

RULE 11 AGREEMENT

Titan Operating, LLC ("Titan") and the Town of Flower Mound (the "Town") by and through their undersigned counsel, enter into this Rule 11 Agreement (the "Agreement") effective on September 1, 2010 (the "Effective Date"), as follows:

WHEREAS, Titan filed an application (the "Application") with the Town for a pad site permit authorizing the drilling of the Hilliard #1H gas well and the Hilliard #2H gas well (the "Permit");

WHEREAS, the Town determined that the Application met all applicable Town ordinances and requirements, including, but not limited to, Chapter 34, Article VII of the Town's Code of Ordinances, and on August 26, 2010, the Town issued the Permit;

WHEREAS, Titan is prepared to begin work under the Permit;

WHEREAS, the Town has requested that Titan revise the primary and emergency access routes to the Project;

WHEREAS, the change in access requested by the Town will require, among other things, for the Town and Titan to apply for and receive approval of one or more permits (whether one or more, the "TxDOT Permit") from the Texas Department of Transportation ("TxDOT") approving the design and authorizing the construction of the following improvements (collectively, the "TxDOT Improvements"): (i) a fourth leg to the signal light at the FM 2499 intersection with Aberdeen Drive (the "Intersection") to allow a primary access road to be constructed from the Intersection to the drilling pad site authorized by the Permit (the "Alternative Primary Access Road"), as generally shown on Exhibit A attached hereto; and (ii) all Intersection improvements and other improvements associated with the Alternative Primary Access Road that fall under TxDOT's jurisdiction, including, but not limited to, a curb cut at the Intersection leading to the Alternative Primary Access Road;

WHEREAS, Titan is willing to change the access routes as requested by the Town, subject to the terms and conditions set forth in this Agreement; and

WHEREAS, the parties to this Agreement (the "Parties") recognize that the timing of TxDOT's approval of engineering and construction plans for the TxDOT Improvements (the "TxDOT Plans") is uncertain and could take several months;

WHEREAS, the change in access may delay Titan's completion of work authorized by the Permit;

WHEREAS, Section 34-420(g) of the Town's Code of Ordinances ("Section 34-420(g)") allows the Town's Oil and Gas Inspector (the "Inspector") to approve a 60-day extension of the Permit (each an "Extension"), including sequential 60-day extensions; and

WHEREAS, the Parties contemplate that the Inspector may be required to approve several Extensions to allow adequate time for TxDOT to complete its review of the plans for the TxDOT Improvements.

NOW THEREFORE, for and in consideration of the mutual covenants of the Parties set forth in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are acknowledged and agreed by the Parties, the Parties agree as follows:

1. The Inspector shall issue an Extension of the Permit (the “Initial Extension”) and deliver the Initial Extension to Titan concurrently with the execution of this Agreement to allow adequate time for the Parties to perform their respective obligations under this Agreement and to allow TxDOT adequate time to review and approve the TxDOT plans and TxDOT Permit. This Agreement is deemed to be Titan’s request for the Initial Extension as required by Section 34-420(g). The Town acknowledges that, after the Initial Extension is granted, the Initial Extension is irrevocable and the Permit will terminate, if and only if, drilling of at least one of the gas wells authorized by the Permit is not commenced during the first 60-day period following the issuance of the Permit or during any period covered by an Extension of the Permit. Titan’s receipt of the Initial Extension in writing signed by the Town’s Oil and Gas Inspector within five (5) business days after the execution of this Agreement by the Parties is a condition precedent to Titan’s performance of any obligations in this Agreement.

2. Within thirty (30) calendar days after the date the Inspector grants the Initial Extension (or such extended time as the Parties may agree), Titan agrees to submit three sets of the TxDOT Plans to the Town Engineer or her designee (collectively, “Town Engineer”). Titan shall cooperate in good faith with the Town Engineer to address the Town’s comments regarding the TxDOT Plans. The Parties shall mutually agree to the final TxDOT Plans submitted to TxDOT. The Town shall be responsible for submitting the TxDOT Plans and an application for the TxDOT Permit to TxDOT.

3. Nothing herein shall in any way limit Titan’s right to make any improvements or alterations or take any actions authorized by the Permit, including, but not limited to, drilling of the gas wells authorized by the Permit and construction of the primary and emergency access roads authorized by the Permit. The Town interprets the access requirements of the Permit to require emergency access to be in place prior to commencement of drilling, but such access is not required during preparation of the pad site or other site work authorized by the Permit that occurs prior to drilling.

4. The Inspector shall issue a second Extension (the “Second Extension”) at least 60 calendar days prior to the expiration of the Initial Extension if TxDOT has not approved the TxDOT Permit by such time. After the Inspector grants the Second Extension, the Inspector shall issue an additional Extension every 60 calendar days until such time as TxDOT either denies or approves the TxDOT Permit or until the first anniversary of the issuance of the Permit, whichever occurs first, and each such Extension shall be granted at least 60 calendar days prior to the then current termination date of the Permit, taking into consideration the terms of Section 34-420(g) and all prior Extensions. Each Extension shall be in writing signed

by the Inspector, who shall deliver the Extension to Titan in care of Christopher Hammack at both the email and mailing addresses provided on the application for the Permit. This Agreement shall be deemed to be Titan's Request for the Initial Extension, as well as the Second Extension and all other Extensions required by this Section 4, in accordance with Section 34-420(g). The Town acknowledges that the Second Extension and all other Extensions are irrevocable and that the Permit will terminate, if and only if, drilling of at least one of the gas wells authorized by the Permit is not commenced during the first 60-day period following the issuance of the Permit or during any period covered by an Extension of the Permit. The Town's timely compliance with this Section 4 is a condition precedent to Titan's performance of any obligations remaining under this Agreement at the time an additional Extension is required hereunder. For purposes of compliance with Section 34-420(g), the Parties agree that the regulatory standards of the Permit are the provisions of Chapter 34, Article VII of the Town's Code of Ordinances in effect on the date the original application for the Permit was filed with the Town for review, and as a result, the Inspector is authorized by Section 34-420(g) to grant all of the Extensions contemplated by this Agreement.

5. If TxDOT denies the TxDOT Permit or fails to approve the TxDOT Permit within one year after the Effective Date, Titan's obligations under this Agreement shall automatically terminate and be of no further force or effect on the date of TxDOT's denial of the TxDOT Permit or the one year anniversary of this Agreement, as applicable.

6. If TxDOT issues the TxDOT Permit within one year after the Effective Date, Titan agrees to submit an application to the Inspector (the "Amended Application") for the approval of an amendment to the Permit (the "Amended Permit") no later than ten (10) business days after Titan's receipt of the TxDOT Permit. The Amended Application shall include a letter from Titan requesting approval of an amended pad site permit for the Hilliard #1H gas well and the Hilliard #2H gas well for the purpose of substituting the location of the original primary and emergency access roads authorized by the Permit for the new primary and emergency access roads shown on Exhibit A. The Amended Application shall also include a copy of Exhibit A, as well as the information required by Section 34-423(b)(1) through Section 34-423(b)(3) of the Town's Code of Ordinances. The Town agrees that the nature of the access changes contemplated by this Agreement does not necessitate the delivery of any additional information described by Section 34-423(b)(4) and Section 34-423(b)(5) of the Town's Code of Ordinances with the Amended Application. The Town further agrees that, for purposes of Section 34-423 of the Town's Code of Ordinances, the access changes that are the subject of the Amended Permit are not materially different from the access authorized by the original Permit. The Amended Permit shall not limit Titan's rights under the Permit in any way other than to (a) cause primary access under the original Permit to be changed to emergency access; and (b) cause the emergency access under the original Permit to be abandoned and substituted with the Alternative Primary Access Road upon completion of construction of the Alternative Primary Access Road, which will serve from that point forward as Titan's primary access road to the Project.

7. If (a) the Amended Application is in compliance with the TxDOT Permit and the requirements of Section 6, and (b) the Inspector fails to approve the Amended Application within 30 calendar days after Titan delivers the Amended Application to the Inspector, Titan's

obligations under this Agreement shall automatically terminate and be of no further force or effect.

8. If the Inspector approves the Amended Application within 30 calendar days after Titan delivers the Amended Application to the Inspector, Titan shall be required to (a) construct the TxDOT Improvements as authorized by the Amended Permit and the TxDOT Permit; (b) construct the Alternative Primary Access Road as authorized by the Amended Permit; and (c) provide primary and emergency access as shown on **Exhibit A**. The Town acknowledges that the Amended Permit will terminate, if and only if, drilling of at least one of the gas wells authorized by the Amended Permit is not commenced within 60 calendar days after the issuance of the Amended Permit. Titan shall be responsible for the acquisition of any necessary easements or other authorizations relative to the emergency access road shown on **Exhibit A**, which is located on private land.

9. Titan agrees to abandon any use of Aberdeen Drive as initially reflected in the Permit upon: (a) TxDOT's issuance of the TxDOT Permit within one year after the Effective Date; (b) the Inspector's timely issuance of the Amended Permit, as further described in this Agreement; and (c) completion of the construction of the Alternative Primary Access Road.

10. In the event the Town initiates construction of Aberdeen Drive from FM 2499 to Spinks Road, as reflected in the Town's Roadway Master Plan, Titan agrees to accommodate such Town construction to the extent reasonably necessary. To the extent Town construction interferes with Titan's use of the Alternative Primary Access Road, Titan may use the emergency access road identified on **Exhibit A** as its primary access until the Town's construction of Aberdeen Drive is completed, and during the interim while the Town's construction is ongoing Titan shall not be required to provide a second point of access.

11. If TxDOT requires material changes to the TxDOT Plans approved by the Parties, Titan may deliver written notice to the Inspector of Titan's intent to terminate this Agreement, and upon such delivery to the Inspector, Titan's obligations under this Agreement shall automatically terminate and be of no further force or effect.

12. Nothing in this Agreement shall be construed to be a waiver of any of Titan's rights authorized by the Permit, any Extension, the Town's Code of Ordinances, or any other local, state, or federal law, with the exception of Titan's obligation to abandon any use of Aberdeen Drive authorized by the Permit following satisfaction of the conditions in Section 9 of this Agreement and to cause the primary access road authorized by the Permit to be changed to emergency access following satisfaction of the conditions in Sections 6 and 8 of this Agreement, and subject to obtaining timely approval of the Amended Permit. Without limiting the foregoing, nothing in this Agreement shall limit any of Titan's rights under Section 34-420(g) or the Town's rights to grant additional extensions of the Permit. By the issuance of the Amended Permit, the Town and the Inspector agree that the changes authorized by the Amended Permit do not constitute material changes to the Permit, and such changes to the Permit shall have no effect on any vested rights that accrued when Titan filed the application for the Permit with the Inspector.

13. All references in this Agreement to the Town's Code of Ordinances are to the Town's Code of Ordinances in effect on May 27, 2010.

14. No breach of this Agreement shall in any way affect or impair the validity of the Permit or Titan's rights under the Permit, any Extension, or any local, state, or federal law.

15. The Town's answer date for a response to Titan's Verified Petition and Request for Writ of Certiorari in *Titan Operating, LLC v. the Town of Flower Mound and the Flower Mound Oil and Gas Board of Appeals* (Cause No. 2010-60171-393, pending in the District Court of the 393rd Judicial District, Denton County, Texas) is currently extended up to 20 days after Titan notifies the Town Attorney in writing that drilling of any gas well authorized by the Permit has commenced, unless otherwise agreed upon by the Parties, subject to any limitation imposed on such extensions by the Court.

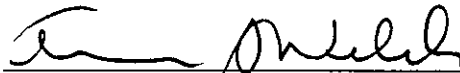
16. This Agreement may be modified by written agreement signed by both of the Parties.

FOR TITAN OPERATING, LLC:



R. Matthew Molash, Attorney for Plaintiff Titan Operating, LLC

**FOR THE TOWN OF FLOWER MOUND
AND THE FLOWER MOUND OIL AND
GAS BOARD OF APPEALS:**



Terrence S. Welch, Attorney for Defendants Town of Flower Mound and the Flower Mound Oil and Gas Board of Appeals

Exhibit A

ABSTRACT #1341

TEMPLE BAPTIST CHURCH
VOL. 4929, PG. 515

BLUEBONNET
PARK

RAYMOND
BERRY
VOLUME 679
PAGE 1

CATHERINE
BOYCHUK
CCF NO.
96-R0085442

GEORGE
STANEIL
CCF NO.
93-R0077998

TEMPLE BAPTIST CHURCH
VOLUME 4929
PAGE 151

MICHAEL M.
SHEPHERD
VOLUME 4725
PAGE 1899

WANDA J.
KERKPATRICK
VOLUME 929
PAGE 438

MICHAEL MACCARRON
2007-28195

RONALD A. CAIN
VOL. 659, PG. 727

RONNIE F.
HILLIARD
VOLUME 864
PAGE 216
FIRST TRACT

RONNIE F.
HILLIARD
VOLUME 864
PAGE 216
SECOND TRACT

RONNIE FRANKLIN HILLIARD
VOL. 864, PG. 216
THIRD TRACT
94.13 ACRES

20' EMERGENCY
ACCESS DRIVE

AGRICULTURAL
ZONING

ENTRANCE GATE

LEWISVILLE ISD.
MIDDLE SCHOOL #14 ADDITION
CAB. V. PG. 817-821

20' PRIMARY
ACCESS DRIVE

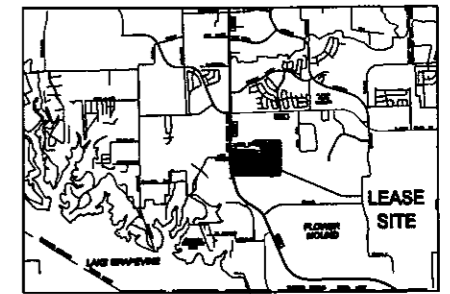
TURNAROUND

MUD SHAKER

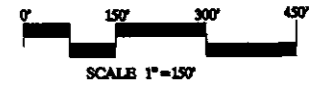
ENTRANCE SIGN
(SEE DETAIL)

LEWISVILLE ISD.
MIDDLE SCHOOL #14 ADDITION
CAB. V. PG. 817-821

SHADOW RIDGE MIDDLE SCHOOL
LEWISVILLE ISD.
CAB. V. PG. 817-821



VICINITY MAP

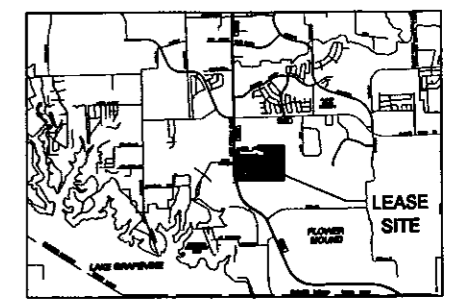
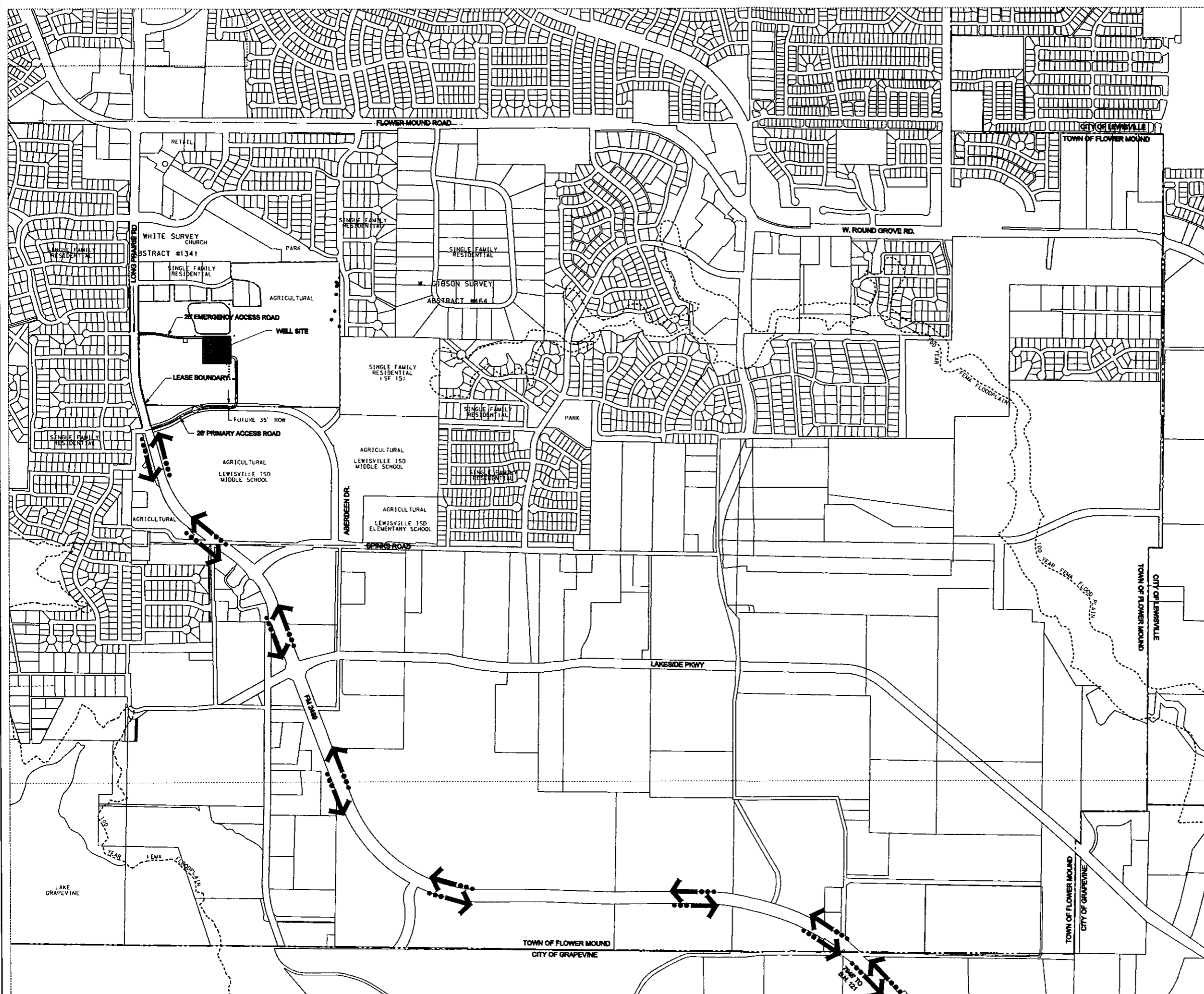


EXHIBIT

A

ACCESS ROADS TITAN OPERATING HILLIARD PAD SITE

08/26/10



- LEGEND**
- WELL SITE LOCATION
 - SITE ACCESS / ROUTING
 - APPROX. FEMA 100-YR FLOODPLAIN

**TRANSPORTATION ROUTE
TITAN OPERATING
HILLIARD PAD SITE**