will be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law principles.

2.4 **Amendments**. This Agreement may not be amended or modified except by a writing signed by all of the parties.

2.5 **Entire Agreement**. This Agreement, together with the Exhibits hereto, constitutes the entire agreement and understanding of the parties in respect of its subject matter and supersedes all prior understandings, agreements or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

2.6 **Counterparts**. This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original and all of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their authorized representative as of the date stated in the introductory paragraph of this Agreement.

DIAMONDBACK ENERGY LLC

By: Wexford Capital, LP, its Manager

By: Wexford GP LLC, its general partner

By: __________________________
Name: __________________________
Title: __________________________

DIAMONDBACK ENERGY, INC.

By: __________________________
Name:
Title:

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Signature Page

EXHIBIT A

CERTIFICATE OF MERGER

OF

DIAMONDBACK ENERGY LLC

WITH AND INTO

DIAMONDBACK ENERGY, INC.

Pursuant to Title 8, Section 264(c) of the Delaware General Corporation Law and Title 6, Section 18-209 of the Delaware Limited Liability Company Act, the undersigned corporation, hereby certifies that:

FIRST: The name of the surviving corporation is Diamondback Energy, Inc., a Delaware corporation, and the name of the limited liability company being merged into this surviving corporation is Diamondback Energy LLC.

SECOND: An agreement of merger has been approved, adopted, certified, executed and acknowledged by the surviving corporation and the merging limited liability company in accordance with the requirements of Delaware law.

THIRD: The name of the surviving corporation is Diamondback Energy, Inc., a Delaware corporation.

FOURTH: The merger is to become effective upon the filing of this certificate of merger.

FIFTH: The Company's certificate of incorporation shall be amended and restated in the merger, and the certificate of incorporation of the surviving corporation shall be as set forth in Exhibit A attached hereto.

SIXTH: The executed agreement of merger is on file at 14301 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134, the address of the principal place of business of the surviving corporation.

SEVENTH: A copy of the agreement of merger will be furnished by the surviving corporation, on request and without cost, to any stockholder of any constituent corporation or member of any constituent limited liability company.

IN WITNESS WHEREOF, Diamondback Energy, Inc. has caused this certificate to be signed by an authorized officer on this day of , 2012.

DIAMONDBACK ENERGY, INC.

By: ____________________
Name: ____________________
Title: ____________________

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

Crude Oil Purchase Agreement

CONTRACT REF. NO. <TO BE DETERMINED>

This Crude Oil Purchase Agreement ("Agreement") is made and entered into this 24th day of May, 2012 ("Effective Date") by and between Shell Trading (US) Company, a Delaware corporation ("Buyer" or "STUSCO") and Windsor Permian LLC ("Seller"). Buyer and Seller may be referred to individually as "Party" or collectively as the "Parties."

1. THE PIPELINE

The Parties to this Agreement are relying on the change of service of the Longhorn Pipeline ("Pipeline") located near Crane, Texas by Magellan Pipeline Company, LP ("Magellan"), which change shall be a condition precedent to this Agreement. The Pipeline is intended to be reversed and converted for crude shipments and will be owned and operated by Magellan. The completion date for the reversal is anticipated to be sometime during the first quarter of 2013. STUSCO has executed a contract ("Magellan Contract") with Magellan to secure space on the Pipeline for transportation of Crude Oil from Crane, TX to the Houston area.

2. TERM

The term of this Agreement ("Term") shall run for a period of five (5) years from the first day of the month ("Service Commencement Date") following the date Magellan notifies STUSCO and all other shippers in writing ("Service Commencement Notice") that the Pipeline, and all related facilities, are fully ready to commence commercial service with respect to the receipt, transportation, storage, handling, and delivery of Crude Oil and with regard to STUSCO, transportation under the Magellan Contract. STUSCO will forward to Seller a copy of Magellan's Service Commencement Notice promptly upon receipt, but in any event, no later than ten (10) business days after receipt. The Parties recognize that STUSCO may deliver Crude Oil to the Pipeline before the Service Commencement Date, but Seller and Buyer obligations hereunder shall only commence when the Pipeline is fully ready for commercial services and upon the Service Commencement Notice as set forth above.

Notwithstanding anything to the contrary contained herein, if Magellan has not delivered Service Commencement Notice to STUSCO by January 15, 2014, either Party shall have the right to terminate this Agreement by written notice to the other Party, without obligation to the other.

Cross termination: STUSCO may further provide written notice to Seller that the Magellan Contract has terminated in accordance with the terms and conditions set forth therein. Upon delivery of such notice, this Agreement shall terminate, without any further obligations or liabilities among the Parties. By way of example only, such events include, but are not limited to: (i) insolvency of Magellan; (ii) material change in the applicable tariffs; (iii) material breach of contract.

3. GRADE AND QUALITY

West Texas Intermediate ("WTI") Crude Oil

All Crude Oil delivered to STUSCO under this Agreement shall be fully compliant with all aspects of the Magellan Pipeline Company, L.P. Local Pipeline Tariff Containing Rules and Regulations Governing the Transportation and Handling of Crude Petroleum Transported by Pipeline ("Rules") and any applicable tariff and shall not cause STUSCO to be out of compliance with such Rules or any applicable tariff, each as amended from time to time. If any Crude Oil delivered under this Agreement is rejected by the operator of the Pipeline or, due to its non-compliance with the Rules, subjects STUSCO to any monetary penalty or deduction or extra cost, then Seller shall indemnify STUSCO against any claims, losses, deductions, costs, damages, or expenses.

In addition, at a minimum, Crude Oil must meet the following requirements:

	WTI
API Gravity, API	36.0-42.0
Sulphur Content, Weight %	<= 0.45
Max Reid Vapor Pressure, psi	9.5
Max True Vapor Pressure, psi	11.0
BS&W	<= 1.0%

Any Crude Oil outside of the parameters above shall not be delivered to STUSCO under this Agreement unless mutually agreed in writing before delivery. For the avoidance of doubt, any Crude Oil delivered at any Delivery Point (as defined in Clause 6 below), including that which is delivered upstream of the Pipeline must also meet all specifications, including the applicable pipeline specifications, as it is delivered at the Delivery Point.

4. QUANTITY
The contract quantity ("Contract Quantity") for the purposes of this Agreement shall be:

- Five thousand (5,000) barrels per day for any oil that is delivered from the Service Commencement Date to March 31, 2013
- Six thousand (6,000) barrels per day for any oil delivered from April 1, 2013 to September 30, 2013
- Eight thousand (8,000) barrels per day for the duration of the Term.

Seller may elect to decrease the Contract Quantity upon sixty (60) days prior written notice to Buyer one time during the Term by not more than twenty percent of the then-current year quantity. Such decreased Contract Quantity shall be effective for the remainder of the Term.

Seller shall sell and STUSCO shall purchase one-hundred percent (100%) of the Crude Oil production from the lease(s) as shown on Attachment A up to a maximum of one-hundred twenty percent (120%) of the Contract Quantity. If Seller offers, Buyer may purchase more than one-hundred twenty percent (120%) of the Contract Quantity but shall not be obligated to do so. Buyer and Seller may from time to time by mutual agreement add or remove leases in order to maintain Contract Quantity or quality. All volume delivered will be determined by either pipeline meter or by truck ticket as measured by truck operator in accordance with most current API standards. Any volume in excess of Contract Quantity will be settled on a price as described in Section 7 (c) below.

In the event that Seller shall fail to deliver or tender for delivery the Contract Quantity specified hereunder and as a result STUSCO's volumes able to be shipped through the Pipeline are reduced by Magellan, due to proration or otherwise, then, at STUSCO's option, STUSCO may, by notice to Seller, reduce the Contract Quantity required to be sold and purchased hereunder, up to the amount by which Seller has failed to deliver or tender.

In the event that STUSCO's ability to ship quantities of Crude Oil through the Pipeline is curtailed by Magellan, due to proration or otherwise, for reasons other than as a result of Seller having failed to deliver or tender the Contract Quantity, STUSCO may, by notice to Seller and only during the time during which such curtailment is in effect (such time being the "Proration Period"), adjust the Contract Quantity downward by a quantity equal to Seller's pro rata share of STUSCO's total curtailed quantity, using as the basis for the allocation of such pro rata share the ratio of Seller's Contract Quantity in this Agreement to the sum of all quantities contracted by STUSCO for delivery to the Pipeline. Once the Proration Period ceases, Seller's Contract Quantity shall be restored to the volumes of Crude Oil first set forth above in this Section 4.

5. NOMINATIONS
Seller shall submit nominations of volume to STUSCO by the 20th day of the calendar month prior to delivery. If the 20th day of the month falls on a weekend or holiday, nominations are due on the last workday before the 20th.

6. TERMS OF DELIVERY
Unless otherwise agreed in writing by the Parties, all Crude Oil for each lease shall be delivered at the delivery point as identified for such lease in Attachment A under Lease Delivery Point ("Delivery Point").

Title and risk of loss will transfer at Delivery Point as the Crude Oil passes the inlet flange of the tank truck, or as the Crude Oil passes the inlet flange of Buyer's receiving pipeline system, whichever is applicable.

7. PRICE
The price per barrel to be paid hereunder up to the Contract Quantity shall be either Price A or Price B below as declared by Seller each month on the 26th day of the month two months prior to the month of delivery. Any volume which STUSCO agrees to purchase under this Agreement that exceeds the cumulative Contract Quantity for the month of delivery shall be priced at Price C:

a.) Price A. Price A shall be the arithmetic average of the daily settlement price for "Light Sweet Crude Oil" Prompt Month future contracts reported by the New York Mercantile Exchange ("NYMEX") for each day that a settlement price is published from the first day of the calendar month of delivery through and including the last day of the calendar month of delivery excluding weekends and holidays observed by NYMEX, adjusted as follows:

Step 1. To the Monthly NYMEX Average shall be added the arithmetic average of the daily settle prompt month crude oil futures contract for each trading day when the delivery month is the prompt month crude oil futures contract less the arithmetic average of the daily settlement price for the second month crude oil futures contract during the same trading period (excluding weekends and holidays), times a percentage (calculated from the number of days starting with the first day of the delivery month and ending with the day preceding the first trade day after the NYMEX crude contract expiration date during the delivery month (excluding weekends and holidays) divided by the number of days in the delivery month (excluding weekends and holidays), plus the arithmetic average of the daily Settlement price for the prompt month crude oil futures contract for each trading day when the delivery month is the prompt month crude oil futures contract less the arithmetic average of the daily Settlement price for the third month crude oil futures contract during the same trading period (excluding weekends and holidays), times a percentage (calculated from the number of days starting with the first trade day after the NYMEX crude contract expiration date during the delivery month and ending with the last day of the delivery month (excluding weekends and holidays) divided by the number of days in the delivery month (excluding weekends and holidays).

Step 2. To the price per barrel resulting from Step 1 shall be added the weighted average trade month LLS differential value as published by Argus Media Ltd in the daily Argus Americas Crude report. The applicable quotations are those effective for the 26th day of the month two months prior to the month of delivery through and including 25th day of the month that is immediately prior to the month of delivery (excluding weekends and holidays).

Step 3. From the price per barrel resulting from Step 2 shall be subtracted a pipeline loss allowance of 0.20% of such calculated price.

Step 4. From the price per barrel resulting from Step 3 shall be subtracted a price adjustment (the “LLS Price Adjustment”) of $6.80 per barrel, which LLS Price Adjustment shall be subject to escalation under Clause 9 below.

Step 5. From the price per barrel resulting from Step 4 shall be subtracted the lease gathering fee, which is identified under the column “Crane” in Attachment A, which amount shall be subject to adjustment as provided in Attachment A.

Step 6. From the price per barrel calculated after Step 5, shall be subtracted the following C2-C5 adjustment if the Longhorn common stream C2-C5 content exceeds 6%, as measured at Magellan’s East Houston Terminal:

$$((pLLS\text{-}pLE) / (1.00 — 0.06)) * (X — 6\%)$$

where:

a. X = Total Light Ends (C2-C5), %vol, as per method ITM 6008. This will be the simple average of all results available from samples drawn during the production month.

b. pLLS = Average of Argus LLS quotes for the month of production [$/bbl]

c. pLE* = Average of OPIS Mt Belvieu Propane, Normal Butane and Natural Gasoline quotes for the month of production [cents per gallon]

d. pLE = pLE* * 42 [$/bbl]. Should pLE be higher than pLLS, for the purpose of this discount calculation, pLE will be deemed to be equal to pLLS.

This C2-C5 adjustment is illustrated in Attachment B.

b.) Price B shall be the arithmetic average of the daily settlement price for "Light Sweet Crude Oil" Prompt Month future contracts reported by the NYMEX for each day that a settlement price is published from the first day of the calendar month of delivery through and including the last day of the calendar month of delivery excluding weekends and holidays observed by NYMEX, adjusted as follows:

Step 1. To the Monthly NYMEX Average shall be added the arithmetic average of the daily settle prompt month crude oil futures contract for each trading day when the delivery month is the prompt month crude oil futures contract less the arithmetic average of the daily settlement price for the second month crude oil futures contract during the same trading period (excluding weekends and holidays), times a percentage (calculated from the number of days starting with the first day of the delivery month and ending with the day preceding the first trade day after the NYMEX crude contract expiration date during the delivery month (excluding weekends and holidays) divided by the number of days in the delivery month (excluding weekends and holidays), plus the arithmetic average of the daily Settlement price for the prompt month crude oil futures contract for each trading day when the delivery month is the prompt month crude oil futures contract less the arithmetic average of the daily Settlement price for the third month crude oil futures contract during the same trading period (excluding weekends and holidays), times a percentage (calculated from the number of days starting with the first trade day after the NYMEX crude contract expiration date during the delivery month and ending with the last day of the delivery month (excluding weekends and holidays) divided by the number of days in the delivery month (excluding weekends and holidays).

Step 2. To the price per barrel resulting from Step 1 shall be added the weighted average trade month WTI Midland differential value as published by Argus Media Ltd. in the daily Argus Americas Crude report. The applicable quotations are those effective for the 26th day of the month two months prior to the month of delivery through and including 25th day of the month that is immediately prior to the month of delivery (excluding weekends and holidays).

Step 3. From the price per barrel resulting from Step 2 shall be subtracted a pipeline loss allowance of 0.20% of such calculated price.

Step 4. From the price per barrel resulting from Step 3 shall be subtracted a price adjustment (the "WTI Price Adjustment") equal to Magellan's Longhorn Spot tariff rate which is effective for transportation from Crane, TX to Houston Ship Channel, for the month for which the price is calculated. For information only, the initial spot tariff rate as of July 1, 2011 is currently expected to be $2.36 per barrel.

Step 5. From the price per barrel resulting from Step 4 shall be subtracted the lease gathering fee, which is identified under the column “Midland” in Attachment A, which amount shall be subject to adjustment as provided in Attachment A.

c.) Price C shall be the arithmetic average of the daily settlement price for “Light Sweet Crude Oil” Prompt Month future contracts reported by the NYMEX for each day that a settlement price is published from the first day of the calendar month of delivery through and including the last day of the calendar month of delivery excluding weekends and holidays observed by NYMEX, adjusted as follows:

Step 1. To the Monthly NYMEX Average shall be added the arithmetic average of the daily settle prompt month crude oil futures contract for each trading day when the delivery month is the prompt month crude oil futures contract less the arithmetic average of the daily settlement price for the second month crude oil futures contract during the same trading period (excluding weekends and holidays), times a percentage (calculated from the number of days starting with the first day of the delivery month and ending with the day preceding the first trade day after the NYMEX crude contract expiration date during the delivery month (excluding weekends and holidays) divided by the number of days in the delivery month (excluding weekends and holidays), plus the arithmetic average of the daily Settlement price for the prompt month crude oil futures contract for each trading day when the delivery month is the prompt month crude oil futures contract less the arithmetic average of the daily Settlement price for the third month crude oil futures contract during the same trading period (excluding weekends and holidays), times a percentage (calculated from the number of days starting with the first trade day after the NYMEX crude contract expiration date during the delivery month and ending with the last day of the delivery month (excluding weekends and holidays) divided by the number of days in the delivery month (excluding weekends and holidays).

Step 2. To the price per barrel resulting from Step 1 shall be added the weighted average trade month WTI Midland differential value as published by Argus Media Ltd. in the daily Argus Americas Crude report. The applicable quotations are those effective for the 26th day of the month two months prior to the month of delivery through and including 25th day of the month that is immediately prior to the month of delivery (excluding weekends and holidays).

Step 3. From the price per barrel resulting from Step 2 shall be subtracted a pipeline loss allowance of 0.20% of such calculated price.

Step 4. From the price per barrel resulting from Step 3 shall be subtracted a Lease gathering fee which is identified under the heading “Midland” in Attachment A, which amount shall be subject to adjustment as provided in Attachment A.

8. CHANGE OF INDEX
If an index used to calculate a price or an adjustment related to a price in this Agreement ceases to be published or is not published for any period applicable to calculation of the price of a transaction, either Party may notify the other at any time within sixty (60) days after the index ceases to be published and the Parties will meet and agree on a replacement index within thirty (30) days after the date of said notice. Such replacement index will be as comparable as possible to the original index specified in this Agreement.

If the Parties are not able to agree upon a replacement index within the thirty (30) day period, then:

a) the dispute shall be settled by binding arbitration in accordance with the then current International Institute for Conflict Prevention and Resolution Rules for Non-Administered Arbitration (“CPR Rules”) and this provision. The arbitration shall be governed by the U.S. Arbitration Act, 9 U.S.C. §§ 1-16 to the exclusion of any provision of state law inconsistent therewith or which would produce a different result. The arbitration shall be held in Houston, TX or such other location as may be convenient and agreed to in writing by the Parties. The language of the arbitration shall be English. There shall be one arbitrator. The Parties shall attempt to agree on the selection of the arbitrator. If the Parties are unable to agree on the single arbitrator, the arbitrator shall be selected in accordance with Rule 6 of the CPR Rules. The arbitrator shall determine the dispute of the Parties and render a final decision in accordance with the substantive law of the state of Texas, excluding the conflicts provisions of such law. The arbitrator shall set forth the reasons for the decision in writing.

b) to assist the arbitrator in such determination, both as to a provisional and/or a final proposed index, each Party shall submit one, and only one, proposed alternate index or alternative basis for calculating the Price and the arbitrator shall select as the basis for the decision rendered the proposal which in the view of the arbitrator represents the closest replacement for the missing index.

c) the Parties shall attempt to reach agreement on a provisional replacement index within the same thirty (30) day period, which price shall be used for invoices until a final determination is made by the arbitrator as described above. The provisional replacement index shall be without prejudice to either Party in the arbitration and shall not be disclosed to the arbitrator. If no agreement on a provisional replacement index is reached within said thirty (30) day period, either Party may ask the arbitrator determined above to set a provisional replacement index based on a written submission from both sides within fifteen (15) days after the appointment of the arbitrator. Once the arbitrator has reached a final decision on the replacement index, the price paid under this Agreement shall be adjusted using such replacement index retroactively to the later of: i) the date the thirty (30) day written notice was given or ii) the date the index ceased to be published, and all invoices for deliveries made subsequent to such date shall be promptly reissued using the corrected index and price. The arbitrator shall order the relevant adjustment under the corrected invoices and the Party that owes money to the other shall pay said amount to the Party owed within ten (10) Banking Days of receipt of the corrected invoice.

All other disputes shall be resolved in accordance with the Governing Law Clause.

9. ESCALATION
Effective on the first July 1st occurring after the Effective Date of this Agreement and each succeeding July 1st during the Term, the then existing LLS Price Adjustment identified in Step 4 of Clause 7(a) shall be escalated or de-escalated as follows:

Step 1. Increase the then existing LLS Price Adjustment by multiplying it by 1.01.

Step 2. Increase the result of Step 1 by adding the dollar amount of the actual annual tariff increase in Magellan's Longhorn Spot tariff rate. This tariff increase is calculated by subtracting Magellan's Longhorn Spot tariff rate which is effective for transportation from Crane, TX to Houston Ship Channel on July 1st of the prior year from Magellan's Longhorn Spot tariff rate which is effective for transportation from Crane, TX to Houston Ship Channel on July 1st of the then present year.

Step 3. Increase or decrease the result of Step 2 by a percentage equal to thirty-five (35) percent of the annual percentage increase/decrease of Producer Price Index for Inland Water Freight Transportation ("PPI-IT"), which shall be calculated as follows. Multiply thirty-five one-hundredths (0.35) times i) the U.S. Department of Labor Statistics Producer Price Index for Inland Water Freight Transportation ("PPI-IT") published for the most recently completed full calendar year prior to the relevant anniversary date as identified under the column labelled "Annual" divided by ii) the PPI-IT for the prior full calendar year under the same column. For example, if the Effective Date is October 1, 2011, the first adjustment of the Transportation Discount will be on July 1, 2012, the denominator above shall be the PPI-IT for the full calendar year of 2010, and the numerator will be the PPI-IT for the full calendar year of 2011. If the PPI-IT number is designated as preliminary, the adjustment shall be based on the preliminary number. When the number is no longer designated as preliminary, all payments made with the preliminary number shall be recalculated with the final number, if different, and any amounts different from the amount originally paid will be refunded or invoiced to Seller.

Step 4. In addition, on the Commencement Date, and on each July 1 and January 1 of each year during the Term of this Agreement, the LLS Price Adjustment then in effect will be increased in accordance with the following:

a. The MDO Index Price shall be the average of the daily average of the high and low Platt's assessments for Marine Diesel Oil Delivered in New Orleans for each day the assessment was published during the six calendar months prior to July 1 or January 1, as the case may be. The Platt's assessment is quoted in metric tons and will be converted to gallons by multiplying the quote in dollars per metric ton by 0.0033 to compute to dollars per gallon.

b. If the MDO Index Price is between $3.10 per gallon and $3.35 per gallon, the LLS Price Adjustment will .increase by $0.08, and

c. If the MDO Index Price is greater than $3.35 per gallon but less than or equal to $3.61 per gallon the LLS Price Adjustment will increase by $0.16, and

d. If the MDO Index Price is greater than $3.61 per gallon, the LLS Price Adjustment will increase by $0.08 for every full $0.25 per gallon by which the Index is greater than $3.10.

e. On each July 1 and January 1 the prior increase in the LLS Price Adjustment, if any, attributable to the MDO Index Price under this Step 4 will be removed and replaced by the new increase as calculated under this Step 4, if any is due.

f. These changes shall be in addition to the annual adjustment covered in the Agreement noted in the first three steps above.

This escalation calculation is illustrated in Attachment B.

10. DEFICIENCY PAYMENT
"Deficiency Volume" means the Contract Quantity during any Contract Quarter of the Agreement less the actual barrels of Crude Oil received by STUSCO from Seller under this Agreement, during the same Contract Quarter, calculated on a net basis after any gravity adjustment. The Parties agree that for purposes of the Deficiency Volume calculation, the actual barrels of Crude Oil received by STUSCO from Seller during any calendar month under this Agreement shall be capped at 1.05 multiplied by the aggregate Contract Quantity for such calendar month, regardless of actual deliveries.

A Contract Quarter is a three month period, the first beginning on the Service Commencement Date and each subsequent Contract Quarter being the following three month period.

Should the Deficiency Volume be a positive number, for any reason, STUSCO shall provide notice to Seller of such Deficiency Volume and an invoice for the amount due hereunder, payable ten (10) days after receipt of invoice. Seller shall be invoiced an amount equal to the Deficiency Volume for the Contract Quarter multiplied by Magellan's Longhorn Spot tariff rate which is effective for transportation from Crane, TX to Houston Ship Channel, for the period of time for which the Deficiency Volume is calculated. For the avoidance of doubt, Seller shall not be relieved of its obligation to make deficiency payments for the time of any Force Majeure event declared by Seller.

11. GENERAL BUSINESS PRINCIPLES
Seller and STUSCO will base their relationship on mutual respect, honesty, and integrity. Neither Party may accept or solicit gifts, entertainment, or other social favors to influence business decisions. Courtesies of nominal value and social invitations customary and proper under the circumstances are not unethical as long as they imply no business obligation whatsoever or do not involve significant or out-of-the-ordinary expense. Seller shall ensure that the Shell General Business Principles are made available to and are respected by all of Seller's personnel involved in performance of the obligations herein. These may be accessed at www.shell.com/sgbp.

12. NEW AND CHANGED REGULATIONS
The Parties understand that both STUSCO and Seller are entering into this Agreement in reliance on the laws, rules, regulation, decrees, agreements, concessions and arrangements in effect on the Effective Date with governments, government instrumentalities or public authorities as well as the rules, regulations and tariffs for the Pipeline expected by STUSCO to be filed at the relevant regulatory body (all of the above hereinafter called "Regulations") affecting the Crude Oil

delivered hereunder including, without limitation to the generality of the foregoing, those relating to the acquisition, gathering, transportation, storage, trading or delivery thereof, insofar as those Regulations affect either Party. If at any time and from time to time during the Term of this Agreement any Regulations are changed or new Regulations become effective, whether by law, decree or regulation or by response to the insistence or request of or under the authority of any governmental or public authority or any person purporting to act thereof and the material effect of the changed or new Regulations (a) is not covered by any other provision of the Agreement, and (b) has a material adverse economic effect upon either Party, either Party shall have the option to request renegotiation of the prices or other pertinent terms provided for in this Agreement. This option may be exercised by either Party within one-hundred eighty (180) days after the changes or new Regulations are promulgated, by written notice of desire to renegotiate. The notice shall contain the new prices or terms desired. If the Parties do not agree upon new prices or terms within thirty (30) days after either Party gives notice, the matter will be handled as follows:

1. If STUSCO has requested the renegotiation, then the Price shall be reduced effective on the date of such notice by the amount of the financial impact on STUSCO calculated on a per barrel basis and if the impact affect aspects other than Price, then the Agreement shall also be amended to negate the impact on STUSCO. In the event of a price reduction or change to the Agreement under this Section 12, Seller shall have the option within thirty (30) days after STUSCO has notified Seller of the financial impact on STUSCO or changes to the Agreement, to terminate the Agreement by providing thirty (30) days notice of termination to STUSCO, which notice may only be effective on the last day of a calendar month. If Seller terminates the Agreement under this Section 12, Seller shall pay liquidated damages to STUSCO equal to Magellan’s then effective Longhorn Spot tariff rate from Crane, TX to Houston Ship Channel at the time of the event multiplied by the Contract Quantity multiplied by the number of days remaining in the Term if the Agreement had not been terminated.

2. If Seller has requested the renegotiation, Seller shall propose a price increase and if the impact affects aspects other than Price, then Seller shall propose an amendment to this Agreement for the sole purpose and effect to negate the impact of such changed Regulations on Seller, which proposal may be accepted or declined by STUSCO within thirty (30) days after notice of the proposed price increase or change to the Agreement. In the event that the price increase or change to the Agreement is declined the price will remain unchanged, but Seller may elect to terminate the Agreement, by providing thirty (30) days notice of termination to STUSCO, which notice may only be effective on the last day of a calendar month. If Seller terminates the Agreement under this Section 12, Seller shall pay liquidated damages to STUSCO equal to Magellan’s then effective Longhorn Spot tariff rate from Crane, TX to Houston Ship Channel at the time of the event multiplied by the Contract Quantity multiplied by the number of days remaining in the Term if the Agreement had not been terminated.

3. If both Parties have requested the renegotiation, the provisions of Sections 12(1) and 12(2) shall both be applicable.

The Parties hereby acknowledge and agree that the amount of liquidated damages established herein is a fair estimate of their losses, and is not intended to represent punitive damages or a penalty.

13. NOTICES
Any notice or other document required or permitted to be given by one Party to the other Party pursuant to this Agreement shall be in writing and shall be given by prepaid registered first class mail or express mail, delivered by hand or transmitted by telecopy or other form of telecommunication which produces a written copy addressed in accordance with the following particulars:

If to STUSCO:
Shell Trading (US) Company
Two Houston Center
909 Fannin Street
Plaza Level 1
Houston, TX 77010-1014

Crude Domestic BULK Facsimile: (713) 246 8531

Please ensure that you quote our contract reference number in all correspondence.

If to Seller:
Windsor Permian LLC
Attn: Travis D. Stice, CEO and President
500 West Texas, Suite 1225
Midland, TX 79701

Phone: 432-221-7400
Fax: 877-511-4719

14. OTHER TERMS AND CONDITIONS
Conoco's General Provisions dated January 1993, as amended below, are incorporated into this Agreement as if fully set forth herein; except that to the extent that any part of the General Provisions is inconsistent with any of the terms herein, the terms herein shall govern over the General Provisions. The following amendments shall apply to the General Provisions:

E. Force Majeure: Section E is deleted in its entirety and replaced with the following:

"(1) Suspension of Obligations. If either STUSCO or Seller is rendered unable, wholly or in part, by reason of Force Majeure, from carrying out its obligations under this Agreement (other than the obligation to make payment of amounts due hereunder) due to an event of Force Majeure as defined below, then, to the extent that it is so prevented, that Party's failure to perform shall not be considered a breach of its obligations under this Agreement, and the affected obligations of that Party shall be relieved during the continuance of that Party's inability to perform caused by the event of Force Majeure, but for no longer period. If a Force Majeure event renders a Party unable, in whole or in part, to carry out its obligations under this Agreement, that Party must give the other Party notice and full particulars in writing as soon as practicable after the occurrence of the causes relied on, or give notice by telephone and follow the notice with a written confirmation within forty-eight (48) hours. The Party providing the notice shall use commercially reasonable efforts to mitigate the Force Majeure conditions. No Party shall be compelled to resolve any strikes, lockouts, or other industrial disputes other than as it shall determine to be in its best interests.

For purposes of this Agreement, "Force Majeure" shall mean any event or occurrence beyond the reasonable control of a Party that inhibits, delays or prevents such Party from performing its obligations under this Agreement including, without limitation, the following: Acts of God; strikes; lockouts; boycotts; picketing; labor or other industrial disturbance; explosions; nuclear reaction or radiation, radioactive contamination; acts of a public enemy; fires; acts of terrorism; explosions; any incident affecting the transportation, storage, receipt, or handling of the Crude Oil hereunder (including, but not limited to, material breakage of or material accidents to the Pipeline; any incident at a terminaling or storage facility where the Crude Oil is to be stored and/or handled that prohibits or delays Crude Oil from being stored or transported into or out of such facility; any incident to any other means of transportation of the Crude Oil, such as trucks, rail or vessels); wars (declared or undeclared); blockades; insurrections; riots; epidemics; landslides; earthquakes; storms; hurricanes; lightning; floods; extreme cold or freezing; extreme heat; washouts; arrests and restraints of governments (but excluding restraints occurring as a result of any violations, by the Party claiming the right to delay performance, of applicable Law or of the terms and provisions of this Agreement); confiscation or seizure by any government or public authority; compliance with any federal, state, or local law, or with any regulation, order, or rule of domestic or international governmental agencies, or authorities or representatives of any domestic or international government acting under claim or color of authority; inability to obtain or delay in obtaining appropriate materials, supplies or labor; events of Force Majeure declared by a third party, whether upstream or downstream of the Pipeline, that interferes with performance under this Agreement; the commandeering or requisitioning by United States civil or military authorities of any raw or component materials, Crude Oil, or facilities including, but not limited to, producing, manufacturing, transportation, and delivery facilities, and perils of navigation, even when occasioned by negligence, malfeasance, default, or errors in judgment; civil disturbances. Force Majeure shall not include (i) increases in costs of materials, or (ii) a Party's financial difficulties that impair its ability to perform.

(2) If STUSCO notifies Seller of a Force Majeure event affecting STUSCO's then current means to receive, transport to, or store Crude Oil at any point up to and including STUSCO's intended destination under or related to this Agreement, the Contract Quantity for that Contract Quarter shall be proportionally reduced by an amount equal to the volume unable to be received, transported or stored by STUSCO's anticipated means for that period of time. In such event, if an alternative but more expensive means to receive, transport, or store exists than that intended by STUSCO, STUSCO shall not be obligated to utilize such alternative means unless otherwise agreed by the Parties.

(3) If Seller notifies STUSCO of a Force Majeure event affecting the ability of Seller to physically deliver Crude Oil volumes, then the Seller shall be relieved of its obligation to deliver

Crude Oil under this Agreement to the extent so prevented, but Seller shall not be relieved at any time during the full Term of this Agreement of its obligation to pay to STUSCO the Deficiency Payment described in this Agreement."

F. Payment: The first sentence of Section F is deleted in its entirety and replaced with the following:
"Unless otherwise specified in this Agreement, Buyer agrees to make payment against Seller's invoice for the Crude Oil purchased hereunder to a bank designated by Seller in U.S. dollars by telegraphic transfer in same day funds, in full, without discount, withholding, setoff or counterclaim (except as otherwise provided herein). However, in the event that the Parties have entered a Net-Out Agreement, all payments shall be made in accordance with the Net-Out Agreement.

Payment for amounts due to STUSCO is to be made in US Dollars as follows:

Citibank, New York, swift address CITIUS33 or FED Wire Routing No 021-000-089 for credit to STUSCO USD receipts Account no. 30593089. Please quote invoice number and customer name.

Payments for amounts due to Seller are to be made in US Dollars as follows:
Bank of Oklahoma, Routing# 103900036, Account# 807462248"

G. Financial Responsibility: Section G is deleted in its entirety and replaced with the following:
"Financial Responsibility. Notwithstanding anything to the contrary in this Agreement, if in the reasonable opinion of Seller at any time the reliability or the financial responsibility of STUSCO (or of any guarantor or other person furnishing security in support of STUSCO) is or becomes impaired or unsatisfactory, Adequate Assurance of Performance, as defined in Section R below, shall be given by STUSCO to Seller on demand by Seller in respect of a reasonable amount up to a maximum of fifty (50) days of deliveries hereunder. Any amounts in cash or prepayment (as defined in Section R below) specified in such demand shall thereby become due and payable no later than five (5) Banking Days from the date of the demand. After such demand, and in the event that title has not already been transferred, Seller may withhold performance until such Adequate Assurance of Performance shall have been received by it.

Notwithstanding anything to the contrary in this Agreement, if in the reasonable opinion of STUSCO at any time the reliability or the financial responsibility of the Seller (or of any guarantor or other person furnishing security in support of Seller) is or becomes impaired or unsatisfactory, Adequate Assurance of Performance, as defined in Section R below, shall be given by Seller to STUSCO on demand by STUSCO for the full amount equal to Magellan's Longhorn Spot tariff rate which is effective for transportation from Crane, TX to Houston Ship Channel on the date demand is given to Seller, multiplied by the Contract Quantity multiplied by the number of days remaining in the Term on the date that demand is given to Seller less the value of Crude Oil delivered by the Seller to STUSCO for which STUSCO has not yet paid. Any amounts in cash or prepayment (as defined in Section R below) specified in such demand shall thereby become due and payable no later than five (5) Banking Days from the date of the demand. After such demand, STUSCO may withhold performance until such Adequate Assurance of Performance shall have been received by it.

Any cost, expense, or charges associated with any letter of credit procured pursuant to this Section shall be for the account of the Party providing the letter of credit."

H. Liquidation: Section H is deleted in its entirety and replaced with the following new section:

"(1) For purposes of this Agreement, an event of default ("Event of Default") shall mean with respect to a Party or, the guarantor of such Party, if any, any of the following: (a) the failure by such Party or its guarantor, if any, to make, when due, any payment required under this Agreement, or any guaranty given in support of this Agreement, if such failure is not remedied within five (5) Banking Days after receipt of written notice; (b) the failure by such Party to provide Adequate Assurance of Performance when due, if such failure is not cured within five (5) Banking Days after receipt of written notice; or (c) the occurrence of an Insolvency Event.

(2) If an Event of Default occurs and is continuing, the non-defaulting Party may, without limiting any other rights and remedies that may be available to the non-defaulting Party under this Agreement or otherwise, (a) offset all or any portion of any amounts owed by the defaulting Party to the non-defaulting Party against any amounts owed by the non-defaulting Party to the defaulting Party, (b) apply any prepayments made, or Adequate Assurance of Performance posted, by the defaulting Party to the non-defaulting Party against any amounts that are owed to the non-defaulting Party, (c) if the nondefaulting Party is the Seller, suspend deliveries until all amounts due for all previous deliveries to the defaulting Party have been paid in full; provided, however, to the extent the non-defaulting Party sustains damages related to the suspension of deliveries, the defaulting Party shall pay such damages to the non-defaulting Party, (d) place the defaulting Party on a pre-pay basis, if the defaulting Party is the Buyer, and/or (e) terminate this Agreement pursuant to Section H(5) or terminate all Transactions pursuant to Section H(3), as applicable.

(3) If an Insolvency Event occurs and is continuing, the non-defaulting Party ("Liquidating Party") may, by written notice to the defaulting Party, designate a day no earlier than the day such notice is effective and no later than twenty (20) days after such notice is effective as an early termination date ("Early Termination Date"). On the Early Termination Date, all transactions between the Parties for the purchase and sale of all crude oil, whether governed by these General Provisions or otherwise, including the Transactions, shall be terminated except as provided herein ("Terminated Transactions"). If an Early Termination Date has been designated, the Liquidating Party shall in good faith calculate the Settlement Amount of all Terminated Transactions as of the Early Termination Date (or as soon thereafter as reasonably practicable). The Liquidating Party shall aggregate all amounts due between the Parties into a single net amount (the "Termination Payment") by aggregating or setting off, as appropriate, (i) the Settlement Amount for each Terminated Transaction, (ii) all Unpaid Amounts owed to the Liquidating Party, and (iii) all Unpaid Amounts owed to the defaulting Party; provided, however, if the net of the Settlement Amounts for all such Terminated Transactions would be an amount owing to the defaulting Party, then such net amount shall be zero (0) for purposes of determining

the Termination Payment. The Liquidating Party shall notify the defaulting Party in writing of the amount of the Termination Payment due from the defaulting Party, along with reasonable detail regarding the calculation of such amount. The defaulting Party shall pay the Termination Payment to the Liquidating Party within two (2) Banking Days after receipt of such notice, with interest (as provided in Section F) from the Early Termination Date until paid. If an Early Termination Date is designated, the Liquidating Party shall be entitled, in its sole discretion, to set-off any amount payable by the Liquidating Party or any of its Affiliates to the defaulting Party under this Agreement or otherwise, against any amounts payable by the defaulting Party to the Liquidating Party or any of its Affiliates under this Agreement or otherwise. The Liquidating Party shall also be entitled to apply any Adequate Assurance of Performance posted by the defaulting Party to the Liquidating Party or any of its Affiliates against any amounts owed to the Liquidating Party. This Section H(3) shall be in addition to any right of setoff or other rights and remedies to which any Party is otherwise entitled (whether under this Agreement, by operation of law, contract, normal business practice, or otherwise). If an obligation is unascertained, the Liquidating Party may in good faith estimate that obligation and set-off in respect of the estimate, subject to the Liquidating Party accounting to the defaulting Party when the obligation is ascertained.

(4) The Parties acknowledge and agree that this Agreement is a “Forward Contract” as defined in the Bankruptcy Code and that each Party is a “Forward Contract Merchant” as defined the Bankruptcy Code.

(5) Notwithstanding anything to the contrary contained in this Agreement, if an Event of Default (other than an Insolvency Event) occurs and has not been remedied pursuant to Section H (1), the non-defaulting Party shall be entitled to terminate this Agreement, whereupon the non-defaulting Party shall have all remedies that may be available to it under this Agreement or by Law.”

M. Governing Law: Section M is deleted in its entirety and replaced with the following language:
“THIS AGREEMENT, AND ALL DISPUTES ARISING OUT OF OR IN CONNECTION WITH, ASSOCIATED WITH, OR RELATED THERETO SHALL BE GOVERNED BY, INTERPRETED, CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

EXCEPT AS PROVIDED IN SECTION 8 ‘CHANGE OF INDEX’ IN REGARD TO THE REPLACEMENT MARKET INDEX, BOTH PARTIES SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF TEXAS AND OF THE UNITED STATES OF AMERICA SITTING IN HOUSTON, TEXAS IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH, ASSOCIATED WITH, OR RELATED TO, THIS AGREEMENT. THE PARTIES HEREBY WAIVE ANY OBJECTION TO VENUE IN THE FOREGOING JURISDICTION AND ANY OBJECTION TO ANY ACTION OR PROCEEDING ON THE BASIS OF FORUM NON CONVENIENS. TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH PARTY HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY.”

P. Assignment: Section P is deleted in its entirety and replaced with the following language:
"This Agreement shall extend to and be binding upon the successors and assigns of the Parties, but neither this Agreement nor any part, including any rights, interests or obligations hereunder (unless expressly set forth herein), shall be assigned or transferred by either Party or by operation of law, merger or otherwise without the prior written consent of the other Party, which shall not be unreasonably withheld. Any assignment or transfer made by either Party without the other Party's written consent need not be recognized by and shall not be binding upon the other Party. Upon the making of any such assignment, unless otherwise agreed by the Parties, the assignor shall remain bound to perform or procure performance of the said obligations (as so accepted) by the assignee. For the purpose of this Agreement, a merger constitutes an assignment subject to this provision. Notwithstanding the foregoing, Seller may without Buyer's consent assign all or a portion of its rights to receive and obtain payment under this Agreement in connection with any finance, securitization or bank funding arrangements, always providing such assignment does not contravene any applicable law, regulation or decree binding upon Buyer. Any payment made by Buyer to the payee specified in Seller's invoice in respect of Crude Oil delivered under this Agreement shall be in full discharge of Buyer's payment obligations to Seller under this Agreement. Any such assignment will not detract from Seller's obligations under this Agreement."

R. Definitions: Section R is amended by adding the following definitions in their appropriate alphabetical order:
"Adequate Assurance of Performance" means either (i) an irrevocable stand-by letter of credit in a form and for a commercially-reasonable amount acceptable to Secured Party opened or confirmed by a "Qualified Institution" acceptable to Secured Party or (ii) cash or prepayment in immediately available funds in a commercially-reasonable amount acceptable to the Secured Party, at the option of the Party providing the Adequate Assurance.

"Affiliate" means, in relation to any person, an entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Banking Day" means a day other than a Saturday or Sunday when federal banks are open for business in New York, NY.

"Bankruptcy Code" means Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., as amended from time to time.

"General Provisions" means these Conoco General Provisions for Domestic Crude Oil Agreements dated January 1, 1993, as amended.

"Insolvency Event" means the Party or its guarantor (i) makes a general assignment for the benefit of its creditors, (ii) commences a proceeding under applicable bankruptcy law or other law for the relief of debtors, (iii) files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (iv) has a trustee, custodian, conservator, receiver or similar official appointed for it, or for a substantial part of its property; (v) becomes insolvent or is unable to pay its debts as they become due; or (vi) becomes subject to any involuntary bankruptcy, reorganization, debt arrangement, or other proceeding under any applicable bankruptcy, insolvency or other similar law for the relief of debtors or any dissolution or liquidation proceeding is instituted against the Party or its guarantor.

"Qualified Institution" means (i) the U.S. office of a commercial bank or trust company (which is not an Affiliate of either Party) organized under the laws of the United States (or any state or political subdivision thereof), or (ii) the U.S. branch of a foreign bank (which is not an Affiliate of either Party), in each case having assets of at least ten billion dollars ($10,000,000,000), and having a credit rating of at least A- by Standard's & Poor's and at least A3 by Moody's.

"Settlement Amount" of a Terminated Transaction means the amount, as calculated by the Liquidating Party in a commercially reasonable manner, which the Liquidating Party would pay to or receive from a third party in an arm's-length transaction as consideration for the third party's entering into a new transaction (discounted to net present value as of the Early Termination Date) in which: (a) the Liquidating Party holds the same position as it currently holds in the subject Terminated Transaction; (b) the third party holds the same position as the Defaulting Party holds in the subject Terminated Transaction; and (c) the new transaction has economic terms and conditions substantially the same in all respects to the economic terms and conditions of the subject Terminated Transaction, unless otherwise provided in the Agreement; provided, however, that in making such determination, the Liquidating Party may consider, among other things, quotations from leading dealers in the relevant market, and/or its own internal valuation for such Terminated Transaction kept in the ordinary course of its business; provided, further, that nothing herein shall require the Liquidating Party to enter into any replacement Transactions for the Terminated Transactions. With respect to this transaction, when the Liquidating Party is STUSCO, the Settlement Amount shall be Magellan's Longhorn Spot tariff rate which is effective for transportation from Crane, TX to Houston Ship Channel, for the period of time for which the price is calculated for each barrel of Crude Oil left to be delivered under the Agreement as if the Agreement had not been terminated, which amount shall be due from the Defaulting Party.

"Transaction" means any purchase or sale of crude oils between the Parties that is evidenced by a written confirmation that incorporates the General Provisions.

"Unpaid Amounts" means any unpaid amounts due and payable under this Agreement and all Terminated Transactions, whether due prior to or after any Early Termination Date (but excluding any Settlement Amounts), including but not limited to attorneys' fees and other expenses payable, as well as any other amounts due and payable by the Defaulting Party to the Liquidating Party."

Insert a new section (Section 5) as follows:
"**S. Liabilities:** In no event shall Seller or Buyer be liable for consequential, incidental, punitive, special, exemplary or indirect damages, or lost profits, provided, however, that the

Parties agree that any Deficiency Payments owed hereunder shall not be considered a consequential, incidental, punitive, special, exemplary or indirect damage, or lost profit, for purposes hereof."

Insert a new section (Section T) as follows:
"**T. Export Controls:** The Parties acknowledge that they will comply in all respects with U.S. laws, regulations and administrative requirements applicable to this Agreement concerning any export or reexport of the Crude Oil, including, but not limited to, the International Traffic in Arms Regulations, the Export Administration Regulations, the Foreign Trade Regulations and the regulations and orders issued and/or administered by the U.S. Department Of The Treasury, Office Of Foreign Assets Control in relation to export control, antiboycott and trade sanctions matters ("US Export Control Laws and Regulations").

Notwithstanding any other provisions herein, this Agreement does not constitute an agreement by either Party or any of its affiliates to which this Agreement is assigned to comply with any provisions in this Agreement that are inconsistent with U.S. Export Control Laws and Regulations. This Agreement does not constitute, and shall not be construed to constitute, an agreement by either Party to take or refrain from taking any action which would constitute non-compliance with any laws, regulations or other official government rules or requirements applicable to such Party which relate to export control, antiboycott or trade sanctions matters."

Shell Trading (US) Company		Windsor Permian LLC	
By:	/s/ John Dimech	By:	/s/ Travis D. Stice
Title:	V.P. STUSCO	Title:	Pres & CEO
Date:	2 May 2012	Date:	5/24/12

For information, the following are STUSCO contact points:

CONTRACTUAL CONTACT:

NAME:	Tina Jones
TELEPHONE NO:	713-230-1843
FAX NO:	713-246-8531

CREDIT CONTACTS:

Name:	Glen Ginsel	Don Gormley	Kristy Brewster
Tel. No:	713-230-4004	713-230-7598	713-230-4978
Fax No:	713-230-7925	713-230-7925	713-230-7925

MSDS CONTACT:

Name:	STUSCO HSE Administrator
Address:	Plaza Level 1,909 Fannin, Houston TX 77010
Tel. No:	713-230-7855
Email:	HSE-Shell-Trading-NA@SHELL.com

INVOICING CONTACT:

Name: Ken Currens
Tel. No: 713-230-3410
Fax No: 713-230-5150
Email: ken.currens@shell.com

Attachment A:
Lease Attachment

Lease Delivery Point	Effective Dat	Header	Lease #	Property Name	County	State	Dec	Pay Code	Tax Stat	Lease Gathering Fee Crane	Crane PLA	Midland	Midland PLA	Approximate Initial Volume
into Buyers designated pipeline (Reliance)	1/1/2013	0	tbd	Spainish Trail	Ector	TX	1	DA	A	*-1.25	actual	*-0.85	actual	6000
into Buyers designated trucks	1/1/2013	0	tbd	Bloxom Area	Upton	TX	1	DA	A	-3.25	n/a	-3.75	n/a	750
										*Based on Reliance gathering agreement.				

Rights to Adjust Fees and Delivery

Buyer reserves the right to modify the lease gathering fee of this contract following published increase or decrease in common carrier pipeline tariffs.

Buyer also reserves the right to modify the lease gathering fee of this contract following increase or decrease in privately-owned pipeline tariffs or truck rates. Buyer also reserves the right to modify the lease gathering fee of this contract should lease gathering (truck or pipeline) changes be required to gather Sellers oil. Price adjustments will be made on the effective date of the tariff change. Price adjustments will be made to reflect the difference between the old and new rates. Buyer also reserves the right to modify the price of this contract subject to material changes in crude quality.

Buyer also reserves the right to cap total volume delivered to Shell at the lease, however, this cap shall in no way limit Sellers ability to deliver contract quantity. Buyer and Seller may from time to time add or remove leases or locations to this contract by mutual agreement in order to maintain contract quantity or quality.

ATTACHMENT B

C2-C5 Adjustment Example			**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**						
C2-C5 threshold	%		6%	6%	6%	6%						
C2-C5 % of the delivered crude	%		5%	7%	8%	9%						
Argus LLS	$/bbl		$ 125.00	$ 125.00	$ 125.00	$ 125.00						
OPIS Mt. Belvieu propane/butane/nat gas average	$/gal		$ 1.83	$ 1.83	$ 1.83	$ 1.83						
OPIS Mt. Belvieu	$/bbl		$ 76.86	$ 76.86	$ 76.86	$ 76.86						
C2-C5 Adjustment	$/bbl		$ —	$ 0.51	$ 1.02	$ 1.54						
Escalation Example	**Assumptions for Illustrative Purposes**			**Year**	**Year**	**Year**	**Year**	**Year**	**Year**	**Year**	**Year**	**Year**
			Time 0	0.5	1	1.5	2	2.5	3	3.5	4	4.5
	Annual Magellan spot tariff		2.36		2.40		2.55		2.5		2.45	
	PPI-IT	215.5			220		223		230		225	
	MDO Index		3.11	3.15	3.30	3.50	3.25	3.05	3.30	3.40	3.50	3.65
LLS Price Adjustment				**Year**	**Year**	**Year**	**Year**	**Year**	**Year**	**Year**	**Year**	**Year**
			Time 0	0.5	1	1.5	2	2.5	3	3.5	4	4.5
Fixed 1% Annual Escalation		$ 6.80	$ 6.80	$ 6.80	$ 6.87	$ 6.96	$7.03	$7.21	$ 7.28	$7.31	$ 7.39	$7.28
Annual Magellan spot tariff			$ —		$ 0.04		$0.15		-$0.05		-$0.05	
Subtotal before Marine Adj.			$ 6.80		$ 6.91		$7.18		$ 7.23		$ 7.34	
PPI-IT		35%	$ —		$ 0.05		$0.03		$ 0.08		-$0.06	
Subtotal before Marine Fuel Adj.			$ —	$ 6.80	$ 6.96	$ 6.96	$7.21	$7.21	$ 7.31	$7.31	$ 7.28	$7.28
MDO Index			$ —	$ 0.08	$ 0.08	$ 0.16	$0.08	$0.00	$ 0.08	$0.16	$ 0.16	$0.24
Total LLS Price Adjustment				$ 6.88	$ 7.04	$ 7.12	$7.29	$7.21	$ 7.39	$7.47	$ 7.44	$7.52

Windsor Permian, LLC
14301 Caliber Drive, Suite 300
Oklahoma City, Oklahoma 73134

As of January 1, 2012

Travis Stice
4906 Rustic Trail
Midland, TX 79707

Dear Mr. Stice:

Windsor Permian, LLC, a Delaware limited liability company (the "**Company**"), hereby agrees to employ you and you hereby agree to accept such employment under the terms and conditions of this employment agreement, which amends and restates your employment agreement dated as of April 1, 2011:

1. **Term of Employment**. Except for earlier termination as provided in Section 9 below, your employment with the Company shall be for a term commencing as of April 18, 2011 (the "**Effective Date**") and terminating on the third (3rd) anniversary of the Effective Date. The period of time between the Effective Date and the third (3rd) anniversary of the Effective Date shall be referred to herein as the "**Term**."

2. **Compensation**.

(a) During the Term, you shall be compensated for all services rendered by you under this agreement at the rate of $300,000 per annum (the "**Base Salary**"). The Base Salary shall be payable in such manner as is consistent with the Company's payroll practices for executive employees.

(b) During the Term, you shall be eligible to receive an annual bonus in accordance with the Company's bonus policy to be established by the Manager of the Company if a limited liability company or Board of Directors of the Company if a corporation (the "**Board**") from time to time (the "**Annual Bonus**"). The Annual Bonus shall be determined by the Board based upon your achievement of performance goals as determined by the Board for each fiscal year of the Company. You shall be eligible to receive a target Annual Bonus of $300,000 upon achievement of your performance goals. You shall receive a minimum Annual Bonus of $200,000 and be eligible to receive an Annual Bonus of up to $400,000 based upon your achievement of stretch goals as determined by the Board. The Annual Bonus shall be paid within fifteen (15) business days after (i) completion and release of the audited financial statements for the applicable fiscal year or (ii) the close and approval by the Board of the Company's books for the applicable fiscal year if the Board determines that an audit is not required.

(c) The Company hereby grants to you the option to acquire a one percent (1%) membership interest in the Company for the total amount of $3,600,000.00, (the "**Purchase Option**"). If the Company sells a portion of its oil and gas properties before you exercise the Purchase Option, the exercise price will be reduced by an amount equal to one percent (1%) of the net proceeds from such sale(s). In order to exercise the Purchase Option, you shall give the Board written notice of your desire to acquire a one percent (1%) membership interest in the Company, which notice shall be given on or before the earlier of (i) the fifth (5^{th}) anniversary date of the Effective Date; and (ii) the termination of your employment (the "**Expiration Date**"). If you fail to notify the Board in writing on or before the Expiration Date, then the Purchase Option shall terminate and you shall have no further right to acquire a membership interest in the Company. In the event such Expiration Date is due to provision 2(c)(ii) above and the Company does not complete the initial public offering within 365 days from the date of such initial filing, the Purchase Option shall then again be available to you subject to the terms and conditions hereof. In the event the Purchase Option is exercised by you, the Company and you, within ten (10) days from the day the Purchase Option is exercised, shall enter into a definitive acquisition agreement containing typical terms of a transaction of this type, which shall also provide for a closing within fifteen (15) days from the day the Purchase Option is exercised and a company agreement containing restrictions on transfer, drag-along rights, capital calls, dilution and such other terms as the Company may require. The Purchase Option shall vest in four (4) equal amounts commencing on the anniversary date of the Effective Date following such grant and each of the next following three (3) anniversary dates of the Effective Date. In the event more than fifty percent (50%) of the membership interests or stock in the Company is owned by one or more third parties other than a Wexford Party (defined below), then the Purchase Option shall vest immediately. If you exercise the Purchase Option you will not be eligible for the Stock Option defined below.

(d) It is currently contemplated that the Company will participate in an initial public offering (the "**IPO**"). The IPO will be accomplished through the sale of common stock of a new Delaware corporation formed for that purpose ("**Diamondback**"), and an affiliate of the Company, pursuant to a registration statement filed with and declared effective by the United States Securities and Exchange Commission. Prior to the completion of the IPO, all of the membership interests in the Company will be contributed to Diamondback in exchange for common stock of Diamondback (the "**Contribution**") and the Company will become a wholly-owned subsidiary of Diamondback. If the Contribution occurs, your Company Option to acquire membership interests of the Company will be canceled and your rights to acquire membership interests in the Company and all your rights under the Company Option will terminate. If you continue to be employed at the time of the Contribution, you will be entitled to receive the following: (i) a cash bonus in the amount of $1,000,000.00 (the "**Transaction Bonus**"), less applicable tax withholdings, of which two-thirds will be payable at the time of the IPO and one-third will be payable upon the first anniversary of the closing of the IPO if you are still employed by the Company or if you were terminated by the Company prior to that date other than for "Cause" as defined in Section 9(b); (ii) the grant of Restricted Stock Units (the "**RSU Award**") in an amount equal to $1,000,000.00 divided by the initial price per share of the common stock to the public in the IPO (the "**IPO Price**"), rounded up or down to the closest whole number of Restricted Stock Units, upon the terms and subject to the conditions set forth in the Diamondback Energy, Inc. 2012 Equity Incentive Plan (the "**Plan**") and the RSU award agreement granted under the Plan, including the vesting commencement and vesting schedule date applicable to the Company Option (provided that the first settlement date on which vested shares will be transferred to you will not be earlier than the expiration of any lock-up agreements entered into in connection with the IPO); and (iii) the grant of an option to purchase 300,000 shares of Diamondback common stock (the "**Diamondback Option**") upon the terms and subject to the conditions set forth in the Plan. The Diamondback Option will be granted effective as of the date of the Contribution, will have an exercise price equal to the fair market value of the Diamondback common stock on the grant date (which will be the IPO Price) and will be exercisable in accordance with the vesting commencement and vesting schedule date applicable to the Company Option. In order to exercise any vested portion of the Diamondback Option, you shall give the Board written notice of your desire to exercise the Diamondback Option on or before the Expiration Date in the manner specified in the Plan and the option agreement. Payment of the Transaction Bonus and delivery of the RSU Award and the Diamondback Option are intended to occur promptly after the closing of the IPO, but in no event later than thirty (30) days after the closing of the IPO.

(e) During the Term, you shall be paid a monthly vehicle allowance in the amount of $900.

3. **Duties**.

(a) You shall serve as President and Chief Operating Officer of the Company, shall be subject to the general supervision and control of the Board and/or such other officers or individuals as it may designate, and shall provide such services customarily expected of such office and as may be reasonably requested by the Board (or its designee) from time to time. Your principal office shall be located in Midland, Texas.

(b) During the Term, you shall devote your full business time, energies and attention to the business and affairs of the Company, and its subsidiaries (collectively, the "**Windsor Group**" or the "**Windsor Companies**" and each of them, individually, a "**Windsor Company**"), and you shall not be engaged in any other business activities; provided, however, that you shall be permitted to engage in such charitable activities and other limited business activities as both do not interfere with the performance of your duties under this agreement and are approved in writing by the Board.

(c) You shall: (i) provide services hereunder to the best of your skills or ability and in an efficient manner and devote such time and effort to the business and affairs of the Company as necessary or advisable to perform your duties hereunder; (ii) act in a manner which you in good faith believe is in the best interests of the Company; (iii) implement any business plan adopted by the Company and then in effect; (iv) perform your duties hereunder in good faith; (v) keep the Company reasonably informed on all matters that are material to the Company; (vi) be subject to, and comply with, the Company's and the Windsor Group's rules, practices and policies applicable to executive employees as reflected in the employee handbook, codes of conduct, compliance policies or otherwise; and (vii) cause the Company to comply with all applicable laws and regulations and monitor the development, maintenance, operation and management of the business of the Company to ensure such development, maintenance, operation and management complies with all applicable laws.

4. **Benefits**. You shall be entitled to twenty-five (25) paid vacation days per annum. You also shall have the benefit of such life and medical insurance plans and other similar plans as the Windsor Group may have or may establish from time to time for its executive employees generally, subject to satisfaction of applicable eligibility requirements. The foregoing, however, shall not be construed to require any Windsor Company to establish any such plans or to prevent any Windsor Company from modifying or terminating any such plans, and no such action or failure thereof shall affect this agreement.

5. **Expenses**. The Company shall reimburse you, in accordance with Company policy, for reasonable expenses incurred by you in the ordinary course in connection with the business of the Windsor Group upon the presentation by you of appropriate substantiation for such expenses. All expenses or other reimbursements under this agreement shall be made in accordance with the Company's policies.

6. **Restrictive Covenants**.

(a) Subject to Section 6(b) below, from the date hereof until the termination of your employment with, engagement as a consultant of, or other affiliation with, any Windsor Company, and for a period ending on the later of six (6) months thereafter (such period, the "**Restricted Period**"), you shall not, nor shall any of your affiliates, without the written consent of the Board, at any time or in any manner, either directly or indirectly, become associated with, render services to, invest in, represent, advise or otherwise participate as an officer, employee, director, stockholder, partner, member, agent of or consultant for any business or organization that engages or participates in the Restricted Business; provided, however, that nothing herein shall prevent you from acquiring up to two percent (2%) of the securities of any company listed on a national securities exchange or quoted on the NASDAQ quotation system, provided your involvement with any such company is solely that of a passive stockholder. For purposes of this agreement, "**Restricted Business**" means the oil and gas exploration and production business in Texas, Oklahoma and New Mexico and each other area, location or field in which the Windsor Companies conduct business, and any other business or operation that is in competition with any business or operations under consideration or in development by any Windsor Company before the termination of your employment with, engagement as a consultant of, or other affiliation with, any Windsor Company or any subsidiary of a Windsor Company.

(b) The parties hereto intend that the covenant contained in this Section 6 shall be deemed a series of separate covenants for each state, county and city in which the Windsor Group's business is conducted or is preparing to be conducted. If, in any judicial proceeding, a court shall refuse to enforce all of the separate covenants deemed included in this Section 6 because, taken together, they cover too extensive a geographic area, the parties intend that those covenants (taken in order of the states, counties and cities therein which are least populous), which if eliminated would permit the remaining separate covenants to be enforced in such proceeding, shall, for the purpose of such proceeding, be deemed eliminated from the provisions of this Section 6.

7. **Confidentiality, Non-Interference, Proprietary Information and Non-Solicitation**.

(a) **Confidentiality**. In the course of your employment by the Windsor Companies, you have had, and/or shall have, access to confidential or proprietary data or information of the Windsor Group, Wexford Capital LP ("**Wexford**"), any affiliates of the foregoing, the investment funds and managed accounts for which Wexford or its affiliates serves as general partner or acts as investment manager (the "**Funds**"), entities managed by Wexford or served by the Windsor Group, including without limitation entities in which the Funds have invested, directly or indirectly and their respective businesses (collectively the "**Wexford Parties**" and each of them individually, a "**Wexford Party**"). You shall not at any time divulge or communicate to any person (which term, for purposes of this agreement, includes both persons or entities) nor shall you direct any Windsor Group employee to divulge or communicate to any person (other than to a person bound by confidentiality obligations similar to those contained herein and other than as necessary in performing your duties hereunder), or use to the detriment of the Wexford Parties or for the benefit of any other person, any of such data or information. No business conducted by you or any organization of which you, directly or indirectly, are an owner, partner, manager, joint venturer, director, officer, manager or otherwise a participant in or connected with in any locality, state or country in which the Wexford Parties conduct business shall use any name, designation or logo which is substantially similar to that presently used by any Wexford Party. The term "confidential or proprietary data or information" as used in this agreement shall mean information not generally available to the public or generally known within the applicable Wexford Party's industry, including, without limitation, personnel information, financial information, customer lists or contacts, supplier lists, strategy and plans, information regarding operations, systems, services, know-how, computer and any other processed or collated data, trade secrets (including, without limitation, software), computer programs, pricing, marketing and advertising data.

(b) **Non-Interference**. You agree that, during the Restricted Period, you shall not, at any time or in any manner, either directly or indirectly, for your own account or for the account of any other person, interfere with any Wexford Party's relationship with any of its employees, suppliers or regulators.

(c) **Proprietary Information and Disclosure**. You agree that you shall at all times promptly disclose to the Company, in such form and manner as the Company may require, any inventions, improvements or procedural or methodological innovations, program methods, forms, systems, services, designs, marketing ideas, products or processes (whether or not capable of being trademarked, copyrighted or patented) conceived or developed or created by you during or in connection with your employment hereunder and which relate to the business of any Wexford Party ("**Intellectual Property**"). You agree that all such Intellectual Property constitutes a work-for-hire and shall be the sole property of the applicable Wexford Party. You further agree that you shall execute such instruments and perform such acts as may be requested by the Company to transfer to and perfect in the entity designated by the Company all legally protectable rights in such Intellectual Property.

(d) **Return of Property**. All materials, records and documents in any medium made by you or coming into your possession during your employment concerning any products, processes or services, manufactured, used, developed, investigated, provided or considered by any Wexford Party or otherwise concerning the business or affairs of the Wexford Parties, shall be the sole property of the applicable Wexford Party, and upon termination of your employment, or upon request of the Company during your employment, you shall promptly deliver the same to the Wexford Party designated by the Company. In addition, upon termination of your employment, or upon request of the Company during your employment, you shall deliver to the Wexford Party designated by the Company all other property of the Wexford Parties in your possession or under your control, including, but not limited to, financial statements, marketing and sales data, drawings, documents and electronic records.

(e) **No Solicitation of Customers**. Notwithstanding any other provision of this agreement, you agree that, during the Restricted Period, you shall not at any time or in any manner, on your own behalf, or on behalf of any other individual, sole proprietorship, business, firm, partnership, company, corporation or other entity other than the Company, directly solicit, or ask anyone else to solicit, the sale of goods, services or a combination of goods and services, which are the same or similar to those provided by the Windsor Group, from Established Customers. You further agree that for the same period, you will not in any way interfere or attempt to interfere with the Windsor Group's relationships with any of their Established Customers. "Established Customers" means a customer that the Windsor Group has actually done business with during the twelve (12) months preceding the date of termination of your employment with, engagement as a consultant of, or other affiliation with, any Windsor Company.

(f) **Non Solicitation of Employees**. Notwithstanding any other provision of this agreement, you agree that, during the Restricted Period, you shall not at any time or in any manner, either directly or indirectly, either on your behalf or on behalf of any person (other than the Windsor Group), solicit, divert or otherwise encourage or attempt to solicit, divert or otherwise encourage any officer or employees or agents of any Windsor Company to enter into any employment, consulting or advisory arrangement or contract with or to perform any services for or on your behalf or on behalf of any person (other than the Windsor Group), or to enter into any kind of business, including, without limitation, the business of any Windsor Company or any business similar to that of a Windsor Company, or hire any such officer or key employee or agent.

(g) **Non-Disparagement**. You agree not to make public statements, negative comments or otherwise disparage any Wexford Party or any Wexford Party's officers, directors, employees, agents, shareholders or other equity holders in any manner likely to be harmful to them or their business, business reputation or personal reputation. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

(h) **Cooperation**. Upon the receipt of reasonable notice from the Company (including outside counsel), you agree that while employed by any Windsor Company and thereafter, you shall provide reasonable assistance to any Wexford Party and their respective representatives in defense of any claims that may be made against any Wexford Party, and shall assist any Wexford Party in the prosecution of any claims that may be made by any Wexford

Party, to the extent that such claims relate to the period of your employment with a Windsor Company. You agree to promptly inform the Company if you become aware of any lawsuits involving such claims that may be filed or threatened against any Wexford Party. You also agree to promptly inform the Company (to the extent legally permitted to do so) if you are asked to assist in any investigation of any Wexford Party (or its actions), regardless of whether a lawsuit or other proceeding has then been filed against any Wexford Party with respect to such investigation. Upon presentation of appropriate documentation, the Company shall pay or reimburse you for all reasonable out-of-pocket expenses incurred by you in complying with this Section 7(h). If at the time of compliance you are no longer an employee, officer or director (or functional equivalent) of any Windsor Company, the Company shall provide a reasonable per diem to you.

8. **Interpretation, Enforcement and Construction**

(a) **Equitable Relief**. With respect to the covenants contained in Sections 6 and 7 of this agreement, you agree that any remedy at law for any breach of said covenants may be inadequate and that the Company shall be entitled to specific performance or any other mode of injunctive and/or other equitable relief to enforce its rights hereunder or any other relief a court might award. In the event of a violation by you of Section 6 or Section 7 hereof, any compensation being paid to you pursuant to this agreement or otherwise shall immediately cease, and any Base Salary previously paid to you after termination of your employment shall be immediately repaid to the Company. The amount of any earned Base Salary paid for the period prior to termination of your employment shall be retained by you.

(b) **Reformation.** The agreements made in Sections 6 and 7 are material inducements for you to enter into this agreement and the Company would not have made this agreement with you without such assurances. You understand and agree that the geographic area applicable to Section 6 is based on the nature of the products and services provided by the Windsor Group and the broad distribution of their customers, and that the limitations set forth therein are reasonable in geographic area and time and necessary for the protection of the Windsor Group and its goodwill. However, if any court shall determine that the time, geographic area or scope of activity of any restriction contained in Section 6 is unenforceable, it is our intention that such limitation set forth herein shall not be terminated but shall be amended to the extent required to render it valid and enforceable. A court hearing any such dispute is empowered and authorized by the parties to reform this agreement to the maximum time, scope or geographic limitations permitted by applicable law

9. **Earlier Termination**. Your employment shall terminate prior to the expiration of the Term on the following terms and conditions:

(a) **Death or Disability**. Your employment shall terminate automatically on the date of your death or immediately upon the Company's sending you a notice of termination for "**Disability**", which shall mean your inability to perform your duties hereunder for ninety (90) days (whether or not continuous) during any period of three hundred sixty-five (365) consecutive days by reason of physical or mental disability. Upon termination of your employment for death or Disability pursuant to this Section 9(a), the Company's sole obligation to you shall be, subject to your compliance with the provisions of Sections 6 and 7 hereof, to pay the amount of any earned but unpaid Base Salary for the period prior to the effective date of such termination and the prorated portion of the minimum Annual Bonus for the period of the applicable fiscal prior to the effective date of such termination.

(b) **Resignation; Cause**. Your employment shall terminate (x) no less than thirty (30) days after you send the Company written notice of such termination or (y) immediately upon the Company's sending you written notice terminating your employment hereunder for "**Cause,**" which shall mean (A) your willful and knowing refusal or failure (other than during periods of illness, physical or mental incapacity) to perform your duties in any material respect under this agreement; (B) your willful misconduct or gross negligence in the performance of your duties; (C) your material breach of this agreement, any other agreement entered into by you related to the Company or its affiliates, or any Company or WINDSOR Group policy (including any applicable code of conduct); (D) your breach of Sections 6 or 7 of this agreement; (E) your conviction of, entry of a guilty plea or a plea of *nolo contendere* to any criminal act that constitutes a felony or involves, fraud, dishonesty, or moral turpitude; (F) your indictment for any felony involving embezzlement or theft or fraud; (G) your filing of a voluntary petition in bankruptcy or your consent to an involuntary petition in bankruptcy (or your failure to vacate, within ninety (90) days of the entry thereof, any order approving an involuntary petition in bankruptcy) or the entry of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating you as bankrupt or insolvent or the appointment of a receiver, trustee, or liquidator of all or a substantial part of your assets, and such order, judgment or decree's continuing unstayed and in effect for any period of ninety (90) days; or (H) your failure to comply with any lawful directive of the Board after five (5) business days written notice to you. Upon termination of your employment pursuant to this Section 9(b), the Company shall have no obligations hereunder. If you terminate your employment pursuant to clause (x) of the preceding sentence, the Company shall be entitled to accelerate the effectiveness of the termination of your employment to whatever time and date as it shall designate in a writing to you in its sole discretion.

(c) **Without Cause**. Your employment shall terminate immediately upon the Company's sending you written notice terminating your employment hereunder (without Cause therefor having been given by you) for any reason or for no reason. Upon any such termination, the Company's sole obligation to you shall be, subject to your compliance with the provisions of Sections 6 and 7 hereof and executing a general release in a form as reasonably requested by the Company, to pay you at a per annum rate equal to your Base Salary in effect at the time of such termination for a period equal to the Term and the prorated portion of the minimum Annual Bonus for the period of the applicable fiscal year prior to the effective date of such termination, which shall be paid as and when such amounts would have been due had your employment continued. Payments provided in this Section 9(c) shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Company or its affiliates or under the WARN Act or any similar state statute or regulation.

(d) **Continuation of Employment**. Any continued employment with the Company after the Term is "at-will", meaning you have the right at any time, and for any reason or not, to terminate your employment with or without notice, and the Company has the same right. You understand and agree the Company shall not be obligated to continue your employment prior to the expiration of the Term. Any continuation of employment after the Term shall be on such terms and conditions as the Company shall then offer.

(e) **No Other Obligation**. Except as specifically set forth in Section 9(c) above, upon termination of your employment under this agreement, the Company's obligations hereunder shall cease and neither the Company nor, for the avoidance of doubt, any other Windsor Company, shall have any further obligations to you whatsoever.

10. **Representation and Warranty**. You represent that you do not have any contractual or other obligations that would conflict with your employment by the Company. In particular, you represent that you are not bound by any agreement, understanding or other obligation with or to any person or entity (including, without limitation, any confidentiality, non-competition or non-solicitation agreement) that prohibits you from accepting or continuing your employment by the Company and fully performing all of your duties for the Company. You also acknowledge that it is the Company's policy to respect the legal rights of others to protect their confidential information. You therefore represent that you have not taken or retained any confidential information (or other property) belonging to a prior employer and shall not use or disclose any such confidential information in connection with your work for the Company. Any inaccuracy of any of the statements set forth in this Section 10 shall constitute "Cause" for purposes of this agreement, in which event we would be entitled to terminate your employment under Section 9(b) above with the effect set forth therein.

11. **Dealings with Related Parties**. You shall not engage in any dealings on behalf of any Windsor Company with any party in which you or any person or entity affiliated with you, or members of your or their respective immediate families, has a financial interest, without first disclosing same to the Company in a writing specifically describing the nature of the interest and obtaining the Company's prior written approval.

12. **Entire Agreement; Modification**. This agreement constitutes the full and complete understanding of the parties with respect to your employment arrangements with the Company and any of its affiliates and shall, on the Effective Date, supersede all prior agreements and writings between you, on the one hand, and the Company or any other Windsor Company (or any of their respective predecessors), on the other hand, with respect to your employment arrangements with the Company or any of its affiliates (the "**Prior Agreements**"). You and the Company hereby respectively release each other and the Company's affiliates, effective as of the Effective Date, from all obligations to the other party under the Prior Agreements. No representations, inducements, promises, agreements or understandings, oral or otherwise, have been made by either party to this agreement, or anyone acting on behalf of either party, which are not set forth herein, and any others are specifically waived. This agreement may not be amended or modified in any manner nor may any of its provisions be waived except by written amendment executed by the parties. A waiver, modification or amendment by a party shall only be effective if (a) it is in writing and signed by the parties, (b) it specifically refers to this agreement and (c) it specifically states that the party, as the case may be, is waiving, modifying or amending its rights hereunder. Any such amendment, modification or waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

13. **Severability**. The terms and provisions of this agreement shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of any one or more of the other provisions hereof. In the event any term or provision of this agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, shall be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this agreement or affecting the validity or enforceability of any of the terms or provisions of this agreement in any other jurisdiction and the parties agree the conflicting term or provision shall be modified to conform.

14. **Notices**. All notices and other communications given or made pursuant to this agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient’s next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt, if to you, to your residence as listed in the Company’s records, and if to the Company, c/o Wexford Capital LP, 411 West Putnam Avenue, Greenwich, Connecticut 06830, attention of General Counsel, with a copy to Windsor Energy, Inc., 14301 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134, attention of General Counsel.

15. **Assignability; Binding Effect**. This agreement shall not be assignable by you without the written consent of the Board. This agreement shall be binding upon and inure to the benefit of you, your legal representatives, heirs and distributees, and shall be binding upon and inure to the benefit of the Company, its affiliates and their respective successors and assigns, including, without limitation, any successor or assign by merger or operation of law.

16. **Governing Law; Venue; Waiver of Trial by Jury**.

(a) This agreement and the rights of the parties hereunder shall be governed by, interpreted, and enforced in accordance with the internal laws of the State of Texas without giving effect to any choice of law or conflicts of law rules or provisions thereof.

(b) Each party irrevocably agrees that any action or proceeding involving any dispute or matter arising under this agreement may only be brought in the federal courts of the State of Texas, or if such court does not have jurisdiction or shall not accept jurisdiction, in any court of general jurisdiction in the State of Texas. All parties hereby irrevocably consent to the exclusive jurisdiction by any such court with respect to any such proceeding and hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than by failure to lawfully serve process, (ii) that it or its property is exempt or immune from the jurisdiction of any such court or from any legal process commenced in such courts, and (iii) to the fullest extent permitted by applicable law, that (x) the action or proceeding is brought in an inconvenient forum, (y) the venue of such action or proceeding is improper and (z) this agreement or the subject matter thereof may not be enforced in or by such courts.

(c) To the extent not prohibited by applicable law, each party to this agreement hereby waives, and covenants that it shall not assert (whether as plaintiff, defendant or otherwise), its respective right to a jury trial of any permitted claim or cause of action arising out of this agreement, any of the transactions contemplated hereby, or any dealings between any of the parties hereto relating to the subject matter of this agreement or any of the transactions contemplated hereby. The scope of this waiver and covenant is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this agreement or any of the transactions contemplated hereby, including, contract claims, tort claims and all other common law and statutory claims. This waiver and covenant is irrevocable and shall apply to any subsequent amendments, supplements or other modifications to this agreement.

17. **Prevailing Party Expenses**. In the event that litigation or other legal action is instituted between you and the Company or any of its affiliates to enforce the rights under this agreement, the successful party in such litigation or other legal action shall be entitled to reimbursement from the unsuccessful party in such litigation or other legal action of all reasonable fees, costs and expenses (including court costs and reasonable attorneys' fees) incurred by such successful party in connection with such litigation or other legal action.

18. **Third Party Beneficiaries**. Wexford and its successors and assigns, as an express third party beneficiary of this agreement, shall be entitled, in its sole and absolute discretion, to enforce any of the provisions hereof from time to time, including, but not limited to, enforcing the restrictions set forth in Sections 6 and 7 of this agreement.

19. **Titles and Subtitles.** The titles and subtitles used in this agreement are used for convenience only and are not to be considered in construing or interpreting this agreement.

20. **Counterparts; Facsimile.** This agreement may be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21. **Review of this Agreement.** You acknowledge that you have (a) carefully read this agreement, (b) consulted with independent counsel with respect to this agreement and (c) entered into this agreement of your own free will.

22. **Tax Matters; Code Section 409A Compliance.**

(a) **Deferred Compensation Exceptions**. Payments under this Agreement will be administered and interpreted to maximize the short-term deferral exception to and the involuntary separation pay exception under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (collectively "**Section 409A**"). The portion of any payment under this Agreement that is paid within the short-term deferral period (within the meaning of Code Section 409A and Treas. Regs. §1.409A-1(b)(4)) or that is paid within the involuntary separation pay safe harbor (as described in Code Section 409A and Treas. Regs. §1.409A-1(b)(9)(iii)) will not be treated as nonqualified deferred compensation and will not be aggregated with other nonqualified deferred compensation plans or payments.

(b) **Separate Payments and Payment Timing**. Any payment or installment made under this Agreement and any amount that is paid as a short-term deferral, within the meaning of Treas. Regs. §1.409A-1(b)(4), will be treated as separate payments. Employee will not, directly or indirectly, designate the taxable year of a payment made under this Agreement. Payment dates provided for in this Agreement will be deemed to incorporate grace periods that are treated as made upon a designated payment date within the meaning of Code Section 409A and Treas. Regs. §1.409A-3(d).

(c) **General 409A Provisions**. If for any reason, the short-term deferral or involuntary separation pay plan exception is inapplicable, payments and benefits payable to Employee under this Agreement are intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement will be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder (and any applicable transition relief under Section 409A of the Code). The Company does not guaranty or warrant the tax consequences of this Agreement and, except as specifically provided to the contrary in this Agreement, Employee will, in all cases, be liable for any taxes due as a result of this Agreement. Neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold you harmless from any or all such taxes, interest or penalties, or liability for any damages related thereto. Employee acknowledges that he has been advised to obtain independent legal, tax or other counsel in connection with Section 409A.

(i) If Employee or the Company determines that any payments or benefits payable under this Agreement intended to comply with Sections 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, Employee and the Company agree to amend this Agreement, or take such other actions as Employee and the Company deem reasonably necessary or appropriate, to comply with the requirements of Section 409A of the Code, the Treasury Regulations thereunder (and any applicable relief provisions) while preserving the economic agreement of the parties. If any provision of the Agreement would cause such payments or benefits to fail to so comply, such provision will not be effective and will be null and void with respect to such payments or benefits, and such provision will otherwise remain in full force and effect.

(ii) All payments considered nonqualified deferred compensation under Section 409A and the regulations thereunder will be made on the date(s) provided herein and no request to accelerate or defer any payment under this Section will be considered or approved for any reason whatsoever, except as permitted under Section 409A. The Base Salary continuation payments will commence on the first payroll date that is on or after the eighth day following receipt by the Company of Employee's executed release; provided, however, if the Base Salary continuation payments are deferred compensation subject to Code Section 409A and if the period during which Employee has discretion to execute or revoke the release straddles two taxable years of Employee, then the Company will commence the Base Salary continuation payments in the second of such taxable years. Notwithstanding the foregoing, subject to the release requirement, the Base Salary continuation payments will in all events be paid no later than 60 days following Executive's termination of employment, regardless of which taxable year Executive actually delivers the executed Release to the Company. Once such Base Salary continuation payments commence, the first installment thereof will include all amounts that would have been paid had such payments commenced on the first payroll date occurring on or after the termination of employment date. Executive may not, directly or indirectly, designate the calendar year of the commencement of any payment hereunder. Notwithstanding the foregoing, amounts payable hereunder which are not nonqualified deferred compensation, or which may be accelerated pursuant to Section 409A, such as distributions for applicable tax payments, may be accelerated, but not deferred, at the sole discretion of Company.

(iii) All references in this Agreement to termination of employment or termination mean Employee's "separation from service" as that term is defined in Section 1.409A-1(h) of the Treasury Regulations.

(iv) All reimbursements and in-kind benefits provided under this agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code, including that (i) in no event shall reimbursements by the Company under this agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided that you shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company is obligated to pay or provide in any given calendar year (other than medical reimbursements described in Treas. Reg. § 1.409A-3(i)(1)(iv)(B)) shall not affect the in-kind benefits that the Company is obligated to pay or provide in any other calendar year; (iii) your right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's obligations to make such reimbursements or to provide such in-kind benefits apply later than your remaining lifetime or, if longer, through the 20th anniversary of the Effective Date.

(d) **Specified Employee Status**. If Employee is a specified employee (within the meaning of Code Section 409A) on the date of his separation from service, any payments made with respect to such separation from service under this Agreement, and other payments or benefits under this Agreement that are subject to Section 409A of the Code, will be delayed in order to comply with Section 409A(a)(2)(B)(i) of the Code, and such payments or benefits will be paid or distributed to you during the five-day period commencing on the earlier of: (i) the expiration of the six-month period measured from the date of your separation from service, or (ii) the date of your death. Upon the expiration of the applicable six-month period under Section 409A(a)(2)(B)(i) of the Code, all payments deferred pursuant to this Section (e) will be paid to Employee (or Employee's estate, in the event of Employee's death) in a lump sum payment. Any remaining payments and benefits due under the Agreement will be paid as otherwise provided in the Agreement.

(e) **<u>Withholding Taxes</u>.** To the extent any payments under this Agreement are wages subject to income and employment tax withholding, the Company has the right to withhold or otherwise require Executive to pay to the Company the amount of any taxes that the Company may be required to withhold before delivery of such payment to Executive.

23. **<u>Background Verification.</u>** You hereby authorize the Company to conduct one or more Background Verifications prior to and during your actual employment. "**<u>Background Verification</u>**" includes, without limitation, information regarding your employment and other experience, educational background and any criminal, credit or regulatory history. You further authorize, without reservation, any law enforcement agency, administrator, court, governmental body, federal or provincial agency, institution, school or university (public or private), information service bureau, employer or insurance company contacted by the Company or any agent of the Company to furnish the information set forth in the preceding sentence as part of the employment application process. You hereby consent to and understand that the Company will only use the information collected for the purposes of (if and as applicable) establishing or continuing your employment, including without limitation, evaluating your employment application, determining employment eligibility under the Company's employment policies, assessing property and business risks to the Company, and otherwise as may be permitted or required by law. You authorize and consent to the release of records obtained through such checks to the authorized representatives of the Company or its agents, and to the Company's affiliates, for the purposes described above. You acknowledge and agree that any information relating to a Background Verification may be shared with any Wexford Party and stored on the respective servers.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

If this letter correctly sets forth our understanding, please sign the enclosed copy in the space provided below and return it to the Company, whereupon this shall constitute the employment agreement between you and the Company effective and for the term as stated herein.

Windsor Permian, LLC

Date: July 3, 2012

By: /s/ Steven E. West
Steve E. West
Vice President

Date: July 3, 2012

/s/ Travis Stice
Travis Stice

Exhibit 10.31

WINDSOR PERMIAN, LLC
JEFF WHITE EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "**Agreement**") is entered into as of January 1, 2012 by and between Windsor Permian, LLC, a Delaware limited liability company (the "**Company**"), and Jeff White ("**you**" or "**Employee**").

1. **Term of Employment**. Except for earlier termination as provided in Section 9 below, your employment under this Agreement shall be for a term (the "**Term**") commencing as of September 30, 2011 (the "**Effective Date**") and terminating on the third (3rd) anniversary of the Effective Date.

2. **Compensation**.

(a) During the Term, you shall be compensated for all services rendered by you under this Agreement at the rate of $220,000.00 per annum (the "**Base Salary**"). The Base Salary shall be payable in such manner as is consistent with the Company's payroll practices for executive employees and subject to the usual, required withholding.

(b) During the Term, you shall be eligible to receive an annual bonus in accordance with the Company's bonus policy as established by the Manager of the Company (as such term is defined in its limited liability company agreement) or Board of Directors of the Company, if constituted (the "**Board**") from time to time (the "**Annual Bonus**"). The Annual Bonus shall be determined by the Board based upon your achievement of performance goals as determined by the Board for each fiscal year of the Company. You shall be eligible to receive a target Annual Bonus of 50% of your Base Salary subject to your achievement of such performance goals. The Annual Bonus shall be paid within fifteen (15) business days after (i) completion and release of the audited financial statements for the applicable fiscal year or (ii) if the Board determines that an audit is not required, the close and approval by the Board of the Company's books for the applicable fiscal year; provided, however, you must still be employed by the Company on the payment date to receive the Annual Bonus. The Company shall have the right to condition the payment of any Bonus amounts on your execution of a document reasonably acceptable to the Company pursuant to which you confirm, ratify and agree that this Agreement and all of its provisions are valid and binding and are enforceable against you in accordance with their terms.

(c) On the Effective Date, you were granted an option to acquire a one half of one percent (0.5%) membership interest in the Company for an exercise price of $2,500,000.00 (or a *pro rata* portion thereof, for any partial exercise of such option) (the "**Company Option**"), subject to vesting and the other conditions set forth in this Section 2. If the Company sells all or a material portion of its oil and gas properties owned by the Company as of the Effective Date (the "**Assets**") before you exercise the Company Option, the exercise price will be reduced by an amount equal to one half of one percent (0.5%) of the net cash proceeds from such sale(s) but only to the extent that such net proceeds have actually been distributed to the holders of the Company's membership interests prior to the Contribution (as defined in Section 2(d) below) or to the stockholders of Diamondback (as defined below) after the Contribution (as defined below) (the "**Reduction Amount**"). However, in no event will the Reduction Amount exceed an amount that will cause the exercise price to be less than the fair market value of the membership interests subject to the Company Option on the date the Reduction Amount becomes applicable. In order to exercise any vested portion of the Company Option, you will give the Board written notice of your desire to exercise same on or before the earlier of (i) the fifth (5^{th}) anniversary date of the Effective Date and (ii) the termination of your employment with the Company for any reason or no reason other than your death, Disability or No Cause Termination (each as defined below) (the "**Expiration Date**"); provided, however, that your right to exercise the Company Option shall be suspended commencing on the date a registration statement relating to an IPO (as defined below) is filed with the Securities and Exchange Commission and such suspension shall continue until the earliest of: (x) December 31, 2013, (y) the date the registration statement is withdrawn and (z) the date a definitive agreement for the sale of the Company or all or substantially all of its assets is entered into (the "**Exercise Suspension Period**"). In the event your employment with the Company terminates on account of your death, Disability or No Cause Termination, the Expiration Date will be the earlier of the fifth (5^{th}) anniversary date of the Effective Date or the 90^{th} day following your death, Disability or No Cause Termination; provided, however, if the period of time between your death, Disability or No Cause Termination and the Expiration date at all times is subject to Exercise Suspension Period, the Expiration Date will be the earlier of the fifth (5^{th}) anniversary date of the Effective Date or the 30^{th} day following the end of the Exercise Suspension Period. If you fail to notify the Board in writing on or before the Expiration Date of your desire to exercise the Company Option, then the Company Option shall terminate and you shall have no further right to acquire membership interests in the Company under this Section 2(c). The Company Option shall vest in four (4) equal amounts on the first four anniversary dates of the Effective Date, subject to your continued employment on each such date; provided that if your employment terminates for any reason other than your death, Disability or No Cause Termination, the Company Option shall cease vesting as of the date of such termination, and any unvested portion of the Company Option shall immediately be forfeited and become void. In the event you exercise the Company Option, then within ten (10) days of such exercise you shall enter into a definitive acquisition agreement with the Company containing typical terms of a transaction of this type, which shall also provide for a closing within fifteen (15) days of such exercise, and an agreement containing, for example, restrictions on transfer, drag-along rights, capital calls, dilution and such other terms as the Company may require in its discretion. In the event that either (i) more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities is controlled by one or more parties that are not either a Wexford Party (defined below), any employee benefit plan sponsored or maintained by a Wexford Party, any employee or group of persons including an employee of a Wexford Party or an underwriter temporarily holding securities pursuant to an offering of securities and there is either (a) a material diminution in your position, duties, or authority or (b) your required relocation by the Company to a location that is outside a 50-mile radius of Midland, Texas (an "**Option Event**") or (ii) your death, Disability or No Cause Termination, then the Company Option shall vest immediately. Notwithstanding anything to the contrary herein, if you exercise all or part of the Company Option under this Section 2(c), you will not be eligible to receive a Diamondback Option (as defined below) in substitution of such exercised Company Option or portion thereof.

(d) It is currently contemplated that the Company will participate in an initial public offering (the "**IPO**"). The IPO will be accomplished through the sale of common stock of a new Delaware corporation formed for that purpose ("**Diamondback**"), and an affiliate of the

Company, pursuant to a registration statement filed with and declared effective by the United States Securities and Exchange Commission. Prior to the completion of the IPO, all of the membership interests in the Company will be contributed to Diamondback in exchange for common stock of Diamondback (the "**Contribution**") and the Company will become a wholly-owned subsidiary of Diamondback. If the Contribution occurs, your Company Option to acquire membership interests of the Company will be canceled and your rights to acquire membership interests in the Company and all your rights under the Company Option will terminate. If you continue to be employed at the time of the Contribution, you will be entitled to receive the following: (i) a cash bonus in the amount of $350,000.00 (the "**Transaction Bonus**"), less applicable tax withholdings; (ii) the grant of Restricted Stock Units (the "**RSU Award**") in an amount equal to $600,000.00 divided by the initial price per share of the common stock to the public in the IPO (the "**IPO Price**"), rounded up or down to the closest whole number of Restricted Stock Units, upon the terms and subject to the conditions set forth in the Diamondback Energy, Inc. 2012 Equity Incentive Plan (the "**Plan**") and the RSU award agreement granted under the Plan, including the vesting commencement date and the vesting schedule, including the Option Event and other vesting events, applicable to the Company Option (provided that the first settlement date on which vested shares will be transferred to you will not be earlier than the expiration of any lock-up agreements entered into in connection with the IPO); (iii) the Stock Award set forth in Section 2(f); and (iv) the grant of an option to purchase 100,000 shares of Diamondback common stock (the "**Diamondback Option**") upon the terms and subject to the conditions set forth in the Plan. The Diamondback Option will be granted effective as of the date of the Contribution, will have an exercise price equal to the fair market value of the Diamondback common stock on the grant date (which will be the IPO Price) and will be exercisable in accordance with the vesting commencement date and the vesting schedule, including the Option Event and other vesting events, applicable to the Company Option. In order to exercise any vested portion of the Diamondback Option, you shall give the Board written notice of your desire to exercise the Diamondback Option on or before the Expiration Date in the manner specified in the Plan and the option agreement. Payment of the Transaction Bonus and the delivery of the RSU Award, the Stock Award and the Diamondback Option are intended to occur promptly after the closing of the IPO, but in no event later than thirty (30) days after the closing of the IPO.

(e) You hereby acknowledge that you received a signing bonus of $85,000.00 that was paid within 15 days of the Effective Date.

(f) Upon an IPO that occurs within one year from the Effective Date you will receive shares of Diamondback common stock in an amount equal to $170,000.00 divided by the IPO Price, rounded up or down to the closest whole number of shares (the "**Stock Award**"). In the event an IPO is not completed within one year from the Effective Date, you will receive a cash bonus of $170,000.00 in lieu of the Stock Award referenced in the prior sentence, provided you continue to be employed by the Company or an affiliate on the one year anniversary of the Effective Date.

3. **Duties**.

(a) You shall serve as Vice President – Operations of the Company, shall be subject to the general supervision and control of the Board and/or such other officers or individuals as it may designate, and shall provide such services customarily expected of such office and as may be reasonably requested by the Board (or its designee) from time to time. Your principal office shall be located in Midland, Texas.

(b) During the Term, you shall devote your full business time, energies and attention to the business and affairs of the Company, and its subsidiaries (collectively, the "**Windsor Group**" or the "**Windsor Companies**" and each of them, individually, a "**Windsor Company**"), and you shall not engage in any other business activities; provided, however, that you shall be permitted to engage in such charitable and other activities as do not interfere with the performance of your duties under this Agreement and are approved in writing by the Board.

(c) You shall: (i) provide services hereunder to the best of your skills and ability and in an efficient manner and devote such time and effort to the business and affairs of the Company as necessary or advisable to perform your duties hereunder; (ii) act in a manner which you in good faith believe is in the best interests of the Company; (iii) implement any business plan adopted by the Company and then in effect; (iv) perform your duties hereunder, including without limitation any duties reasonably assigned to you by the Company, in good faith; (v) keep the Company reasonably informed on all matters that are material to the Company; (vi) be subject to, and comply with, the Company's and the Windsor Group's rules, practices and policies applicable to executive employees as reflected in the employee handbook, codes of conduct, compliance policies or otherwise, as may be amended from time to time; and (vii) cause the Company to comply with all applicable laws and regulations and monitor the development, maintenance, operation and management of the business of the Company to ensure such development, maintenance, operation and management complies with all applicable laws.

4. **Benefits**. You shall be entitled to twenty-five (25) paid vacation days per annum. You also shall have the benefit of such life and medical insurance plans and other similar plans as the Windsor Group may have or may establish from time to time for its executive employees generally, subject to satisfaction of applicable eligibility requirements. The foregoing, however, shall not be construed to require any Windsor Company to establish any such plans or to prevent any Windsor Company from modifying or terminating any such plans, and no such action or failure thereof shall affect this Agreement.

5. **Expenses**. The Company shall reimburse you, in accordance with the Company's policies, for reasonable expenses incurred by you in the ordinary course in connection with the business of the Windsor Group upon the presentation by you of appropriate substantiation for such expenses.

6. **Restrictive Covenants**.

(a) Subject to Section 6(b) below, from the Effective Date until the later of the termination of your employment with, engagement as a consultant of, or other affiliation with, any Windsor Company, and for a period ending on the date that is six (6) months thereafter (such period, the "**Restricted Period**"), neither you nor any of your affiliates shall, without the written consent of the Board, at any time or in any manner, either directly or indirectly, become associated with, render services to, invest in, represent, advise or otherwise participate as an officer, employee, director, stockholder, partner, member, agent of or consultant for any company, business, organization or other legal or natural person that engages or participates in the Restricted Business; provided, however, that nothing herein shall prevent you from acquiring up to two percent (2%) of the securities of any company listed on a national securities exchange or quoted on the NASDAQ quotation system, provided your involvement with any such company is solely that of a passive stockholder. For purposes of this Agreement, "**Restricted Business**" means (i) the oil and gas exploration and production business in Texas, Oklahoma and New Mexico and each other area, location or field in which the Windsor Group conducts or is preparing to conduct business during the term or (ii) any other business or operation that is in competition with any business or operations managed or operated by or under consideration or in development by any Windsor Company.

(b) The parties hereto intend that the covenant contained in this Section 6 shall be deemed a series of separate covenants for each state, county and city in which the Windsor Group's business is conducted or is preparing to be conducted. If, in any judicial proceeding, a court shall refuse to enforce all of the separate covenants deemed included in this Section 6 because, taken together, they cover too extensive a geographic area, the parties intend that those covenants (taken in order of the states, counties and cities therein which are least populous), which if eliminated would permit the remaining separate covenants to be enforced in such proceeding, shall, for the purpose of such proceeding, be deemed eliminated from the provisions of this Section 6.

7. **Confidentiality, Non-Interference, Proprietary Information and Non-Solicitation**.

(a) **Confidentiality**. In the course of your employment by the Windsor Companies, you have had, and/or shall have, access to confidential or proprietary data or information of the Windsor Group, Wexford Capital LP ("**Wexford**"), any affiliates of the foregoing, the investment funds and managed accounts for which Wexford or its affiliates serves as general partner or acts as investment manager (the "**Funds**"), entities managed by Wexford or served by the Windsor Group, including without limitation entities in which the Funds have invested, directly or indirectly and their respective businesses (collectively the "**Wexford Parties**" and each of them individually, a "**Wexford Party**," which for the avoidance of doubt shall include the Windsor Group). You shall not at any time during or after your employment divulge or communicate to any person (which term, for purposes of this Agreement, includes both persons or entities) nor shall you direct any Windsor Group employee to divulge or communicate to any person (other than to a person bound by confidentiality obligations similar to those contained herein and other than as necessary in performing your duties hereunder), or use to the detriment of the Wexford Parties or for the benefit of any other person, any of such data or information. No business conducted by you or any organization of which you, directly or indirectly, are an owner, partner, manager, joint venturer, director, officer, manager or otherwise a participant in or connected with in any locality, state or country in which the Wexford Parties conduct business shall use any name, designation or logo which is substantially similar to that presently used by any Wexford Party. The term "confidential or proprietary data or information" as used in this Agreement shall mean any information not generally available to the public or generally known within the applicable Wexford Party's industry, including, without limitation, personnel information, financial information, customer lists or contacts, supplier lists, strategy and plans, information regarding operations, systems, services, know-how, computer and any other processed or collated data, trade secrets (including, without limitation, software), computer programs, pricing, marketing and advertising data.

(b) **Non-Interference**. You agree that, during the Restricted Period, you shall not, at any time or in any manner, either directly or indirectly, for your own account or for the account of any other person, interfere with any Wexford Party's relationship with any of its employees, suppliers or regulators.

(c) **Proprietary Information and Disclosure**. You agree that you shall at all times promptly disclose to the Company, in such form and manner as the Company may require, any inventions, improvements or procedural or methodological innovations, program methods, forms, systems, services, designs, marketing ideas, products or processes (whether or not capable of being trademarked, copyrighted or patented) conceived or developed or created by you during or in connection with your employment hereunder and which relate to the business of any Wexford Party ("**Intellectual Property**"). You agree that all such Intellectual Property constitutes a work-for-hire and shall be the sole property of the applicable Wexford Party. You further agree that you shall execute such instruments and perform such acts as may be requested by the Company to transfer to and perfect in the entity designated by the Company all legally protectable rights in such Intellectual Property.

(d) **Return of Property**. All materials, records and documents in any medium made by you or coming into your possession during your employment concerning any products, processes or services, manufactured, used, developed, investigated, provided or considered by any Wexford Party or otherwise concerning the business or affairs of the Wexford Parties, shall be the sole property of the applicable Wexford Party, and upon termination of your employment, or upon request of the Company during your employment, you shall promptly deliver the same to the Wexford Party designated by the Company. In addition, upon termination of your employment, or upon request of the Company during your employment, you shall deliver to the Wexford Party designated by the Company all other property of the Wexford Parties in your possession or under your control, including, but not limited to, financial statements, marketing and sales data, drawings, documents and electronic records.

(e) **Non Solicitation of Customers**. Notwithstanding any other provision of this Agreement, you agree that, during the Restricted Period, you shall not at any time or in any manner, on your own behalf, or on behalf of any other individual, sole proprietorship, business, firm, partnership, company, corporation or other entity other than the Company, directly solicit, or ask anyone else to solicit, the sale of goods, services or a combination of goods and services, which are the same or similar to those provided by the Windsor Group, from Established Customers. You further agree that for the same period, you will not in any way interfere or attempt to interfere with the Windsor Group's relationships with any of their Established Customers. "**Established Customers**" means any customer that the Windsor Group has actually done business with during the twelve (12) months preceding the last date of the Restricted Period.

(f) **Non Solicitation, Non Hire of Employees**. Notwithstanding any other provision of this Agreement, you agree that, during the Restricted Period, you shall not at any time or in any manner, either directly or indirectly, either on your behalf or on behalf of any person (other than the Windsor Group), recruit, solicit, hire, divert or otherwise encourage or attempt to recruit, solicit, hire, divert or otherwise encourage any officer or employees or agents of any Windsor Company to enter into any employment, consulting or advisory arrangement or contract with or to perform any services for or on your behalf or on behalf of any person (other than the Windsor Group), or to enter into any kind of business with you or any other person, including, without limitation, any Restricted Business.

(g) **Non-Disparagement**. You agree not to make public statements, negative comments or otherwise disparage any Wexford Party or any Wexford Party's officers, directors, employees, agents, shareholders or other equity holders in any manner harmful to them or their business, business reputation or personal reputation. The foregoing shall not be violated by truthful statements in response to legal process, required governmental testimony or filings, or administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings).

(h) **Cooperation.** Upon the receipt of reasonable notice from the Company (including outside counsel), you agree that while employed by any Windsor Company and thereafter, you shall provide reasonable assistance to any Wexford Party and their respective representatives in defense of any claims that may be made against any Wexford Party and shall assist any Wexford Party in the prosecution of any claims that may be made by any Wexford Party, to the extent that such claims relate to the period of your employment with a Windsor Company. You agree to promptly inform the Company if you become aware of any lawsuits involving such claims that may be filed or threatened against any Wexford Party. You also agree to promptly inform the Company (to the extent legally permitted to do so) if you are asked to assist in any investigation of any Wexford Party (or its actions), regardless of whether a lawsuit or other proceeding has then been filed against any Wexford Party with respect to such investigation. Upon presentation of appropriate documentation, the Company shall pay or reimburse you for all reasonable out-of-pocket expenses incurred by you in complying with this Section 7(h). If at the time of compliance you are no longer an employee, officer or director (or functional equivalent) of any Windsor Company, the Company shall provide a reasonable per diem to you.

8. **Interpretation, Enforcement and Construction.**

(a) **Equitable Relief.** With respect to the covenants contained in Sections 6 and 7 of this Agreement, you agree that any remedy at law for any breach of said covenants may be inadequate and that the Company shall be entitled to specific performance or any other mode of injunctive and/or other equitable relief to enforce its rights hereunder or any other relief a court might award. In the event of a violation by you of Section 6 or Section 7 hereof, any compensation being paid to you pursuant to this Agreement or otherwise shall immediately cease, and any Base Salary previously paid to you after termination of your employment shall be immediately repaid to the Company. The amount of any earned Base Salary paid for the period prior to termination of your employment shall be retained by you.

(b) **Reformation.** The agreements made in Sections 6 and 7 are material inducements for you to enter into this Agreement and the Company would not have made this Agreement with you without such assurances. You understand and agree that the geographic area applicable to Section 6 is based on the nature of the products and services provided by the Windsor Group and the broad distribution of their customers, and that the limitations set forth therein are reasonable in geographic area and time and necessary for the protection of the Windsor Group and its goodwill. However, if any court shall determine that the time, geographic area or scope of activity of any restriction contained in Section 6 is unenforceable, it is our intention that such limitation set forth herein shall not be terminated but shall be amended to the extent required to render it valid and enforceable. A court hearing any such dispute is empowered and authorized by the parties to reform this Agreement to the maximum time, scope or geographic limitations permitted by applicable law.

9. **Earlier Termination**. Your employment shall terminate prior to the expiration of the Term on any of the following terms and conditions:

(a) **Death or Disability**. Your employment shall terminate automatically on the date of your death or immediately upon the Company's sending you a notice of termination for "**Disability**", which shall mean your inability to perform your duties hereunder for ninety (90) days (whether or not continuous) during any period of three hundred sixty-five (365) consecutive days by reason of physical or mental disability. Upon termination of your employment for death or Disability pursuant to this Section 9(a), the Company's sole obligations to you shall be, subject to your compliance with the provisions of Sections 6 and 7 hereof, to (i) pay your Base Salary for the remainder of the Term, which shall be paid as and when such amounts would have been due had your employment continued and (ii) honor any obligations of the Company with respect to the Company Option or Diamondback Option, as applicable, under Sections 2(c) and (d) hereof.

(b) **Resignation Not for Good Reason; Termination for Cause.** Your employment shall terminate (x) no less than thirty (30) days after you send the Company written notice of resignation or (y) immediately upon the Company's sending you written notice terminating your employment hereunder for Cause (as defined below), and you and the Company shall have no further obligations hereunder other than your obligations under Sections 6 and 7 hereof and the Company's obligation to pay you any of your accrued but unpaid Base Salary through the date of termination and honor any of its obligations with respect to the vested portion of any Company Option or Diamondback Option, as applicable, under Sections 2(c) and (d) hereof. "**Cause**" shall mean (A) your willful and knowing refusal or failure (other than during periods of illness, physical or mental incapacity) to perform your duties in any material respect under this Agreement; (B) your willful misconduct or gross negligence in the performance of your duties; (C) your material breach of this Agreement, any other agreement entered into by you related to the Company or its affiliates, or any Company or Windsor Group policy (including any applicable code of conduct); (D) your breach of Sections 6 or 7 of this Agreement; (E) your conviction of, entry of a guilty plea or a plea of *nolo contendere* to any criminal act that constitutes a felony or involves, fraud, dishonesty, or moral turpitude; (F) your indictment for any felony involving embezzlement or theft or fraud; (G) your filing of a voluntary petition in bankruptcy or your consent to an involuntary petition in bankruptcy (or your failure to vacate, within ninety (90) days of the entry thereof, any order approving an involuntary petition in bankruptcy) or the entry of an order, judgment or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating you as bankrupt or insolvent or the appointment of a receiver, trustee, or liquidator of all or a substantial part of your assets, and such order, judgment or decree's continuing unstayed and in effect for any period of ninety (90) days; (H) your dishonesty in connection with your responsibilities as an employee; or (I) your failure to comply with any lawful directive of the Board after five (5) business days' written notice to you thereof. If you terminate your employment pursuant to clause (x) of the preceding sentence, the Company shall be entitled to accelerate the effectiveness of the termination of your employment to whatever time and date as it shall designate in writing to you in its sole discretion.

(c) **Resignation for Good Reason; Termination Without Cause**. Your employment shall terminate immediately upon the Company's sending you written notice terminating your employment hereunder without Cause for any reason or for no reason (a "**No Cause Termination**") or upon your resignation in the event of any (i) material breach by the Company hereunder or (ii) material diminution in the your position, duties, or authority, which in either case is not cured within thirty (30) business days after written notice thereof by you to the Board (which notice must be provided by you to the Company within 90 days following the initial occurrence of such event) and an opportunity to cure within the notice period (collectively, "**Good Reason Resignation**"). Any termination on account of a Good Reason Resignation must occur within two years following the initial occurrence of such event. Upon any such No Cause Termination or Good Reason Resignation, as the case may be, the Company's sole obligation(s) to you shall be (x) in the case of a No Cause Termination or your Good Reason Resignation under this Section 9(c), to pay you your Base Salary for the remainder of the Term, which, subject to the timing requirements specified in Section 24, including without limitation Section 24(c)(ii), shall be paid as and when such amounts would have been due had your employment continued and (y) in the case of a No Cause Termination, to honor any obligations of the Company with respect to the Company Option or Diamondback Option, as applicable, under Sections 2(c) and (d) hereof; provided that any such payment shall be subject to your continued compliance with the provisions of Sections 6 and 7 hereof and your executing (and not revoking) a full general release in a form as requested by the Company, releasing all claims, known or unknown, that you may have against any Wexford Party, their officers, directors, employees and agents, arising out of or any way related to your employment or termination of employment with the Company; provided further that, for the purposes of this Section 9(c) only, the Restricted Period under Section 6 shall end on the last day of the Term. In the event Employee refuses to sign and/or revokes any such full general release within the 60 day period following the date of termination, Employee acknowledges and agrees that Employee shall not be entitled to any Base Salary continuation payments so that the Company shall have no further obligation to compensate Executive under this Agreement for termination of employment other than paying earned but unpaid salary and accrued vacation. Payments provided under this Section 9(c) shall be in lieu of any termination or severance payments or benefits for which you may be eligible under any of the plans, policies or programs of the Company or its affiliates or under the WARN Act or any similar state statute or regulation. If you accept other employment or engages in your own business prior to the last date of the Term, you shall promptly notify the Company.

(d) **"At-Will" Employment**. Any continued employment with the Company during and after the Term is "at-will", meaning you have the right at any time, and for any reason or no reason, to terminate your employment with or without notice, and the Company has the same right. You understand and agree the Company shall not be obligated to continue your employment prior to the expiration of the Term. Any continuation of employment after the Term shall be on such terms and conditions as the Company shall then offer in its discretion.

(e) **No Other Obligation**. Except as specifically set forth in Sections 9(a) and (c) above, upon termination of your employment under this Agreement, the Company's obligations hereunder shall cease and neither the Company nor, for the avoidance of doubt, any other Windsor Company, shall have any further obligations to you whatsoever.

10. **Representation and Warranty**. You represent that you do not have any contractual or other obligations that would conflict with your employment by the Company. In particular, you represent that you are not bound by any agreement, understanding or other obligation with or to any person or entity (including, without limitation, any confidentiality, non-competition or non-solicitation agreement) that prohibits you from accepting or continuing your employment by the Company and fully performing all of your duties for the Company. You also acknowledge that it is the Company's policy to respect the legal rights of others to protect their confidential information. You therefore represent that you have not taken or retained any confidential information (or other property) belonging to a prior employer and shall not use or disclose any such confidential information in connection with your work for the Company. Any inaccuracy of any of the statements set forth in this Section 10 shall constitute "Cause" for purposes of this Agreement, in which event we would be entitled to terminate your employment under Section 9(b) above with the effect set forth therein.

11. **Dealings with Related Parties**. You shall not engage in any dealings on behalf of any Windsor Company with any party in which you or any person or entity affiliated with you, or members of your or their respective immediate families, has a financial interest, without first disclosing same to the Board in a writing specifically describing the nature of the interest and obtaining the Company's prior written approval.

12. **Entire Agreement; Modification**. This Agreement constitutes the full and complete understanding of the parties with respect to your employment arrangements with the Company and any of its affiliates and shall, on the Effective Date, supersede all prior agreements and writings between you, on the one hand, and the Company or any other Windsor Company (or any of their respective predecessors), on the other hand, with respect to your employment arrangements with the Company or any of its affiliates (the "**Prior Agreements**"). No representations, inducements, promises, agreements or understandings, oral or otherwise, have been made by either party to this Agreement, or anyone acting on behalf of either party, which are not set forth herein, and any others are specifically waived. This Agreement may not be amended or modified in any manner nor may any of its provisions be waived except by written amendment executed by the parties. A waiver, modification or amendment by a party shall only be effective if (a) it is in writing and signed by the parties, (b) it specifically refers to this Agreement and (c) it specifically states that the party is waiving, modifying or amending its rights hereunder. Any such amendment, modification or waiver shall be effective only in the specific instance and for the specific purpose for which it was given.

13. **Severability**. The terms and provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of any one or more of the other provisions hereof. In the event any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, shall be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction and the parties agree the conflicting term or provision shall be modified to conform.

14. **Notices**. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or: (a) personal delivery to the party to be notified, (b) when sent, if sent by electronic mail or facsimile during normal business hours of the recipient, and if not sent during normal business hours, then on the recipient's next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) business day after deposit with a nationally recognized overnight courier, freight prepaid, specifying next business day delivery, with written verification of receipt, if to you, to your residence, email or facsimile, as applicable, as listed in the Company's records, and if to the Company, c/o Wexford Capital LP, 411 West Putnam Avenue, Greenwich, Connecticut 06830, attention of General Counsel, email: aamron@wexford.com, facsimile: 203-862-7312, with a copy to Windsor Energy, Inc., 14301 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134, attention of General Counsel.

15. **Assignability; Binding Effect**. This Agreement shall not be assignable by you without the written consent of the Board. Any other attempted assignment, transfer, conveyance or other disposition of your right to compensation or other benefits will be null and void. This Agreement shall be binding upon and inure to the benefit of you, your legal representatives, heirs and distributees, and shall be binding upon and inure to the benefit of the Company, its affiliates and its and their respective successors and assigns, including, without limitation, those by asset assignment, stock sale, merger, consolidation or other reorganization (each a "**Permitted Assignee**"). The Company shall have the right to assign its rights and obligations under this Agreement to any Permitted Assignee and will give you written notice of any such assignment.

16. **Governing Law; Venue; Waiver of Trial by Jury**.

(a) This Agreement and the rights of the parties hereunder shall be governed by, interpreted, and enforced in accordance with the internal laws of the State of Texas without giving effect to any choice of law or conflicts of law rules or provisions thereof.

(b) Each party irrevocably agrees that any action or proceeding involving any dispute or matter arising under this Agreement may only be brought in the federal courts of the State of Texas, or if such court does not have jurisdiction or shall not accept jurisdiction, in any court of general jurisdiction in the State of Texas. All parties hereby irrevocably consent to the exclusive jurisdiction by any such court with respect to any such proceeding and hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than by failure to lawfully serve process, (ii) that it or its property is exempt or immune from the jurisdiction of any such court or from any legal process commenced in such courts, and (iii) to the fullest extent permitted by applicable law, that (x) the action or proceeding is brought in an inconvenient forum, (y) the venue of such action or proceeding is improper and (z) this Agreement or the subject matter thereof may not be enforced in or by such courts.

(c) To the extent not prohibited by applicable law, each party to this Agreement hereby waives, and covenants that it shall not assert (whether as plaintiff, defendant or otherwise), its respective right to a jury trial of any permitted claim or cause of action arising out of this Agreement, any of the transactions contemplated hereby, or any dealings between any of the parties hereto relating to the subject matter of this Agreement or any of the transactions contemplated hereby. The scope of this waiver and covenant is intended to be all encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this Agreement or any of the transactions contemplated hereby, including, contract claims, tort claims and all other common law and statutory claims. This waiver and covenant is irrevocable and shall apply to any subsequent amendments, supplements or other modifications to this Agreement.

17. **Prevailing Party Expenses**. In the event that litigation or other legal action is instituted between you and the Company or any of its affiliates to enforce the rights under this Agreement, the successful party in such litigation or other legal action shall be entitled to reimbursement from the unsuccessful party in such litigation or other legal action of all reasonable fees, costs and expenses (including court costs and reasonable attorneys' fees) incurred by such successful party in connection with such litigation or other legal action.

18. **Third Party Beneficiaries**. The Wexford Parties and their successors and assigns, as express third party beneficiaries of this Agreement, shall be entitled, in their sole and absolute discretion, to enforce any of the provisions hereof from time to time, including, but not limited to, the restrictions set forth in Sections 6 and 7 of this Agreement.

19. **Titles and Subtitles**. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

20. **Counterparts; Facsimile**. This Agreement may be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21. **Review of this Agreement**. You acknowledge that you have (a) carefully read this Agreement, (b) consulted with independent counsel with respect to this Agreement and (c) entered into this Agreement of your own free will.

22. **Survival.** The obligations of Sections 6, 7, 8, 14, 16 and 17 shall expressly survive any expiration or termination of this Agreement.

23. **Background Verification**. You hereby authorize the Company to conduct one or more Background Verifications prior to and during your actual employment. "**Background Verification**" includes, without limitation, information regarding your employment and other experience, educational background and any criminal, credit or regulatory history. You further authorize, without reservation, any law enforcement agency, administrator, court, governmental body, federal or provincial agency, institution, school or university (public or private), information service bureau, employer or insurance company contacted by the Company or any agent of the Company to furnish the information set forth in the preceding sentence as part of the employment application process. You hereby consent to and understand that the Company will

only use the information collected for the purposes of (if and as applicable) establishing or continuing your employment, including without limitation, evaluating your employment application, determining employment eligibility under the Company's employment policies, assessing property and business risks to the Company, and otherwise as may be permitted or required by law. You authorize and consent to the release of records obtained through such checks to the authorized representatives of the Company or its agents, and to the Company's affiliates, for the purposes described above. You acknowledge and agree that any information relating to a Background Verification may be shared with any Wexford Party and stored on the respective servers.

24. **Code Section 409A and Other Tax Considerations**.

(a) **Deferred Compensation Exceptions**. Payments under this Agreement will be administered and interpreted to maximize the short-term deferral exception to and the involuntary separation pay exception under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder (collectively "**Section 409A**"). The portion of any payment under this Agreement that is paid within the short-term deferral period (within the meaning of Code Section 409A and Treas. Regs. §1.409A-1(b)(4)) or that is paid within the involuntary separation pay safe harbor (as described in Code Section 409A and Treas. Regs. §1.409A-1(b)(9)(iii)) will not be treated as nonqualified deferred compensation and will not be aggregated with other nonqualified deferred compensation plans or payments.

(b) **Separate Payments and Payment Timing**. Any payment or installment made under this Agreement and any amount that is paid as a short-term deferral, within the meaning of Treas. Regs. §1.409A-1(b)(4), will be treated as separate payments. Employee will not, directly or indirectly, designate the taxable year of a payment made under this Agreement. Payment dates provided for in this Agreement will be deemed to incorporate grace periods that are treated as made upon a designated payment date within the meaning of Code Section 409A and Treas. Regs. §1.409A-3(d).

(c) **General 409A Provisions**. If for any reason, the short-term deferral or involuntary separation pay plan exception is inapplicable, payments and benefits payable to Employee under this Agreement are intended to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement will be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder (and any applicable transition relief under Section 409A of the Code). The Company does not guaranty or warrant the tax consequences of this Agreement and, except as specifically provided to the contrary in this Agreement, Employee will, in all cases, be liable for any taxes due as a result of this Agreement. Neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold you harmless from any or all such taxes, interest or penalties, or liability for any damages related thereto. Employee acknowledges that he has been advised to obtain independent legal, tax or other counsel in connection with Section 409A.

(i) If Employee or the Company determines that any payments or benefits payable under this Agreement intended to comply with Sections 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, Employee and the Company agree to amend this Agreement, or take such other actions as Employee and the Company deem reasonably necessary or appropriate, to comply with the requirements of Section 409A of the Code, the Treasury Regulations thereunder (and any applicable relief provisions) while preserving the economic agreement of the parties. If any provision of the Agreement would cause such payments or benefits to fail to so comply, such provision will not be effective and will be null and void with respect to such payments or benefits, and such provision will otherwise remain in full force and effect.

(ii) All payments considered nonqualified deferred compensation under Section 409A and the regulations thereunder will be made on the date(s) provided herein and no request to accelerate or defer any payment under this Section will be considered or approved for any reason whatsoever, except as permitted under Section 409A. The Base Salary continuation payments will commence on the first payroll date that is on or after the eighth day following receipt by the Company of Employee's executed release; provided, however, if the Base Salary continuation payments are deferred compensation subject to Code Section 409A and if the period during which Employee has discretion to execute or revoke the release straddles two taxable years of Employee, then the Company will commence the Base Salary continuation payments in the second of such taxable years. Notwithstanding the foregoing, subject to the release requirement, the Base Salary continuation payments will in all events be paid no later than 60 days following Executive's termination of employment, regardless of which taxable year Executive actually delivers the executed Release to the Company. Once such Base Salary continuation payments commence, the first installment thereof will include all amounts that would have been paid had such payments commenced on the first payroll date occurring on or after the termination of employment date. Executive may not, directly or indirectly, designate the calendar year of the commencement of any payment hereunder. Notwithstanding the foregoing, amounts payable hereunder which are not nonqualified deferred compensation, or which may be accelerated pursuant to Section 409A, such as distributions for applicable tax payments, may be accelerated, but not deferred, at the sole discretion of Company.

(iii) All references in this Agreement to termination of employment or termination mean Employee's "separation from service" as that term is defined in Section 1.409A-1(h) of the Treasury Regulations.

(iv) All reimbursements and in-kind benefits provided under this agreement that constitute deferred compensation within the meaning of Section 409A of the Code shall be made or provided in accordance with the requirements of Section 409A of the Code, including that (i) in no event shall reimbursements by the Company under this agreement be made later than the end of the calendar year next following the calendar year in which the applicable fees and expenses were incurred, provided that you shall have submitted an invoice for such fees and expenses at least 10 days before the end of the calendar year next following the calendar year in which such fees and expenses were incurred; (ii) the amount of in-kind benefits that the Company is obligated to pay or provide in any given calendar year (other than medical reimbursements described in Treas. Reg. § 1.409A-3(i)(1)(iv)(B)) shall not affect the in-kind benefits that the

Company is obligated to pay or provide in any other calendar year; (iii) your right to have the Company pay or provide such reimbursements and in-kind benefits may not be liquidated or exchanged for any other benefit; and (iv) in no event shall the Company's obligations to make such reimbursements or to provide such in-kind benefits apply later than your remaining lifetime or, if longer, through the 20th anniversary of the Effective Date.

(d) **Specified Employee Status**. If Employee is a specified employee (within the meaning of Code Section 409A) on the date of his separation from service, any payments made with respect to such separation from service under this Agreement, and other payments or benefits under this Agreement that are subject to Section 409A of the Code, will be delayed in order to comply with Section 409A(a)(2)(B)(i) of the Code, and such payments or benefits will be paid or distributed to you during the five-day period commencing on the earlier of: (i) the expiration of the six-month period measured from the date of your separation from service, or (ii) the date of your death. Upon the expiration of the applicable six-month period under Section 409A(a)(2)(B)(i) of the Code, all payments deferred pursuant to this Section (e) will be paid to Employee (or Employee's estate, in the event of Employee's death) in a lump sum payment. Any remaining payments and benefits due under the Agreement will be paid as otherwise provided in the Agreement.

(e) **Withholding Taxes.** To the extent any payments under this Agreement are wages subject to income and employment tax withholding, the Company has the right to withhold or otherwise require Executive to pay to the Company the amount of any taxes that the Company may be required to withhold before delivery of such payment to Executive.

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IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officers, as of the day and year first above written.

WINDSOR PERMIAN, LLC

Date: 7/13/12

By: /s/ Travis Stice
Travis Stice, Chief Executive Officer

JEFF WHITE

Date: 7/13/12

/s/ Jeff White

Windsor Permian, LLC Jeff White Employment Agreement Signature Page

Exhibit 10.32

EXECUTION VERSION

SIXTH AMENDMENT

TO

CREDIT AGREEMENT

DATED AS OF JUNE 13, 2012

AMONG

WINDSOR PERMIAN LLC
AS BORROWER,

WELLS FARGO BANK, N.A.
AS ADMINISTRATIVE AGENT,

AMEGY BANK NATIONAL ASSOCIATION AND
U.S. BANK NATIONAL ASSOCIATION
AS CO-SYNDICATION AGENTS,

AND

THE LENDERS PARTY HERETO

SOLE BOOKRUNNER AND LEAD ARRANGER
WELLS FARGO SECURITIES, LLC

SIXTH AMENDMENT TO CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO CREDIT AGREEMENT (this "Sixth Amendment") dated as of June 13, 2012, among WINDSOR PERMIAN LLC, a Delaware limited liability company, (the "Borrower"); each of the lenders party to the Credit Agreement referred to below (collectively, the "Lenders"); and WELLS FARGO BANK, N.A. ("Wells"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

RECITALS

A. The Borrower, BNP Paribas, as administrative agent (the "Initial Administrative Agent"), and the Lenders are parties to that certain Credit Agreement dated as of October 15, 2010 as amended by that certain First Amendment dated as of January 31, 2011, that certain Second Amendment dated as of August 4, 2011, that certain Third Amendment to Credit Agreement dated as of October 13, 2011, that certain Fourth Amendment dated as of December 30, 2011, that certain Resignation, Consent and Appointment Agreement and Amendment Agreement dated as of April 20, 2012 (the "Appointment Agreement") and that certain Fifth Amendment to Credit Agreement dated as of May 10, 2012 (as amended, the "Credit Agreement"), pursuant to which the Lenders have made certain credit available to and on behalf of the Borrower.

B. Pursuant to the Appointment Agreement the Initial Administrative Agent resigned as administrative agent on behalf of the Lenders under the Credit Agreement and the other Loan Documents and Wells accepted the appointment as administrative agent on behalf of the Lenders under the Credit Agreement and the other Loan Documents.

C. In connection with the assignment to Wells as Administrative Agent, Wells Fargo Securities, LLC was appointed Sole Bookrunner and Lead Arranger.

D. The Borrower has requested and the Majority Lenders have agreed to amend certain provisions of the Credit Agreement and consent to the distribution of the Borrower's minority interests in Bison Drilling Services LLC ("Bison") and Muskie Holdings LLC ("Muskie") as set forth herein.

E. Now, therefore, to induce the Administrative Agent and all of Lenders to enter into this Sixth Amendment and in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Credit Agreement, as amended by this Sixth Amendment. Unless otherwise indicated, all section references in this Sixth Amendment refer to sections of the Credit Agreement.

Section 2. Amendments to Credit Agreement.

2.1 Amendment to Section 1.02. Section 1.02 is hereby amended by:

(a) deleting the defined terms “Agreement”, “Indebtedness”, “Non-Conforming Period” and “Permitted Holder” in their entirety and replacing them with the following:

“‘Agreement’ means this Credit Agreement, as amended by that certain First Amendment dated as of January 31, 2011, that certain Second Amendment dated as of August 4, 2011, that certain Third Amendment dated as of October 13, 2011, that certain Fourth Amendment dated as of December 30, 2011, that certain Resignation, Consent and Appointment Agreement and Amendment Agreement, that certain Fifth Amendment dated as of May 10, 2012 and that certain Sixth Amendment dated as of June 13, 2012, as the same may from time to time be amended, modified, supplemented or restated.

‘Indebtedness’ means (a) any and all amounts owing or to be owing by the Borrower, any of its Subsidiaries or any Guarantor (whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising) to the Administrative Agent, the Issuing Bank or any Lender under any Loan Document; (b) all Secured Swap Obligations; and (c) all renewals, extensions and/or rearrangements of any of the above.

‘Non-Conforming Period’ means the period beginning on the Fourth Amendment Effective Date and ending on the earlier of (a) July 15, 2013 or (b) the date of the initial public offering of Diamondback Energy, Inc.

‘Permitted Holder’ means (a) Wexford Capital, LP, (b) any entity directly or indirectly managed or controlled by Wexford Capital, LLC and (c) Diamondback Energy, Inc.”

(b) Adding the following defined terms in the appropriate alphabetical order:

‘“Secured Swap Agreement’ means any Swap Agreement between the Borrower or any Subsidiary and any Person that is entered into prior to the time, or during the time, that such Person was a Lender or an Affiliate of a Lender (including any such Swap Agreement in existence prior to the date hereof), even if such Person ceases to be a Lender or an Affiliate of a Lender for any reason (any such Person, a “Secured Swap Party”).

‘Secured Swap Obligations’ means all amounts and other obligations owing to any Secured Swap Party under any Secured Swap Agreement; provided that, for the avoidance of doubt, if a Secured Swap Party ceases to be a Lender (or an Affiliate of a Lender), then the Secured Swap Obligations owing to such Secured Swap Party under any such Secured Swap Agreement shall not include any obligations arising from transactions entered into after the time that such Secured Swap Party ceases to be a Lender or an Affiliate of a Lender.

‘Secured Swap Party’ has the meaning assigned to such term in the definition of Secured Swap Agreement.”

2.2 Amendment to Section 10.02(c)(iv). Section 10.02(c)(iv) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(iv) fourth, pro rata to payment of principal outstanding on the Loans and payment of Secured Swap Obligations;"

2.3 Amendments to Section 12.02(b).

(a) Section 12.02(b)(vi) of the Credit Agreement is hereby amended by adding the following at the end thereof;

"; provided that any waiver or amendment to Section 12.14, this proviso in this Section 12.02(b)(vi), or Section 12.02(b)(vii), shall also require the written consent of each adversely affected Secured Swap Party,"

(b) Section 12.02(b)(vii) of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"(vii) modify the terms of Section 10.02(c) without the written consent of each Lender and Secured Swap Party adversely affected thereby or amend or otherwise modify any Security Instrument in a manner that results in the Secured Swap Obligations secured by such Security Instrument no longer being secured thereby, or amend or otherwise change the definition of "Secured Swap Agreement", "Secured Swap Obligations" or "Secured Swap Party", without the written consent of each Secured Swap Party adversely affected thereby;"

2.4 Amendment to Section 12.14. Section 12.14 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Section 12.14. Collateral Matters; Swap Agreements. The benefit of the Security Instruments and of the provisions of this Agreement relating to any collateral securing the Indebtedness shall also extend to and be available to Secured Swap Parties on a pro rata basis (but subject to the terms of the Loan Documents, including provisions thereof relating to the application and priority of payments to the Persons entitled thereto) in respect of any Secured Swap Obligations. Except as expressly set forth in Section 12.02(b), no Secured Swap Party shall have any voting rights under any Loan Document as a result of the existence of any Secured Swap Obligations owed to it."

Section 3. Borrowing Base Redetermination and Consent to Distribution.

3.1 Borrowing Base Redetermination. The Lenders and the Borrower agree that from and after the Sixth Amendment Effective Date up to the next redetermination, the amount of the Conforming Borrowing Base shall be $90,000,000 and the amount of the Non-Conforming Borrowing Base shall be $10,000,000. This provision does not limit the right of the parties to initiate interim redeterminations of the Borrowing Base in accordance with Section 2.07(e) or further adjustments pursuant to Section 8.13(c), Section 8.18 or Section 9.12. This Section 3 constitutes notice of the redetermined Borrowing Base in accordance with Section 2.07(d) of the Credit Agreement.

3.2 Consent to Distribution. The Borrower has requested and the Administrative Agent and all of the Lenders have agreed, to permit the distribution by the Borrower of its Equity Interests in Bison and Muskie to Lambda Investors LLC and to release any and all Liens on such Equity Interests in connection with such distribution.

Section 4. Conditions Precedent. This Sixth Amendment shall become effective on the date (such date, the "Sixth Amendment Effective Date"), when each of the following conditions is satisfied (or waived in accordance with Section 12.02):

4.1 The Administrative Agent shall have received from all of the Lenders and the Borrower, counterparts (in such number as may be requested by the Administrative Agent) of this Sixth Amendment signed on behalf of such Person.

4.2 The Administrative Agent shall have received from each party thereto duly executed counterparts (in such number as may be requested by the Administrative Agent) of such amendments to the Guaranty Agreement, as are reasonably necessary to ensure that all Secured Swap Obligations are secured thereby.

4.3 The Administrative Agent shall have received from each party thereto duly executed counterparts (in such number as may be requested by the Administrative Agent) of the Memorandum of Assignment of Liens and Security Interests and Amendment to Deed of Trust, as are reasonably necessary to effect the assignment to Wells of the Liens and security interests of the mortgages and to ensure that all Secured Swap Obligations are secured by the mortgages.

4.4 The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the date hereof, including, to the extent invoiced, reimbursement or payment of all documented out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement.

4.5 No Default shall have occurred and be continuing as of the date hereof, after giving effect to the terms of this Sixth Amendment.

4.6 The Administrative Agent shall have received such other documents as the Administrative Agent or its special counsel may reasonably require.

The Administrative Agent is hereby authorized and directed to declare this Sixth Amendment to be effective when it has received documents confirming or certifying, to the satisfaction of the Administrative Agent, compliance with the conditions set forth in this Section 4 or the waiver of such conditions as permitted in Section 12.02. Such declaration shall be final, conclusive and binding upon all parties to the Credit Agreement for all purposes.

Section 5. Miscellaneous.

5.1 Confirmation. The provisions of the Credit Agreement, as amended by this Sixth Amendment, shall remain in full force and effect following the effectiveness of this Sixth Amendment.

5.2 Ratification and Affirmation; Representations and Warranties. The Borrower hereby (a) ratifies and affirms its obligations under, and acknowledges its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect as expressly amended hereby and (b) represents and warrants to the Lenders that as of the date hereof, after giving effect to the terms of this Sixth Amendment:

(i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct as of such specified earlier date,

(ii) no Default or Event of Default has occurred and is continuing, and

(iii) no event or events have occurred which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

5.3 No Other Consents. Neither the execution by the Administrative Agent or the Lenders of this Sixth Amendment, nor any other act or omission by the Administrative Agent or the Lenders or their officers in connection herewith, shall be deemed a consent or waiver by the Administrative Agent or the Lenders of any defaults which may exist or which may occur in the future under the Credit Agreement and/or the other Loan Documents, or any future defaults of the same provision consented to hereunder (collectively “Other Consent/Waiver Matters”). Similarly, nothing contained in this letter shall directly or indirectly in any way whatsoever either: (a) impair, prejudice or otherwise adversely affect the Administrative Agent’s or the Lenders’ right at any time to exercise any right, privilege or remedy in connection with the Loan Documents with respect to any Other Consent/Waiver Matters, (b) amend or alter any provision of the Credit Agreement, the other Loan Documents, or any other contract or instrument, or (c) constitute any course of dealing or other basis for altering any obligation of the Borrower or any right, privilege or remedy of the Administrative Agent or the Lenders under the Credit Agreement, the other Loan Documents, or any other contract or instrument. Nothing in this letter shall be construed to be a consent by the Administrative Agent or the Lenders to any Other Consent/Waiver Matters.

5.4 Counterparts. This Sixth Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of this Sixth Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

5.5 **NO ORAL AGREEMENT. THIS SIXTH AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND THEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR UNWRITTEN ORAL**

AGREEMENTS OF THE PARTIES. THERE ARE NO SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES.

5.6 GOVERNING LAW. THIS SIXTH AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

5.7 Payment of Expenses. In accordance with Section 12.03, the Borrower agrees to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and reasonable expenses incurred in connection with this Sixth Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

5.8 Severability. Any provision of this Sixth Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

5.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

5.10 Loan Document. This Sixth Amendment is a Loan Document.

[SIGNATURES BEGIN NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Sixth Amendment to be duly executed as of the date first written above.

BORROWER:

WINDSOR PERMIAN LLC

By: /s/ Teresa Dick
Name: Teresa Dick
Title: Chief Financial Officer & Senior Vice President

ADMINISTRATIVE AGENT:

WELLS FARGO BANK, N.A.

By: /s/ Matt Turner
Name: Matt Turner
Title: Vice President

LENDERS

WELLS FARGO BANK, N.A.

By: /s/ Matt Turner
Name: Matt Turner
Title: Vice President

AMEGY BANK NATIONAL ASSOCIATION

By: /s/ JB Askew

Name: JB Askew

Title: Officer

Windsor Sixth Amendment Signature Page

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Tara McLean
Name: Tara McLean
Title: Vice President

WEST TEXAS NATIONAL BANK

By: /s/ Chris L. Whigham
Name: Chris L. Whigham
Title: Senior Vice President

BNP PARIBAS

By: /s/ PJ De Filippis
Name: PJ De Filippis
Title: Managing Director

By: /s/ Michael V.M. Van Der Voort
Name: Michael V.M. Van Der Voort
Title: Managing Director

Exhibit 10.33

Execution Version

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF
JULY 24, 2012

AMONG

DIAMONDBACK ENERGY LLC,
AS PARENT GUARANTOR

WINDSOR PERMIAN LLC,
AS BORROWER,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT,

AND

THE LENDERS PARTY HERETO

SOLE BOOK RUNNER AND SOLE LEAD ARRANGER

WELLS FARGO SECURITIES, LLC

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Exhibit A	Form of Note
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Exhibit F	Form of Assignment and Assumption
Schedule 7.14	Subsidiaries and Partnerships
Schedule 7.19	Marketing Agreements
Schedule 7.20	Swap Agreements
Schedule 9.06	Certain Foreign Properties

THIS AMENDED AND RESTATED CREDIT AGREEMENT dated as of July 24, 2012 is among: Diamondback Energy LLC, a Delaware limited liability company (the "Parent Guarantor"); Windsor Permian LLC, a Delaware limited liability company, as borrower (the "Borrower"); each of the Lenders from time to time party hereto; and Wells Fargo Bank, National Association (in its individual capacity, "Wells Fargo"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

R E C I T A L S

A. The Borrower, the Administrative Agent and other financial institutions named and defined therein as lenders and agents entered into that certain Credit Agreement dated as of October 15, 2010, as amended by that certain First Amendment dated as of January 31, 2011, that certain Second Amendment dated as of August 4, 2011, that certain Third Amendment dated as of October 13, 2011, that certain Fourth Amendment dated as of December 30, 2011, that certain Resignation, Consent and Appointment Agreement and Amendment Agreement dated as of April 20, 2012, that certain Fifth Amendment dated as of May 10, 2012 and that certain Sixth Amendment dated as of June 13, 2012, pursuant to which such lenders provided certain loans to and extensions of credit on behalf of the Borrower (as heretofore amended, modified or supplemented, the "Existing Credit Agreement").

B. The Parent Guarantor and the Borrower have requested, and the Lenders have agreed to amend and restate the Existing Credit Agreement subject to the terms and conditions of this Agreement.

C. Now, therefore, in consideration of the mutual covenants and agreements herein contained and of the loans, extensions of credit and commitments hereinafter referred to, the parties hereto agree as follows:

ARTICLE I
Definitions and Accounting Matters

Section 1.01 Terms Defined Above. As used in this Agreement, each term defined above has the meaning indicated above.

Section 1.02 Certain Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the LIBO Rate for such Interest Period multiplied by the Statutory Reserve Rate.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affected Loans" has the meaning assigned such term in Section 5.05.

"Affiliate" means with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Maximum Credit Amounts" at any time shall equal the sum of the Maximum Credit Amounts, as the same may be reduced or terminated pursuant to Section 2.06.

"Agreement" means this Amended and Restated Credit Agreement, as the same may from time to time be amended, modified, supplemented or restated.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus $^1/_2$ of 1% and (c) the Adjusted LIBO Rate for a three month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate (rounded upwards, if necessary, to the next 1/100 of 1%) at which dollar deposits of $5,000,000 with a three month maturity are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, on such day (or the immediately preceding Business Days if such day is not a day on which banks are open for dealings in dollar deposits in the London interbank market). Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

"Applicable Law" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"Applicable Margin" means, for any day, with respect to any ABR Loan or Eurodollar Loan, as the case may be, the rate per annum set forth in the Borrowing Base Utilization Grid below based upon the Borrowing Base Utilization Percentage then in effect:

	Borrowing Base Utilization Grid				
Borrowing Base Utilization Percentage	<25%	>25% <50%	>50% <75%	>75% <100%	>100%
Eurodollar Loans	2.25%	2.50%	2.75%	3.00%	3.50%
ABR Loans	1.25%	1.50%	1.75%	2.00%	2.50%

Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change, provided, however, that if at any time the Borrower fails to deliver a

Reserve Report pursuant to Section 8.12, then until such delivery the "Applicable Margin" means the rate per annum set forth on the grid when the Borrowing Base Utilization Percentage is at its highest level.

"Applicable Percentage" means, with respect to any Lender, the percentage of the Aggregate Maximum Credit Amounts represented by such Lender's Maximum Credit Amount as such percentage is set forth on Annex I.

"Approved Counterparty" means (a) any Lender or any Affiliate of a Lender and (b) any other Person whose long term senior unsecured debt rating is A-/A3 by S&P or Moody's (or their equivalent) or higher.

"Approved Petroleum Engineers" means (a) Netherland, Sewell & Associates, Inc., (b) Ryder Scott Company Petroleum Consultants, L.P., (c) Cawley, Gillespie & Associates, Inc., (d) Pinnacle Energy Services, LLC and (e) any other independent petroleum engineers reasonably acceptable to the Administrative Agent.

"Arranger" means Wells Fargo Securities, LLC, in its capacity as the sole book runner and sole lead arranger hereunder.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 12.04(b)), and accepted by the Administrative Agent, in the form of Exhibit F or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the Termination Date.

"Bison Drilling" means Bison Drilling and Field Services LLC, a Delaware limited liability company, formerly known as Windsor Drilling LLC.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America or any successor Governmental Authority.

"Borrowing" means Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Borrowing Base" means at any time an amount equal to the amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to Section 2.07(e), Section 2.07(f), Section 8.13(c) or Section 9.12(d).

"Borrowing Base Deficiency" occurs if at any time the total Revolving Credit Exposures exceed the Borrowing Base then in effect.

"Borrowing Base Utilization Percentage" means, as of any day, the fraction expressed as a percentage, the numerator of which is the sum of the Revolving Credit Exposures of the Lenders on such day, and the denominator of which is the Conforming Borrowing Base in effect on such day.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or Houston, Texas are authorized or required by law to remain closed; and if such day relates to a Borrowing or continuation of, a payment or prepayment of principal of or interest on, or a conversion of or into, or the Interest Period for, a Eurodollar Loan or a notice by the Borrower with respect to any such Borrowing or continuation, payment, prepayment, conversion or Interest Period, any day which is also a day on which banks are open for dealings in dollar deposits in the London interbank market.

"Capital Leases" means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, recorded as capital leases on the balance sheet of the Person liable (whether contingent or otherwise) for the payment of rent thereunder.

"Cash Collateralize" means, to pledge and deposit with or deliver to the Administrative Agent, for the benefit of one or more of the Issuing Bank or the Lenders, as collateral for LC Exposure or obligations of the Lenders to fund participations in respect of LC Exposure, cash or deposit account balances or, if the Administrative Agent and the Issuing Bank shall agree, in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent and the Issuing Bank. "Cash Collateral" shall have a meaning correlative to the foregoing and shall include the proceeds of such Cash Collateral and other credit support.

"Cash Management Agreement" means any agreement to provide cash management services, including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements.

"Cash Management Provider" means any Person that, at the time it enters into a Cash Management Agreement, is a Lender, an Affiliate of a Lender, the Administrative Agent or an Affiliate of the Administrative Agent, in its capacity as a party to such Cash Management Agreement.

"Casualty Event" means any loss, casualty or other insured damage to, or any nationalization, taking under power of eminent domain or by condemnation or similar proceeding of, any Property of the Parent Guarantor, the Borrower or any of their Subsidiaries having a fair market value in excess of $500,000.

"Change in Control" means the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the SEC thereunder as in effect on the date hereof) other than the Permitted Holders, of Equity Interests representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Borrower.

"Change in Law" means (a) the adoption of any law, treaty, rule or regulation after the date of this Agreement, (b) any change in any law, treaty, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section

5.01(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement. Notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements or directives thereunder or issued in connection therewith (whether or not having the force of law) or in implementation thereof, and (ii) all requests, rules, regulations, guidelines, interpretations, requirements, interpretations and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of law), in each case pursuant to Basel III, shall, in each case, be deemed to be a Change in Law, regardless of the date enacted, adopted, issued or implemented.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Loans and to acquire participations in Letters of Credit hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) modified from time to time pursuant to Section 2.06 and (b) modified from time to time pursuant to assignments by or to such Lender pursuant to Section 12.04. The amount representing each Lender's Commitment shall at any time be the lesser of such Lender's Maximum Credit Amount and such Lender's Applicable Percentage of the then effective Borrowing Base.

"Conforming Borrowing Base" means at any time an amount equal to the amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to Section 2.07(e), Section 2.07(f), Section 8.13(c) or Section 9.12(d).

"Consolidated Net Income" means with respect to the Parent Guarantor and the Consolidated Subsidiaries, for any period of determination, the aggregate of the net income (or loss) of the Parent Guarantor and the Consolidated Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded from such net income (to the extent otherwise included therein) the following: (a) the net income of any Person in which the Parent Guarantor or any Consolidated Subsidiaries have an interest (which interest does not cause the net income of such other Person to be consolidated with the net income of the Parent Guarantor and the Consolidated Subsidiaries in accordance with GAAP), except to the extent of the amount of dividends or distributions actually paid in cash during such period by such other Person to the Parent Guarantor or to a Consolidated Subsidiary, as the case may be; (b) the net income (but not loss) during such period of any Consolidated Subsidiary to the extent that the declaration or payment of dividends or similar distributions or transfers or loans by that Consolidated Subsidiary is not at the time permitted by operation of the terms of its charter or any agreement, instrument or Governmental Requirement applicable to such Consolidated Subsidiary or is otherwise restricted or prohibited, in each case determined in accordance with GAAP; (c) the net income (or loss) of any Person acquired in a pooling-of-interests transaction for any period prior to the date of such transaction; (d) any extraordinary gains or losses during such period and (e) any gains or losses attributable to writeups or writedowns of assets, including ceiling test writedowns; and provided further that if the Parent Guarantor or any Consolidated Subsidiary shall acquire or dispose of any Property during such period, then Consolidated Net Income shall be calculated after giving *pro forma* effect to such acquisition or disposition, as if such acquisition or disposition had occurred on the first day of such period.

"Consolidated Subsidiaries" means each Subsidiary of the Parent Guarantor (whether now existing or hereafter created or acquired) the financial statements of which shall be (or should have been) consolidated with the financial statements of the Parent Guarantor in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. For the purposes of this definition, and without limiting the generality of the foregoing, any Person that owns directly or indirectly 10% or more of the Equity Interests having ordinary voting power for the election of the directors or other governing body of a Person (other than as a limited partner of such other Person) will be deemed to "control" such other Person. "Controlling" and "Controlled" have meanings correlative thereto.

"Debt" means, for any Person, the sum of the following (without duplication): (a) all obligations of such Person for borrowed money or evidenced by bonds, bankers' acceptances, debentures, notes or other similar instruments; (b) all obligations of such Person (whether contingent or otherwise) in respect of letters of credit, surety or other bonds and similar instruments; (c) all accounts payable and all accrued expenses, liabilities or other obligations of such Person to pay the deferred purchase price of Property or services, but excluding those from time to time incurred in the ordinary course of business that are not greater than sixty (60) days past the date such payment is due or that are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (d) all obligations under Capital Leases; (e) all obligations under Synthetic Leases; (f) all Debt (as defined in the other clauses of this definition) of others secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) a Lien on any Property of such Person, whether or not such Debt is assumed by such Person; (g) all Debt (as defined in the other clauses of this definition) of others guaranteed by such Person or in which such Person otherwise assures a creditor against loss of the Debt (howsoever such assurance shall be made) to the extent of the lesser of the amount of such Debt and the maximum stated amount of such guarantee or assurance against loss; (h) all obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the Debt or Property of others; (i) obligations to deliver commodities, goods or services, including, without limitation, Hydrocarbons, in consideration of one or more advance payments, other than gas balancing arrangements in the ordinary course of business; (j) obligations to pay for goods or services even if such goods or services are not actually received or utilized by such Person; (k) any Debt of a partnership for which such Person is liable either by agreement, by operation of law or by a Governmental Requirement but only to the extent of such liability; (l) Disqualified Capital Stock; and (m) the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment. The Debt of any Person shall include all obligations of such Person of the character described above to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is not included as a liability of such Person under GAAP.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“Default” means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Defaulting Lender” means any Lender that (a) has failed to (i) fund all or any portion of the Loans or participations in Letters of Credit required to be funded by it hereunder within two Business Days of the date such Loans or participations were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Issuing Bank or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within three Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or the Issuing Bank in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the FDIC or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.10) upon delivery of written notice of such determination to the Borrower, the Issuing Bank and each Lender.

“Disqualified Capital Stock” means any Equity Interest that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event, matures or is mandatorily redeemable for any consideration other than other Equity Interests (which would not constitute Disqualified Capital Stock), pursuant to a sinking fund obligation or otherwise, or is convertible or exchangeable for Debt or redeemable for any consideration other than other Equity Interests (which would not constitute Disqualified Capital Stock) at the option of the holder thereof, in whole or in part, on or prior to the date that is one year after the earlier of (a) the Maturity Date and (b) the date on which there are no Loans, LC Exposure or other obligations hereunder outstanding and all of the Commitments are terminated.

“dollars” or “$” refers to lawful money of the United States of America.

“Domestic Subsidiary” means any Subsidiary that is organized under the laws of the United States of America or any state thereof or the District of Columbia.

“EBITDAX” means, for any period, the sum of Consolidated Net Income for such period plus the following expenses or charges to the extent deducted from Consolidated Net Income in such period: interest, income taxes, depreciation, depletion, amortization, exploration expenses, extraordinary items and other similar noncash charges, including expenses relating to stock-based compensation and hedging, and minus all noncash income added to Consolidated Net Income.

“Effective Date” means the date on which the conditions specified in Section 6.01 and 6.02(a) – (d) are satisfied (or waived in accordance with Section 12.02).

“Engineering Reports” has the meaning assigned such term in Section 2.07(c)(i).

“Environmental Laws” means any and all Governmental Requirements pertaining in any way to health, safety, the environment, the preservation or reclamation of natural resources, or the management, Release or threatened Release of any Hazardous Materials, in effect in any and all jurisdictions in which the Parent Guarantor, the Borrower or any of their Subsidiaries is conducting, or at any time has conducted business, or where any Property of the Parent Guarantor, the Borrower or any of their Subsidiaries is located, including the Oil Pollution Act of 1990 (“OPA”), as amended, the Clean Air Act, as amended, the Comprehensive Environmental, Response, Compensation, and Liability Act of 1980 (“CERCLA”), as amended, the Federal Water Pollution Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, the Resource Conservation and Recovery Act of 1976 (“RCRA”), as amended, the Safe Drinking Water Act, as amended, the Toxic Substances Control Act, as amended, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Hazardous Materials Transportation Act, as amended, and other environmental conservation or protection Governmental Requirements.

“Environmental Permit” means any permit, registration, license, notice, approval, consent, exemption, variance, or other authorization required under or issued pursuant to applicable Environmental Laws.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such Equity Interests.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute.

“ERISA Affiliate” means each trade or business (whether or not incorporated) which together with the Parent Guarantor, the Borrower or a Subsidiary would be deemed to be a “single employer” within the meaning of section 4001(b)(1) of ERISA or subsections (b), (c), (m) or (o) of section 414 of the Code.

“Eurodollar”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

“Event of Default” has the meaning assigned such term in Section 10.01.

“Excepted Liens” means: (a) Liens for Taxes, assessments or other governmental charges or levies which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (b) Liens in connection with workers’ compensation, unemployment insurance or other social security, old age pension or public liability obligations which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (c) statutory landlord’s liens, operators’, vendors’, carriers’, warehousemen’s, repairmen’s, mechanics’, suppliers’, workers’, materialmen’s, construction or other like Liens arising by operation of law in the ordinary course of business or incident to the exploration, development, operation and maintenance of Oil and Gas Properties each of which is in respect of obligations that are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP; (d) contractual Liens which arise in the ordinary course of business under operating agreements, joint venture agreements, oil and gas partnership agreements, oil and gas leases, farm-out agreements, division orders, contracts for the sale, transportation or exchange of oil and natural gas, unitization and pooling declarations and agreements, area of mutual interest agreements, overriding royalty agreements, marketing agreements, processing agreements, net profits agreements, development agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or other geophysical permits or agreements, and other agreements which are usual and customary in the oil and gas business and are for claims which are not delinquent or which are being contested in good faith by appropriate action and for which adequate reserves have been maintained in accordance with GAAP, provided that any such Lien referred to in this clause does not materially impair the use of the Property covered by such Lien for the purposes for which such Property is held by the Parent Guarantor, the Borrower or their Subsidiaries or materially impair the value of such Property subject thereto; (e) Liens arising solely by virtue of any statutory or common law provision relating to banker’s liens, rights of set-off or similar rights and remedies and burdening only deposit accounts or other funds maintained with a creditor depository institution, provided that no such deposit account is a dedicated cash collateral account or is subject to restrictions against access by the depositor in excess of those set forth by regulations promulgated by the Board and no such deposit account is intended by the Parent Guarantor, the Borrower or their Subsidiaries to provide collateral to the depository institution; (f) easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations in any Property of the Parent Guarantor, the Borrower or their Subsidiaries for the purpose of roads, pipelines, transmission lines, transportation lines, distribution lines for the removal of gas, oil, coal or other minerals or timber, and other like purposes, or for the joint or common use of real estate, rights of way, facilities and equipment, that do not secure any monetary obligations and which in the aggregate do not materially impair the use of such Property for the purposes of which such Property is held by the Parent Guarantor, the Borrower or their Subsidiaries or materially impair the value of such Property subject thereto; (g) Liens on cash or securities pledged to secure performance of tenders, surety and appeal bonds, government contracts, performance and return of money bonds, bids, trade contracts, leases, statutory obligations, regulatory obligations and other obligations of a like nature incurred in the ordinary course of business and (h) judgment and attachment Liens not giving rise to an Event of Default, provided that any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired and no action to enforce such Lien has been commenced; provided, further that Liens described in clauses (a) through (e) shall remain “Excepted Liens” only for so long as no action to enforce such Lien has been commenced and no intention to subordinate the first priority Lien granted in favor of the Administrative Agent and the Lenders is to be hereby implied or expressed by the permitted existence of such Excepted Liens.

“Excluded Taxes” means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower or any Guarantor hereunder or under any other Loan Document, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America or such other jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower or any Guarantor is located and (c) in the case of a Foreign Lender, any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender’s failure to comply with Section 5.03(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts with respect to such withholding tax pursuant to Section 5.03(a) or Section 5.03(c).

“FATCA” means Sections 1471 through 1474 of the Code (as of the date hereof) and any regulations or official interpretations thereof (including any Revenue Ruling, Revenue Procedure, Notice or similar guidance issued by the U.S. Internal Revenue Service thereunder as a precondition to relief or exemption from Taxes under such provisions); provided that FATCA shall also include any amendments to Sections 1471 through 1474 of the Code if, as amended, FATCA provides a commercially reasonable mechanism to avoid the tax imposed thereunder by satisfying the information reporting and other requirements of FATCA.

“FDIC” means the Federal Deposit Insurance Corporation, or any successor thereto.

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Fee Letter” means that certain fee letter between the Administrative Agent and the Borrower dated August 5, 2010.

“Financial Officer” means, for any Person, the chief financial officer, principal accounting officer, treasurer or controller of such Person. Unless otherwise specified, all references herein to a Financial Officer means a Financial Officer of the Parent Guarantor.

“Financial Statements” means the financial statement or statements of the Borrower and its Consolidated Subsidiaries referred to in Section 7.04(a).

“Foreign Lender” means any Lender that is not (i) an individual who is a citizen or resident of the United States of America; (ii) a partnership or a corporation (or other entity taxed as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States of America; (iii) an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or (iv) a trust if (1) a court within the United States of America is able to exercise primary supervision over the administration of the trust and one or more “United States person” (within the meaning of the Code) have the authority to control all substantial decisions of the trust, or (2) it has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“Fronting Exposure” means, at any time there is a Defaulting Lender, with respect to the Issuing Bank, such Defaulting Lender’s Applicable Percentage of the outstanding LC Exposure other than LC Exposure as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof.

“GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time subject to the terms and conditions set forth in Section 1.05.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government over the Parent Guarantor, the Borrower, any Subsidiary, any of their Properties, the Administrative Agent, the Issuing Bank or any Lender.

“Governmental Requirement” means any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, rules of common law, authorization or other directive or requirement, whether now or hereinafter in effect, including, without limitation, Environmental Laws, energy regulations and occupational, safety and health standards or controls, of any Governmental Authority.

“Guarantor” means the Parent Guarantor and each Subsidiary that guarantees the Indebtedness pursuant to Section 8.14(b).

“Guaranty Agreement” means an agreement executed by the Guarantors in form and substance satisfactory to the Administrative Agent, unconditionally guarantying on a joint and several basis, payment of the Indebtedness, as the same may be amended, modified or supplemented from time to time.

“Hazardous Material” means any substance regulated or as to which liability might arise under any applicable Environmental Law including: (a) any chemical, compound, material, product, byproduct, substance or waste defined as or included in the definition or meaning of “hazardous substance,” “hazardous material,” “hazardous waste,” “solid waste,” “toxic waste,” “extremely hazardous substance,” “toxic substance,” “contaminant,” “pollutant,” or words of similar meaning or import found in any applicable Environmental Law; (b) Hydrocarbons, petroleum products, petroleum substances, natural gas, oil, oil and gas waste, crude oil, and any components, fractions, or derivatives thereof; and (c) radioactive materials, explosives, asbestos or asbestos containing materials, polychlorinated biphenyls, radon, infectious or medical waste.

“Highest Lawful Rate” means, with respect to each Lender, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Notes or on other Indebtedness under laws applicable to such Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws allow as of the date hereof.

“Hydrocarbon Interests” means all rights, titles, interests and estates now or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous hydrocarbon leases, mineral fee interests, overriding royalty and royalty interests, net profit interests and production payment interests, including any reserved or residual interests of whatever nature.

“Hydrocarbons” means oil, gas, casinghead gas, drip gasoline, natural gasoline, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons and all products refined or separated therefrom.

“Indebtedness” means any and all amounts owing or to be owing by the Parent Guarantor, the Borrower or any Subsidiary (whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising): (a) to the Administrative Agent, the Issuing Bank or any Lender under any Loan Document; (b) to any Secured Swap Party under any Secured Swap Obligations; (c) to any Cash Management Provider in respect of any Cash Management Agreement and (d) all renewals, extensions and/or rearrangements of any of the above.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnitee" has the meaning set forth in Section 12.03(b).

"Information" has the meaning set forth in Section 12.11.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.04.

"Interest Expense" means, for any period, the sum (determined without duplication) of the aggregate gross interest expense of the Parent Guarantor and the Consolidated Subsidiaries for such period, including to the extent included in interest expense under GAAP: (a) amortization of debt discount, (b) capitalized interest and (c) the portion of any payments or accruals under Capital Leases allocable to interest expense, plus the portion of any payments or accruals under Synthetic Leases allocable to interest expense whether or not the same constitutes interest expense under GAAP.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect; provided, that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interim Redetermination" has the meaning assigned such term in Section 2.07(b).

"Interim Redetermination Date" means the date on which a Borrowing Base that has been determined pursuant to an Interim Redetermination becomes effective as provided in Section 2.07(d).

"Investment" means, for any Person: (a) the acquisition (whether for cash, Property, services or securities or otherwise) of Equity Interests of any other Person or any agreement to make any such acquisition (including, without limitation, any "short sale" or any sale of any securities at a time when such securities are not owned by the Person entering into such short sale); (b) the making of any deposit with, or advance, loan or capital contribution to, assumption of Debt of, purchase or other acquisition of any other Debt or equity participation or interest in, or other extension of credit to, any other Person (including the purchase of Property from another Person subject to an understanding or agreement, contingent or otherwise, to resell such Property to such Person, but excluding any such advance, loan or extension of credit having a term not exceeding ninety (90) days representing the purchase price of inventory or supplies sold by such Person in the ordinary course of business); (c) the purchase or acquisition (in one or a series of transactions) of Property of another Person that constitutes a business unit or (d) the entering into of any guarantee of, or other contingent obligation (including the deposit of any Equity Interests to be sold) with respect to, Debt or other liability of any other Person and (without duplication) any amount committed to be advanced, lent or extended to such Person.

"Issuing Bank" means Wells Fargo, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.08(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Commitment" at any time means Five Million dollars ($5,000,000).

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Annex I and any Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Letter of Credit Agreements" means all letter of credit applications and other agreements (including any amendments, modifications or supplements thereto) submitted by the Borrower, or entered into by the Borrower, with the Issuing Bank relating to any Letter of Credit.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate (rounded upwards, if necessary, to the next 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on such page (or otherwise on such screen), the "LIBO Rate" shall be determined by reference to such other comparable publicly available service for displaying Eurodollar rates (rounded upwards, if necessary, to the next 1/100 of 1%) as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered dollar deposits at or about 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period in the interbank Eurodollar market where its Eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

"Lien" means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and whether such obligation or claim is fixed or contingent, and including but not limited to (a) the lien or security interest arising from a mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes or (b) production payments and the like payable out of Oil and Gas Properties. The term "Lien" shall include easements, restrictions, servitudes, permits, conditions, covenants, exceptions or reservations. For the purposes of this Agreement, the Parent Guarantor, the Borrower or their Subsidiaries shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, or leases under a financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person in a transaction intended to create a financing.

"Loan Documents" means this Agreement, the Notes, the Letter of Credit Agreements, the Letters of Credit and the Security Instruments.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Majority Lenders" means, at any time while no Loans or LC Exposure is outstanding, two or more Lenders having at least sixty-six and two-thirds percent (66-2/3%) of the Aggregate Maximum Credit Amounts; and at any time while any Loans or LC Exposure is outstanding, two or more Lenders holding at least sixty-six and two-thirds percent (66-2/3%) of the outstanding aggregate principal amount of the Loans and participation interests in Letters of Credit (without regard to any sale by a Lender of a participation in any Loan under Section 12.04(c)); provided that the Maximum Credit Amounts and the principal amount of the Loans and participation interests in Letters of Credit of the Defaulting Lenders (if any) shall be excluded from the determination of Majority Lenders.

"Material Adverse Effect" means a material adverse change in, or material adverse effect on (a) the business, operations, Property or condition (financial or otherwise) of the Parent Guarantor, the Borrower and their Subsidiaries taken as a whole, (b) the ability of the Parent Guarantor, the Borrower, any Subsidiaries or any other Guarantor to perform any of its obligations under any Loan Document, (c) the validity or enforceability of any Loan Document or (d) the rights and remedies of or benefits available to the Administrative Agent, the Issuing Bank or any Lender under any Loan Document.

“Material Indebtedness” means Debt (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of the Parent Guarantor, the Borrower or their Subsidiaries in an aggregate principal amount exceeding $500,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Parent Guarantor, the Borrower or their Subsidiaries in respect of any Swap Agreement at any time shall be the Swap Termination Value.

“Maturity Date” means October 15, 2014.

“Maximum Credit Amount” means, as to each Lender, the amount set forth opposite such Lender’s name on Annex I under the caption “Maximum Credit Amounts”, as the same may be (a) reduced or terminated from time to time in connection with a reduction or termination of the Aggregate Maximum Credit Amounts pursuant to Section 2.06(b) or (b) modified from time to time pursuant to any assignment permitted by Section 12.04(b).

“Minimum Collateral Amount” means, at any time, (i) with respect to Cash Collateral consisting of cash or deposit account balances, an amount equal to 105% of the Fronting Exposure of all Issuing Banks with respect to Letters of Credit issued and outstanding at such time and (ii) if the Borrower agrees to deliver Cash Collateral consisting of property other than cash or deposit account balances, an amount determined by the Administrative Agent and the Issuing Bank in their sole discretion.

“Moody’s” means Moody’s Investors Service, Inc. and any successor thereto that is a nationally recognized rating agency.

“Mortgaged Property” means any Property owned by the Parent Guarantor, the Borrower or any other Guarantor which is subject to the Liens existing and to exist under the terms of the Security Instruments.

“New Borrowing Base Notice” has the meaning assigned such term in Section 2.07(d).

“Non-Conforming Borrowing Base” means, at any time during the Non-Conforming Period, an amount equal to the amount determined in accordance with Section 2.07, as the same may be adjusted from time to time pursuant to Section 2.07(e), Section 2.07(f), Section 8.13(c) or Section 9.12(d).

“Non-Conforming Period” means the period beginning on the Effective Date and ending on the earliest of (a) July 15, 2013, (b) the date of the closing of the initial public offering of the Parent Guarantor or (c) the date of the closing of the issuance of any Senior Unsecured Notes.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Notes” means the promissory notes of the Borrower described in Section 2.02(d) and being substantially in the form of Exhibit A, together with all amendments, modifications, replacements, extensions and rearrangements thereof.

“Oil and Gas Properties” means (a) Hydrocarbon Interests; (b) the Properties now or hereafter pooled or unitized with Hydrocarbon Interests; (c) all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests; (d) all operating agreements, contracts and other agreements, including production sharing contracts and agreements, which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interests; (e) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, including all oil in tanks, and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; (f) all tenements, hereditaments, appurtenances and Properties in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests and (g) all Properties, rights, titles, interests and estates described or referred to above, including any and all Property, real or personal, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment, rental equipment or other personal Property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or Property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement and any other Loan Document.

"Participant" has the meaning set forth in Section 12.04(c)(i).

"Permitted Holders" means (a) Wexford Capital LP, (b) any fund, investment vehicle, holding company or other entity directly or indirectly owned, managed or controlled by Wexford Capital LP and (c) the Parent Guarantor.

"Permitted Refinancing Debt" means Debt (for purposes of this definition, "new Debt") incurred in exchange for, or proceeds of which are used to repay, repurchase, redeem, defease, refund, replace, acquire or otherwise retire or refinance, all or part of any other Debt (the "Refinanced Debt"); *provided* that (a) such new Debt is in an aggregate principal amount not in excess of the sum of (i) the aggregate principal amount then outstanding of the Refinanced Debt (or, if the Refinanced Debt is exchanged or acquired for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, such lesser amount) and (ii) an amount necessary to pay any accrued and unpaid interest on such Refinanced Debt and any fees and expenses, including premiums, related to such exchange or refinancing; (b) such new Debt has a stated maturity no earlier than the stated maturity of the Refinanced Debt and an average life no shorter than the average life of the Refinanced Debt; (c) such new Debt's stated interest rate, fees, and premiums are on "market" terms; (d) such new Debt does not contain covenants that, taken as a whole, are materially more onerous to the Parent Guarantor and its Subsidiaries than those imposed by the Refinanced Debt and (e) if the Refinanced Debt (or any guarantee thereof) is subordinated in right of payment to the Indebtedness (or, if applicable, the Guaranty Agreement), then such new Debt (and any guarantees thereof) is subordinated in right of payment to the Indebtedness (or, if applicable, the Guaranty Agreement) to at least the same extent as the Refinanced Debt or is otherwise subordinated on terms substantially reasonably satisfactory to the Administrative Agent.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan, as defined in section 3(2) of ERISA, which (a) is currently or hereafter sponsored, maintained or contributed to by the Parent Guarantor, the Borrower, a Subsidiary or an ERISA Affiliate or (b) was at any time during the six calendar years preceding the date hereof, sponsored, maintained or contributed to by the Parent Guarantor, Borrower, a Subsidiary or an ERISA Affiliate.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Wells Fargo as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective. Such rate is set by the Administrative Agent as a general reference rate of interest, taking into account such factors as the Administrative Agent may deem appropriate; it being understood that many of the Administrative Agent's commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any customer and that the Administrative Agent may make various commercial or other loans at rates of interest having no relationship to such rate.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including, without limitation, cash, securities, accounts and contract rights.

"Proposed Borrowing Base" has the meaning assigned to such term in Section 2.07(c)(i).

"Proposed Borrowing Base Notice" has the meaning assigned to such term in Section 2.07(c)(ii).

"Redemption" means with respect to any Debt, the repurchase, redemption, prepayment, repayment, defeasance or any other acquisition or retirement for value (or the segregation of funds with respect to any of the foregoing) of such Debt. "Redeem" has the correlative meaning thereto.

"Redetermination Date" means, with respect to any Scheduled Redetermination or any Interim Redetermination, the date that the redetermined Borrowing Base related thereto becomes effective pursuant to Section 2.07(d).

"Register" has the meaning assigned such term in Section 12.04(b)(iv).

"Regulation D" means Regulation D of the Board, as the same may be amended, supplemented or replaced from time to time.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors (including attorneys, accountants and experts) of such Person and such Person’s Affiliates.

“Release” means any depositing, spilling, leaking, pumping, pouring, placing, emitting, discarding, abandoning, emptying, discharging, migrating, injecting, escaping, leaching, dumping, or disposing.

“Remedial Work” has the meaning assigned such term in Section 8.10(a).

“Reserve Report” means a report, in form and substance reasonably satisfactory to the Administrative Agent, setting forth, as of each January 1st or July 1st (or such other date in the event of an Interim Redetermination) the oil and gas reserves attributable to the Oil and Gas Properties of the Parent Guarantor and its Subsidiaries, together with a projection of the rate of production and future net income, taxes, operating expenses and capital expenditures with respect thereto as of such date, based upon the pricing assumptions consistent with the Administrative Agent’s lending requirements at the time.

“Responsible Officer” means, as to any Person, the Chief Executive Officer, the President, any Financial Officer or any Vice President of such Person. Unless otherwise specified, all references to a Responsible Officer herein shall mean a Responsible Officer of the Parent Guarantor.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other Property) with respect to any Equity Interests in the Parent Guarantor, the Borrower or any of their Subsidiaries or any payment (whether in cash, securities or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Parent Guarantor, the Borrower or any of their Subsidiaries or any option, warrant or other right to acquire any such Equity Interests in the Parent Guarantor, the Borrower or any of their Subsidiaries.

“Revolving Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Loans and its LC Exposure at such time.

“Scheduled Redetermination” has the meaning assigned such term in Section 2.07(b).

“Scheduled Redetermination Date” means the date on which a Borrowing Base that has been redetermined pursuant to a Scheduled Redetermination becomes effective as provided in Section 2.07(d).

“SEC” means the Securities and Exchange Commission or any successor Governmental Authority.

“Secured Swap Agreement” means any Swap Agreement between the Parent Guarantor or any Subsidiary and any Person that is entered into prior to the time, or during the time, that such Person was a Lender or an Affiliate of a Lender (including any such Swap Agreement in existence prior to the date hereof), even if such Person ceases to be a Lender or an Affiliate of a

Lender for any reason (any such Person, a "Secured Swap Party"). For the avoidance of doubt, for purposes of this definition and the definitions of "Secured Swap Party" and "Secured Swap Obligations," the term "Lender" includes each Person that was a "Lender" under the Existing Credit Agreement at the relevant time.

"Secured Swap Obligations" means all amounts and other obligations owing to any Secured Swap Party under any Secured Swap Agreement; provided that, for the avoidance of doubt, if a Secured Swap Party ceases to be a Lender (or an Affiliate of a Lender), then the Secured Swap Obligations owing to such Secured Swap Party under any such Secured Swap Agreement shall not include any obligations arising from transactions entered into after the time that such Secured Swap Party ceases to be a Lender or an Affiliate of a Lender.

"Secured Swap Party" has the meaning assigned to such term in the definition of Secured Swap Agreement.

"Security Instruments" means the Guaranty Agreement, mortgages, deeds of trust and other agreements, instruments or certificates described or referred to in Exhibit E, and any and all other agreements, instruments, consents or certificates now or hereafter executed and delivered by the Parent Guarantor, the Borrower or any other Person (other than Swap Agreements with a Secured Swap Party or participation or similar agreements between any Lender and any other lender or creditor with respect to any Indebtedness pursuant to this Agreement) in connection with, or as security for the payment or performance of the Indebtedness, the Notes, this Agreement, or reimbursement obligations under the Letters of Credit, as such agreements may be amended, modified, supplemented or restated from time to time.

"Senior Secured Debt" means the Indebtedness under this Agreement.

"Senior Unsecured Notes" means, except as permitted by Section 9.04(c), Debt in the form of unsecured senior or senior subordinated notes issued by the Parent Guarantor or the Borrower in an aggregate principal amount not to exceed $250,000,000 at any one time outstanding, including exchange notes issued in exchange therefor pursuant to any registration rights agreement (it being agreed that any such exchange or offer to exchange shall not constitute a Redemption or an offer to Redeem for purposes of this Agreement), and, in each case, any guarantees thereof by the Parent Guarantor, the Borrower or a Guarantor; provided that (a) at the time of incurring such Debt (i) no Default has occurred and is then continuing and (ii) no Default would result from the incurrence of such Debt after giving effect to the incurrence of such Debt (and any concurrent repayment of Debt with the proceeds of such incurrence), (b) such Debt does not have any scheduled amortization prior to 91 days after the Maturity Date, (c) such Debt does not mature sooner than 91 after the Maturity Date, (d) the terms of such Debt are not materially more onerous, taken as a whole, than the terms of this Agreement and the other Loan Documents, (e) such Debt and any guarantees thereof are on prevailing market terms for similarly situated companies and (f) the Borrowing Base is adjusted as contemplated by Section 2.07(f) and the Borrower makes any prepayment required under Section 3.04(c)(iii).

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., and any successor thereto that is a nationally recognized rating agency.

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“Subordinated Debt” means, except as permitted in Section 9.04(b), Debt (i) in a maximum principal amount not to exceed $30,000,000, (ii) with interest no greater than 8% per annum and payable only in kind, (iii) with a maturity date no earlier than 91 days after the Maturity Date, (iv) subordinate in all respects to the Indebtedness and (v) unsecured.

“Subsidiary” means: (a) any Person of which at least a majority of the outstanding Equity Interests having by the terms thereof ordinary voting power to elect a majority of the board of directors, managers or other governing body of such Person (irrespective of whether or not at the time Equity Interests of any other class or classes of such Person shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Parent Guarantor, the Borrower or one or more of their Subsidiaries and (b) any partnership of which the Parent Guarantor, the Borrower or any of their Subsidiaries is a general partner. Unless otherwise indicated herein, each reference to the term “Subsidiary” shall mean a Subsidiary of the Parent Guarantor or the Borrower, as the context requires.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement, whether exchange traded, “over-the-counter” or otherwise, involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or its Subsidiaries shall be a Swap Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Agreements, (a) for any date on or after the date such Swap Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s) and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Agreements, as determined by the counterparties to such Swap Agreements.

"Synthetic Leases" means, in respect of any Person, all leases which shall have been, or should have been, in accordance with GAAP, treated as operating leases on the financial statements of the Person liable (whether contingently or otherwise) for the payment of rent thereunder and which were properly treated as indebtedness for borrowed money for purposes of U.S. federal income taxes, if the lessee in respect thereof is obligated to either purchase for an amount in excess of, or pay upon early termination an amount in excess of, 80% of the residual value of the Property subject to such operating lease upon expiration or early termination of such lease.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Termination Date" means the earlier of the Maturity Date and the date of termination of the Commitments.

"Total Debt" means, at any date, all Debt of the Parent Guarantor and the Consolidated Subsidiaries, excluding non-cash obligations under FAS 133.

"Transactions" means, with respect to (a) the Borrower, the execution, delivery and performance by the Borrower of this Agreement and each other Loan Document to which it is a party, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder, and the grant of Liens by the Borrower on Mortgaged Properties and other Properties pursuant to the Security Instruments and (b) each Guarantor, the execution, delivery and performance by such Guarantor of each Loan Document to which it is a party, the guaranteeing of the Indebtedness and the other obligations under the Guaranty Agreement and such Guarantor's grant of the security interests and provision of collateral under the Security Instruments, and the grant of Liens by such Guarantor on Mortgaged Properties pursuant to the Security Instruments.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Alternate Base Rate or the Adjusted LIBO Rate.

Section 1.03 Types of Loans and Borrowings. For purposes of this Agreement, Loans and Borrowings, respectively, may be classified and referred to by Type (e.g., a "Eurodollar Loan" or a "Eurodollar Borrowing").

Section 1.04 Terms Generally; Rules of Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" as used in this Agreement shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth in the Loan Documents), (b) any reference herein to any law shall be construed as referring to such law as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time, (c) any reference herein to any Person shall be construed to include such Person's successors and assigns (subject to the restrictions contained in the Loan Documents), (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (e) with respect to the determination of any time period, the word "from" means "from and including" and the word "to" means "to and including" and (f) any reference herein to Articles, Sections, Annexes, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Annexes, Exhibits and Schedules to, this Agreement. No provision of this Agreement or any other Loan Document shall be interpreted or construed against any Person solely because such Person or its legal representative drafted such provision.

Section 1.05 Accounting Terms and Determinations; GAAP. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all financial statements and certificates and reports as to financial matters required to be furnished to the Administrative Agent or the Lenders hereunder shall be prepared, in accordance with GAAP, applied on a basis consistent with the Financial Statements except for changes in which the Parent Guarantor's or the Borrower's independent certified public accountants concur and which are disclosed to Administrative Agent on the next date on which financial statements are required to be delivered to the Lenders pursuant to Section 8.01(a); provided that, unless the Parent Guarantor, the Borrower and the Majority Lenders shall otherwise agree in writing, no such change shall modify or affect the manner in which compliance with the covenants contained herein is computed such that all such computations shall be conducted utilizing financial information presented consistently with prior periods.

ARTICLE II
The Credits

Section 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to the Borrower during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the total Revolving Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, repay and reborrow the Loans.

Section 2.02 Loans and Borrowings.

(a) Borrowings; Several Obligations. Each Loan shall be made as part of a Borrowing consisting of Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Types of Loans. Subject to Section 3.03, each Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) Minimum Amounts; Limitation on Number of Borrowings. At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $250,000 and not less than $250,000. At the time that each ABR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $250,000 and not less than $250,000; provided that, notwithstanding the foregoing, an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.08(e). Borrowings of more than one Type may be outstanding at the same time, provided that there shall not at any time be more than a total of five (5) Eurodollar Borrowings outstanding. Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

(d) Notes. The Loans made by each Lender shall be evidenced by a single promissory note of the Borrower in substantially the form of Exhibit A, dated, in the case of (i) any Lender party hereto as of the date of this Agreement, as of the date of this Agreement or (ii) any Lender that becomes a party hereto pursuant to an Assignment and Assumption, as of the effective date of the Assignment and Assumption, payable to such Lender in a principal amount equal to its Maximum Credit Amount as in effect on such date, and otherwise duly completed. In the event that any Lender’s Maximum Credit Amount increases or decreases for any reason (whether pursuant to Section 2.06, Section 12.04(b) or otherwise), the Borrower shall deliver or cause to be delivered on the effective date of such increase or decrease, a new Note payable to such Lender in a principal amount equal to its Maximum Credit Amount after giving effect to such increase or decrease, and otherwise duly completed. The date, amount, Type, interest rate and, if applicable, Interest Period of each Loan made by each Lender, and all payments made on account of the principal thereof, shall be recorded by such Lender on its books for its Note, and, prior to any transfer, may be endorsed by such Lender on a schedule attached to such Note or any continuation thereof or on any separate record maintained by such Lender. Failure to make any such notation or to attach a schedule shall not affect any Lender’s or the Borrower’s rights or obligations in respect of such Loans or affect the validity of such transfer by any Lender of its Note.

(e) Loans and Borrowings under the Existing Credit Agreement. On the Effective Date:

(i) the Borrower shall pay all accrued and unpaid commitment fees, break funding fees under Section 5.02 and all other fees that are outstanding under the Existing Credit Agreement for the account of each “Lender” under the Existing Credit Agreement;

(ii) each “ABR Loan” and “Eurodollar Loan” outstanding under the Existing Credit Agreement shall be deemed to be continued as existing Loans under this Agreement and not as a novation;

(iii) any letters of credit outstanding under the Existing Credit Agreement shall be deemed issued under this Agreement; and

(iv) the Existing Credit Agreement and the commitments thereunder shall be superseded by this Agreement.

It is the intent of the parties hereto that this Agreement not constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement or evidence repayment of any such obligations and liabilities and that this Agreement amend and restate in its entirety the Existing Credit Agreement and re-evidence the obligations of the Borrower outstanding thereunder.

Section 2.03 Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 12:00 noon, Houston, Texas time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 12:00 noon, Houston, Texas time, one Business Day before the date of the proposed Borrowing; provided that no such notice shall be required for any deemed request of an ABR Borrowing to finance the reimbursement of an LC Disbursement as provided in Section 2.08(e). Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery, electronic communication or telecopy to the Administrative Agent of a written Borrowing Request in substantially the form of Exhibit B and signed by the Parent Guarantor and the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period”;

(v) the amount of the then effective Borrowing Base, the current total Revolving Credit Exposures (without regard to the requested Borrowing) and the *pro forma* total Revolving Credit Exposures (giving effect to the requested Borrowing); and

(vi) the location and number of the Borrower’s account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05.

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Each Borrowing Request shall constitute a representation that the amount of the requested Borrowing shall not cause the total Revolving Credit Exposures to exceed the total Commitments (i.e., the lesser of the Aggregate Maximum Credit Amounts and the then effective Borrowing Base).

Promptly following receipt of a Borrowing Request in accordance with this Section 2.03, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.04 Interest Elections.

(a) Conversion and Continuance. Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.04. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) Interest Election Requests. To make an election pursuant to this Section 2.04, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower was requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery, electronic communication or telecopy to the Administrative Agent of a written Interest Election Request in substantially the form of Exhibit C and signed by the Parent Guarantor and the Borrower.

(c) Information in Interest Election Requests. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to Section 2.04(c)(iii) and (iv) shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Notice to Lenders by the Administrative Agent. Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) Effect of Failure to Deliver Timely Interest Election Request and Events of Default and Borrowing Base Deficiencies on Interest Election. If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to a Eurodollar Borrowing with an Interest Period of one month's duration. Notwithstanding any contrary provision hereof, if an Event of Default or a Borrowing Base Deficiency has occurred and is continuing: (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing (and any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective) and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.05 Funding of Borrowings.

(a) Funding by Lenders. Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., Houston, Texas time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in Houston, Texas and designated by the Borrower in the applicable Borrowing Request; provided that ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.08(e) shall be remitted by the Administrative Agent to the Issuing Bank. Nothing herein shall be deemed to obligate any Lender to obtain the funds for its Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for its Loan in any particular place or manner.

(b) Presumption of Funding by the Lenders. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.05(a) and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.06 Termination and Reduction of Aggregate Maximum Credit Amounts.

(a) Scheduled Termination of Commitments. Unless previously terminated, the Commitments shall terminate on the Maturity Date. If at any time the Aggregate Maximum Credit Amounts or the Borrowing Base is terminated or reduced to zero, then the Commitments shall terminate on the effective date of such termination or reduction.

(b) Optional Termination and Reduction of Aggregate Credit Amounts.

(i) The Borrower may at any time terminate, or from time to time reduce, the Aggregate Maximum Credit Amounts; provided that (A) each reduction of the Aggregate Maximum Credit Amounts shall be in an amount that is an integral multiple of $1,000,000 and not less than $1,000,000 and (B) the Borrower shall not terminate or reduce the Aggregate Maximum Credit Amounts if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 3.04(c), the total Revolving Credit Exposures would exceed the total Commitments.

(ii) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Aggregate Maximum Credit Amounts under Section 2.06(b)(i) at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section 2.06(b)(ii) shall be irrevocable. Any termination or reduction of the Aggregate Maximum Credit Amounts shall be permanent and may not be reinstated. Each reduction of the Aggregate Maximum Credit Amounts shall be made ratably among the Lenders in accordance with each Lender's Applicable Percentage.

Section 2.07 Borrowing Base.

(a) Initial Borrowing Base. For the period from and including the Effective Date to but excluding the next Redetermination Date, the amount of the Conforming Borrowing Base shall be $90,000,000 and the Non-Conforming Borrowing Base shall be $10,000,000. After the Non-Conforming Period, the Non-Conforming Borrowing Base shall be $0.0. During the Non-Conforming Period, the Borrowing Base shall be the sum of the Conforming Borrowing Base and the Non-Conforming Borrowing Base and thereafter the Borrowing Base shall equal the Conforming Borrowing Base. Notwithstanding the foregoing, the Conforming Borrowing Base and the Non-Conforming Borrowing Base (but only during the Non-Conforming Period) may be subject to further adjustments from time to time pursuant to Section 2.07(e), Section 2.07(f), Section 8.13(c) or Section 9.12(d).

(b) Scheduled and Interim Redeterminations. The Conforming Borrowing Base and the Non-Conforming Borrowing Base (during the Non-Conforming Period) shall be redetermined semi-annually in accordance with this Section 2.07 (a "Scheduled Redetermination"), and, subject to Section 2.07(d), such redetermined Conforming Borrowing Base and Non-Conforming Borrowing Base shall become effective and applicable to the Borrower, the Issuing Bank and the Lenders on April 1st and October 1st of each year, commencing October 1, 2012. In addition, the Borrower may, by notifying the Administrative Agent thereof, and the Administrative Agent may, at the direction of the Majority Lenders, by notifying the Borrower thereof, three times during any twelve month period, each elect to cause the Conforming Borrowing Base and the Non-Conforming Borrowing Base (during the Non-Conforming Period) to be redetermined between Scheduled Redeterminations (an "Interim Redetermination") in accordance with this Section 2.07.

(c) Scheduled and Interim Redetermination Procedure.

(i) Each Scheduled Redetermination and each Interim Redetermination shall be effectuated as follows: Upon receipt by the Administrative Agent of (A) the Reserve Report and the certificate required to be delivered by the Borrower to the Administrative Agent, in the case of a Scheduled Redetermination, pursuant to Section 8.12(a) and (c), and, in the case of an Interim Redetermination, pursuant to Section 8.12(b) and (c), and (B) such other reports, data and supplemental information, including, without limitation, the information provided pursuant to Section 8.12(c), as may, from time to time, be reasonably requested by the Majority Lenders (the Reserve Report, such certificate and such other reports, data and supplemental information being the "Engineering Reports"), the Administrative Agent shall evaluate the information contained in the Engineering Reports and shall, in good faith, propose a new Conforming Borrowing Base and Non-Conforming Borrowing Base (collectively, the "Proposed Borrowing Base") based upon such information and such other information (including, without limitation, the status of title information with respect to the Oil and Gas Properties as described in the Engineering Reports and the existence of any other Debt) as the Administrative Agent deems appropriate in its sole discretion and consistent with its normal oil and gas lending criteria as it exists at the particular time. In no event shall the Proposed Borrowing Base exceed the Aggregate Maximum Credit Amounts.

(ii) The Administrative Agent shall notify the Borrower and the Lenders of the Proposed Borrowing Base (the "Proposed Borrowing Base Notice"):

(A) in the case of a Scheduled Redetermination (I) if the Administrative Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then on or before the March 15th and September 15th of such year following the date of delivery or (II) if the Administrative Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then promptly after the Administrative Agent has received complete Engineering Reports from the Borrower and has had a reasonable opportunity to determine the Proposed Borrowing Base in accordance with Section 2.07(c)(i); and

(B) in the case of an Interim Redetermination, promptly, and in any event, within fifteen (15) days after the Administrative Agent has received the required Engineering Reports.

(iii) Any Proposed Borrowing Base that would increase the Conforming Borrowing Base and/or the Non-Conforming Borrowing Base then in effect must be approved or deemed to have been approved by all of the Lenders as provided in this Section 2.07(c)(iii); and any Proposed Borrowing Base that would decrease or maintain the Conforming Borrowing Base and/or the Non-Conforming Borrowing Base then in effect must be approved or be deemed to have been approved by the Majority Lenders as provided in this Section 2.07(c)(iii). Upon receipt of the Proposed Borrowing Base Notice, each Lender shall have fifteen (15) days to agree with the Proposed Borrowing Base or disagree with the Proposed Borrowing Base by proposing an alternate Conforming Borrowing Base and Non-Conforming Borrowing Base, as applicable. If at the end of such fifteen (15) days, any Lender has not communicated its approval or disapproval in writing to the Administrative Agent, such silence shall be deemed to be an approval of the Proposed Borrowing Base. If, at the end of such 15-day period, all of the Lenders, in the case of a Proposed Borrowing Base that would increase the Conforming Borrowing Base or the Non-Conforming Borrowing Base then in effect, or the Majority Lenders, in the case of a Proposed Borrowing Base that would decrease or maintain the Conforming Borrowing Base and/or the Non-Conforming Borrowing Base then in effect, have approved or deemed to have approved, as aforesaid, then the Proposed Borrowing Base shall become the new Conforming Borrowing Base, Non-Conforming Borrowing Base and Borrowing Base, as applicable, effective on the date specified in Section 2.07(d). If, however, at the end of such 15-day period, all of the Lenders or the Majority Lenders, as applicable, have not approved or deemed to have approved, as aforesaid, then the Administrative Agent shall poll the Lenders to ascertain the highest Conforming Borrowing Base and Non-Conforming Borrowing Base then acceptable to the number of Lenders sufficient to constitute the Majority Lenders for purposes of this Section 2.07 and, so long as such amount does not increase the Conforming Borrowing Base or Non-Conforming Borrowing Base then in effect, such amount shall become the new Conforming Borrowing Base and Non-Conforming Borrowing Base, as applicable, effective on the date specified in Section 2.07(d).

(d) Effectiveness of a Redetermined Borrowing Base. After a redetermined Conforming Borrowing Base and Non-Conforming Borrowing Base, if applicable, are approved or are deemed to have been approved by all of the Lenders or the Majority Lenders, as applicable, pursuant to Section 2.07(c)(iii), the Administrative Agent shall notify the Borrower and the Lenders of the amount of the redetermined Conforming Borrowing Base and Non-Conforming Borrowing Base, if any (the "New Borrowing Base Notice"), and such amounts shall become the new Borrowing Base, effective and applicable to the Borrower, the Administrative Agent, the Issuing Bank and the Lenders:

(i) in the case of a Scheduled Redetermination, (A) if the Administrative Agent shall have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then on the

April 1st or October 1st, as applicable, following such notice, or (B) if the Administrative Agent shall not have received the Engineering Reports required to be delivered by the Borrower pursuant to Section 8.12(a) and (c) in a timely and complete manner, then on the Business Day next succeeding delivery of such notice; and

(ii) in the case of an Interim Redetermination, on the Business Day next succeeding delivery of such notice.

Such amounts shall then become the Conforming Borrowing Base and Non-Conforming Borrowing Base, if applicable, until the next Scheduled Redetermination Date, the next Interim Redetermination Date or the next adjustment to the Borrowing Base under Section 2.07(e), Section 2.07(f), Section 8.13(c), or Section 9.12, whichever occurs first. Notwithstanding the foregoing, no Scheduled Redetermination or Interim Redetermination shall become effective until the New Borrowing Base Notice related thereto is received by the Borrower.

(e) Potential Adjustment of Borrowing Base Upon Termination of Swap Agreements. If the Borrower or any Subsidiary shall terminate or create any off-setting positions which have the economic effect of terminating any Swap Agreements (regardless of how evidenced) upon which the Lenders relied in determining the Borrowing Base, and which would affect the Borrowing Base (after giving effect to any replacement Swap Agreements), then, to the extent required by the Majority Lenders within 10 Business Days of such termination, the Borrowing Base shall be adjusted in an amount determined by the Majority Lenders equal to the economic value of such Swap Agreements.

(f) Reduction of Borrowing Base Upon Issuance of Senior Unsecured Notes. Notwithstanding anything to the contrary contained herein, upon each initial issuance of any Senior Unsecured Notes in accordance with Section 9.02(i)(1), the Borrowing Base then in effect shall be reduced by an amount equal to the product of 0.25 multiplied by the stated principal amount of such Senior Unsecured Notes (without regard to any initial issue discount), and the Borrowing Base as so reduced shall become the new Borrowing Base immediately upon the date of such issuance, effective and applicable to the Borrower, the Issuing Bank and the Lenders on such date until the next redetermination or modification thereof hereunder.

Section 2.08 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of dollar denominated Letters of Credit for its own account or for the account of any of its or the Parent Guarantor's Subsidiaries, in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period; provided that the Borrower may not request the issuance, amendment, renewal or extension of Letters of Credit hereunder if a Borrowing Base Deficiency exists at such time or would exist as a result thereof. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Notwithstanding anything to the contrary contained in this Agreement, Section 2.08 shall be subject to the terms and conditions of Section 2.09 and Section 2.10.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (not less than five (5) Business Days in advance of the requested date of issuance, amendment, renewal or extension) a notice:

(i) requesting the issuance of a Letter of Credit or identifying the Letter of Credit to be amended, renewed or extended;

(ii) specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day);

(iii) specifying the date on which such Letter of Credit is to expire (which shall comply with Section 2.08(c));

(iv) specifying the amount of such Letter of Credit;

(v) specifying the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit; and

(vi) specifying the amount of the then effective Borrowing Base and whether a Borrowing Base Deficiency exists at such time, the current total Revolving Credit Exposures (without regard to the requested Letter of Credit or the requested amendment, renewal or extension of an outstanding Letter of Credit) and the *pro forma* total Revolving Credit Exposures (giving effect to the requested Letter of Credit or the requested amendment, renewal or extension of an outstanding Letter of Credit).

Each notice shall constitute a representation that after giving effect to the requested issuance, amendment, renewal or extension, as applicable, (i) the LC Exposure shall not exceed the LC Commitment and (ii) the total Revolving Credit Exposures shall not exceed the total Commitments (i.e. the lesser of the Aggregate Maximum Credit Amounts and the then effective Borrowing Base).

If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date fifteen (15) months after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, fifteen (15) months after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date; provided, however, that any Letter of Credit may provide for the renewal thereof for additional periods, each of which shall not exceed fifteen (15) months (which shall in no event extend beyond the date referred to in clause (ii) above).

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Lenders, the Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in Section 2.08(e), or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this Section 2.08(d) in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default, the existence of a Borrowing Base Deficiency or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, Houston, Texas time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., Houston, Texas time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, Houston, Texas time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., Houston, Texas time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that if such LC Disbursement is not less than $1,000,000, the Borrower shall, subject to the conditions to Borrowing set forth herein, be deemed to have requested, and the Borrower does hereby request under such circumstances, that such payment be financed with an ABR Borrowing in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Borrowing. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.05 with respect to Loans made by such Lender (and Section 2.05 shall apply, *mutatis mutandis*, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this Section 2.08(e), the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this Section 2.08(e) to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this Section 2.08(e) to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Loans as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in Section 2.08(e) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, any Letter of Credit Agreement or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit or any Letter of Credit Agreement, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 2.08(f), constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Bank, nor any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised all requisite care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, until the Borrower shall have reimbursed the Issuing Bank for such LC Disbursement (either with its own funds or a Borrowing under Section 2.08(e)), the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans. Interest accrued pursuant to this Section 2.08(h) shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to Section 2.08(e) to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 3.05(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term “Issuing Bank” shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of the Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If (i) any Event of Default shall occur and be continuing and the Borrower receives notice from the Administrative Agent or the Majority Lenders demanding the deposit of cash collateral pursuant to this Section 2.08(j), or (ii) the Borrower is required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 3.04(c), then the Borrower shall deposit, in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to, in the case of an Event of Default, the LC Exposure, and in the case of a payment required by Section 3.04(c), the amount of such excess as provided in Section 3.04(c), as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Parent Guarantor, the Borrower or any Subsidiary described in Section 10.01(h) or Section 10.01(i). The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Bank and the Lenders, an exclusive first priority and continuing perfected security interest in and Lien on such account and all cash, checks, drafts, certificates and instruments, if any, from time to time deposited or held in such account, all deposits or wire transfers made thereto, any and all investments purchased with funds deposited in such account, all interest, dividends, cash, instruments, financial assets and other Property from time to time received, receivable or otherwise payable in respect of, or in exchange for, any or all of the foregoing, and all proceeds, products, accessions, rents, profits, income and benefits therefrom, and any substitutions and replacements therefor. The Borrower’s obligation to deposit amounts pursuant to this Section 2.08(j) shall be absolute and unconditional, without regard to whether any beneficiary of any such Letter of Credit has attempted to draw down all or a portion of such amount under the terms of a Letter of Credit, and, to the fullest extent permitted by applicable law, shall not be subject to any defense or be affected by a right of set-off, counterclaim or recoupment which the Parent

Guarantor, the Borrower or any of their Subsidiaries may now or hereafter have against any such beneficiary, the Issuing Bank, the Administrative Agent, the Lenders or any other Person for any reason whatsoever. Such deposit shall be held as collateral securing the payment and performance of the obligations of the Parent Guarantor, the Borrower and the other Guarantors under this Agreement and the other Loan Documents. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments, if any, shall be made at the option and sole discretion of the Administrative Agent, but subject to the consent (not to be unreasonably withheld) of the Borrower and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other obligations of the Parent Guarantor, the Borrower and any Subsidiary under this Agreement or the other Loan Documents. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, and the Borrower is not otherwise required to pay to the Administrative Agent the excess attributable to an LC Exposure in connection with any prepayment pursuant to Section 3.04(c), then such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

Section 2.09 Cash Collateral.

(a) At any time that there shall exist a Defaulting Lender, within one Business Day following the written request of the Administrative Agent or the Issuing Bank (with a copy to the Administrative Agent), the Borrower shall Cash Collateralize the Fronting Exposure of the Issuing Bank with respect to such Defaulting Lender (determined after giving effect to Section 2.10(a)(iv) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than the Minimum Collateral Amount. The Borrower may use proceeds of Borrowings for the provision of Cash Collateral (so long as no Borrowing Base Deficiency, Default or Event of Default exists).

(i) Grant of Security Interest. The Borrower, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grants to the Administrative Agent, for the benefit of the Issuing Bank, and agrees to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lender's obligation to fund participations in respect of LC Exposure, to be applied pursuant to subsection (ii) below. If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Bank as herein provided, or that the total amount of such Cash Collateral is less than the Minimum Collateral Amount, the Borrower will, within 2 Business Days upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(ii) Application. Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section 2.09 or Section 2.10 in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of LC Exposure (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(iii) Termination of Requirement. Cash Collateral (or the appropriate portion thereof) provided to reduce the Fronting Exposure of the Issuing Bank shall no longer be required to be held as Cash Collateral pursuant to this Section 2.09 following (i) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (ii) the determination by the Administrative Agent and the Issuing Bank that there exists excess Cash Collateral; provided that, subject to Section 2.10, the Person providing Cash Collateral and the Issuing Bank may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure or other obligations; and provided further that to the extent that such Cash Collateral was provided by the Borrower, such Cash Collateral shall remain subject to the security interest granted pursuant to the Loan Documents.

Section 2.10 Defaulting Lenders.

(a) Defaulting Lender Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by Applicable Law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Majority Lenders.

(ii) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article X or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 12.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Issuing Bank hereunder; third, to Cash Collateralize the Fronting Exposure of the Issuing Bank with respect to such Defaulting Lender in accordance with Section 2.09; fourth, as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan or funded participation in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to (A) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans and funded participations under this Agreement and (B) Cash Collateralize the Issuing Bank's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with Section 2.09; sixth, to the payment of any amounts owing to the

Lenders or the Issuing Bank as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Issuing Bank against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (1) such payment is a payment of the principal amount of any Loans or funded participations in Letters of Credit in respect of which such Defaulting Lender has not fully funded its appropriate share, and (2) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 6.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and funded participations in Letters of Credit owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or funded participations in Letters of Credit owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in LC Exposure are held by the Lenders pro rata in accordance with the Commitment under the Agreement without giving effect to Section 2.10(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this Section 2.10(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees.

(A) No Defaulting Lender shall be entitled to receive any commitment fee for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(B) Each Defaulting Lender shall be entitled to receive letter of credit fees pursuant to Section 3.05(b) for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to Section 2.09.

(C) With respect to any commitment fee or letter of credit fee not required to be paid to any Defaulting Lender pursuant to clause (A) or (B) above, the Borrower shall (1) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in LC Exposure that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (2) pay to each Issuing Bank, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such Issuing Bank's Fronting Exposure to such Defaulting Lender, and (3) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in LC Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that

(x) the conditions set forth in Section 6.2 are satisfied at the time of such reallocation (and, unless the Borrower shall have otherwise notified the Administrative Agent at such time, the Borrower shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Applicable Percentage of the Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(v) Cash Collateral. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrower shall, without prejudice to any right or remedy available to it hereunder or under law, Cash Collateralize the Issuing Bank's Fronting Exposure in accordance with the procedures set forth in Section 2.09.

(b) Defaulting Lender Cure. If the Borrower, the Administrative Agent and the Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), such Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held pro rata by the Lenders in accordance with the Commitments under this Agreement (without giving effect to Section 2.10(a)(iv)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Letters of Credit. So long as any Lender is a Defaulting Lender, no Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

ARTICLE III
Payments of Principal and Interest; Prepayments; Fees

Section 3.01 Repayment of Loans. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Termination Date.

Section 3.02 Interest.

(a) ABR Loans. The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(b) Eurodollar Loans. The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate.

(c) Post-Default Rate and Borrowing Base Deficiency Rate. Notwithstanding the foregoing, (i) if an Event of Default has occurred and is continuing, or if any principal of or interest on any Loan or any fee or other amount payable by the Parent Guarantor, the Borrower or any other Guarantor hereunder or under any other Loan Document is not paid when due, whether at stated maturity, upon acceleration or otherwise, and including any payments in respect of a Borrowing Base Deficiency under Section 3.04(c), then all Loans outstanding, in the case of an Event of Default, and such overdue amount, in the case of a failure to pay amounts when due, shall bear interest, after as well as before judgment, at a rate per annum equal to two percent (2%) plus the rate applicable to ABR Loans as provided in Section 3.02(a), but in no event to exceed the Highest Lawful Rate, and (ii) during any Borrowing Base Deficiency, all Loans outstanding at such time shall bear interest, after as well as before judgment, at the rate then applicable to such Loans, plus the Applicable Margin, if any, plus an additional two percent (2%), but in no event to exceed the Highest Lawful Rate.

(d) Interest Payment Dates. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and on the Termination Date; provided that (i) interest accrued pursuant to Section 3.02(c) shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than an optional prepayment of an ABR Loan prior to the Termination Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) Interest Rate Computations. All interest hereunder shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case interest shall be computed on the basis of a year of 365 days (or 366 days in a leap year), except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error, and be binding upon the parties hereto.

Section 3.03 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Majority Lenders that the Adjusted LIBO Rate or LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

Section 3.04 Prepayments.

(a) Optional Prepayments. The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with Section 3.04(b).

(b) Notice and Terms of Optional Prepayment. The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 12:00 noon, Houston, Texas time, three Business Days before the date of prepayment, or (ii) in the case of prepayment of an ABR Borrowing, not later than 12:00 noon, Houston, Texas time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 3.02.

(c) Mandatory Prepayments.

(i) If, after giving effect to any termination or reduction of the Aggregate Maximum Credit Amounts pursuant to Section 2.06(b), the total Revolving Credit Exposures exceeds the total Commitments, then the Borrower shall (A) prepay the Borrowings on the date of such termination or reduction in an aggregate principal amount equal to such excess, and (B) if any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(j).

(ii) Upon any redetermination of or adjustment to the amount of the Borrowing Base in accordance with Section 2.07 (other than Section 2.07(e) and Section 2.07(f)) or Section 8.13(c), if the total Revolving Credit Exposure exceeds the redetermined or adjusted Borrowing Base, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to such excess, and (B) if the Borrower prepays such Borrowings pursuant to clause (A) of this subsection and any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(j). The Borrower shall be obligated to make such prepayment and/or deposit of cash collateral within ninety (90) days following its receipt of the New Borrowing Base Notice in accordance with Section 2.07(d) or the date the adjustment occurs (and may make such prepayment and/or deposit at any time and from time to time, in whole or in part, prior to the end of such 90-day period); provided that all payments required to be made pursuant to this Section 3.04(c)(ii) must be made on or prior to the Termination Date.

(iii) Upon any adjustments to the Borrowing Base pursuant to Section 2.07(e), Section 2.07(f) or Section 9.12(d), if the total Revolving Credit Exposures exceeds the Borrowing Base as adjusted, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to such excess, and (B) if any excess remains after prepaying all of the Borrowings as a result of an LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to such excess to be held as cash collateral as provided in Section 2.08(j). The Borrower shall be obligated to make such prepayment and/or deposit of cash collateral on the date of such termination, creation of offsetting positions or it receives cash proceeds as a result of such issuance or disposition; provided that all payments required to be made pursuant to this Section 3.04(c)(iii) must be made on or prior to the Termination Date.

(iv) Notwithstanding anything to the contrary herein, if the Borrower or any of its Subsidiaries sells any Property when a Borrowing Base Deficiency or Event of Default exists, then the Borrower shall (A) prepay the Borrowings in an aggregate principal amount equal to the net cash proceeds received from such sale, and (B) if any excess remains after prepaying all of the Borrowings and there exists any LC Exposure, pay to the Administrative Agent on behalf of the Lenders an amount equal to the lesser of such excess and the amount of such LC Exposure to be held as cash collateral as provided in Section 2.08(j). The Borrower shall be obligated to make such prepayment and/or deposit of cash collateral on the date it or any Subsidiary receives cash proceeds as a result of such sale; provided that all payments required to be made pursuant to this Section 3.04(c)(iv) must be made on or prior to the Termination Date.

(v) Each prepayment of Borrowings pursuant to this Section 3.04(c) shall be applied, first, ratably to any ABR Borrowings then outstanding, and, second, to any Eurodollar Borrowings then outstanding, and if more than one Eurodollar Borrowing is then outstanding, to each such Eurodollar Borrowing in order of priority beginning with the Eurodollar Borrowing with the least number of days remaining in the Interest Period applicable thereto and ending with the Eurodollar Borrowing with the most number of days remaining in the Interest Period applicable thereto.

(vi) Each prepayment of Borrowings pursuant to this Section 3.04(c) shall be applied ratably to the Loans included in the prepaid Borrowings. Prepayments pursuant to this Section 3.04(c) shall be accompanied by accrued interest to the extent required by Section 3.02.

(d) No Premium or Penalty. Prepayments permitted or required under this Section 3.04 shall be without premium or penalty, except as required under Section 5.02.

Section 3.05 Fees.

(a) Commitment Fees. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at a rate per annum of 0.50% on the average daily amount of the unused amount of the Commitment of such Lender during the period from and including the date of this Agreement to but excluding the Termination Date. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the Termination Date, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case interest shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Letter of Credit Fees. The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Margin used to determine the interest rate applicable to Eurodollar Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date of this Agreement to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, (ii) to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.25% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date of this Agreement to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, provided that in no event shall such fee be less than $500 during any calendar year, and (iii) to the Issuing Bank, for its own account, its standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the date of this Agreement; provided that all such fees shall be payable on the Termination Date and any such fees accruing after the Termination Date shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this Section 3.05(b) shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days, unless such computation would exceed the Highest Lawful Rate, in which case interest shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) Other Fees. The Borrower agrees to pay to the Administrative Agent, for its own account and for the account of each Lender, as applicable, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent in the Fee Letter.

ARTICLE IV
Payments; Pro Rata Treatment; Sharing of Set-offs

Section 4.01 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) Payments by the Borrower. The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 5.01, Section 5.02, Section 5.03 or otherwise) prior to 12:00 noon, Houston, Texas time, on the date when due, in immediately available funds, without defense, deduction, recoupment, set-off or counterclaim. Fees, once paid, shall be fully earned and shall not be refundable under any circumstances. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices specified in Section 12.01, except payments to be made directly to the Issuing Bank as expressly provided herein and except that payments pursuant to Section 5.01, Section 5.02, Section 5.03 and Section 12.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) Application of Insufficient Payments. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) Sharing of Payments by Lenders. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this Section 4.01(c) shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this

Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Parent Guarantor, the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this Section 4.01(c) shall apply). The Parent Guarantor and the Borrower consent to the foregoing and agree, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Parent Guarantor or the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Parent Guarantor or the Borrower in the amount of such participation.

Section 4.02 Presumption of Payment by the Borrower. Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 4.03 Disposition of Proceeds. The Security Instruments contain an assignment by the Parent Guarantor, the Borrower and/or the other Guarantors unto and in favor of the Administrative Agent for the benefit of the Lenders of all of the Borrower's and/or each Guarantor's interest in and to production and all proceeds attributable thereto which may be produced from or allocated to the Mortgaged Property. The Security Instruments further provide in general for the application of such proceeds to the satisfaction of the Indebtedness and other obligations described therein and secured thereby. Notwithstanding the assignment contained in such Security Instruments, until the occurrence of an Event of Default, (a) the Administrative Agent and the Lenders agree that they will neither notify the purchaser or purchasers of such production nor take any other action to cause such proceeds to be remitted to the Administrative Agent or the Lenders, but the Lenders will instead permit such proceeds to be paid to the Parent Guarantor, the Borrower and their Subsidiaries and (b) the Lenders hereby authorize the Administrative Agent to take such actions as may be necessary to cause such proceeds to be paid to the Parent Guarantor, the Borrower and such Subsidiaries.

ARTICLE V
Increased Costs; Break Funding Payments; Taxes; Illegality

Section 5.01 Increased Costs.

(a) Eurodollar Changes in Law. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender (whether of principal, interest or otherwise), then the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) Certificates. A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in Section 5.01(a) or (b) shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Effect of Failure or Delay in Requesting Compensation. Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section 5.01 shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section 5.01 for any increased costs or reductions incurred more than 365 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 365-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 5.02 Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan into an

ABR Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto, or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto pursuant to Section 5.04, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the Eurodollar market.

A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section 5.02 shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 5.03 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Parent Guarantor, the Borrower or any Guarantor under any Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower or any Guarantor shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 5.03(a)), the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or such Guarantor shall make such deductions and (iii) the Borrower or such Guarantor shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. The Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Lender and the Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or the Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 5.03) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate of the Administrative Agent, a Lender or the Issuing Bank as to the amount of such payment or liability under this Section 5.03 shall be delivered to the Borrower and shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower or a Guarantor to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Foreign Lenders. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement or any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, in the event that the Borrower is a resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of IRS Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party;

(ii) duly completed copies of IRS Form W-8ECI;

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a “bank” within the meaning of section 881(c)(3)(A) of the Code, (B) a “10 percent shareholder” of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a “controlled foreign corporation” described in section 881(c)(3)(C) of the Code and (y) duly completed copies of IRS Form W-8BEN; or

(iv) any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower to determine the withholding or deduction required to be made.

If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender fails to comply with any requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall (A) enter into such agreements with the IRS as necessary to establish an exemption from withholding under FATCA; (B) comply with any certification, documentation, information, reporting or other requirement necessary to establish an exemption from withholding under FATCA; (C) provide any documentation reasonably requested by the Borrower or the Administrative Agent sufficient for the Administrative Agent and the Borrower to comply with their respective obligations, if any, under FATCA and to determine that such Lender has complied such applicable requirements; and (D) provide a certification signed by the chief financial officer, principal accounting officer, treasurer or controller of such Lender certifying that such Lender has complied with any necessary requirements to establish an exemption from withholding under FATCA. To the extent that the relevant documentation provided pursuant to this paragraph is rendered obsolete or inaccurate in any material respect as a result of changes in circumstances with respect to the status of a Lender or Issuing Bank, such Lender or Issuing Bank shall, to the extent permitted by Applicable Law, deliver to the Borrower and the Administrative Agent revised and/or updated documentation sufficient for the Borrower and the Administrative Agent to confirm such Lender's or such Issuing Bank's compliance with their respective obligations under FATCA.

Section 5.04 Mitigation Obligations. If any Lender requests compensation under Section 5.01, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 5.03, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 5.01 or Section 5.03, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

Section 5.05 Illegality. Notwithstanding any other provision of this Agreement, in the event that it becomes unlawful for any Lender or its applicable lending office to honor its obligation to make or maintain Eurodollar Loans either generally or having a particular Interest Period hereunder, then (a) such Lender shall promptly notify the Borrower and the Administrative Agent thereof and such Lender's obligation to make such Eurodollar Loans shall be suspended (the "Affected Loans") until such time as such Lender may again make and maintain such Eurodollar Loans and (b) all Affected Loans which would otherwise be made by such Lender shall be made instead as ABR Loans (and, if such Lender so requests by notice to the Borrower and the Administrative Agent, all Affected Loans of such Lender then outstanding shall be automatically converted into ABR Loans on the date specified by such Lender in such notice) and, to the extent that Affected Loans are so made as (or converted into) ABR Loans, all payments of principal which would otherwise be applied to such Lender's Affected Loans shall be applied instead to its ABR Loans.

ARTICLE VI
Conditions Precedent

Section 6.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder, and the continuation of the loans and letters of credit under the Existing Credit Agreement as Loans and Letters of Credit under this Agreement as contemplated by Section 2.02(e), in each case, shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 12.02):

(a) The Administrative Agent, the Arranger and the Lenders shall have received all commitment, facility and agency fees and all other fees and amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(b) The Administrative Agent shall have received a certificate of a Responsible Officer of the Parent Guarantor, the Borrower and each other Guarantor setting forth (i) resolutions of the members, board of directors or other appropriate governing body with respect to the authorization of the Borrower or such Guarantor to execute and deliver the Loan Documents to which it is a party and to enter into the transactions contemplated in those documents, (ii) the officers of the Borrower or such Guarantor (y) who are authorized to sign the Loan Documents to which the Borrower or such Guarantor is a party and (z) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the transactions contemplated hereby, (iii) specimen signatures of such authorized officers, and (iv) the limited liability company agreement, the articles or certificate of incorporation and by-laws or other applicable organizational documents of the Parent Guarantor, the Borrower and such other Guarantor, certified as being true and complete as of the date of such certificate. The Administrative Agent and the Lenders may conclusively rely on such certificate until the Administrative Agent receives notice in writing from the Parent Guarantor, the Borrower and such other Guarantor to the contrary.

(c) The Administrative Agent shall have received certificates of the appropriate State agencies with respect to the existence, qualification and good standing of the Parent Guarantor, the Borrower and each other Guarantor.

(d) The Administrative Agent shall have received a compliance certificate which shall be substantially in the form of Exhibit D, duly and properly executed by a Responsible Officer and dated as of the Effective Date.

(e) The Administrative Agent shall have received from each party hereto counterparts (in such number as may be requested by the Administrative Agent) of this Agreement signed on behalf of such party.

(f) The Administrative Agent shall have received duly executed Notes payable to each Lender in a principal amount equal to its Maximum Credit Amount dated as of the date hereof.

(g) The Administrative Agent shall have received from each party thereto duly executed counterparts (in such number as may be requested by the Administrative Agent) of the Security Instruments, including the Guaranty Agreement described on Exhibit E. In connection with the execution and delivery of the Security Instruments, the Administrative Agent shall:

(i) be reasonably satisfied that the Security Instruments create first priority, perfected Liens (subject only to Excepted Liens identified in clauses (a) to (d) and (f) of the definition thereof, but subject to the provisos at the end of such definition) on substantially all assets of the Borrower and the Guarantors, including a first priority perfected lien on all equipment and at least 80% of the total value of the Oil and Gas Properties evaluated in the most recently delivered Reserve Report; and

(ii) have received certificates, together with undated stock powers for such certificates, representing all of the issued and outstanding Equity Interests of each of the Subsidiaries (direct or indirect) of the Borrower.

(h) The Administrative Agent shall have received an opinion of Akin Gump Strauss Hauer & Feld LLP, special counsel to the Borrower, in form and substance satisfactory to the Administrative Agent.

(i) The Administrative Agent shall have received a certificate of insurance coverage of the Borrower evidencing that the Borrower and the Parent Guarantor are carrying insurance in accordance with Section 7.12.

(j) The Administrative Agent shall have received title information as the Administrative Agent may reasonably require satisfactory to the Administrative Agent setting forth the status of title to at least 80% of the total value of the Oil and Gas Properties evaluated in the most recently delivered Reserve Report.

(k) The Administrative Agent shall be reasonably satisfied with the environmental condition of the Oil and Gas Properties of the Borrower and the Guarantors.

(l) The Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower certifying that the Borrower has received all consents and approvals required by Section 7.03.

(m) The Administrative Agent shall have received the financial statements referred to in Section 7.04(a).

(n) The Administrative Agent shall have received appropriate UCC search certificates reflecting no prior Liens encumbering the Properties of the Parent Guarantor, the Borrower or their Subsidiaries for each of the following jurisdictions: Texas and any other jurisdiction requested by the Administrative Agent; other than those being assigned or released on or prior to the Effective Date or Liens permitted by Section 9.03.

(o) The Administrative Agent shall have received such other documents as the Administrative Agent or special counsel to the Administrative Agent may reasonably request.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 12.02) at or prior to 4:00 p.m., Houston, Texas time, on July 31, 2012 (and, in the event such conditions are not so satisfied or waived, at such time this Agreement shall cease to be of any force or effect and the loans and letters of credit outstanding under the Existing Credit Agreement shall continue to be outstanding thereunder).

Section 6.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing (including the initial funding), and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, and the continuation of the loans and letters of credit under the Existing Credit Agreement as Loans and Letters of Credit under this Agreement as contemplated by Section 2.02(e), in each case is subject to the satisfaction of the following conditions:

(a) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no event, development or circumstance has occurred or shall then exist that has resulted in, or could reasonably be expected to have, a Material Adverse Effect.

(c) The representations and warranties of the Parent Guarantor, the Borrower and the other Guarantors set forth in this Agreement and in the other Loan Documents shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable, such representations and warranties shall continue to be true and correct as of such specified earlier date.

(d) The making of such Loan or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, would not conflict with, or cause any Lender or the Issuing Bank to violate or exceed, any applicable Governmental Requirement, and no Change in Law shall have occurred, and no litigation shall be pending or threatened, which does or, with respect to any threatened litigation, seeks to, enjoin, prohibit or restrain, the making or repayment of any Loan, the issuance, amendment, renewal, extension or repayment of any Letter of Credit or any participations therein or the consummation of the transactions contemplated by this Agreement or any other Loan Document.

(e) Except with respect to the continuation of the loans and letters of credit under the Existing Credit Agreement as Loans and Letters of Credit under this Agreement as contemplated by Section 2.02(e), the receipt by the Administrative Agent of a Borrowing Request in accordance with Section 2.03 or a request for a Letter of Credit in accordance with Section 2.08(b), as applicable.

Each request for a Borrowing and each request for the issuance, amendment, renewal or extension of any Letter of Credit shall be deemed to constitute a representation and warranty by the Parent Guarantor and the Borrower on the date thereof as to the matters specified in Section 6.02(a) through (d).

ARTICLE VII
Representations and Warranties

The Parent Guarantor and the Borrower each represents and warrants to the Lenders that:

Section 7.01 Organization; Powers. Each of the Parent Guarantor, the Borrower and their Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority, and has all material governmental licenses, authorizations, consents and approvals necessary, to own its assets and to carry on its business as now conducted, and is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required, except where failure to have such power, authority, licenses, authorizations, consents, approvals and qualifications could not reasonably be expected to have a Material Adverse Effect.

Section 7.02 Authority; Enforceability. The Transactions are within the Parent Guarantor's, the Borrower's and each other Guarantor's corporate, partnership or other organizational powers and have been duly authorized by all necessary organizational action and, if required, action by any holders of its Equity Interests. Each Loan Document to which the Parent Guarantor, the Borrower and each other Guarantor is a party has been duly executed and delivered by the Parent Guarantor, the Borrower and such other Guarantor and constitutes a legal, valid and binding obligation of the Parent Guarantor, the Borrower and such other Guarantor, as applicable, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 7.03 Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority or any other third Person (including holders of its Equity Interests or any class of directors, managers or supervisors, as applicable, whether interested or disinterested, of the Parent Guarantor, the Borrower or any other Person), nor is any such consent, approval, registration, filing or other action necessary for the validity or enforceability of any Loan Document or the consummation of the transactions contemplated thereby, except such as have been obtained or made and are in full force and effect other than the recording and filing of the Security Instruments as required by this Agreement, (b) will not violate any applicable law or regulation or charter, bylaws, limited liability company agreements or other organizational documents of the Parent Guarantor, the Borrower or any Subsidiary or any order of any Governmental Authority, and (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Parent Guarantor, the Borrower or their Subsidiaries or their

Properties, or give rise to a right thereunder to require any payment to be made by the Parent Guarantor, the Borrower or their Subsidiaries and will not result in the creation or imposition of any Lien on any Property of the Parent Guarantor, the Borrower or their Subsidiaries (other than the Liens created by the Loan Documents).

Section 7.04 Financial Condition; No Material Adverse Change.

(a) The Borrower has heretofore furnished to the Lenders its audited consolidated balance sheet and statements of income, equity and cash flows as of and for the fiscal year ended December 31, 2011, reported on by Grant Thornton LLC, independent public accountants and its unaudited financial statements as of and for the fiscal quarter and the portion of the fiscal year ended March 31, 2012, certified by its Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the unaudited quarterly financial statements.

(b) Since December 31, 2011, there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

(c) As of the date hereof, the Parent Guarantor, the Borrower and their Subsidiaries have no material Debt (including Disqualified Capital Stock) or any contingent liabilities, off-balance sheet liabilities or partnerships, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the Financial Statements, and except those that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Borrower or its Subsidiaries.

Section 7.05 Litigation. There are no actions, suits, investigations or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Parent Guarantor, the Borrower or any Subsidiary (i) not fully covered by insurance (except for normal deductibles) as to which there is a reasonable possibility of an adverse determination that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve any Loan Document or the Transactions.

Section 7.06 Environmental Matters. Except for such matters that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Parent Guarantor or the Borrower:

(a) The Parent Guarantor, the Borrower and their Subsidiaries and each of their respective Properties and operations thereon are, and within all applicable statute of limitation periods have been, in compliance with all applicable Environmental Laws;

(b) The Parent Guarantor, the Borrower and their Subsidiaries have obtained all Environmental Permits required for their respective operations and each of their Properties, with all such Environmental Permits being currently in full force and effect, and neither the Parent Guarantor, the Borrower nor any Subsidiary has received any written notice or otherwise has knowledge that any such existing Environmental Permit will be revoked or that any application for any new Environmental Permit or renewal of any existing Environmental Permit will be protested or denied;

(c) There are no claims, demands, suits, orders, inquiries, or proceedings concerning any violation of, or any liability (including as a potentially responsible party) under, any applicable Environmental Laws that is pending or, to either the Parent Guarantor's or the Borrower's knowledge, threatened against the Parent Guarantor, the Borrower or any Subsidiary or any of their respective Properties or as a result of any operations at the Properties;

(d) None of the Properties of the Parent Guarantor, the Borrower or any of their Subsidiaries contain or have contained any: (i) underground storage tanks; (ii) asbestos-containing materials; (iii) landfills or dumps; (iv) hazardous waste management units as defined pursuant to RCRA or any comparable state law; or (v) sites on or nominated for the National Priority List promulgated pursuant to CERCLA or any state remedial priority list promulgated or published pursuant to any comparable state law;

(e) There has been no Release or, to the Parent Guarantor's or the Borrower's knowledge, threatened Release, of Hazardous Materials at, on, under or from any of the Parent Guarantor's, the Borrower's or their Subsidiaries' Properties, there are no investigations, remediations, abatements, removals, or monitorings of Hazardous Materials required under applicable Environmental Laws at such Properties and, to the knowledge of the Borrower, none of such Properties are adversely affected by any Release or threatened Release of a Hazardous Material originating or emanating from any other real property;

(f) Neither the Parent Guarantor, the Borrower nor any of their Subsidiaries have received any written notice asserting an alleged liability or obligation under any applicable Environmental Laws with respect to the investigation, remediation, abatement, removal, or monitoring of any Hazardous Materials at, under, or Released or threatened to be Released from any real properties offsite the Parent Guarantor's, the Borrower's or their Subsidiaries' Properties and, to the Parent Guarantor's and the Borrower's knowledge, there are no conditions or circumstances that could reasonably be expected to result in the receipt of such written notice.

(g) There has been no exposure of any Person or property to any Hazardous Materials as a result of or in connection with the operations and businesses of any of the Parent Guarantor's, the Borrower's or their Subsidiaries' Properties that could reasonably be expected to form the basis for a claim for damages or compensation; and

(h) The Parent Guarantor and the Borrower has made available to Lenders complete and correct copies of all environmental site assessment reports, investigations, studies, analyses, and correspondence on environmental matters (including matters relating to any alleged non-compliance with or liability under Environmental Laws) that are in any of the Parent Guarantor's, the Borrower's or the Subsidiaries' possession or control and relating to their respective Properties or operations thereon.

Section 7.07 Compliance with the Laws and Agreements; No Defaults.

(a) The Parent Guarantor, the Borrower and each of their Subsidiaries are in compliance with all Governmental Requirements applicable to it or its Property and all agreements and other instruments binding upon it or its Property, and possesses all licenses, permits, franchises, exemptions, approvals and other governmental authorizations necessary for the ownership of its Property and the conduct of its business, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Parent Guarantor, the Borrower nor any of their Subsidiaries are in default nor has any event or circumstance occurred which, but for the expiration of any applicable grace period or the giving of notice, or both, would constitute a default or would require the Parent Guarantor, the Borrower or any of their Subsidiaries to Redeem or make any offer to Redeem under any indenture, note, credit agreement or instrument pursuant to which any Material Indebtedness is outstanding or by which the Parent Guarantor, the Borrower or any of their Subsidiaries or any of their Properties are bound.

(c) No Default has occurred and is continuing.

Section 7.08 Investment Company Act. Neither the Parent Guarantor, the Borrower nor any of their Subsidiaries are an "investment company" or a company "controlled" by an "investment company," within the meaning of, or subject to regulation under, the Investment Company Act of 1940, as amended.

Section 7.09 Taxes. The Parent Guarantor, the Borrower and their Subsidiaries have timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Parent Guarantor, the Borrower or Subsidiary, as applicable, has set aside on its books adequate reserves in accordance with GAAP or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect. The charges, accruals and reserves on the books of the Parent Guarantor, the Borrower and their Subsidiaries in respect of Taxes and other governmental charges are, in the reasonable opinion of the Parent Guarantor and the Borrower, adequate. No Tax Lien has been filed and, to the knowledge of the Parent Guarantor and the Borrower, no claim is being asserted with respect to any such Tax or other such governmental charge.

Section 7.10 ERISA.

(a) The Parent Guarantor, the Borrower, their Subsidiaries and each ERISA Affiliate have complied in all material respects with ERISA and, where applicable, the Code regarding each Plan.

(b) Each Plan is, and has been, established and maintained in substantial compliance with its terms, ERISA and, where applicable, the Code.

(c) No act, omission or transaction has occurred which could result in imposition on the Parent Guarantor, the Borrower, any Subsidiary or any ERISA Affiliate (whether directly or indirectly) of (i) either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed pursuant to Chapter 43 of Subtitle D of the Code or (ii) breach of fiduciary duty liability damages under section 409 of ERISA.

(d) Full payment when due has been made of all amounts which the Parent Guarantor, the Borrower, any Subsidiary or any ERISA Affiliate is required under the terms of each Plan or applicable law to have paid as contributions to such Plan as of the date hereof.

(e) Neither the Parent Guarantor, the Borrower, any of their Subsidiaries nor any ERISA Affiliate sponsors, maintains, or contributes to an employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by the Parent Guarantor, the Borrower, any of their Subsidiaries or any ERISA Affiliate in its sole discretion at any time without any material liability.

(f) Neither the Parent Guarantor, the Borrower, any of their Subsidiaries nor any ERISA Affiliate sponsors, maintains or contributes to, or has at any time in the six-year period preceding the date hereof sponsored, maintained or contributed to, any employee pension benefit plan, as defined in section 3(2) of ERISA, that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code.

Section 7.11 Disclosure; No Material Misstatements. The Parent Guarantor and the Borrower have disclosed to the Administrative Agent and the Lenders all agreements, instruments and corporate or other restrictions to which it, or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the other reports, financial statements, certificates or other information furnished by or on behalf of the Parent Guarantor, the Borrower or any Subsidiary to the Administrative Agent or any Lender or any of their Affiliates in connection with the negotiation of this Agreement or any other Loan Document or delivered hereunder or under any other Loan Document (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Parent Guarantor, and the Borrower represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time. There is no fact peculiar to the Parent Guarantor, the Borrower or any Subsidiary which could reasonably be expected to have a Material Adverse Effect or in the future is reasonably likely to have a Material Adverse Effect and which has not been set forth in this Agreement or the Loan Documents or the other documents, certificates and statements furnished to the Administrative Agent or the Lenders by or on behalf of the Borrower or any Subsidiary prior to, or on, the date hereof in connection with the transactions contemplated hereby. There are no statements or conclusions in any Reserve Report which are based upon or include misleading information or fail to take into account material information regarding the matters reported therein, it being understood that projections concerning volumes attributable to the Oil and Gas Properties of the Parent Guarantor, the Borrower and their Subsidiaries and production and cost estimates contained in each Reserve Report are necessarily based upon professional opinions, estimates and projections and that the Parent Guarantor, the Borrower and their Subsidiaries do not warrant that such opinions, estimates and projections will ultimately prove to have been accurate.

Section 7.12 Insurance. The Parent Guarantor and the Borrower have, and have caused all of their Subsidiaries to have, (a) all insurance policies sufficient for the compliance by each of them with all material Governmental Requirements and all material agreements and (b) insurance coverage in at least amounts and against such risk (including, without limitation, public liability) that are usually insured against by companies similarly situated and engaged in the same or a similar business for the assets and operations of the Borrower and its Subsidiaries. The Administrative Agent and the Lenders have been named as additional insureds in respect of such liability insurance policies and the Administrative Agent has been named as loss payee with respect to Property loss insurance.

Section 7.13 Restriction on Liens. Neither the Parent Guarantor, the Borrower nor any of their Subsidiaries are a party to any material agreement or arrangement (other than as permitted by Section 9.16), or subject to any order, judgment, writ or decree, which either restricts or purports to restrict its ability to grant Liens to the Administrative Agent and the Lenders on or in respect of their Properties to secure the Indebtedness and the Loan Documents.

Section 7.14 Subsidiaries. Except as set forth on Schedule 7.14 or as disclosed in writing to the Administrative Agent (which shall promptly furnish a copy to the Lenders), which shall be a supplement to Schedule 7.14, the Parent Guarantor and the Borrower have no Subsidiaries.

Section 7.15 Location of Business and Offices. The Parent Guarantor's and the Borrower's jurisdiction of organization is Delaware; the name of the Parent Guarantor as listed in the public records of its jurisdiction of organization is Diamondback Energy LLC and the organizational identification number of the Parent Guarantor in its jurisdiction of organization is 5178947; the name of the Borrower as listed in the public records of its jurisdiction of organization is Windsor Permian LLC; and the organizational identification number of the Borrower in its jurisdiction of organization is 26-1409444. The Parent Guarantor's and the Borrower's principal place of business and chief executive offices are located at the address specified in Section 12.01 (or as set forth in a notice delivered pursuant to Section 8.01(l) and Section 12.01(c)). Each Subsidiary's jurisdiction of organization, name as listed in the public records of its jurisdiction of organization, organizational identification number in its jurisdiction of organization, and the location of its principal place of business and chief executive office is stated on Schedule 7.14 (or as set forth in a notice delivered pursuant to Section 8.01(l)).

Section 7.16 Properties; Titles, Etc.

(a) The Parent Guarantor, the Borrower and their Subsidiaries have good and defensible title to the Oil and Gas Properties evaluated in the most recently delivered Reserve Report and good title to all its personal Properties, in each case, free and clear of all Liens except Liens permitted by Section 9.03. After giving full effect to the Excepted Liens, the Parent Guarantor, the Borrower or the Subsidiary specified as the owner owns the net interests in production attributable to the Hydrocarbon Interests as reflected in the most recently delivered Reserve Report, and the ownership of such Properties shall not in any material respect obligate the Parent Guarantor, the Borrower or such Subsidiary to bear the costs and expenses relating to the maintenance, development and operations of each such Property in an amount in excess of the working interest of each Property set forth in the most recently delivered Reserve Report that is not offset by a corresponding proportionate increase in the Parent Guarantor's, the Borrower's or such Subsidiary's net revenue interest in such Property.

(b) All material leases and agreements necessary for the conduct of the business of the Parent Guarantor, the Borrower and their Subsidiaries are valid and subsisting, in full force and effect, and there exists no default or event or circumstance which with the giving of notice or the passage of time or both would give rise to a default under any such lease or leases, which could reasonably be expected to have a Material Adverse Effect.

(c) The rights and Properties presently owned, leased or licensed by the Parent Guarantor, the Borrower and their Subsidiaries including, without limitation, all easements and rights of way, include all rights and Properties necessary to permit the Parent Guarantor, the Borrower and their Subsidiaries to conduct their business in all material respects in the same manner as its business has been conducted prior to the date hereof.

(d) All of the Properties of the Parent Guarantor, the Borrower and their Subsidiaries which are reasonably necessary for the operation of their businesses are in good working condition and are maintained in accordance with prudent business standards.

(e) The Parent Guarantor, the Borrower and their Subsidiaries own, or are licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual Property material to its business, and the use thereof by the Parent Guarantor, the Borrower and their Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Parent Guarantor, the Borrower and their Subsidiaries either own or have valid licenses or other rights to use all databases, geological data, geophysical data, engineering data, seismic data, maps, interpretations and other technical information used in their businesses as presently conducted, subject to the limitations contained in the agreements governing the use of the same, which limitations are customary for companies engaged in the business of the exploration and production of Hydrocarbons, with such exceptions as could not reasonably be expected to have a Material Adverse Effect.

Section 7.17 Maintenance of Properties. Except for such acts or failures to act as could not be reasonably expected to have a Material Adverse Effect, the Oil and Gas Properties (and Properties unitized therewith) of the Parent Guarantor, the Borrower and their Subsidiaries have been maintained, operated and developed in a good and workmanlike manner and in conformity with all Governmental Requirements and in conformity with the provisions of all leases, subleases or other contracts comprising a part of the Hydrocarbon Interests and other contracts and agreements forming a part of the Oil and Gas Properties of the Parent Guarantor, the Borrower and their Subsidiaries. Specifically in connection with the foregoing, except for those as could not be reasonably expected to have a Material Adverse Effect, (i) no Oil and Gas Property of the Parent Guarantor, the Borrower or their Subsidiaries is subject to having allowable production reduced below the full and regular allowable (including the maximum permissible tolerance) because of any overproduction (whether or not the same was permissible at the time) and (ii) none of the wells comprising a part of the Oil and Gas Properties (or Properties unitized therewith) of the Parent Guarantor, the Borrower or their Subsidiaries are deviated from the vertical more than the maximum permitted by Governmental Requirements, and such wells are, in fact, bottomed under and are producing from, and the well bores are wholly within, the Oil and Gas Properties (or in the case of wells located on Properties unitized therewith, such unitized Properties) of the Parent Guarantor, the Borrower or such Subsidiary. All pipelines, wells, gas processing plants, platforms and other material improvements, fixtures and equipment owned in whole or in part by the Parent Guarantor, the Borrower or any of their Subsidiaries that are necessary to conduct normal operations are being maintained in a state adequate to conduct normal operations, and with respect to such of the foregoing which are operated by the Parent Guarantor, the Borrower or any of their Subsidiaries, in a manner consistent with the Parent Guarantor's, the Borrower's or their Subsidiaries' past practices (other than those the failure of which to maintain in accordance with this Section 7.17 could not reasonably be expected to have a Material Adverse Effect).

Section 7.18 Gas Imbalances, Prepayments. Except as set forth on the most recent certificate delivered pursuant to Section 8.12(c), on a net basis there are no gas imbalances, take or pay or other prepayments which would require the Parent Guarantor, the Borrower or any of their Subsidiaries to deliver Hydrocarbons produced from the Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor exceeding 500,000 Mcf of gas (on an mcf equivalent basis) in the aggregate.

Section 7.19 Marketing of Production. Except for contracts either listed on Schedule 7.19, disclosed in writing to the Administrative Agent or included in the most recently delivered Reserve Report (with respect to all of which contracts the Parent Guarantor and the Borrower represent that they or their Subsidiaries are receiving a price for all production sold thereunder which is computed substantially in accordance with the terms of the relevant contract and are not having deliveries curtailed substantially below the subject Property's delivery capacity), no material agreements exist which are not cancelable on 60 days notice or less without penalty or detriment for the sale of production from the Parent Guarantor's, the Borrower's or their Subsidiaries' Hydrocarbons (including, without limitation, calls on or other rights to purchase, production, whether or not the same are currently being exercised) that (a) pertain to the sale of production at a fixed price and (b) have a maturity or expiry date of longer than six (6) months from the date hereof.

Section 7.20 Swap Agreements. After the date hereof, each report required to be delivered by the Parent Guarantor and the Borrower pursuant to Section 8.01(d), sets forth, a true and complete list of all Swap Agreements of the Parent Guarantor, the Borrower and each Subsidiary not listed on Schedule 7.20, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark to market value thereof, all credit support agreements relating thereto (including any margin required or supplied) and the counterparty to each such agreement.

Section 7.21 Use of Loans and Letters of Credit. The proceeds of the Loans and the Letters of Credit shall be used (a) to provide working capital for lease acquisitions, exploration, production operations and development (including the drilling and completion of producing wells) and (b) for general corporate purposes of the Borrower and the Guarantors. The Borrower and its Subsidiaries are not engaged principally, or as one of its or their important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying margin stock (within the meaning of Regulation T, U or X of the Board). No part of the proceeds of any Loan or Letter of Credit will be used for any purpose which violates the provisions of Regulations T, U or X of the Board.

Section 7.22 Solvency. After giving effect to the transactions contemplated hereby, (a) the aggregate assets (after giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement), at a fair valuation, of the Parent Guarantor, the Borrower and their Subsidiaries, taken as a whole, will exceed the aggregate Debt of the Parent Guarantor, the Borrower and their Subsidiaries, taken as a whole, as the Debt becomes absolute and matures, (b) the Parent Guarantor and the Borrower will not have incurred or intended to incur, and will not believe that it will incur, Debt beyond its ability to pay such Debt (after taking into account the timing and amounts of cash to be received by it and the amounts to be payable on or in respect of its liabilities, and giving effect to amounts that could reasonably be received by reason of indemnity, offset, insurance or any similar arrangement) as such Debt becomes absolute and matures and (c) the Parent Guarantor and the Borrower will not have (and will have no reason to believe that it will have thereafter) unreasonably small capital for the conduct of its business.

ARTICLE VIII
Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each of the Parent Guarantor and the Borrower covenants and agrees with the Lenders that:

Section 8.01 Financial Statements; Other Information. The Parent Guarantor will furnish to the Administrative Agent and each Lender:

(a) Annual Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than 90 days after the end of each fiscal year of the Parent Guarantor, its audited consolidated balance sheet and related statements of operations, equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year (if financial statements of the Parent Guarantor exist for such previous fiscal year), all reported on by independent public accountants of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Parent Guarantor and its Consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied.

(b) Quarterly Financial Statements. As soon as available, but in any event in accordance with then applicable law and not later than 45 days after the end of each fiscal quarters of each fiscal year of the Parent Guarantor, its consolidated balance sheet and related statements of operations, equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year (if financial statements of the Parent Guarantor exist for such previous fiscal year), all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Parent Guarantor and its Consolidated Subsidiaries in accordance with GAAP consistently applied, subject to normal year-end adjustments and the absence of footnotes.

(c) Certificate of Financial Officer — Compliance. Concurrently with any delivery of financial statements under Section 8.01(a) or Section 8.01(b), a certificate of a Financial Officer in substantially the form of Exhibit D hereto (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 9.01 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 7.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate.

(d) Certificate of Financial Officer – Swap Agreements. Concurrently with the delivery of each Reserve Report hereunder, a certificate of a Financial Officer, in form and substance satisfactory to the Administrative Agent, setting forth as of a recent date, a true and complete list of all Swap Agreements of the Parent Guarantor and each Subsidiary, the material terms thereof (including the type, term, effective date, termination date and notional amounts or volumes), the net mark-to-market value therefor, any new credit support agreements relating thereto not listed on Schedule 7.20, any margin required or supplied under any credit support document, and the counterparty to each such agreement.

(e) Certificate of Insurer — Insurance Coverage. Concurrently with any delivery of financial statements under Section 8.01(a), a certificate of insurance coverage from each insurer with respect to the insurance required by Section 8.07, in form and substance satisfactory to the Administrative Agent, and, if requested by the Administrative Agent or any Lender, all copies of the applicable policies.

(f) Other Accounting Reports. Promptly upon receipt thereof, a copy of each other report or letter submitted to the Parent Guarantor, the Borrower or any of their Subsidiaries by independent accountants in connection with any annual, interim or special audit made by them of the books of the Parent Guarantor, the Borrower or any such Subsidiary, and a copy of any response by the Parent Guarantor, the Borrower or any such Subsidiary to such letter or report.

(g) SEC and Other Filings; Reports to Shareholders. If the Parent Guarantor, the Borrower or any of their Subsidiaries become a publicly traded company, then promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Parent Guarantor, the Borrower or any Subsidiary with the SEC, or with any national securities exchange, or distributed by the Parent Guarantor or the Borrower to its shareholders generally, as the case may be.

(h) Notices Under Material Instruments. Promptly after the furnishing thereof, copies of any financial statement, report or notice furnished to or by any Person pursuant to the terms of any preferred stock designation, indenture, loan or credit or other similar agreement, other than this Agreement and not otherwise required to be furnished to the Lenders pursuant to any other provision of this Section 8.01.

(i) Lists of Purchasers. Concurrently with the delivery of any Reserve Report to the Administrative Agent pursuant to Section 8.12, a list of all Persons purchasing Hydrocarbons from the Parent Guarantor, the Borrower and their Subsidiaries.

(j) Notice of Sales of Oil and Gas Properties. In the event the Parent Guarantor, the Borrower or any of their Subsidiaries intends to sell, transfer, assign or otherwise dispose of any Oil or Gas Properties or any Equity Interests in any Subsidiary in accordance with Section 9.12(d), prior written notice of such disposition, the price thereof and the anticipated date of closing and any other details thereof requested by the Administrative Agent or any Lender.

(k) Notice of Casualty Events. Prompt written notice, and in any event within three Business Days, of the occurrence of any Casualty Event or the commencement of any action or proceeding that could reasonably be expected to result in a Casualty Event.

(l) Information Regarding Parent Guarantor, the Borrower and Guarantors. Prompt written notice (and in any event within thirty (30) days thereafter) of any change (i) in the Parent Guarantor's, the Borrower's or any Guarantor's corporate name or in any trade name used to identify such Person in the conduct of its business or in the ownership of its Properties, (ii) in the location of the Parent Guarantor's, the Borrower's or any Guarantor's chief executive office or principal place of business, (iii) in the Parent Guarantor's, the Borrower's or any Guarantor's identity or corporate structure or in the jurisdiction in which such Person is incorporated or formed, (iv) in the Parent Guarantor's, the Borrower's or any Guarantor's jurisdiction of organization or such Person's organizational identification number in such jurisdiction of organization, and (v) in the Parent Guarantor's, the Borrower's or any Guarantor's federal taxpayer identification number.

(m) Production Report and Lease Operating Statements. Within 60 days after the end of each fiscal quarter, a report setting forth, for each calendar month during the then current fiscal year to date, the volume of production and sales attributable to production (and the prices at which such sales were made and the revenues derived from such sales) for each such calendar month from the Oil and Gas Properties, and setting forth the related ad valorem, severance and production taxes and lease operating expenses attributable thereto and incurred for each such calendar month.

(n) Notices of Certain Changes. Promptly, but in any event within five (5) Business Days after the execution thereof, copies of any amendment, modification or supplement to the certificate of formation, limited liability company agreement or any other organic document of the Parent Guarantor, the Borrower or their Subsidiaries.

(o) Other Requested Information. Promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Parent Guarantor, the Borrower or any of their Subsidiaries (including any Plan and any reports or other information required to be filed with respect thereto under the Code or under ERISA), or compliance with the terms of this Agreement or any other Loan Document, as the Administrative Agent or any Lender may reasonably request.

Section 8.02 Notices of Material Events. The Parent Guarantor and the Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of, or the threat in writing of, any action, suit, proceeding, investigation or arbitration by or before any arbitrator or Governmental Authority against or affecting the Parent Guarantor, the Borrower or any Affiliate thereof not previously disclosed in writing to the Lenders or any material adverse development in any action, suit, proceeding, investigation or arbitration (whether or not previously disclosed to the Lenders) that, in either case, if adversely determined, could reasonably be expected to result in a Material Adverse Effect; and

(c) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section 8.02 shall be accompanied by a statement of a Responsible Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 8.03 Existence; Conduct of Business. The Parent Guarantor and the Borrower will, and will cause each of their Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business and maintain, if necessary, its qualification to do business in each other jurisdiction in which its Oil and Gas Properties is located or the ownership of its Properties requires such qualification, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 9.11.

Section 8.04 Payment of Obligations. The Parent Guarantor and the Borrower will, and will cause each of their Subsidiaries to, pay its obligations, including Tax liabilities of the Parent Guarantor, the Borrower and all of their Subsidiaries before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Parent Guarantor, the Borrower or such Subsidiaries has set aside on their books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect or result in the seizure or levy of any Property of the Parent Guarantor, the Borrower or any Subsidiary.

Section 8.05 Performance of Obligations under Loan Documents. The Borrower will pay the Notes according to the reading, tenor and effect thereof, and the Parent Guarantor and the Borrower will, and will cause each of their Subsidiaries to, do and perform every act and discharge all of the obligations to be performed and discharged by them under the Loan Documents, including, without limitation, this Agreement, at the time or times and in the manner specified.

Section 8.06 Operation and Maintenance of Properties. The Parent Guarantor and the Borrower, at their own expense, will, and will cause each of their Subsidiaries to:

(a) operate their Oil and Gas Properties and other material Properties or cause such Oil and Gas Properties and other material Properties to be operated in a careful and efficient manner in accordance with the practices of the industry and in compliance with all applicable contracts and agreements and in compliance with all Governmental Requirements, including, without limitation, applicable pro ration requirements and Environmental Laws, and all applicable laws, rules and regulations of every other Governmental Authority from time to time constituted to regulate the development and operation of its Oil and Gas Properties and the production and sale of Hydrocarbons and other minerals therefrom, except, in each case, where the failure to comply could not reasonably be expected to have a Material Adverse Effect.

(b) keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, preserve, maintain and keep in good repair, working order and efficiency (ordinary wear and tear excepted) all of its material Oil and Gas Properties and other material Properties, including, without limitation, all equipment, machinery and facilities.

(c) promptly pay and discharge, or make reasonable and customary efforts to cause to be paid and discharged, all delay rentals, royalties, expenses and indebtedness accruing under the leases or other agreements affecting or pertaining to its Oil and Gas Properties and will do all other things necessary to keep unimpaired their rights with respect thereto and prevent any forfeiture thereof or default thereunder.

(d) promptly perform or make reasonable and customary efforts to cause to be performed, in accordance with industry standards, the obligations required by each and all of the assignments, deeds, leases, sub-leases, contracts and agreements affecting its interests in its Oil and Gas Properties and other material Properties.

(e) to the extent the Borrower is not the operator of any Property, the Borrower shall use reasonable efforts to cause the operator to comply with this Section 8.06.

Section 8.07 Insurance. The Parent Guarantors and the Borrower will, and will cause each of their Subsidiaries to, maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations. The loss payable clauses or provisions in said insurance policy or policies insuring any of the collateral for the Loans shall be endorsed in favor of and made payable to the Administrative Agent as its interests may appear and such policies shall name the Administrative Agent and the Lenders as “additional insureds” and provide that the insurer will endeavor to give at least 30 days prior notice of any cancellation to the Administrative Agent.

Section 8.08 Books and Records; Inspection Rights. The Parent Guarantor and the Borrower will, and will cause each of their Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Parent Guarantor and the Borrower will, and will cause each of their Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its Properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

Section 8.09 Compliance with Laws. The Parent Guarantor and the Borrower will, and will cause each of their Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to them or their Property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 8.10 Environmental Matters.

(a) The Parent Guarantor and the Borrower shall each, at its sole expense: (i) comply, and shall cause its Properties and operations and each Subsidiary and each Subsidiary's Properties and operations to comply, with all applicable Environmental Laws, the breach of which could be reasonably expected to have a Material Adverse Effect; (ii) not Release or threaten to Release, and shall cause each Subsidiary not to Release or threaten to Release, any Hazardous Material on, under, about or from any of the Parent Guarantor's, the Borrower's or their Subsidiaries' Properties or any other property offsite the Property to the extent caused by the Parent Guarantor's, the Borrower's or any of their Subsidiaries' operations except in compliance with applicable Environmental Laws, the Release or threatened Release of which could reasonably be expected to have a Material Adverse Effect; (iii) timely obtain or file, and shall cause each Subsidiary to timely obtain or file, all Environmental Permits, if any, required under applicable Environmental Laws to be obtained or filed in connection with the operation or use of the Parent Guarantor's, the Borrower's or their Subsidiaries' Properties, which failure to obtain or file could reasonably be expected to have a Material Adverse Effect; (iv) promptly commence and diligently prosecute to completion, and shall cause each Subsidiary to promptly commence and diligently prosecute to completion, any assessment, evaluation, investigation, monitoring, containment, cleanup, removal, repair, restoration, remediation or other remedial obligations (collectively, the "Remedial Work") in the event any Remedial Work is required or reasonably necessary under applicable Environmental Laws because of or in connection with the actual or suspected past, present or future Release or threatened Release of any Hazardous Material on, under, about or from any of the Parent Guarantor's, the Borrower's or its Subsidiaries' Properties, which failure to commence and diligently prosecute to completion could reasonably be expected to have a Material Adverse Effect; (v) conduct, and cause its Subsidiaries to conduct, their respective operations and businesses in a manner that will not expose any Property or Person to Hazardous Materials that could reasonably be expected to form the basis for a claim for damages or compensation; and (vi) establish and implement, and shall cause each Subsidiary to establish and implement, such procedures as may be necessary to continuously determine and assure that the Parent Guarantor's, the Borrower's and its Subsidiaries' obligations under this Section 8.10(a) are timely and fully satisfied, which failure to establish and implement could reasonably be expected to have a Material Adverse Effect.

(b) The Parent Guarantor or the Borrower will promptly, but in no event later than five days of the occurrence of a triggering event, notify the Administrative Agent and the Lenders in writing of any threatened action, investigation or inquiry by any Governmental Authority or any threatened demand or lawsuit by any Person against the Parent Guarantor, the Borrower or their Subsidiaries or their Properties of which the Parent Guarantor or the Borrower has knowledge in connection with any Environmental Laws if the Parent Guarantor or the Borrower reasonably anticipate that such action will result in liability (whether individually or in the aggregate) in excess of $500,000 not fully covered by insurance, subject to normal deductibles.

(c) The Parent Guarantor and the Borrower will, and will cause each of their Subsidiaries to, provide environmental assessments, audits and tests in accordance with the most current version of the American Society of Testing Materials standards (i) upon request by the Administrative Agent and the Lenders no more than once per year (or as otherwise required to be obtained by the Administrative Agent or the Lenders by any Governmental Authority), (ii) at any time during an Event of Default and (iii) in connection with any future acquisitions of Oil and Gas Properties or other Properties.

Section 8.11 Further Assurances.

(a) The Parent Guarantor or the Borrower at its sole expense will, and will cause their Subsidiaries to promptly execute and deliver to the Administrative Agent all such other documents, agreements and instruments reasonably requested by the Administrative Agent to comply with, cure any defects or accomplish the conditions precedent, covenants and agreements of the Parent Guarantor, the Borrower or any of their Subsidiaries, as the case may be, in the Loan Documents, including the Notes, or to further evidence and more fully describe the collateral intended as security for the Indebtedness, or to correct any omissions in this Agreement or the Security Instruments, or to state more fully the obligations secured therein, or to perfect, protect or preserve any Liens created pursuant to this Agreement or any of the Security Instruments or the priority thereof, or to make any recordings, file any notices or obtain any consents, all as may be reasonably necessary or appropriate, in the sole discretion of the Administrative Agent, in connection therewith.

(b) The Parent Guarantor and the Borrower hereby authorize the Administrative Agent to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Mortgaged Property without the signature of the Parent Guarantor, the Borrower or any other Guarantor where permitted by law. A carbon, photographic or other reproduction of the Security Instruments or any financing statement covering the Mortgaged Property or any part thereof shall be sufficient as a financing statement where permitted by law.

Section 8.12 Reserve Reports.

(a) On or before March 1st and September 1st of each year, commencing September 1, 2012, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report evaluating the Oil and Gas Properties of the Borrower and its Subsidiaries as of the immediately preceding January 1st and July 1st. The Reserve Report as of January 1 of each year shall be prepared by one or more Approved Petroleum Engineers, and the July 1 Reserve Report of each year shall be prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding January 1 Reserve Report.

(b) In the event of an Interim Redetermination, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding January 1 Reserve Report. For any Interim Redetermination requested by the Administrative Agent or the Borrower pursuant to Section 2.07(b), the Borrower shall provide such Reserve Report with an “as of” date as required by the Administrative Agent as soon as possible, but in any event no later than thirty (30) days following the receipt of such request.

(c) With the delivery of each Reserve Report, the Borrower shall provide to the Administrative Agent and the Lenders a certificate from a Responsible Officer certifying that in all material respects: (i) the information contained in the Reserve Report and any other information delivered in connection therewith is true and correct, (ii) the Borrower or its Subsidiaries own good and defensible title to the Oil and Gas Properties evaluated in such Reserve Report and such Properties are free of all Liens except for Liens permitted by Section 9.03, (iii) except as set forth on an exhibit to the certificate, on a net basis there are no gas imbalances, take or pay or other prepayments in excess of the volume specified in Section 7.18 with respect to its Oil and Gas Properties evaluated in such Reserve Report which would require the Borrower or any of its Subsidiaries to deliver Hydrocarbons either generally or produced from such Oil and Gas Properties at some future time without then or thereafter receiving full payment therefor, (iv) none of their Oil and Gas Properties have been sold since the date of the last Borrowing Base determination except as set forth on an exhibit to the certificate, which certificate shall list all of its Oil and Gas Properties sold and in such detail as reasonably required by the Administrative Agent, (v) attached to the certificate is a list of all marketing agreements entered into subsequent to the later of the date hereof or the most recently delivered Reserve Report which the Borrower could reasonably be expected to have been obligated to list on Schedule 7.19 had such agreement been in effect on the date hereof and (vi) attached thereto is a schedule of the Oil and Gas Properties evaluated by such Reserve Report that are Mortgaged Properties and demonstrating the percentage of the total value of the Oil and Gas Properties that the value of such Mortgaged Properties represent in compliance with Section 8.14(a).

Section 8.13 Title Information.

(a) On or before the delivery to the Administrative Agent and the Lenders of each Reserve Report required by Section 8.12, the Parent Guarantor and the Borrower will deliver title information in form and substance acceptable to the Administrative Agent covering enough of the Oil and Gas Properties evaluated by such Reserve Report that were not included in the immediately preceding Reserve Report, so that the Administrative Agent shall have received together with title information previously delivered to the Administrative Agent, satisfactory title information on at least 80% of the total value of the Oil and Gas Properties evaluated by such Reserve Report.

(b) If the Parent Guarantor and the Borrower have provided title information for additional Properties under Section 8.13(a), the Parent Guarantor and the Borrower shall, within 60 days of notice from the Administrative Agent that title defects or exceptions exist with respect to such additional Properties, either (i) cure any such title defects or exceptions (including defects or exceptions as to priority) which are not permitted by Section 9.03 raised by such information, (ii) substitute acceptable Mortgaged Properties with no title defects or exceptions except for Excepted Liens (other than Excepted Liens described in clauses (e), (g) and (h) of such definition) having an equivalent value or (iii) deliver title information in form and substance acceptable to the Administrative Agent so that the Administrative Agent shall have received, together with title information previously delivered to the Administrative Agent, satisfactory title information on at least 80% of the value of the Oil and Gas Properties evaluated by such Reserve Report.

(c) If the Parent Guarantor and the Borrower are unable to cure any title defect requested by the Administrative Agent or the Lenders to be cured within the 60-day period or the Parent Guarantor and the Borrower do not comply with the requirements to provide acceptable title information covering 80% of the value of the Oil and Gas Properties evaluated in the most recent Reserve Report, such default shall not be a Default, but instead the Administrative Agent and/or the Majority Lenders shall have the right to exercise the following remedy in their sole discretion from time to time, and any failure to so exercise this remedy at any time shall not be a waiver as to future exercise of the remedy by the Administrative Agent or the Lenders. To the extent that the Administrative Agent or the Majority Lenders are not satisfied with title to any Mortgaged Property after the 60-day period has elapsed, such unacceptable Mortgaged Property shall not count towards the 80% requirement, and the Administrative Agent may send a notice to the Parent Guarantor, the Borrower and the Lenders that the then outstanding Borrowing Base shall be reduced by an amount as determined by the Majority Lenders to cause the Parent Guarantor and the Borrower to be in compliance with the requirement to provide acceptable title information on 80% of the value of the Oil and Gas Properties. This new Borrowing Base shall become effective immediately after receipt of such notice.

Section 8.14 Additional Collateral; Additional Guarantors.

(a) In connection with each redetermination of the Borrowing Base, the Borrower shall review the Reserve Report and the list of current Mortgaged Properties (as described in Section 8.12(c)(vi)) to ascertain whether the Mortgaged Properties represent at least 80% of the total value of the Oil and Gas Properties evaluated in the most recently completed Reserve Report after giving effect to exploration and production activities, acquisitions, dispositions and production. In the event that the Mortgaged Properties do not represent at least 80% of such total value, then the Parent Guarantor and the Borrower shall, and shall cause their Subsidiaries to, grant, within thirty (30) days of delivery of the certificate required under Section 8.12(c), to the Administrative Agent as security for the Indebtedness a first-priority Lien interest (provided that Excepted Liens of the type described in clauses (a) to (d) and (f) of the definition thereof may exist, but subject to the provisos at the end of such definition) on additional Oil and Gas Properties not already subject to a Lien of the Security Instruments such that after giving effect thereto, the Mortgaged Properties will represent at least 80% of such total value. All such Liens will be created and perfected by and in accordance with the provisions of deeds of trust, security agreements and financing statements or other Security Instruments, all in form and substance reasonably satisfactory to the Administrative Agent and in sufficient executed (and acknowledged where necessary or appropriate) counterparts for recording purposes. In order to comply with the foregoing, if any Subsidiary places a Lien on its Oil and Gas Properties and such Subsidiary is not a Guarantor, then it shall become a Guarantor and comply with Section 8.14(b).

(b) The Parent Guarantor and the Borrower shall promptly cause each of their Subsidiaries to guarantee the Indebtedness pursuant to the Guaranty Agreement. In connection with any such guaranty, the Parent Guarantor and the Borrower shall, or shall cause such Subsidiary to, promptly, but in any event no later than 15 days after the formation or acquisition (or other similar event) of such Subsidiary to, (i) execute and deliver a supplement to the Guaranty Agreement executed by such Subsidiary, (ii) pledge all of the Equity Interests of such new Subsidiary (including, without limitation, delivery of original stock certificates evidencing the Equity Interests of such Subsidiary, together with an appropriate undated stock power for each certificate duly executed in blank by the registered owner thereof, if applicable) and (iii) execute and deliver such other additional closing documents, certificates and legal opinions as shall reasonably be requested by the Administrative Agent.

Section 8.15 ERISA Compliance. The Parent Guarantor and the Borrower will promptly furnish and will cause their Subsidiaries and any ERISA Affiliate to promptly furnish to the Administrative Agent (i) promptly after the filing thereof with the United States Secretary of Labor or the Internal Revenue Service, copies of each annual and other report with respect to each Plan or any trust created thereunder, (ii) immediately upon becoming aware of the occurrence of any "prohibited transaction," as described in section 406 of ERISA or in section 4975 of the Code, in connection with any Plan or any trust created thereunder, a written notice signed by the President or the principal Financial Officer, the Subsidiary or the ERISA Affiliate, as the case may be, specifying the nature thereof, what action the Parent Guarantor, the Borrower, the Subsidiary or the ERISA Affiliate is taking or proposes to take with respect thereto, and, when known, any action taken or proposed by the Internal Revenue Service or the Department of Labor with respect thereto.

Section 8.16 Marketing Activities. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, engage in marketing activities for any Hydrocarbons or enter into any contracts related thereto other than (i) contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from their proved Oil and Gas Properties during the period of such contract, (ii) contracts for the sale of Hydrocarbons scheduled or reasonably estimated to be produced from proved Oil and Gas Properties of third parties during the period of such contract associated with the Oil and Gas Properties of the Parent Guarantor, the Borrower or their Subsidiaries that the Parent Guarantor, the Borrower or their Subsidiaries have the right to market pursuant to joint operating agreements, unitization agreements or other similar contracts that are usual and customary in the oil and gas business and (iii) other contracts for the purchase and/or sale of Hydrocarbons of third parties (A) which have generally offsetting provisions (i.e. corresponding pricing mechanics, delivery dates and points and volumes) such that no "position" is taken and (B) for which appropriate credit support has been taken to alleviate the material credit risks of the counterparty thereto.

Section 8.17 Swap Agreements. To the extent the Borrower or a Subsidiary changes the material terms of any Swap Agreement, terminates any such Swap Agreement or enters into a new Swap Agreement which has the effect of creating an off-setting position, the Borrower will give the Lenders prompt written notice of such event and concurrently with such notice the Majority Lenders shall have the right to adjust the Borrowing Base in accordance with Section 2.07(e).

ARTICLE IX
Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder and all other amounts payable under the Loan Documents have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each of the Parent Guarantor and the Borrower, covenants and agrees with the Lenders that:

Section 9.01 Financial Covenants.

(a) Interest Coverage Ratio. The Parent Guarantor will not, as of the last day of any fiscal quarter beginning with the fiscal quarter ending on September 30, 2012, permit its ratio of EBITDAX for the period of four fiscal quarters then ending to Interest Expense for such period to be less than 2.5 to 1.0.

(b) Ratio of Total Debt to EBITDAX. The Parent Guarantor will not, at any time, permit its ratio of Total Debt as of such time to EBITDAX for the four fiscal quarters ending on the last day of the fiscal quarter immediately preceding the date of determination for which financial statements are available, beginning with the fiscal quarter ending September 30, 2012, to be greater than 4.5 to 1.0. From and after the date of the consummation of an initial public offering of the Parent Guarantor, the permitted maximum ratio of Total Debt to EBITDAX under this Section 9.01(b) shall be reduced to 4.0 to 1.0.

(c) Ratio of Senior Secured Debt to EBITDAX. The Parent Guarantor will not, as of the last day of any fiscal quarter beginning with the fiscal quarter ending on September 30, 2012, permit its ratio of Senior Secured Debt as of such time to EBITDAX for the period of four fiscal quarters then ending to be greater than 3.0 to 1.0.

(d) Current Ratio. The Borrower will not permit, as of the last day of any fiscal quarter beginning on the fiscal quarter ending September 30, 2012, its ratio of (i) consolidated current assets (including the unused amount of the total Commitments, but excluding non-cash assets under the equivalent of FAS 133 under GAAP) to (ii) consolidated current liabilities (excluding non-cash obligations under the equivalent of FAS 133 under GAAP and current maturities under this Agreement) to be less than 1.0 to 1.0.

Section 9.02 Debt. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, incur, create, assume or suffer to exist any Debt, except:

(a) the Notes or other Indebtedness arising under the Loan Documents or any guaranty of or suretyship arrangement for the Notes or other Indebtedness arising under the Loan Documents.

(b) Debt of the Borrower and its Subsidiaries existing on the date hereof that is reflected in the Financial Statements, and any Permitted Refinancing Debt in respect thereof.

(c) Debt under Capital Leases and purchase money financings in an aggregate amount not to exceed $2,000,000 at any one time outstanding.

(d) Debt associated with bonds or surety obligations required by Governmental Requirements in connection with the operation of the Oil and Gas Properties.

(e) endorsements of negotiable instruments for collection in the ordinary course of business.

(f) intercompany Debt between the Borrower and a Guarantor or between Guarantors; provided that such Debt is not held, assigned, transferred, negotiated or pledged to any Person other than the Borrower or a Guarantor, and, provided further, that any such Debt owed by the Borrower or a Guarantor shall be subordinated to the Indebtedness on terms set forth in the Guaranty Agreement.

(g) The Subordinated Debt.

(h) Debt under (1) any Senior Unsecured Notes issued after the Effective Date and (2) any Permitted Refinancing Debt in respect thereof.

(i) Debt consisting of the financing of insurance premiums incurred in the ordinary course of business.

(j) other Debt not to exceed $1,000,000 in the aggregate at any one time outstanding.

Section 9.03 Liens. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, create, incur, assume or permit to exist any Lien on any of their Properties (now owned or hereafter acquired), except:

(a) (i) Liens securing the payment of any Indebtedness and (ii) Liens on cash or deposits granted in favor of the Issuing Bank to Cash Collateralize any Defaulting Lender’s participation in Letters of Credit.

(b) Excepted Liens.

(c) Liens securing Debt permitted by Section 9.02(c) but only on the Property under lease or acquired with the proceeds of such Debt, and all improvements, repairs, additions, attachments and accessions thereto, parts, replacements and substitutions therefor, and products and proceeds thereof.

(d) other Liens securing obligations that in the aggregate do not exceed $250,000 at any time.

(e) Liens arising under an indenture in favor of the trustee thereunder for its own benefit and not for the benefit of the holders of Debt under such indenture.

(f) Liens on cash, cash equivalents and other property arising in connection with the defeasance, discharge or redemption of Debt.

(g) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto.

Section 9.04 Dividends, Distributions and Restricted Payments.

(a) Restricted Payments. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, return any capital to its holders of Equity Interests or make any distribution of its Property to its Equity Interest holders without the prior approval of the Majority Lenders, except that (a) each of the Parent Guarantor and its Subsidiaries may declare and pay dividends or distributions with respect to its Equity Interests payable solely in additional Equity Interests (other than Disqualified Capital Stock), (b) any Subsidiary of the Parent Guarantor may declare and pay dividends ratably with respect to its Equity Interests, (c) so long as no Event of Default or Borrowing Base Deficiency has occurred and is continuing, the Parent Guarantor may make tax distributions to its members in accordance with the terms of its limited liability company agreement in an amount equal to the highest marginal tax rate applicable to aggregate federal and state income tax liability of such members, as calculated in accordance with the terms thereof, and (d) the Parent Guarantor and its Subsidiaries may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Parent Guarantor, the Borrower and their Subsidiaries.

(b) Subordinated Debt. The Parent Guarantor and the Borrower will not, and will not permit any Subsidiary to: (i) call, make or offer to make any optional Redemption of or otherwise optionally Redeem whether in whole or in part or repay the Subordinated Debt issued under Section 9.02(g) or make any interest payment on such Subordinated Debt in cash, in each case except (A) with the proceeds of the sale or issuance of Equity Interests of the Parent Guarantor if both before and after giving effect thereto the Borrower has liquidity (which for the purpose of this Section 9.04(b) shall be defined as undrawn availability under the then existing Borrowing Base, unrestricted cash and cash equivalents) equal to or greater than the greater of (x) 50% of availability under the then existing Borrowing Base and (y) $50,000,000 or (B) if the outstanding principal amount of the Loans is $0 or (ii) amend, modify, waive or otherwise change any of the terms of any notes evidencing the Subordinated Debt, or any indenture, agreement, instrument, certificate or other document relating to the Subordinated Debt incurred under Section 9.02(g) if (A) the effect of such amendment, modification or waiver is to shorten the final maturity to a date that is earlier than the date that is 91 days after the Maturity Date then in effect, or increase the amount of any payment of principal thereof or increase the rate or shorten any period for payment of interest thereon or modify the method of calculating the interest rate, (B) such action adds covenants, events of default or other agreements to the extent more restrictive, taken as a whole, than those contained in this Agreement, as determined by the board of directors of the Borrower in its reasonable and good faith judgment, or (C) such action adds collateral to secure the Subordinated Debt.

(c) Redemption of Senior Unsecured Notes; Amendment of Indenture. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, prior to the date that is 91 days after the Maturity Date: (i) make any optional or voluntary Redemption of or otherwise optionally or voluntarily Redeem whether in whole or in part the Senior Unsecured Notes in cash, in each case other than (A) Redemptions made from the proceeds of Permitted Refinancing Debt, (B) Redemptions made from the proceeds of the sale or issuance of Equity Interests by the Parent Guarantor if (i) no Default or Event of Default has occurred and is continuing or would exist after giving effect to such Redemption, and (ii) after giving effect to such Redemption, the Borrower would have liquidity (which for the purpose of this Section 9.04(c) shall be defined as undrawn availability under the then existing Borrowing Base, unrestricted cash and cash equivalents) equal to or greater than the greater of (x) 50% of availability under the then existing Borrowing Base and (y) $50,000,000 and (C) Redemptions made in respect of a mandatory offer to Redeem Senior Unsecured Notes arising out of a sale of Property of the Parent Guarantor or any of its Subsidiaries if such sale of Property is made in compliance with Section 9.12(d), or (ii) amend, modify, waive or otherwise change any of the terms of the Senior Unsecured Notes or any indenture, agreement, instrument, certificate or other document relating to the Senior Unsecured Notes incurred under Section 9.02(i) if (A) the effect thereof would be to shorten its maturity or average life or increase the amount of any payment of principal thereof or increase the rate or shorten any period for payment of interest thereon, (B) such action requires the payment of a consent fee (howsoever described), provided that the foregoing shall not prohibit the execution of supplemental indentures associated with the incurrence of additional Senior Unsecured Notes to the extent permitted by Section 9.02(i), (C) such action adds covenants, events of default or other agreements to the extent more restrictive, taken as a whole, than those contained in this Agreement, as determined by the board of directors of the Parent Guarantor in its reasonable and good faith judgment, or (D) such action adds collateral to secure the Senior Unsecured Notes.

Section 9.05 Investments, Loans and Advances. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, make or permit to remain outstanding any Investments in or to any Person, except that the foregoing restriction shall not apply to:

(a) accounts receivable arising in the ordinary course of business.

(b) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, in each case maturing within one year from the date of creation thereof.

(c) commercial paper maturing within one year from the date of creation thereof rated in the highest grade by S&P or Moody’s.

(d) deposits maturing within one year from the date of creation thereof with, including certificates of deposit issued by, any Lender or any office located in the United States of any other bank or trust company which is organized under the laws of the United States or any state thereof, has capital, surplus and undivided profits aggregating at least $100,000,000 (as of the date of such bank or trust company’s most recent financial reports) and has a short term deposit rating of no lower than A2 or P2, as such rating is set forth from time to time, by S&P or Moody’s, respectively.

(e) deposits in money market funds investing exclusively in Investments described in Section 9.05(b), Section 9.05(c) or Section 9.05(d).

(f) Investments made by a Guarantor or the Borrower in or to a Guarantor or the Borrower.

(g) Subject to the limits in Section 9.06, Investments (including, without limitation, capital contributions) in general or limited partnerships or other types of entities (each a "venture") entered into by the Parent Guarantor, the Borrower or one of their Subsidiaries with others in the ordinary course of business; provided that (i) any such venture is engaged exclusively in oil and gas exploration, development, production, processing and related activities, including transportation, (ii) the interest in such venture is acquired in the ordinary course of business and on fair and reasonable terms and (iii) such venture interests acquired and capital contributions made (valued as of the date such interest was acquired or the contribution made) do not exceed, in the aggregate at any time outstanding an amount equal to $250,000.

(h) loans or advances to employees, officers, or directors in the ordinary course of business of the Parent Guarantor or the Borrower, in each case only as permitted by applicable law, including Section 402 of the Sarbanes Oxley Act of 2002, but in any event not to exceed $250,000 in the aggregate at any time.

(i) Investments in stock, obligations or securities received in settlement of debts arising from Investments permitted under this Section 9.05 owing to the Parent Guarantor, the Borrower or any of their Subsidiaries as a result of a bankruptcy or other insolvency proceeding of the obligor in respect of such debts or upon the enforcement of any Lien in favor of the Parent Guarantor, the Borrower or any of their Subsidiaries; provided that the Parent Guarantor or the Borrower shall give the Administrative Agent prompt written notice in the event that the aggregate amount of all Investments held at any one time under this Section 9.05(i) exceeds $250,000.

(j) Investments in the form of loans to Bison Drilling during each calendar year in an amount equal to or less than the lesser of (i) 5% of the lowest Borrowing Base in effect during such calendar year or (ii) $4,000,000.

(k) Investments in the form of deposits or advances that are subject to Excepted Liens.

(l) other Investments not to exceed, in the aggregate at any time outstanding, (i) prior to the earlier of the date of the initial issuance of any Senior Unsecured Notes and the date of the initial public offering of common stock of the Parent Guarantor, $250,000 and (ii) from and after the date described in clause (i), $2,500,000.

Section 9.06 Nature of Business; International Operations. The Parent Guarantor and Borrower will not, and will not permit any of their Subsidiaries to, allow any material change to be made in the character of their business as an independent oil and gas exploration and production company. Except for expenses in the ordinary course of business as to the properties described on Schedule 9.06, from and after the date hereof, the Parent Guarantor, the Borrower and their Subsidiaries will not acquire or make any other expenditure (whether such expenditure is capital, operating or otherwise) in or related to, any Oil and Gas Properties not located within the geographical boundaries of the United States of America or in the offshore federal waters of the United States of America and they will not form or acquire any Foreign Subsidiaries.

Section 9.07 Limitation on Leases. The Parent Guarantor and the Borrower will not, and will not permit their Subsidiaries to, create, incur, assume or suffer to exist any obligation for the payment of rent or hire of Property of any kind whatsoever (real or personal but excluding Capital Leases and leases of Hydrocarbon Interests), under leases or lease agreements which would cause the aggregate amount of all payments made by the Parent Guarantor, the Borrower and their Subsidiaries pursuant to all such leases or lease agreements, including, without limitation, any residual payments at the end of any lease, to exceed $250,000 in any period of twelve consecutive calendar months during the life of such leases.

Section 9.08 Proceeds of Notes. The Parent Guarantor and the Borrower will not permit the proceeds of the Notes to be used for any purpose other than those permitted by Section 7.21. Neither the Borrower nor any Person acting on behalf of the Borrower has taken or will take any action which might cause any of the Loan Documents to violate Regulations T, U or X or any other regulation of the Board or to violate Section 7 of the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect. If requested by the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 or such other form referred to in Regulation U, Regulation T or Regulation X of the Board, as the case may be.

Section 9.09 ERISA Compliance. The Parent Guarantor and the Borrower will not, and will not permit any of its Subsidiaries to, at any time:

(a) Engage in, or permit any ERISA Affiliate to engage in, any transaction in connection with which the Parent Guarantor, the Borrower, a Subsidiary or any ERISA Affiliate could be subjected to either a civil penalty assessed pursuant to subsections (c), (i), (l) or (m) of section 502 of ERISA or a tax imposed by Chapter 43 of Subtitle D of the Code.

(b) Fail to make, or permit any ERISA Affiliate to fail to make, full payment when due of all amounts which, under the provisions of any Plan, agreement relating thereto or applicable law, the Parent Guarantor, the Borrower, a Subsidiary or any ERISA Affiliate is required to pay as contributions thereto.

(c) Contribute to or assume an obligation to contribute to, or permit any ERISA Affiliate to contribute to or assume an obligation to contribute to (i) any employee welfare benefit plan, as defined in section 3(1) of ERISA, including, without limitation, any such plan maintained to provide benefits to former employees of such entities, that may not be terminated by such entities in their sole discretion at any time without any material liability or (ii) any employee pension benefit plan, as defined in Section 3(2) of ERISA, that is subject to Title IV of ERISA, section 302 of ERISA or section 412 of the Code.

Section 9.10 Sale or Discount of Receivables. Except for receivables obtained by the Parent Guarantor, the Borrower or any of their Subsidiaries out of the ordinary course of business or the settlement of joint interest billing accounts in the ordinary course of business or discounts granted to settle collection of accounts receivable or the sale of defaulted accounts arising in the ordinary course of business in connection with the compromise or collection thereof and not in connection with any financing transaction, the Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, discount or sell (with or without recourse) any of its notes receivable or accounts receivable.

Section 9.11 Mergers, Etc. Neither the Parent Guarantor, the Borrower, nor any of their Subsidiaries will merge into or with or consolidate with any other Person, or sell, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property to any other Person, except that the Parent Guarantor or any Subsidiary of the Parent Guarantor may merge or consolidate with, or sell, lease or otherwise dispose of all or substantially all of its Property to, the Parent Guarantor or any Subsidiary of the Parent Guarantor, but (a) in the case of a merger involving a Guarantor, a Guarantor must be the surviving entity, and (b) notwithstanding clause (a), in the case of a merger involving the Borrower, the Borrower must be the surviving entity.

Section 9.12 Sale of Properties. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, sell, assign, farm-out, convey or otherwise transfer or dispose of any Property except for (a) the sale or other disposition of Hydrocarbons in the ordinary course of business; (b) as long as no Default exists, farmouts of undeveloped acreage and assignments in connection with such farmouts; (c) the sale or other disposition of equipment that is no longer necessary for the business of the Parent Guarantor, the Borrower or such Subsidiary or is replaced by equipment of at least comparable value and use; (d) the sale or other disposition (including Casualty Events) of any Oil and Gas Property or any interest therein or any Subsidiary owning Oil and Gas Properties; provided that (i) 100% of the consideration received in respect of such sale or other disposition shall be cash, (ii) the consideration received in respect of such sale or other disposition shall be equal to or greater than the fair market value of the Oil and Gas Property, interest therein or Subsidiary subject of such sale or other disposition (as reasonably determined by the Parent Guarantor or the Borrower and, if requested by the Administrative Agent, the Parent Guarantor or the Borrower shall deliver a certificate of a Responsible Officer of the Parent Guarantor or the Borrower certifying to that effect), (iii) if such sale or other disposition of Oil and Gas Property or Subsidiary owning Oil and Gas Properties (including farmouts of proved reserves under (b)) included in the most recently delivered Reserve Report during any period between two successive Scheduled Redetermination Dates has a fair market value in excess of five percent (5%) of the Borrowing Base as then in effect (as determined by the Administrative Agent), individually or in the aggregate, the Borrowing Base shall be reduced, effective immediately upon such sale or other disposition, by an amount equal to the value, if any, assigned such Property in the most recently delivered Reserve Report and (iv) if any such sale or other disposition is of a Subsidiary owning Oil and Gas Properties, such sale or other disposition shall include all the Equity Interests of such Subsidiary; (e) subject to Section 9.11, dispositions of Property to the Parent Guarantor or any Subsidiary of the Parent Guarantor; and (f) sales and other dispositions of Properties not regulated by Section 9.12(a) to (e) having a fair market value not to exceed $500,000 during any 12-month period.

Section 9.13 Environmental Matters. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, cause or permit any of its Property to be in violation of, or do anything or permit anything to be done which will subject any such Property to a Release or threatened Release of Hazardous Materials, exposure to any Hazardous Materials, or to any Remedial Work under any Environmental Laws, assuming disclosure to the applicable Governmental Authority of all relevant facts, conditions and circumstances, if any, pertaining to such Property where such violations or remedial obligations could reasonably be expected to have a Material Adverse Effect.

Section 9.14 Transactions with Affiliates. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property or the rendering of any service, with any Affiliate (other than the Subsidiaries of the Parent Guarantor) unless such transactions are otherwise permitted under this Agreement and are upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's length transaction with a Person not an Affiliate.

Section 9.15 Subsidiaries. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, create or acquire any additional Subsidiaries, unless the Parent Guarantor or the Borrower gives written notice to the Administrative Agent of such creation or acquisition and complies with Section 8.14(b). The Parent Guarantor and the Borrower shall not, and shall not permit any of their Subsidiaries to, sell, assign or otherwise dispose of any Equity Interests in any Subsidiary except in compliance with Section 9.12(d) or (e). The Parent Guarantor, the Borrower and their Subsidiaries shall have no Foreign Subsidiaries.

Section 9.16 Negative Pledge Agreements; Dividend Restrictions. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, create, incur, assume or suffer to exist any contract, agreement or understanding (other than this Agreement, the Security Instruments, the Capital Leases creating Liens permitted by Section 9.03(c), the instruments or agreements evidencing the Senior Unsecured Notes or any Permitted Refinancing Debt in respect thereof, usual and customary restrictions on the pledge or transfer of equity interests in certain joint ventures, usual and customary restrictions in purchase and sale agreements relating to the Property subject thereof, restrictions on the granting of Liens contained in agreements subject to Permitted Liens, and restrictions on the granting of Liens in licenses, easements and leases entered into in the ordinary course of business) which in any way prohibits or restricts the granting, conveying, creation or imposition of any Lien on any of its Property in favor of the Administrative Agent and the Lenders or restricts any Subsidiary from paying dividends or making distributions to the Borrower or any Guarantor, or which requires the consent of or notice to other Persons in connection therewith.

Section 9.17 Gas Imbalances, Take-or-Pay or Other Prepayments. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, allow gas imbalances, take-or-pay or other prepayments with respect to the Oil and Gas Properties of the Borrower or any of its Subsidiaries that would require the Borrower or any of its Subsidiaries to deliver Hydrocarbons at some future time without then or thereafter receiving full payment therefor to exceed 500,000 Mcf of gas (on an mcf equivalent basis) in the aggregate.

Section 9.18 Swap Agreements.

(a) The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, enter into any Swap Agreements with any Person other than (i) Swap Agreements in respect of commodities (A) with an Approved Counterparty, (B) the notional volumes for which (when aggregated with other commodity Swap Agreements then in effect other than basis differential swaps on volumes already hedged pursuant to other Swap Agreements) do not exceed, as of the date such Swap Agreement is executed, 90% of the reasonably anticipated projected production from Oil and Gas Properties which are proved, developed, and producing as of the date such Swap Agreement is entered into for each month during the period during which such Swap Agreement is in effect for each of crude oil and natural gas, calculated separately and determined by reference to the most recently delivered Reserve Report and (C) the tenor of which is not more than 48 months from the date such Swap Agreement is executed, and (ii) Swap Agreements in respect of interest rates with an Approved Counterparty effectively converting interest rates from floating to fixed, the notional amounts of which (when aggregated with all other Swap Agreements of the Borrower and its Subsidiaries then in effect effectively converting interest rates from floating to fixed) do not exceed 75% of the then outstanding principal amount of the Borrower's Debt for borrowed money which bears interest at a floating rate. In no event shall any Swap Agreement contain any requirement, agreement or covenant for the Borrower or any of its Subsidiaries to post collateral or margin to secure their obligations under such Swap Agreement or to cover market exposures. This Section 9.18(a) is subject to the waivers contained in Sections 5.1 and 5.2 of the Third Amendment, dated as of October 13, 2011, to the Existing Credit Agreement.

(b) No Swap Agreements shall be entered into for speculative purposes.

ARTICLE X
Events of Default; Remedies

Section 10.01 Events of Default. One or more of the following events shall constitute an "Event of Default":

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof, by acceleration or otherwise.

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in Section 10.01(a)) payable under any Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days.

(c) any representation or warranty made or deemed made by or on behalf of the Parent Guarantor, the Borrower or any of their Subsidiaries in or in connection with any Loan Document or any amendment or modification of any Loan Document or waiver under such Loan Document, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with any Loan Document or any amendment or modification thereof or waiver thereunder, shall prove to have been materially incorrect when made or deemed made.

(d) the Parent Guarantor, the Borrower or any of their Subsidiaries shall fail to observe or perform any covenant, condition or agreement contained in Section 8.01(h), Section 8.01(l), Section 8.02, Section 8.03, Section 8.14, Section 8.15 or in ARTICLE IX.

(e) the Parent Guarantor, the Borrower or any of their Subsidiaries shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in Section 10.01(a), Section 10.01(b) or Section 10.01(d)) or any other Loan Document, and such failure shall continue unremedied for a period of 30 days after the earlier to occur of (A) notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender) or (B) a Responsible Officer of the Borrower otherwise becoming aware of such default.

(f) the Parent Guarantor, the Borrower or any of their Subsidiaries shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable.

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the Redemption thereof or any offer to Redeem to be made in respect thereof, prior to its scheduled maturity or require the Parent Guarantor, the Borrower or any of their Subsidiaries to make an offer in respect thereof, other than (i) with respect to the Subordinated Debt, if, at the time of the payment or Redemption thereof, an optional Redemption thereof could have been made pursuant to Section 9.04(b) and (ii) with respect to Senior Unsecured Notes or Permitted Refinancing Debt in respect thereof, if, at the time of the payment or Redemption thereof, an optional Redemption thereof could have been made pursuant to Section 9.04(c).

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Parent Guarantor, the Borrower or any other Guarantor or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent Guarantor, the Borrower or any other Guarantor or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 30 days or an order or decree approving or ordering any of the foregoing shall be entered.

(i) the Parent Guarantor, the Borrower or any other Guarantor shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 10.01(h), (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Guarantor or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; or the holders of Equity Interests of the Parent Guarantor or the Borrower shall make any request to take any action for the purpose of calling a meeting of the shareholders of the Parent Guarantor or the Borrower to consider a resolution to dissolve and wind-up the Parent Guarantor's or the Borrower's affairs.

(j) the Parent Guarantor, the Borrower or any other Guarantor shall become unable, admit in writing its inability or fail generally to pay its debts as they become due.

(k) (i) one or more judgments for the payment of money in an aggregate amount in excess of $2,000,000 (to the extent not covered by independent third party insurance provided by insurers of the highest claims paying rating or financial strength as to which the insurer does not dispute coverage and is not subject to an insolvency proceeding) or (ii) any one or more non-monetary judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, shall be rendered against the Parent Guarantor, the Borrower, any of their Subsidiaries or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Parent Guarantor, the Borrower or any Subsidiary to enforce any such judgment.

(l) the Loan Documents after delivery thereof shall for any reason, except to the extent permitted by the terms thereof, cease to be in full force and effect and valid, binding and enforceable in accordance with their terms against the Parent Guarantor, the Borrower or any other Guarantor party thereto or shall be repudiated by any of them, or cease to create a valid and perfected Lien of the priority required thereby on any of the collateral purported to be covered thereby, except to the extent permitted by the terms of this Agreement, or the Parent Guarantor, the Borrower, any Subsidiary or any Affiliate shall so state in writing.

(m) a Change in Control shall occur.

Section 10.02 Remedies.

(a) In the case of an Event of Default other than one described in Section 10.01(h), Section 10.01(i) or Section 10.01(j), at any time thereafter during the continuance of such Event of Default, the Administrative Agent may, and at the request of the Majority Lenders, shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Notes and the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Parent Guarantor, the Borrower and the other Guarantors accrued hereunder and under the Notes and the other Loan Documents (including, without limitation, the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(j)), shall become due and payable immediately, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived by the Parent Guarantor, the Borrower and each other Guarantor; and in case of an Event of Default described in Section 10.01(h), Section 10.01(i) or Section 10.01(j), the Commitments shall automatically terminate and the Notes and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and the other obligations of the Parent Guarantor, the Borrower and the other Guarantors accrued hereunder and under the Notes and the other Loan Documents (including, without limitation, the payment of cash collateral to secure the LC Exposure as provided in Section 2.08(j)), shall automatically become due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived by the Parent Guarantor, the Borrower and each other Guarantor.

(b) In the case of the occurrence of an Event of Default, the Administrative Agent and the Lenders will have all other rights and remedies available at law and equity.

(c) Except as provided in Section 4.03, all proceeds realized from the liquidation or other disposition of collateral or otherwise received after maturity of the Notes, whether by acceleration or otherwise, shall be applied:

(i) *first*, to payment or reimbursement of that portion of the Indebtedness constituting fees, expenses and indemnities payable to the Administrative Agent in its capacity as such;

(ii) *second*, pro rata to payment or reimbursement of that portion of the Indebtedness constituting fees, expenses and indemnities payable to the Lenders;

(iii) *third*, pro rata to payment of accrued interest on the Loans;

(iv) *fourth*, pro rata to payment of principal outstanding on the Loans and Indebtedness referred to in clause (b) and (c) of the definition of Indebtedness;

(v) *fifth*, pro rata to any other Indebtedness;

(vi) *sixth*, to serve as cash collateral to be held by the Administrative Agent to secure the LC Exposure; and

(vii) *seventh*, any excess, after all of the Indebtedness shall have been indefeasibly paid in full in cash, shall be paid to the Borrower or as otherwise required by any Governmental Requirement.

ARTICLE XI
The Administrative Agent

Section 11.01 Appointment; Powers. Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof and the other Loan Documents, together with such actions and powers as are reasonably incidental thereto.

Section 11.02 Duties and Obligations of Administrative Agent. The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing (the use of the term "agent" herein and in the other Loan Documents with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law; rather, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties), (b) the Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except as provided in Section 11.03, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Parent Guarantor, the Borrower or any of their Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Parent Guarantor, the Borrower or a Lender, and shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or under any other Loan Document or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any other Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document, (v) the satisfaction of any condition set forth in ARTICLE VI or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or as to those conditions precedent expressly required to be to the Administrative Agent's satisfaction, (vi) the existence, value, perfection or priority of any collateral security or the financial or other condition of the Parent Guarantor, the Borrower and their Subsidiaries or any other obligor or guarantor, or (vii) any failure by the Borrower or any other Person (other than itself) to perform any of its obligations hereunder or under any other Loan Document or the performance or observance of any covenants, agreements or other terms or conditions set forth herein or therein. For purposes of determining compliance with the conditions specified in ARTICLE VI, each Lender shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed closing date specifying its objection thereto.

Section 11.03 Action by Administrative Agent. The Administrative Agent shall have no duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) and in all cases the Administrative Agent shall be fully justified in failing or refusing to act hereunder or under any other Loan Documents unless it shall (a) receive written instructions from the Majority Lenders or the Lenders, as applicable, (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02) specifying the action to be taken and (b) be indemnified to its satisfaction by the Lenders against any and all liability and expenses which may be incurred by it by reason of taking or continuing to take any such action. The instructions as aforesaid and any action taken or failure to act pursuant thereto by the Administrative Agent shall be binding on all of the Lenders. If a Default has occurred and is continuing, then the Administrative Agent shall take such action with respect to such Default as shall be directed by the requisite Lenders in the written instructions (with indemnities) described in this Section 11.03, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interests of the Lenders. In no event, however, shall the Administrative Agent be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement, the Loan Documents or applicable law. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Majority Lenders or the Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 12.02), and otherwise the Administrative Agent shall not be liable for any action taken or not taken by it hereunder or under any other Loan Document or under any other document or instrument referred to or provided for herein or therein or in connection herewith or therewith INCLUDING ITS OWN ORDINARY NEGLIGENCE, except for its own gross negligence or willful misconduct.

Section 11.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon and each of the Parent Guarantor, the Borrower, the Lenders and the Issuing Bank hereby waives the right to dispute the Administrative Agent’s record of such statement, except in the case of gross negligence or willful misconduct by the Administrative Agent. The Administrative Agent may consult with legal counsel (who may be counsel for the Parent Guarantor and the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof permitted hereunder shall have been filed with the Administrative Agent.

Section 11.05 Subagents. The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding Sections of this ARTICLE XI shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 11.06 Resignation of the Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent as provided in this Section 11.06, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the

Borrower. Upon any such resignation, the Majority Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this ARTICLE XI and Section 12.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Section 11.07 Administrative Agent as Lender. The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Parent Guarantor, the Borrower or any of their Subsidiaries or other Affiliate thereof as if it were not the Administrative Agent hereunder.

Section 11.08 No Reliance. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and each other Loan Document to which it is a party. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document, any related agreement or any document furnished hereunder or thereunder. The Administrative Agent shall not be required to keep itself informed as to the performance or observance by the Parent Guarantor, the Borrower or any of their Subsidiaries of this Agreement, the Loan Documents or any other document referred to or provided for herein or to inspect the Properties or books of the Parent Guarantor, the Borrower or any of their Subsidiaries. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, neither the Administrative Agent nor the Arranger shall have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition or business of the Parent Guarantor or the Borrower (or any of their Affiliates) which may come into the possession of the Administrative Agent or any of its Affiliates. In this regard, each Lender acknowledges that Simpson Thacher & Bartlett LLP is acting in this transaction as special counsel to the Administrative Agent only, except to the extent otherwise expressly stated in any legal opinion or any Loan Document. Each other party hereto will consult with its own legal counsel to the extent that it deems necessary in connection with the Loan Documents and the matters contemplated therein.

Section 11.09 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Parent Guarantor, the Borrower or any of their Subsidiaries, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Indebtedness that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 12.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 12.03.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Indebtedness or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

Section 11.10 Authority of Administrative Agent to Release Collateral and Liens. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to (i) release any collateral that is permitted to be sold or released pursuant to the terms of the Loan Documents, (ii) release any Guarantor from the Guaranty Agreement pursuant to the terms thereof and (iii) subordinate any Lien on any collateral granted to or held by the Administrative Agent under any Loan Document to the holder of any Lien permitted pursuant to Section 9.03. Each Lender and the Issuing Bank hereby authorizes the Administrative Agent to execute and deliver to the Borrower, at the Borrower's sole cost and expense, any and all releases of Liens, termination statements, assignments or other documents reasonably requested by the Borrower in connection with any sale or other disposition of Property to the extent such sale or other disposition is permitted by the terms of Section 9.12 or is otherwise authorized by the terms of the Loan Documents.

Section 11.11 The Arranger. The Arranger shall have no duties, responsibilities or liabilities under this Agreement and the other Loan Documents.

ARTICLE XII
Miscellaneous

Section 12.01 Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to Section 12.01(b)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower, to it at:

Windsor Permian LLC
14301 Caliber Drive, Suite 300
Oklahoma City, Oklahoma 73134
Attention: Teresa L. Dick, CFO
Telecopy: 405-286-5920
email: tdick@windsorenergy.com

(ii) if to the Administrative Agent or the Issuing Bank, to it at

Wells Fargo Bank, N.A.
1525 West W.T. Harris Boulevard
MAC D1109-019
Charlotte, NC 28252
Attention: Yvette McQueen
Telecopy: 704.590.2082
e-mail: Yvettemcqueen@wellsfargo.com

(iii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to ARTICLE II, ARTICLE III, ARTICLE IV and ARTICLE V unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address, email address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 12.02 Waivers; Amendments.

(a) No failure on the part of the Administrative Agent, the Issuing Bank or any Lender to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege, or any abandonment or discontinuance of steps to enforce such right, power or privilege, under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under any of the Loan Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Parent Guarantor, the Borrower or any of their Subsidiaries therefrom shall in any event be effective unless the same shall be permitted by Section 12.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof nor any Security Instrument nor any provision thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Parent Guarantor, the Borrower and the Majority Lenders or by the Parent Guarantor, the Borrower and the Administrative Agent with the consent of the Majority Lenders; provided that no such agreement shall (i) increase the Commitment or the Maximum Credit Amount of any Lender without the written consent of such Lender, (ii) increase the Borrowing Base, the Conforming Borrowing Base or the Non-Conforming Borrowing Base without the written consent of each Lender, decrease or maintain the Borrowing Base, the Conforming Borrowing Base or the Non-Conforming Borrowing Base without the consent of the Majority Lenders, extend the Non-Conforming Period, or modify Section 2.07 in any manner without the consent of each Lender; provided that a Scheduled Redetermination may be postponed by the Majority Lenders, (iii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, or reduce any other Indebtedness hereunder or under any other Loan Document, without the written consent of each Lender affected thereby, (iv) postpone the scheduled date of payment or prepayment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or any other Indebtedness hereunder or under any other Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone or extend the Termination Date without the written consent of each Lender affected thereby, (v) change Section 4.01(b) or Section 4.01(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (vi) waive or amend Section 3.04(c), Section 6.01, Section 8.14 or Section 12.14 or change the definition of the terms “Domestic Subsidiary”, “Foreign Subsidiary” or “Subsidiary”, without the written consent of each Lender; provided that any waiver or amendment to Section 12.14, this proviso in this Section 12.02(b)(vi), or Section 12.02(b)(vii), shall also require the written consent of each adversely affected Secured Swap Party, (vii) modify the terms of Section 10.02(c) without the written consent of each Lender and Secured Swap Party adversely affected thereby or amend or otherwise modify any Security Instrument in a manner that results in the Secured Swap

Obligations secured by such Security Instrument no longer being secured thereby, or amend or otherwise change the definition of “Secured Swap Agreement”, “Secured Swap Obligations” or “Secured Swap Party”, without the written consent of each Secured Swap Party adversely affected thereby, (viii) release any Guarantor (except as set forth in the Guaranty Agreement), release all or substantially all of the collateral (other than as provided in Section 11.10), or reduce the percentage set forth in Section 8.14(a), without the written consent of each Lender, or (ix) change any of the provisions of this Section 12.02(b) or the definition of “Majority Lenders” or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or under any other Loan Documents or make any determination or grant any consent hereunder or any other Loan Documents, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, or the Issuing Bank hereunder or under any other Loan Document without the prior written consent of the Administrative Agent, or the Issuing Bank, as the case may be. Notwithstanding the foregoing, any supplement to Schedule 7.14 (Subsidiaries) shall be effective simply by delivering to the Administrative Agent a supplemental schedule clearly marked as such and, upon receipt, the Administrative Agent will promptly deliver a copy thereof to the Lenders.

Section 12.03 Expenses, Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including, without limitation, the reasonable fees, charges and disbursements of counsel and other outside consultants for the Administrative Agent, the reasonable travel, photocopy, mailing, courier, telephone and other similar expenses, and the cost of environmental invasive and non-invasive assessments and audits and surveys and appraisals, in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration (both before and after the execution hereof and including advice of counsel to the Administrative Agent as to the rights and duties of the Administrative Agent and the Lenders with respect thereto) of this Agreement and the other Loan Documents and any amendments, modifications or waivers of or consents related to the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all costs, expenses, Taxes, assessments and other charges incurred by the Administrative Agent or any Lender in connection with any filing, registration, recording or perfection of any security interest contemplated by this Agreement or any Security Instrument or any other document referred to therein, (iii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder, and (iv) all out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement or any other Loan Document, including its rights under this Section 12.03, or in connection with the Loans made or Letters of Credit issued hereunder, including, without limitation, all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) THE BORROWER SHALL INDEMNIFY THE ADMINISTRATIVE AGENT, THE ARRANGER, THE ISSUING BANK AND EACH LENDER, AND EACH RELATED PARTY OF ANY OF THE FOREGOING PERSONS (EACH SUCH PERSON BEING CALLED AN "INDEMNITEE") AGAINST, AND DEFEND AND HOLD EACH INDEMNITEE HARMLESS FROM, ANY AND ALL LOSSES, CLAIMS, DAMAGES, LIABILITIES AND RELATED EXPENSES, INCLUDING THE REASONABLE FEES, CHARGES AND DISBURSEMENTS OF ANY COUNSEL FOR ANY INDEMNITEE, INCURRED BY OR ASSERTED AGAINST ANY INDEMNITEE ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF (i) THE EXECUTION OR DELIVERY OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY OR THEREBY, THE PERFORMANCE BY THE PARTIES HERETO OR THE PARTIES TO ANY OTHER LOAN DOCUMENT OF THEIR RESPECTIVE OBLIGATIONS HEREUNDER OR THEREUNDER OR THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED HEREBY OR BY ANY OTHER LOAN DOCUMENT, (ii) THE FAILURE OF THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES TO COMPLY WITH THE TERMS OF ANY LOAN DOCUMENT, INCLUDING THIS AGREEMENT, OR WITH ANY GOVERNMENTAL REQUIREMENT, (iii) ANY INACCURACY OF ANY REPRESENTATION OR ANY BREACH OF ANY WARRANTY OR COVENANT OF THE PARENT GUARANTOR, THE BORROWER OR ANY OTHER GUARANTOR SET FORTH IN ANY OF THE LOAN DOCUMENTS OR ANY INSTRUMENTS, DOCUMENTS OR CERTIFICATIONS DELIVERED IN CONNECTION THEREWITH, (iv) ANY LOAN OR LETTER OF CREDIT OR THE USE OF THE PROCEEDS THEREFROM, INCLUDING, WITHOUT LIMITATION, (A) ANY REFUSAL BY THE ISSUING BANK TO HONOR A DEMAND FOR PAYMENT UNDER A LETTER OF CREDIT IF THE DOCUMENTS PRESENTED IN CONNECTION WITH SUCH DEMAND DO NOT STRICTLY COMPLY WITH THE TERMS OF SUCH LETTER OF CREDIT, OR (B) THE PAYMENT OF A DRAWING UNDER ANY LETTER OF CREDIT NOTWITHSTANDING THE NON-COMPLIANCE, NON-DELIVERY OR OTHER IMPROPER PRESENTATION OF THE DOCUMENTS PRESENTED IN CONNECTION THEREWITH, (v) ANY OTHER ASPECT OF THE LOAN DOCUMENTS, (vi) THE OPERATIONS OF THE BUSINESS OF THE PARENT GUARANTOR, THE BORROWER AND THEIR SUBSIDIARIES BY THE PARENT GUARANTOR, THE BORROWER AND THEIR SUBSIDIARIES, (vii) ANY ASSERTION THAT THE LENDERS WERE NOT ENTITLED TO RECEIVE THE PROCEEDS RECEIVED PURSUANT TO THE SECURITY INSTRUMENTS, (viii) ANY ENVIRONMENTAL LAW APPLICABLE TO THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES OR ANY OF THEIR PROPERTIES OR OPERATIONS, INCLUDING THE PRESENCE, GENERATION, STORAGE, RELEASE, THREATENED RELEASE, USE, TRANSPORT, DISPOSAL, ARRANGEMENT OF DISPOSAL OR TREATMENT OF HAZARDOUS MATERIALS ON OR AT ANY OF THEIR PROPERTIES, (ix) THE BREACH OR NON-COMPLIANCE BY THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES WITH ANY ENVIRONMENTAL LAW APPLICABLE TO THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES, (x) THE PAST OWNERSHIP BY THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES OF ANY OF THEIR PROPERTIES OR PAST ACTIVITY ON ANY OF THEIR PROPERTIES WHICH, THOUGH LAWFUL AND FULLY PERMISSIBLE AT THE TIME, COULD RESULT IN PRESENT LIABILITY, (xi) THE PRESENCE, USE, RELEASE, STORAGE, TREATMENT,

DISPOSAL, GENERATION, THREATENED RELEASE, TRANSPORT, ARRANGEMENT FOR TRANSPORT OR ARRANGEMENT FOR DISPOSAL HAZARDOUS MATERIALS ON OR AT ANY OF THE PROPERTIES OWNED OR OPERATED BY THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES OR ANY ACTUAL OR ALLEGED PRESENCE OR RELEASE OF HAZARDOUS MATERIALS ON OR FROM ANY PROPERTY OWNED OR OPERATED BY THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES, (xii) ANY ENVIRONMENTAL LIABILITY RELATED IN ANY WAY TO THE PARENT GUARANTOR, THE BORROWER OR ANY OF THEIR SUBSIDIARIES, OR (xiii) ANY OTHER ENVIRONMENTAL, HEALTH OR SAFETY CONDITION IN CONNECTION WITH THE LOAN DOCUMENTS, OR (xiv) ANY ACTUAL OR PROSPECTIVE CLAIM, LITIGATION, INVESTIGATION OR PROCEEDING RELATING TO ANY OF THE FOREGOING, WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY AND REGARDLESS OF WHETHER ANY INDEMNITEE IS A PARTY THERETO, AND SUCH INDEMNITY SHALL EXTEND TO EACH INDEMNITEE NOTWITHSTANDING THE SOLE OR CONCURRENT NEGLIGENCE OF EVERY KIND OR CHARACTER WHATSOEVER, WHETHER ACTIVE OR PASSIVE, WHETHER AN AFFIRMATIVE ACT OR AN OMISSION, INCLUDING WITHOUT LIMITATION, ALL TYPES OF NEGLIGENT CONDUCT IDENTIFIED IN THE RESTATEMENT (SECOND) OF TORTS OF ONE OR MORE OF THE INDEMNITEES OR BY REASON OF STRICT LIABILITY IMPOSED WITHOUT FAULT ON ANY ONE OR MORE OF THE INDEMNITEES; PROVIDED THAT SUCH INDEMNITY SHALL NOT, AS TO ANY INDEMNITEE, BE AVAILABLE TO THE EXTENT THAT SUCH LOSSES, CLAIMS, DAMAGES, LIABILITIES OR RELATED EXPENSES ARE DETERMINED BY A COURT OF COMPETENT JURISDICTION BY FINAL AND NONAPPEALABLE JUDGMENT TO HAVE RESULTED FROM THE GROSS NEGLIGENCE OR WILFUL MISCONDUCT OF SUCH INDEMNITEE.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Arranger or the Issuing Bank under Section 12.03(a) or (b), each Lender severally agrees to pay to the Administrative Agent, the Arranger or the Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Arranger or the Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section 12.03 shall be payable not later than three days after written demand therefor.

Section 12.04 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) other than in connection with a transaction permitted under Section 9.12(e), the Parent Guarantor and the Borrower may not assign or otherwise transfer any of their rights or obligations hereunder without the prior written consent of each Lender, such consent not to be unreasonably withheld (and any attempted assignment or transfer by the Parent Guarantor or the Borrower in violation of this Section 12.04(a)(i) shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 12.04. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in Section 12.04(c)) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in Section 12.04(b)(ii), any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required if such assignment is to a Lender, an Affiliate of a Lender, or, if an Event of Default has occurred and is continuing, is to any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment to an assignee that is a Lender immediately prior to giving effect to such assignment.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender’s Commitment or Loans, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender’s rights and obligations under this Agreement;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500;

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(E) no assignment shall be made to (i) the Borrower or any of the Borrower's Subsidiaries or Affiliates, (ii) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (ii) or (iii) any natural Person.

(iii) Subject to Section 12.04(b)(iv) and the acceptance and recording thereof, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Section 5.01, Section 5.02, Section 5.03 and Section 12.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 12.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 12.04(c).

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Maximum Credit Amount of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Parent Guarantor, the Borrower, the Administrative Agent, the Issuing Bank and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice. In connection with any changes to the Register, if necessary, the Administrative Agent will reflect the revisions on Annex I and forward a copy of such revised Annex I to the Borrower, the Issuing Bank and each Lender.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in Section 12.04(b) and any written consent to such assignment required by Section 12.04(b), the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this Section 12.04(b).

(c) (i) Any Lender may, without the consent of the Parent Guarantor, the Borrower, the Administrative Agent or the Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Parent Guarantor, the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the proviso to Section 12.02 that affects such Participant. In addition such agreement must provide that the Participant be bound by the provisions of Section 12.03. Subject to Section 12.04(c)(ii), the Parent Guarantor and the Borrower agree that each Participant shall be entitled to the benefits of Section 5.01, Section 5.02 and Section 5.03 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.04(b). To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 12.08 as though it were a Lender, provided such Participant agrees to be subject to Section 4.01(c) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 5.01 or Section 5.03 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 5.03 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 5.03(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and Section 12.04(b) shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(e) Notwithstanding any other provisions of this Section 12.04, no transfer or assignment of the interests or obligations of any Lender or any grant of participations therein shall be permitted if such transfer, assignment or grant would require the Parent Guarantor, the Borrower or any of their Subsidiaries to file a registration statement with the SEC or to qualify the Loans under the "Blue Sky" laws of any state.

Section 12.05 Survival; Revival; Reinstatement.

(a) All covenants, agreements, representations and warranties made by the Parent Guarantor, the Borrower and the other Guarantors herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Section 5.01, Section 5.02, Section 5.03 and Section 12.03 and ARTICLE XI shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement, any other Loan Document or any provision hereof or thereof.

(b) To the extent that any payments on the Indebtedness or proceeds of any collateral are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver or other Person under any bankruptcy law, common law or equitable cause, then to such extent, the Indebtedness so satisfied shall be revived and continue as if such payment or proceeds had not been received and the Administrative Agent's and the Lenders' Liens, security interests, rights, powers and remedies under this Agreement and each Loan Document shall continue in full force and effect. In such event, each Loan Document shall be automatically reinstated and the Parent Guarantor and the Borrower shall take such action as may be reasonably requested by the Administrative Agent and the Lenders to effect such reinstatement.

Section 12.06 Counterparts; Integration; Effectiveness.

(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

(b) This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and thereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof and thereof. **THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES HERETO AND THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES**.

(c) Except as provided in Section 6.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy, facsimile or other electronic means shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 12.07 Severability. Any provision of this Agreement or any other Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof or thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 12.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations (of whatsoever kind, including, without limitations obligations under Swap Agreements) at any time owing by such Lender or Affiliate to or for the credit or the account of the Parent Guarantor, the Borrower or any of their Subsidiaries against any of and all the obligations of the Parent Guarantor, the Borrower or any of their Subsidiaries owed to such Lender now or hereafter existing under this Agreement or any other Loan Document, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations may be unmatured. The rights of each Lender under this Section 12.08 are in addition to other rights and remedies (including other rights of setoff) which such Lender or its Affiliates may have; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 10.02(c) and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent, the Issuing Bank and the Lenders, and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Indebtedness owing to such Defaulting Lender as to which it exercised such right of setoff. The rights of each Lender, the Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender, the Issuing Bank or their respective Affiliates may have. Each Lender and the Issuing Bank agrees to notify the Parent Guarantor, the Borrower and the Administrative Agent promptly after any such setoff and application; provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 12.09 GOVERNING LAW; JURISDICTION; CONSENT TO SERVICE OF PROCESS.

(a) THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS EXCEPT TO THE EXTENT THAT UNITED STATES FEDERAL LAW PERMITS ANY LENDER TO CONTRACT FOR, CHARGE, RECEIVE, RESERVE OR TAKE INTEREST AT THE RATE ALLOWED BY THE LAWS OF THE STATE WHERE SUCH LENDER IS LOCATED. CHAPTER 346 OF THE TEXAS FINANCE CODE (WHICH REGULATES CERTAIN REVOLVING CREDIT LOAN ACCOUNTS AND REVOLVING TRI-PARTY ACCOUNTS) SHALL NOT APPLY TO THIS AGREEMENT OR THE NOTES.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THE LOAN DOCUMENTS SHALL BE BROUGHT IN THE COURTS OF THE STATE OF TEXAS OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF TEXAS, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HEREBY ACCEPTS FOR ITSELF AND (TO THE EXTENT PERMITTED BY LAW) IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS.

(c) EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT THE ADDRESS SPECIFIED IN SECTION 12.01 OR SUCH OTHER ADDRESS AS IS SPECIFIED PURSUANT TO SECTION 12.01 (OR ITS ASSIGNMENT AND ASSUMPTION), SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF A PARTY OR ANY HOLDER OF A NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANOTHER PARTY IN ANY OTHER JURISDICTION.

(d) EACH PARTY HEREBY (i) IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN; (ii) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (iii) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OF COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (iv) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 12.09.

Section 12.10 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 12.11 Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement or any other Loan Document, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section 12.11, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any Swap Agreement relating to the Borrower and its obligations, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 12.11 or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis from a source other than the Parent Guarantor, the Borrower or any of their Subsidiaries. For the purposes of this Section 12.11, "Information" means all information received from the Parent Guarantor, the Borrower or any of their Subsidiaries relating to the Parent Guarantor's, the Borrower's or any of their Subsidiaries' businesses, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Parent Guarantor, the Borrower or any of their Subsidiaries; provided that, in the case of information received from the Parent Guarantor, the Borrower or any of their Subsidiaries after the date hereof, such information is hereby deemed at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 12.11 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 12.12 Interest Rate Limitation. It is the intention of the parties hereto that each Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in any of the Loan Documents or any agreement entered into in connection with or as security for the Notes, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to any Lender that is contracted for, taken, reserved, charged or received by such Lender under any of the Loan Documents or agreements or otherwise in connection with the Notes shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by such Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and (ii) in the event that the maturity of the Notes is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this

Agreement or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to any Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by such Lender to the Borrower). All sums paid or agreed to be paid to any Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to such Lender, be amortized, prorated, allocated and spread throughout the stated term of the Loans evidenced by the Notes until payment in full so that the rate or amount of interest on account of any Loans hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to any Lender on any date shall be computed at the Highest Lawful Rate applicable to such Lender pursuant to this Section 12.12 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to such Lender would be less than the amount of interest payable to such Lender computed at the Highest Lawful Rate applicable to such Lender, then the amount of interest payable to such Lender in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to such Lender until the total amount of interest payable to such Lender shall equal the total amount of interest which would have been payable to such Lender if the total amount of interest had been computed without giving effect to this Section 12.12. To the extent that Chapter 303 of the Texas Finance Code is relevant for the purpose of determining the Highest Lawful Rate applicable to a Lender, such Lender elects to determine the applicable rate ceiling under such Chapter by the weekly ceiling from time to time in effect. Chapter 346 of the Texas Finance Code does not apply to the Borrower’s obligations hereunder.

Section 12.13 EXCULPATION PROVISIONS. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS OF THIS AGREEMENT; THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; AND HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS; AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “CONSPICUOUS.”

Section 12.14 Collateral Matters; Swap Agreements. The benefit of the Security Instruments and of the provisions of this Agreement relating to any collateral securing the Indebtedness shall also extend to and be available to Secured Swap Parties on a pro rata basis (but subject to the terms of the Loan Documents, including provisions thereof relating to the application and priority of payments to the Persons entitled thereto) in respect of any Secured Swap Obligations. Except as expressly set forth in Section 12.02(b), no Secured Swap Party shall have any voting rights under any Loan Document as a result of the existence of any Secured Swap Obligations owed to it.

Section 12.15 No Third Party Beneficiaries. This Agreement, the other Loan Documents, and the agreement of the Lenders to make Loans and the Issuing Bank to issue, amend, renew or extend Letters of Credit hereunder are solely for the benefit of the Borrower, and no other Person (including, without limitation, the Parent Guarantor, any Subsidiary of the Borrower, any obligor, contractor, subcontractor, supplier or materialsman) shall have any rights, claims, remedies or privileges hereunder or under any other Loan Document against the Administrative Agent, the Issuing Bank or any Lender for any reason whatsoever. There are no third party beneficiaries.

Section 12.16 USA Patriot Act Notice. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

Section 12.17 Flood Insurance Provisions. Notwithstanding any provision in this Agreement or any other Loan Document to the contrary, in no event is any Building (as defined in the applicable Flood Insurance Regulation) or Manufactured (Mobile) Home (as defined in the applicable Flood Insurance Regulation) included in the definition of "Mortgaged Property" and no Building or Manufactured (Mobile) Home is hereby encumbered by this Agreement or any other Loan Document. As used herein, "Flood Insurance Regulations" means (a) the National Flood Insurance Act of 1968 as now or hereafter in effect or any successor statute thereto, (b) the Flood Disaster Protection Act of 1973 as now or hereafter in effect or any successor statue thereto, (c) the National Flood Insurance Reform Act of 1994 (amending 42 USC 4001, et seq.), as the same may be amended or recodified from time to time and (d) the Flood Insurance Reform Act of 2004 and any regulations promulgated thereunder.

[SIGNATURES BEGIN NEXT PAGE]

The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

BORROWER: WINDSOR PERMIAN LLC

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

PARENT GUARANTOR: DIAMONDBACK ENERGY LLC

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Lender

By: /s/ Patrick J. Fults
Name: Patrick J. Fults
Title: Vice President

AMEGY BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ JB Askew

Name: JB Askew

Title: Officer

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Tara McLean
Name: Tara McLean
Title: Vice President

WEST TEXAS NATIONAL BANK,
as a Lender

By: /s/ Chris L. Whigham
Name: Chris L. Whigham
Title: Senior Vice President

ANNEX I

LIST OF MAXIMUM CREDIT AMOUNTS

Name of Lender	Applicable Percentage	Maximum Credit Amount
Wells Fargo Bank, National Association	45.000000%	$ 112,500,000.00
Amegy Bank National Association	25.000000%	$ 62,500,000.00
U.S. Bank National Association	25.000000%	$ 62,500,000.00
West Texas National Bank	5.000000%	$ 12,500,000
Aggregate Maximum Credit Amount	100.000000%	$ 250,000,000.00

EXHIBIT A

FORM OF NOTE

$[ ] [ ], 201[ ]

FOR VALUE RECEIVED, WINDSOR PERMIAN LLC, a Delaware limited liability company, (the "Borrower"), hereby promises to pay to [ ] (the "Lender"), at the principal office of WELLS FARGO BANK, NATIONAL ASSOCIATION (the "Administrative Agent"), the principal sum of [ ] Dollars ($[ ]) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Loans made by the Lender to the Borrower under the Credit Agreement, as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Loan, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate, Interest Period and maturity of each Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, may be endorsed by the Lender on the schedules attached hereto or any continuation thereof or on any separate record maintained by the Lender. Failure to make any such notation or to attach a schedule shall not affect any Lender's or the Borrower's rights or obligations in respect of such Loans or affect the validity of such transfer by any Lender of this Note.

This Note is one of the Notes referred to in the Amended and Restated Credit Agreement dated as of July [ ], 2012 among the Parent Guarantor, the Borrower, the Administrative Agent, and the other agents and lenders signatory thereto (including the Lender), and evidences Loans made by the Lender thereunder (such Credit Agreement as the same may be amended, supplemented or restated from time to time, the "Credit Agreement"). Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

This Note is issued pursuant to, and is subject to the terms and conditions set forth in, the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the other Loan Documents. The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of Loans upon the terms and conditions specified therein and other provisions relevant to this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

Windsor Permian LLC

By: ______________________________
Name:
Title:

EXHIBIT B

FORM OF BORROWING REQUEST

[ ], 201[ ]

Windsor Permian LLC, a Delaware limited liability company, (the "Borrower"), pursuant to Section 2.03 of the Amended and Restated Credit Agreement dated as of July [ ], 2012 (together with all amendments, restatements, supplements or other modifications thereto, the "Credit Agreement") among Diamondback Energy LLC (the "Parent Guarantor"), the Borrower, Wells Fargo Bank, National Association, as Administrative Agent and the other agents and lenders (the "Lenders") which are or become parties thereto (unless otherwise defined herein, each capitalized term used herein is defined in the Credit Agreement), hereby requests a Borrowing as follows:

(i) Aggregate amount of the requested Borrowing is $[ ];

(ii) Date of such Borrowing is [ ], 201[ ];

(iii) Requested Borrowing is to be [an ABR Borrowing] [a Eurodollar Borrowing];

(iv) In the case of a Eurodollar Borrowing, the initial Interest Period applicable thereto is [ ];

(v) Amount of Borrowing Base in effect on the date hereof is $[ ];

(vi) Total Revolving Credit Exposures on the date hereof (i.e., outstanding principal amount of Loans and total LC Exposure) is $[ ]; and

(vii) Pro forma total Revolving Credit Exposures (giving effect to the requested Borrowing) is $[ ]; and

(viii) Location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.05 of the Credit Agreement, is as follows:

[ ]

[ ]

[ ]

[ ]

[ ]

The undersigned certifies that he/she is the [   ] of the Parent Guarantor and the [   ] of the Borrower, and that as such he/she is authorized to execute this certificate on behalf of the Parent Guarantor and the Borrower, as applicable. The undersigned further certifies, represents and warrants on behalf of the Parent Guarantor and the Borrower, as applicable, that the Borrower is entitled to receive the requested Borrowing under the terms and conditions of the Credit Agreement.

WINDSOR PERMIAN LLC

By: ____________________________
Name:
Title:

DIAMONDBACK ENERGY LLC

By: ____________________________
Name:
Title:

EXHIBIT B-2

EXHIBIT C

FORM OF INTEREST ELECTION REQUEST

[ ], 201[ ]

Windsor Permian LLC, a Delaware limited liability company, (the "Borrower"), pursuant to Section 2.04 of the Amended and Restated Credit Agreement dated as of July [ ], 2012 (together with all amendments, restatements, supplements or other modifications thereto, the "Credit Agreement") among Diamondback Energy LLC (the "Parent Guarantor"), the Borrower, Wells Fargo Bank, National Association, as Administrative Agent and the other agents and lenders (the "Lenders") which are or become parties thereto (unless otherwise defined herein, each capitalized term used herein is defined in the Credit Agreement), hereby makes an Interest Election Request as follows:

(i) The Borrowing to which this Interest Election Request applies, and if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information specified pursuant to (iii) and (iv) below shall be specified for each resulting Borrowing) is [ ];

(ii) The effective date of the election made pursuant to this Interest Election Request is [ ], 201[ ];[and]

(iii) The resulting Borrowing is to be [an ABR Borrowing] [a Eurodollar Borrowing][; and]

[(iv) [If the resulting Borrowing is a Eurodollar Borrowing] The Interest Period applicable to the resulting Borrowing after giving effect to such election is [ ]].

The undersigned certifies that he/she is the [ ] of the Parent Guarantor and the [ ] of the Borrower, and that as such he/she is authorized to execute this certificate on behalf of the Parent Guarantor and the Borrower, as applicable. The undersigned further certifies, represents and warrants on behalf of the Parent Guarantor and the Borrower, as applicable, that the Borrower is entitled to receive the requested continuation or conversion under the terms and conditions of the Credit Agreement.

WINDSOR PERMIAN LLC

By: ____________________________
Name:
Title:

DIAMONDBACK ENERGY LLC

By: ____________________________
Name:
Title:

EXHIBIT D

FORM OF
COMPLIANCE CERTIFICATE

[ ], 20[ ]

The undersigned hereby certifies that he/she is the [ ] of Diamondback Energy LLC, a Delaware limited liability company (the "Parent Guarantor") and the [ ] of Windsor Permian LLC, a Delaware limited liability company (the "Borrower"), and that as such he/she is authorized to execute this certificate on behalf of the Parent Guarantor and the Borrower. With reference to the Amended and Restated Credit Agreement dated as of July [ ], 2012 (together with all amendments, restatements, supplements or other modifications thereto being the "Agreement") among the Parent Guarantor, the Borrower, Wells Fargo Bank, National Association, as Administrative Agent, and the other agents and lenders (the "Lenders") which are or become a party thereto, the undersigned represents and warrants as follows (each capitalized term used herein having the same meaning given to it in the Agreement unless otherwise specified):

(a) The representations and warranties of the Parent Guarantor and the Borrower contained in Article VII of the Agreement and in the Loan Documents and otherwise made in writing by or on behalf of the Parent Guarantor and the Borrower pursuant to the Agreement and the Loan Documents were true and correct when made, and are repeated at and as of the time of delivery hereof and are true and correct in all material respects at and as of the time of delivery hereof, except to the extent such representations and warranties are expressly limited to an earlier date or the Majority Lenders have expressly consented in writing to the contrary.

(b) The Parent Guarantor and the Borrower have performed and complied with all agreements and conditions contained in the Agreement and in the Loan Documents required to be performed or complied with by them prior to or at the time of delivery hereof [or specify default and describe].

(c) Since December 31, 2011, no change has occurred in the condition, financial or otherwise, of the Parent Guarantor, the Borrower or any Subsidiary which could reasonably be expected to have a Material Adverse Effect [or specify event].

(d) There exists no Default or Event of Default [or specify Default and describe].

(e) [Omit from the Compliance Certificate delivered on the Effective Date:] Attached hereto are the detailed computations necessary to determine whether the Parent Guarantor and the Borrower are in compliance with Section 9.01 as of the end of the [fiscal quarter][fiscal year] ending [ ].

EXECUTED AND DELIVERED as of the date first written above.

WINDSOR PERMIAN LLC

By: ______________________________
Name:
Title:

DIAMONDBACK ENERGY LLC

By: ______________________________
Name:
Title:

EXHIBIT D-2

EXHIBIT E

SECURITY INSTRUMENTS

1) Amended and Restated Deed of Trust, Assignment of As-Extracted Collateral, Security Agreement, Fixture Filing and Financing Statement dated as of July 24, 2012 from Windsor Permian LLC, as mortgagor, in favor of Betsy Jocher, as Trustee, for the benefit of the Administrative Agent, and Other Secured Persons (Texas).

2) Amended and Restated Guaranty and Collateral Agreement dated as of July 24, 2012, by the Parent Guarantor, the Borrower and its Subsidiaries in favor of the Administrative Agent.

3) Financing Statements in respect of item 2.

EXHIBIT F

FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "Assignor") and [*Insert name of Assignee*] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Amended and Restated Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit and guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1.	Assignor:	______________________
2.	Assignee:	______________________ [and is an Affiliate of [identify Lender][1]]
3.	Borrower:	Windsor Permian LLC
4.	Administrative Agent:	Wells Fargo Bank, National Association, as the administrative agent under the Credit Agreement
5.	Credit Agreement:	The Amended and Restated Credit Agreement dated as of July [ ], 2012 among Windsor Permian LLC, Diamondback Energy LLC, the Lenders parties thereto, Wells Fargo Bank, National Association, as Administrative Agent, and the other agents parties thereto

[1] Select as applicable.

6. Assigned Interest:

Commitment Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans[2]
	$	$	%
	$	$	%
	$	$	%

Effective Date: , 201 [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: ______________________________
Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: ______________________________
Title:

2 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

[Consented to and][3] Accepted:

Wells Fargo Bank, National Association, as
Administrative Agent

By ______________________________
Title:

[Consented to:][4]

Windsor Permian LLC

By ______________________________
Name:
Title:

[3] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
[4] To be added only if the Borrower is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 8.01 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Texas.

Exhibit 10.34

FIRST AMENDMENT

TO

AMENDED AND RESTATED

CREDIT AGREEMENT

DATED AS OF JULY 31, 2012

AMONG

DIAMONDBACK ENERGY LLC,
AS PARENT GUARANTOR

WINDSOR PERMIAN LLC,
AS BORROWER,

THE GUARANTORS,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
AS ADMINISTRATIVE AGENT,

AND

THE LENDERS PARTY HERETO

SOLE BOOK RUNNER AND SOLE LEAD ARRANGER

WELLS FARGO SECURITIES, LLC

FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "First Amendment") dated as of July 31, 2012, is among: Diamondback Energy LLC, a Delaware limited liability company, as the initial Parent Guarantor ("Diamondback"); WINDSOR PERMIAN LLC, a Delaware limited liability company (the "Borrower"); each of the undersigned guarantors (together with Diamondback, the "Guarantors"); each of the lenders party to the Credit Agreement referred to below (collectively, the "Lenders"); and WELLS FARGO BANK, National Association ("Wells"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

RECITALS

A. The Parent Guarantor, the Borrower, the Administrative Agent and the Lenders are parties to that certain Amended and Restated Credit Agreement dated as of July 24, 2012 (as amended, amended and restated, modified or supplemented, the "Credit Agreement"), pursuant to which the Lenders have made certain credit available to and on behalf of the Borrower.

B. The Borrower has requested and the Lenders have agreed to amend certain provisions of the Credit Agreement as set forth herein.

C. Now, therefore, to induce the Administrative Agent and all of Lenders to enter into this First Amendment and in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Credit Agreement, as amended by this First Amendment. Unless otherwise indicated, all section references in this First Amendment refer to sections of the Credit Agreement.

Section 2. Amendments to Credit Agreement.

2.1 Amendment to Preamble. The Preamble in the Credit Agreement is hereby amended and restated to read as follows:

> **"THIS AMENDED AND RESTATED CREDIT AGREEMENT** dated as of July 24, 2012 is among: Diamondback Energy LLC, a Delaware limited liability company, as the initial Parent Guarantor ("Diamondback"); Windsor Permian LLC, a Delaware limited liability company, as borrower (the "Borrower"); each of the Lenders from time to time party hereto; and Wells Fargo Bank, National Association (in its individual capacity, "Wells Fargo"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent")."

2.2 Amendments to Section 1.02. Section 1.02 is hereby amended by:

(a) Deleting the definition of "Agreement" in its entirety and replacing it with the following:

'"Agreement' means this Amended and Restated Credit Agreement, as amended by the First Amendment dated July 31, 2012, as the same may be amended or supplemented from time to time."

(b) Adding the following defined terms in the appropriate alphabetical order:

'"Holdings' means Diamondback Energy, Inc., a Delaware corporation.

'IPO' means an initial public offering of common stock by Holdings registered with the Securities Exchange Commission under the Securities Act of 1933, as amended.

'Gulfport' means Gulfport Energy Corporation, a Delaware corporation.

'Gulfport Note' means an unsecured promissory note issued by the Parent Guarantor to Gulfport as partial consideration for an asset purchase from Gulfport in connection with the IPO in a principal amount not to exceed $64,000,000.

'Parent Guarantor' means (a) during the period from and including the Effective Date until the time of the Parent Guarantor Merger, Diamondback, and (b) from and after the Parent Guarantor Merger, Holdings.

'Parent Guarantor Merger' means the merger of Diamondback with and into Holdings, with Holdings as the surviving entity."

2.3 Amendment to Section 9.02. Section 9.02 is hereby amended by inserting the following Section (j) and renumbering the remaining Section:

"(j) Debt of the Parent Guarantor under the Gulfport Note."

2.4 Amendments to Section 9.04(a).

(a) Section 9.04(a) is hereby amended and restated in its entirety to read as follows:

"(a) Restricted Payments. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, return any capital to its holders of Equity Interests or make any distribution of its Property to its Equity Interest holders without the prior approval of the Majority Lenders, except that (i) each of the Parent Guarantor and its Subsidiaries may declare and pay dividends or distributions with respect to its Equity Interests payable solely in additional Equity Interests (other than Disqualified Capital Stock), (ii) any Subsidiary of the Parent Guarantor may declare and pay dividends ratably with respect to its Equity Interests, (iii) the Parent Guarantor may make tax distributions to its members in accordance with the terms of its limited liability company agreement in an amount equal to the highest marginal tax rate applicable to aggregate federal and state income tax liability of such members, as calculated in accordance with the terms thereof if at the time of making such payment, no Event of Default or Borrowing Base Deficiency has occurred and is continuing, (iv) the Parent Guarantor and its Subsidiaries may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Parent Guarantor, the Borrower and their Subsidiaries, and (v) if (1) the Parent Guarantor issues common stock to Gulfport as partial consideration for an asset purchase from Gulfport in connection with the proposed IPO and (2) such assets are thereafter reconveyed to Gulfport, then the Parent Guarantor may repurchase such common stock from Gulfport using such assets as the sole consideration for such repurchase."

(b) Section 9.04 is hereby amended by inserting the following section (d) to read as follows:

"(d) Prepayment of Gulfport Note. The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, prior to the date that is 91 days after the Maturity Date: (i) make any optional or voluntary prepayment of or otherwise optionally or voluntarily Redeem whether in whole or in part the Gulfport Note in cash, in each case other than (A) Redemptions made from the proceeds of the IPO or (B) Redemptions made in connection with the reconveyance to Gulfport of the assets acquired from Gulfport in contemplation of the proposed IPO, or (ii) amend, modify, waive or otherwise change any of the terms of the Gulfport Note or any indenture, agreement, instrument, certificate or other document relating to the Gulfport Note if (A) the effect thereof would be to shorten its maturity or average life or increase the amount of any payment of principal thereof or increase the rate or shorten any period for payment of interest thereon, (B) such action adds covenants, events of default or other agreements to the extent more restrictive, taken as a whole, than those contained in this Agreement, as determined by the board of directors of the Parent Guarantor in its reasonable and good faith judgment or (C) such action adds collateral to secure the Gulfport Note."

2.5 Amendment to Section 9.11. Section 9.11 is hereby amended by adding the following phrase at the end thereof:

"Notwithstanding the foregoing, other than the Parent Guarantor Merger, the Parent Guarantor will not merge into or with or consolidate with any other Person, or sell, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its Property to any other Person while the Gulfport Note is outstanding. Upon the consummation of the Parent Guarantor Merger, Holdings will succeed to, and be substituted for, Diamondback as the Parent Guarantor under this Agreement and all other Loan Documents. The Lenders hereby authorize the Administrative Agent to, and the Administrative Agent hereby agrees (at the sole cost of the Borrower) to, execute any and all further documents and instruments and take all such further actions to effect the foregoing."

2.6 Amendment to Section 9.12. Section 9.12 is hereby amended and restated in its entirety to read as follows:

"The Parent Guarantor and the Borrower will not, and will not permit any of their Subsidiaries to, sell, assign, farm-out, convey or otherwise transfer or dispose of any Property except for (a) the sale or other disposition of Hydrocarbons in the ordinary course of business; (b) as long as no Default exists, farmouts of undeveloped acreage and assignments in connection with such farmouts (provided that if such farmout is of Oil and Gas Property included in the most recent Borrowing Base, such disposition is included in the 5% basket below); (c) the sale or other disposition of equipment that is no longer necessary for the business of the Parent Guarantor, the Borrower or such Subsidiary or is replaced by equipment of at least comparable value and use; (d) the sale or other disposition (including Casualty Events) of any Oil and Gas Property or any interest therein or any Subsidiary owning Oil and Gas Properties; provided that (i) 100% of the consideration received in respect of such sale or other disposition shall be cash, (ii) the consideration received in respect of such sale or other disposition shall be equal to or greater than the fair market value of the Oil and Gas Property, interest therein or Subsidiary subject of such sale or other disposition (as reasonably determined by the Parent Guarantor or the Borrower and, if requested by the Administrative Agent, the Parent Guarantor or the Borrower shall deliver a certificate of a Responsible Officer of the Parent Guarantor or the Borrower certifying to that effect), (iii) if such sale or other disposition of Oil and Gas Property or a Subsidiary owning Oil and Gas Properties (including farmouts of proved reserves under (b)) included in the most recently delivered Reserve Report during any period between two successive Scheduled Redetermination Dates has a fair market value in excess of five percent (5%) of the Borrowing Base as then in effect (as determined by the Administrative Agent), individually or in the aggregate, the Borrowing Base shall be reduced, effective immediately upon such sale or other disposition, by an amount equal to the value, if any, assigned such Property in the most recently delivered Reserve Report and (iv) if any such sale or other disposition is of a Subsidiary owning Oil and Gas Properties, such sale or other disposition shall include all the Equity Interests of such Subsidiary; (e) dispositions of Property to the Parent Guarantor or any Subsidiary of the Parent Guarantor if when such disposition is made (i) it is subject to Section 9.11 and (ii) other than the Parent Guarantor Merger, if the Gulfport Note has been issued, it has been paid in full or otherwise extinguished; (f) if the Parent Guarantor or any of its Subsidiaries acquires assets from Gulfport in connection with the proposed IPO, and such IPO is not consummated, the reconveyance of such assets to Gulfport pursuant to Section 9.04(a)(v), and (g) sales and other dispositions of Properties not regulated by Section 9.12(a) to (f) having a fair market value not to exceed $500,000 during any 12-month period.

2.7 Amendment to Section 10.01(g). Section 10.01(g) is hereby amended by replacing the word "and" between clauses (i) and (ii) thereof with a comma, and replacing the period at the end of such Section with the following:

> ", and (iii) with respect to the Gulfport Note, if, at the time of the payment or Redemption thereof, an optional Redemption thereof could have been made pursuant to Section 9.04(d)."

Section 3. Conditions Precedent. This First Amendment shall become effective on the date (such date, the "First Amendment Effective Date"), when each of the following conditions is satisfied (or waived in accordance with Section 12.02):

3.1 The Administrative Agent shall have received from the Majority Lenders, the Parent Guarantor and the Borrower, counterparts (in such number as may be requested by the Administrative Agent) of this First Amendment signed on behalf of such Person.

3.2 The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the date hereof, including, to the extent invoiced, reimbursement or payment of all documented out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement.

3.3 No Default shall have occurred and be continuing as of the date hereof, after giving effect to the terms of this First Amendment.

The Administrative Agent is hereby authorized and directed to declare this First Amendment to be effective when it has received documents confirming or certifying, to the satisfaction of the Administrative Agent, compliance with the conditions set forth in this Section 3 or the waiver of such conditions as permitted in Section 12.02. Such declaration shall be final, conclusive and binding upon all parties to the Credit Agreement for all purposes.

Section 4. Miscellaneous.

4.1 Confirmation. The provisions of the Credit Agreement, as amended by this First Amendment, shall remain in full force and effect following the effectiveness of this First Amendment.

4.2 Ratification and Affirmation; Representations and Warranties. Each of the Parent Guarantor and the Borrower hereby (a) ratifies and affirms its obligations under, and acknowledges its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect as expressly amended hereby and (b) represents and warrants to the Lenders that as of the date hereof, after giving effect to the terms of this First Amendment:

(i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct, except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct as of such specified earlier date,

(ii) no Default or Event of Default has occurred and is continuing, and

(iii) no event or events have occurred which individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

4.3 Counterparts. This First Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of this First Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

4.4 **NO ORAL AGREEMENT. THIS FIRST AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HEREWITH AND THEREWITH REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT UNWRITTEN ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

4.5 GOVERNING LAW. THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

4.6 Payment of Expenses. In accordance with Section 12.03, the Borrower agrees to pay or reimburse the Administrative Agent for all of its reasonable out-of- pocket costs and reasonable expenses incurred in connection with this First Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

4.7 Severability. Any provision of this First Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

4.8 Successors and Assigns. This First Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

4.9 Loan Document. This First Amendment is a Loan Document.

[SIGNATURES BEGIN NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed as of the date first written above.

WINDSOR PERMIAN LLC,
as Borrower

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

DIAMONDBACK ENERGY LLC,
as the initial Parent Guarantor

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

DIAMONDBACK E&P LLC,
as a Guarantor

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

DIAMONDBACK ENERGY, INC.,
as a Guarantor

By: /s/ Teresa L. Dick
Name: Teresa L. Dick
Title: Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and a Lender

By:	/s/ Betsy Jocher
Name:	Betsy Jocher
Title:	Director

SIGNATURE PAGE
FIRST AMENDMENT TO CREDIT AGREEMENT

AMEGY BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ JB Askew
Name: JB Askew
Title: Officer

SIGNATURE PAGE
FIRST AMENDMENT TO CREDIT AGREEMENT

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Bruce E. Hernandez
Name: Bruce E. Hernandez
Title: Vice President

SIGNATURE PAGE
FIRST AMENDMENT TO CREDIT AGREEMENT

WEST TEXAS NATIONAL BANK,
as a Lender

By: /s/ Chris L. Whigham
Name: Chris L. Whigham
Title: Senior Vice President

SIGNATURE PAGE
FIRST AMENDMENT TO CREDIT AGREEMENT

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued (i) our report dated March 23, 2012, with respect to the consolidated financial statements of Windsor Permian LLC, (ii) our report dated May 1, 2012, with respect to the financial statements of Windsor UT LLC, and (iii) our report dated April 24, 2012, with respect to the statements of revenues and direct operating expenses of working and revenue interests of certain oil and gas properties owned by Gulfport Energy Corporation, contained in the Registration Statement and Prospectus of Diamondback Energy, Inc. We consent to the use of the aforementioned reports in the Registration Statement and Prospectus, and to the use of our name as it appears under the caption “Experts”.

/s/ GRANT THORNTON LLP
Oklahoma City, Oklahoma
August 17, 2012

Exhibit 23.2

CONSENT OF PINNACLE ENERGY SERVICES, LLC

We have issued our report letters dated January 25, 2011 and January 6, 2010 for the years ended December 31, 2010 and 2009, respectively, on estimates of proved reserves and future net cash flows of certain oil and natural gas properties located in the Permian Basin of West Texas of Windsor Permian LLC, successor in interest to Windsor Energy Group, LLC. As independent oil and gas consultants, we hereby consent to the use and inclusion of information from the aforementioned report letters in this Amendment to the Registration Statement on Form S-1/A. We hereby also consent to the references to our firm and to the use of our name, as it appears under the caption "Experts," in this Amendment to the Registration Statement on Form S-1/A.

PINNACLE ENERGY SERVICES, LLC

By: /s/ John Paul Dick
Name: John Paul Dick
Title: Manager, Registered Petroleum Engineer

August 17, 2012
Oklahoma City, Oklahoma

Exhibit 23.3

CONSENT OF RYDER SCOTT COMPANY, L.P.

We hereby consent to the references to our firm in this Amendment to the Registration Statement on Form S-1/A for Diamondback Energy, Inc. and to the use of information from, and the inclusion of, in this Amendment our reports dated May 31, 2012, May 31, 2012 and May 29, 2012 with respect to the estimates of reserves, future production and income attributable to certain leasehold interests of Windsor Permian LLC, Windsor UT, LLC and Gulfport Energy Corporation, respectively, in properties located in the Permian Basin in West Texas, in each case as of December 31, 2011. We further consent to the reference to our firm under the heading "Experts" in this Amendment and related prospectus.

/s/ RYDER SCOTT COMPANY, L.P.
RYDER SCOTT COMPANY, L.P.
TBPE Firm Registration No. F-1580

August 17, 2012
Houston, Texas

Exhibit 99.4

CONSENT OF PAUL JACOBI

Pursuant to Rule 438 of Regulation C promulgated under the Securities Act of 1933, as amended, in connection with Amendment No. 4 to the Registration Statement on Form S-1 (as amended, the "***Registration Statement***") of Diamondback Energy, Inc. (the "***Company***"), the undersigned hereby consents to being named and described in the Registration Statement and in any and all amendments or supplements thereto to be filed with the U.S. Securities and Exchange Commission as a person about to become a director of the Company and to the filing or attachment of this Consent with such Registration Statement and any amendment or supplement thereto.

IN WITNESS WHEREOF, the undersigned has executed this Consent as of the 17th day of August, 2012.

/s/ Paul Jacobi

Paul Jacobi